

TOWN OF WINDHAM, MAINE

Annual Financial Report

For the year ended June 30, 2010

TOWN OF WINDHAM, MAINE
Annual Financial Report
Year ended June 30, 2010

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Independent Auditor's Report

Town Council
Town of Windham, Maine

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Windham, Maine as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Windham, Maine as of and for the year ended June 30, 2010, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2010 on our consideration of the Town of Windham, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Modified Approach for Infrastructure Assets and Schedule of Funding Progress as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Windham, Maine's financial statements as a whole. The combining and individual fund financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements. They are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



December 6, 2010
South Portland, Maine

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis
June 30, 2010

As management of the Town of Windham, Maine we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented in conjunction with the basic financial statements and the accompanying notes to those financial statements.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Town of Windham, Maine using the integrated approach prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-wide Financial Statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred with regard to interfund activity, payables, and receivables as prescribed by the statement.

The Fund Financial Statements include statements for each of the two categories of activities within the Town – governmental and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach.

We are pleased to report that the Town has received an unqualified opinion from its auditors. This means that the Town of Windham's financial statements are fairly presented in all material respects. Furthermore, there were no reported material weaknesses over internal controls.

REPORTING THE TOWN AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and its activities. The statements include all assets and liabilities of the Town using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Under accrual accounting, revenues are recognized when earned and expenses are recorded when incurred, irrespective of the timing of the receipt and disbursement of cash.

The Statement of Net Assets reports the Town's net assets. Net assets are the difference between assets and liabilities, one way to measure the Town's financial health or financial position. Viewed another way, it is what's left over after assets are used to satisfy liabilities. Over time, increases and decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the Town's property tax base and the condition of the Town's infrastructure.

The Statement of Activities illustrates what it costs to provide public services such as administrative services, public works, police, fire and rescue, recreation and libraries, planning and code enforcement, assessing, town clerk, social services, education, debt and capital expenses. It also identifies the resources necessary to finance those services such as property taxes, other taxes and user fees, license and permit fees, intergovernmental revenue, investments and other miscellaneous revenues.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2010

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by law and by bond covenants. However, other funds are established to help control and manage funds for particular purposes, or to demonstrate that the Town is in compliance with legal requirements regarding the use of certain taxes, grants, or other monies. The Town's basic activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances that remain at year-end. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a short-term view (approximately one year) of the Town's most readily available assets and current liabilities, along with the resources that flow in and out during the year or shortly thereafter. These statements help to assess the Town's ability to meet its financial obligations over the next twelve months. The difference between the governmental funds financial statement and the government-wide financial statement of activities is reconciled in Statement #5.

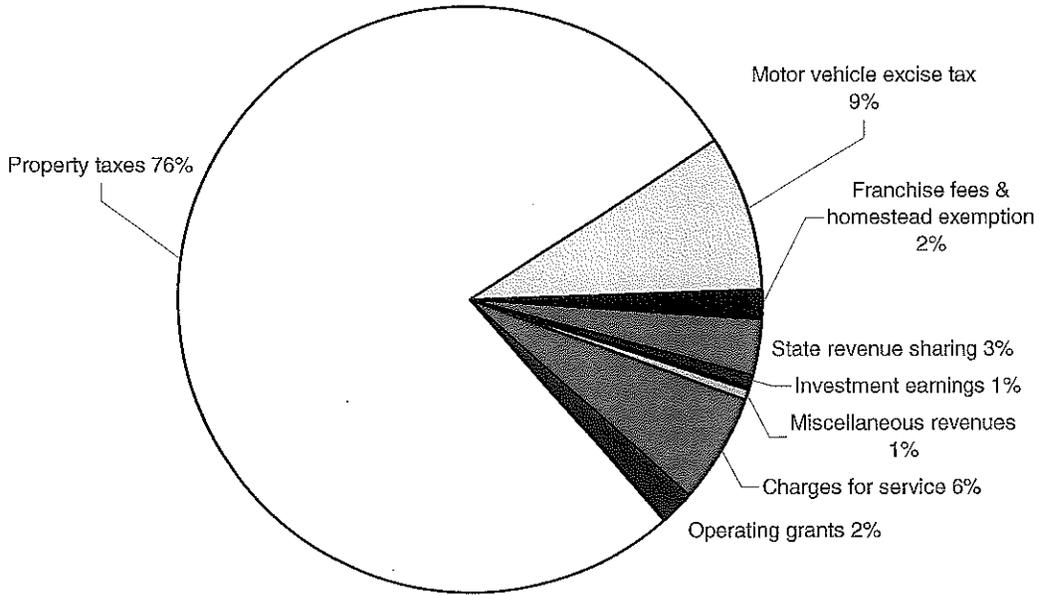
THE TOWN AS A WHOLE

The Town is providing condensed financial information for the year 2010 and comparative information for 2009.

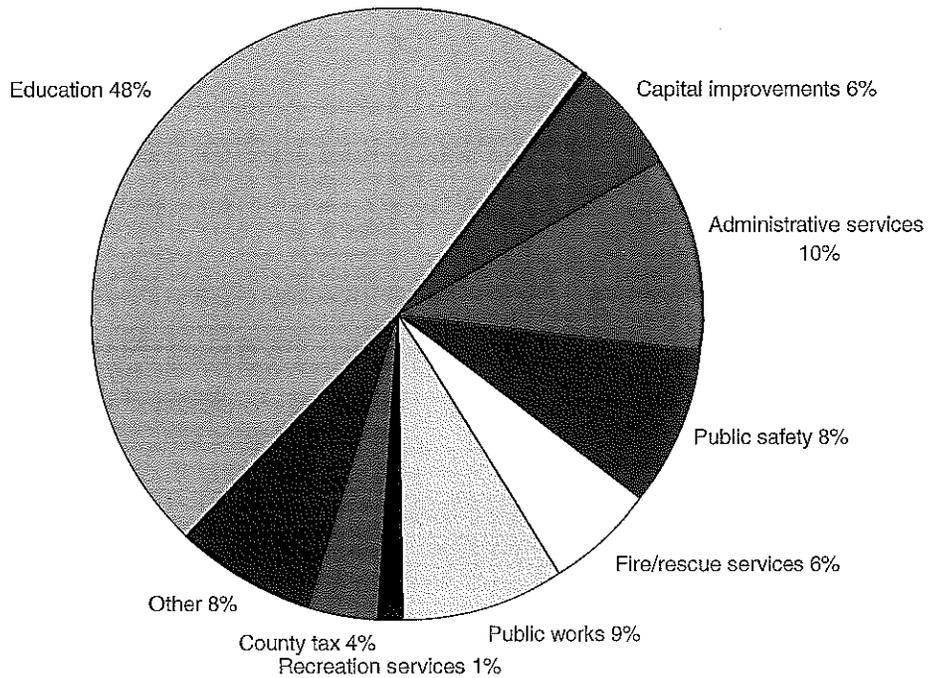
	<u>2010</u>		<u>2009</u>	
	<u>Government Activities</u>	<u>Activities (WEDC)</u>	<u>Government Activities</u>	<u>Activities (WEDC)</u>
Assets:				
Current and other assets	\$ 33,996,986	47,603	12,341,214	80,390
Capital assets (net)	23,079,100	489,541	60,029,697	-
Total assets	57,076,086	537,144	72,370,911	80,390
Liabilities:				
Long-term debt outstanding	26,788,230	455,500	28,887,196	-
Other liabilities	4,483,467	5,738	7,470,334	-
Total liabilities	31,271,697	461,238	36,357,530	-
Net assets:				
Invested in capital assets	19,598,696	34,041	28,787,365	-
Restricted	41,874	-	41,874	-
Unrestricted	6,163,819	41,865	7,184,142	80,390
Total net assets	\$ 25,804,389	75,906	36,013,381	80,390

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2010

Governmental Activity Revenues by Source



Governmental Activity Expenditures by Type



TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2010

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities for 2010 was \$28,564,825. However, as shown in the statement of activities, the amount paid by taxpayers through local property taxes for these activities was \$21,898,293 because some of the cost (\$1,720,923) was borne by those who directly benefited from the programs.

The Town paid for the remaining "public benefit" portion of governmental activities with \$6,175,093 in non-property taxes and other revenues, such as interest earnings, state revenue sharing, excise taxes, homestead exemption reimbursement, grants, and other miscellaneous revenues.

Statement of Activities

Total resources of \$64,396,731 were available during the year to finance governmental activities, consisting of net assets of \$36,013,381 at July 1, 2009, program revenues of \$3,689,249 and general revenues of \$26,105,060.

Total governmental activities expenses were \$28,564,825. Net assets decreased by \$10,208,992, from \$36,013,381 to \$25,804,389, or 29%. On July 1, 2009, the Windham School Department became part of the new Windham-Raymond School District (Regional School Unit #14). As a result, The Town transferred all School Department assets, liabilities, and equity to the new School Unit.

Total governmental activities expenses fell by \$22,517,597, or 44%, due to the absence of School activity; net expenses for governmental activities increased by \$1,153,761, or 4.6% from 2009 to 2010.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2010

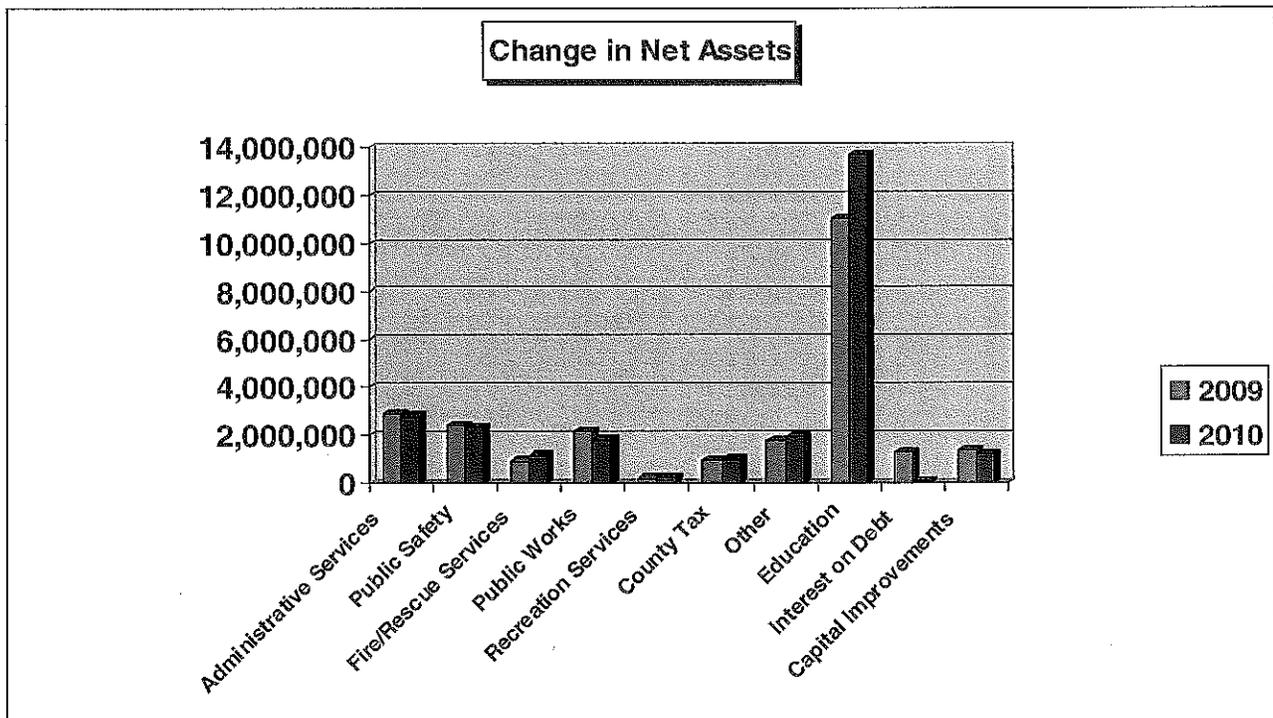
Statement of Activities

	<u>Primary Government Governmental Activities</u>	<u>Component Unit (WEDC)</u>	<u>2010 Primary Government and Component Unit</u>	<u>2009 Primary Government and Component Unit</u>
Revenues:				
Program Revenues:				
Charges for service	\$ 1,720,923	-	1,720,923	4,637,137
Operating grants and contributions	557,367	-	557,367	21,312,511
Capital grants and contributions	1,410,959	-	1,410,959	-
General Revenues:				
Property taxes	21,898,293	-	21,898,293	21,136,925
Excise tax	2,482,805	-	2,482,805	2,489,164
Franchise fees	119,784	-	119,784	110,657
Homestead exemption	337,730	-	337,730	324,039
Other state aid	11,577	-	11,577	15,215
State revenue sharing	898,351	-	898,351	1,235,010
Investment earnings	184,655	383	185,038	279,654
Miscellaneous revenues	171,865	-	171,865	398,926
Total Revenues	29,794,309	383	29,794,692	51,939,238
Expenses:				
Program Expenses:				
Administrative services	2,888,495	4,867	2,893,362	3,018,571
Public safety	2,312,575	-	2,312,575	2,407,727
Fire/rescue services	1,607,673	-	1,607,673	1,491,670
Public works	2,949,641	-	2,949,641	3,193,522
Recreation services	390,024	-	390,024	396,098
County tax	1,005,752	-	1,005,752	959,303
Other	2,182,133	-	2,182,133	1,953,527
Education	13,684,504	-	13,684,504	34,851,995
Interest on debt	79,330	-	79,330	1,264,661
Capital maintenance expenses	1,464,697	-	1,464,697	1,367,312
Total Expenses	28,564,824	4,867	28,569,691	50,904,386
Net assets – beginning	36,013,381	80,390	36,093,771	35,058,919
Change in net assets before special item	<u>1,229,485</u>	<u>(4,484)</u>	<u>1,225,001</u>	<u>1,034,852</u>
Special item: Transfer to RSU #14	(11,438,477)	-	(11,438,477)	-
Net assets – ending	<u>\$ 25,804,389</u>	<u>75,906</u>	<u>25,880,295</u>	<u>36,093,771</u>

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2010

The Town's governmental activities include administrative services (including insurance, employee benefits, and other organization-wide expenses), public works, police, fire and rescue, recreation and libraries, planning and code enforcement, assessing, town clerk, social services, education, debt and capital expenses. Each program's net cost (total cost less revenues generated by the activities) is presented below for 2010.

	<u>2010</u> <u>Expense</u>	<u>2010</u> <u>Program</u> <u>revenue</u>	<u>2010</u> <u>Net</u> <u>expense</u>	<u>2009</u> <u>Net</u> <u>expense</u>
Governmental activities:				
Administrative services	\$ 2,888,495	158,488	2,730,007	2,879,549
Public safety	2,312,575	3,014	2,309,561	2,403,616
Fire/rescue services	1,607,673	463,991	1,143,682	903,534
Public works	2,949,641	2,550,820	398,821	2,184,801
Recreation services	390,024	174,069	215,955	194,651
County tax	1,005,752	-	1,005,752	959,303
Other	2,182,133	272,952	1,909,181	1,764,301
Education	13,684,504	-	13,684,504	11,042,759
Interest on debt	79,330	-	79,330	1,264,661
Capital improvements	1,464,697	65,914	1,398,783	1,350,992
Total Governmental activities	\$ 28,564,825	3,689,248	24,875,575	24,948,167



The net expense represents that portion of governmental activities expenses that was offset by other general revenues or supported by local property taxes. No attempt has been made to apportion general revenues to the various governmental activities as a means of determining the relative degree to which they are supported by local property taxes.

DEBT ADMINISTRATION

Debt decreased by \$2,082,776 (6.7%) in fiscal year 2010. New capital leases amounted to \$403,800; principal payments against lease debt were \$477,399, leaving a lease payable at June 30 of \$1,380,404. Principal payments made on general obligation bonds were \$2,009,177, resulting in a year-end bond payable balance of \$27,779,152.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2010

Statement of Governmental Activities Debt

Debt payable at June 30, 2009	\$ 31,242,332
New capital leases	403,800
Debt retired	<u>(2,486,576)</u>
Debt payable at June 30, 2010	\$ 29,159,556

THE TOWN'S FUNDS

The following is an analysis of account balances in the Town and School's general fund for 2010. Comparative information is presented for fiscal years 2009 and 2008.

Statement of Revenues

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues by source			
Taxes	\$ 24,070,839	23,199,811	22,892,549
Licenses and permits	242,012	211,938	288,683
Intergovernmental revenue	1,739,111	19,426,832	19,960,696
Charges for service	577,632	2,047,280	1,742,137
Interest earned	170,263	250,111	400,195
Other revenues	677,878	928,142	946,857
	<u>\$ 27,477,735</u>	<u>46,064,114</u>	<u>46,231,117</u>

Statement of Expenditures

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenditures by function			
Administrative services	\$ 2,732,814	2,793,266	2,872,421
Public safety	2,235,854	2,241,250	2,285,528
Fire/rescue services	1,410,877	1,400,342	1,331,960
Public works	2,910,798	3,007,327	3,162,484
Recreation services	237,298	250,909	257,646
County tax	1,005,752	959,303	904,614
Other	1,821,500	1,657,581	1,489,524
Education	13,684,504	29,170,633	28,348,055
Debt service	239,625	3,356,276	3,803,475
Capital outlay	555,860	1,041,990	844,748
	<u>\$ 26,834,882</u>	<u>45,878,877</u>	<u>45,300,455</u>

CAPITAL ASSETS

The capital assets of the Town are those assets used in the performance of the Town's functions, including infrastructure assets. At June 30, 2010, net capital assets of governmental activities totaled \$23,079,100, a decrease of \$36,950,597 over the year ending June 30, 2009. As of July 1, 2009, the Windham School Department joined Regional School Unit #14. As a result, the Town transferred all school capital assets to the new school unit. The net book value of the assets transferred was \$38,250,724. A detailed breakdown of the activity by asset type is shown below.

Statement of Capital Assets

	<u>Balance</u>		<u>Balance</u>
	<u>6/30/09</u>	<u>Increases</u>	<u>6/30/10</u>
		<u>Decreases</u>	
Governmental assets			
Land, buildings and improvements	\$ 58,458,247	12,418	51,334,550
Infrastructure	14,779,033	1,410,959	-
Vehicles	5,280,383	229,442	1,756,774
Machinery and equipment	7,388,362	339,164	3,388,829
Total capital assets	<u>85,906,025</u>	<u>1,991,983</u>	<u>56,480,153</u>
Accumulated depreciation	<u>(25,876,328)</u>	<u>(691,856)</u>	<u>18,229,429</u>
Governmental assets, net	<u>\$ 60,029,697</u>	<u>1,300,127</u>	<u>38,250,724</u>
			<u>23,079,100</u>

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2010

Use of Modified Approach for Certain Infrastructure Assets

The Town has elected to use the "modified approach" as defined by GASB 34 for infrastructure reporting for roads and drainage structures. Under GASB 34 eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The Town manages the eligible infrastructure capital assets using an asset management system which provides for (1) an up-to-date inventory, (2) condition assessments and summary according to a measurement scale, and (3) an estimate of the annual amount required to maintain and preserve the infrastructure at the established condition assessment level.
- The Town documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The Town's roads and streets are constantly deteriorating due to the effects of (1) traffic using the roads and streets, (2) ultraviolet solar radiation drying out and breaking down the top layer of pavement, (3) pavement cuts, damage, and trenching operations resulting from utility construction, repairs, and/or development, and (4) water damage from precipitation and drainage runoff. The Town is continuously taking actions to arrest the deterioration through short-term maintenance activities such as patching, sweeping, and repair.

The Town expended \$275,112 on road and street maintenance and improvements for the fiscal year ended June 30, 2010. Based on a pavement condition rating conducted in 2010, the average rating for Town roads has declined slightly from the previous assessment in 2007 (4.14), compared with an average rating of 3.21 when the Town's first pavement condition rating survey done in 2001.

The Town estimates that the amount of annual expenditures required to improve and maintain the Town's roads and streets, at an average PCR score of 3.21 (see Required Supplemental Information) for fiscal years 2011 through 2013 to be at least \$1,582,892, or about \$528,000 per year. Including those portions of state highways for which the Town is responsible for maintenance would add \$7,980,122, or about \$2,660,000 per year; however, about \$3,458,000 of the state highway figure is for River Road, which is expected to undergo significant reconstruction by the state beginning within the next two to three years. Not counting River Road, the total estimate to maintain both Town and state roads at an average PCR rating of 3.21 or better is about \$6,105,000, or about \$2,035,000 per year through 2013.

Continued increases in the cost of asphalt will put pressure on this estimate, leading to the need for increases in paving expenditures to maintain quality. From 2001 to 2010 the Town appropriated \$500,000 annually for road improvement activities. It should be noted, however, that this amount relates mainly to the maintenance of current pavement infrastructure and does not contemplate more extensive improvements as might be required in the future for storm water management, improved safety, added capacity, or additional amenities such as sidewalks.

During 2007, the Town conducted its first condition assessment of its storm water drainage system. The storm water drainage system consists of drainage structures, pipes, and pipe openings. Stormwater drainage structures include catch basins, leaching catch basins, manholes, and dry wells. Pipes and pipe openings are identified as drain inlets, drain outlets, and pipe outfalls. Elements of the storm water drainage system were rated for structural and hydraulic condition according to the following criteria:

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2010

Good

Items examined and found to be "like new" or without apparent defects, is functioning well and reliably per design intent, and without flow restrictions; does not requiring attention, correction, or repair.

Fair

Items examined and found to have apparent defects or slight flow restrictions, are minimally functioning and/or may be at or near its useful life; near term replacement or rehabilitation may be necessary, however does not require immediate corrective action.

Poor/Needs Repair/Cleaning

Items examined and found to have a deficiency or deficiencies which affect performance, potential for failure exists, or has ceased to function as designed; requires immediate service, repair, or replacement.

Blocked

Items examined and found to have flow obstructions that require immediate service, rehabilitation, or replacement.

With regard to structural condition, 99.9% of drainage structures, pipes, and pipe openings were found to be in good (97.7%) or fair (2.2%) condition. The remaining 0.1% assessed as poor/needs repair consists of one (1) leaching catch basin. 84.4% of structures, pipes, and pipe openings were in good (81.3%) or fair (3.1%) hydraulic condition. Structures, pipes, or pipe openings requiring service or repair to correct flow deficiencies accounted for the remaining 15.6%. The Town conducted a complete cleaning of drainage structures in the fall of 2007, subsequent to the condition assessment, and expects to continue its program of maintenance, and regular cleaning along with inspection and condition assessment required for compliance with both GASB 34 and NPDES Phase II stormwater management rules.

Condition assessments for roads and drainage structures were completed in late 2010.

BUDGETS AND BUDGETARY ACCOUNTING

General Fund Budget Variances

The 2009-2010 general fund budget decreased 4.3% to \$13,849,620 from 2008-2009.

There were no supplemental appropriations during the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The annual budget seeks the efficient, effective and economical use of the Town's resources as well as establishing direction for the accomplishment of policy priorities and objectives. The budget, through its adoption by the Town Council and Town meeting, establishes the direction of the Town, allocates its resources, and establishes its priorities.

Historical Trend

The Town continues to maintain its solid financial footing. This becomes more challenging every year as state revenues continue to erode. Furthermore, the severe economic downturn over the last two years has impacted the revenue stream, particularly excise taxes, the town's largest source of revenue after property taxes.

We received some good news this year from Standard & Poors, the bond rating agency. Following a review of the Town's finances, S&P raised its underlying rating on our outstanding general obligation bonds from "A" to "AA-", an upgrade of two steps. To quote the analysts, "The upgrade reflects our assessment of the Town's maintenance of a very strong financial position." On a basic level, the rating reflects the agencies opinion of the Town's ability to repay debt. This will translate to lower borrowing costs (i.e. lower interest rates) should the Town decide to incur additional debt for future capital projects.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2010

In order to achieve a tax rate acceptable to the community, the Town used reserves and reallocated carry-over funds over several years to help shield taxpayers from the full effect of the additional debt costs of the high school expansion and renovation project as well as operating cost increases for both school and municipal operations. Continuing to use reserves, particularly fund balance, to keep property taxes low would be detrimental to the Town's long-term financial health, especially with declines in several key revenues as a result of the recession. Consequently, the Town embarked on a three year effort to eliminate the use of fund balance as an offset in its general fund budget beginning with fiscal year 2010.

Budget Overview

The Town budget for 2010-2011 is \$13,776,208, a .5% decrease from the prior year. As noted above, the 2009-2010 budget also reflected a decrease from the year before. This trend is in response to dwindling state revenues and general economic conditions. Despite these challenging times, the Town remains in compliance with the property tax levy limit. For fiscal 2011, we are at the statutory limit.

The budget process proved to be the most demanding in memory. Below are some items of note:

- Changed hours in Town hall to Monday through Thursday from 8:00 a.m. to 4:30 p.m., closed on Friday. This change was to accommodate staff reductions in several offices.
- Wages were frozen for the second consecutive year, the police union excepted. Union members will receive a contractual 2.5% cost-of-living increase effective July 1, 2010, but also agreed to concessions that will offset the approximate cost of step increases and a contract extension with a 0% cost-of-living adjustment for fiscal 2012.
- Public safety dispatch services were contracted to the Cumberland County Regional Communications Center. This resulted in a reduction of seven full-time employees. The cost reduction associated with this arrangement is estimated to be \$135,500 in the first year.
- Eliminated the deputy director's position in public works.
- Left the Code Enforcement Office director's position vacant.
- Increased general assistance transfer payments 100%, from \$250,000 to \$500,000.
- Use of the recreation program fund balance to help fund several programs including the skate park, part-time library staff, and the summer day camp subsidy.
- Entered into a joint services arrangement with the Town of Raymond for GIS services to offset costs in Assessing.
- Reduced reliance on fund balance as a revenue source

Due to the global economic meltdown and subsequent recession, the aim for the 2010-2011 budget was to continue to deliver municipal services as effectively as possible. Some programs were eliminated; department heads were asked to reduce spending whenever possible while maintaining the approximate level of services. Revenues were budgeted even more conservatively than in the past. A lesser reliance on the use of fund balance is also reflected in this year's budget. Other service or program needs were listed in the department's budget narrative but not included in their requests. The Town Council reviews and adjusts the budget as it sees fit and adopts a budget for recommendation to Town meeting.

Revenues/Surplus

The Town has historically used fund balance and other carry-over funds to moderate tax increases. This practice, although well-intentioned, is not sustainable. With the precarious state of the national and global economies, prudent management dictates that we shore up cash reserves rather than deplete them. With that in mind, we have reduced our reliance on fund balance from \$650,000 in FY 2008-2009 to \$350,000 for budget year 2010-2011. This represents a 46% decrease over just three budget cycles. It is our intention to eventually do away with the use of fund balance as a revenue source.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2010

Non-property tax revenues, which comprise 46% of the budget, are projected to be \$6,264,169, a 6.2% decrease from last year. The three major areas of decrease are state revenue sharing (\$250,000), urban rural initiative, which is highway aid for capital improvements (\$50,000), and appropriated fund balance (\$150,000). The first two revenue sources are beyond our control. It continues the recent trend of reduced state funding to municipalities. The reduction in appropriated fund balance is an intentional strategy for the reasons noted above.

Excise taxes, the largest source of non-property tax revenues, appear to have stabilized. We have budgeted \$2.3 million, same as last year.

Though the Town seeks to maximize use of non-property tax revenues in its budgeting, it remains conservative in its approach. This is done to maintain an appropriate "safety margin," guarding against revenues failing to meet estimates. This contributes to maintaining an adequate level of fund balance. As noted earlier, the Town significantly reduced its use of fund balance as a tool in managing the local tax rate for fiscal 2011. Use of fund balance as a budget balancing tool is being phased out by fiscal 2012. To the extent future fund balances allow, amounts in excess of targets set by the Council will be used to help fund long-term capital infrastructure, facilities, and equipment needs.

Savings/Increasing Demands

The Town participates with numerous regional and inter-municipal cooperatives for joint purchasing and resource-sharing. These include the Greater Portland Council of Governments and its collective bid process, fire chiefs in Cumberland County jointly bidding supplies and equipment, and participating in the Interlocal Storm Water Working Group to share costs of complying with federal storm water management rules.

Like many communities which have experienced, and continue to experience rapid rates of growth, Windham has sought to balance the need to provide services in response to growth, and growing expectations with a reasonable level of local property taxation. Capital equipment replacement and facilities funding have been increasing until this year; the use of capital lease purchase agreements allows us to replace major equipment without a significant impact on cash flow. Facilities funding has been reduced in order to remain within the statutory property tax levy limit.

The Future

We look ahead with guarded optimism. The Town continues to maintain its strong financial position. This has not gone unnoticed, as evidenced by Standard & Poors two-step upgrade of our general obligation bonds. The Town's tendency to budget conservatively continues to stand it in good stead.

Undesignated fund balance as a percentage of budget hovers around 13%. This translates to approximately one and one half months worth of operating expenses. Town policy recommends a minimum of 8.34%, equaling one month of expenses. Going forward, with a reduced reliance on fund balance to meet operating needs, we should see the ratio grow. This will further strengthen the Town's financial condition.

In order to maintain its fiscal health it will be necessary to evaluate the sustainability of any expansion in programs and services relative to the ability to generate revenue other than taxes and keep local property taxes from rising beyond what has been Windham's typically lower rates than many surrounding full-service communities.

In order to achieve stability in its local property tax rates and sustainability in its programs and services, the Town will need to work diligently to implement its comprehensive master plan and develop associated multi-year strategic and financial plans under the policy guidance and direction of the Town Council with appropriate and substantial input and involvement from citizens and other stakeholders. This becomes particularly important when considering future tax base growth potential, the cost of providing services to this growth, and providing infrastructure to enable and support growth in designated areas and not others. The Town will have to decide whether it can continue to comply with the statute governing increases in the property tax levy and still provide

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2010

the level of services it desires. This law, enacted by the Maine Legislature in early 2005, contains provisions for voter approval of expenditures or increases in property tax levies over a certain amount.

Summary

Fiscal year 2010-2011 will reflect a tax rate increase of 3.8%, up 45 cents to \$12.20 per thousand dollars of assessed value. For every tax dollar raised, 33 cents goes to the Town, 63 cents to schools, and 4 cents for the Town's County tax assessment. The tax increase is largely attributable to reductions in state aid to education, revenue sharing, and the homestead exemption.

Following is a comparison of the *effective tax rates* of neighboring communities:

Cumberland	15.30
Falmouth	12.35
Gorham	14.31
Gray	13.05
North Yarmouth	12.45
Raymond	10.80
Standish	10.21
Westbrook	16.70
Yarmouth	19.80
Windham	12.81

The effective tax rate takes into account the fact that communities assess properties at rate other than 100% of market value due to fluctuations in real estate values and how long it has been since the community's last revaluation. Consequently, assessment ratios may be more or less than 100%.

The Town continues to meet its debt obligations, reducing debt by nearly \$2.1 million in 2010. As debt for the high school and previous capital facilities projects is retired, the Town will be in a position to consider meeting other capital facilities needs as it carefully examines the costs of programs and services relative to the costs they incur. The timing of the Town's debt repayment schedule is important because of the growth-related infrastructure, facilities, and operational needs, and other investments needed to meet the needs of the community and realize the goals in its comprehensive master plan that the Town will face in the future.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate its accountability for the funds entrusted to it. If you have any questions about this report or need any financial information, contact the Office of the Finance Director, 8 School Road, Windham, Maine, 04062, telephone 207-892-1907.

BASIC FINANCIAL STATEMENTS

TOWN OF WINDHAM, MAINE
Statement of Net Assets
June 30, 2010

	<u>Primary</u> <u>Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u> <u>WEDC</u>
ASSETS		
Cash and cash equivalents	\$ 4,777,999	47,603
Investments	1,945,598	-
Receivables:		
Accounts, net of allowance of \$12,508	271,508	-
Taxes receivable - current year	736,518	-
Taxes receivable - prior years	209,674	-
Tax liens	364,462	-
Inventory	12,076	-
Receivable from RSU #14 for debt service payments	25,679,152	-
Capital assets, not being depreciated	16,716,192	489,541
Capital assets, being depreciated	6,362,908	-
Total assets	57,076,086	537,144
LIABILITIES		
Accounts payable and other current liabilities	761,359	1,200
Accrued wages	153,111	-
Compensated absences payable	708,532	-
Accrued interest	192,084	4,538
Taxes paid in advance	40,383	-
Other postemployment benefits liability	256,672	-
Noncurrent liabilities:		
Due within one year	2,371,326	-
Due in more than one year	26,788,230	455,500
Total liabilities	31,271,697	461,238
NET ASSETS		
Invested in capital assets, net of related debt	19,598,696	34,041
Restricted for:		
Nonexpendable trust principal	41,874	-
Unrestricted	6,163,819	41,865
Total net assets	\$ 25,804,389	75,906

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Activities
For the year ended June 30, 2010

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Governmental activities	Component Unit WEDC
Primary government:						
Governmental activities:						
Administrative services	\$ 2,888,495	158,488	-	-	(2,730,007)	-
Public safety	2,312,575	3,014	-	-	(2,309,561)	-
Fire/rescue services	1,607,673	463,991	-	-	(1,143,682)	-
Public works	2,949,641	889,473	250,388	1,410,959	(398,821)	-
Recreation services	390,024	174,069	-	-	(215,955)	-
County tax	1,005,752	-	-	-	(1,005,752)	-
Other	2,182,133	31,887	241,065	-	(1,909,181)	-
Education	13,684,504	-	-	-	(13,684,504)	-
Interest on debt service	79,330	-	-	-	(79,330)	-
Capital maintenance expenses	1,464,697	-	65,914	-	(1,398,783)	-
Total governmental activities	28,564,825	1,720,923	557,367	1,410,959	(24,875,575)	-
Total primary government	\$ 28,564,825	1,720,923	557,367	1,410,959	(24,875,575)	-
Component unit:						
WEDC	\$ 4,867	-	-	-	-	(4,867)
General revenues:						
Property taxes, levied for general purposes					\$ 21,898,293	-
Excise taxes					2,482,805	-
Supplemental taxes and lien fees					20,750	-
Motor vehicle registration fees					51,637	-
Franchise fees					119,784	-
Grants and contributions not restricted to specific programs:						
Homestead exemption					337,730	-
Other State aid					11,577	-
State Revenue Sharing					898,351	-
Unrestricted investment earnings					184,655	383
Miscellaneous					99,478	-
Total general revenues					26,105,060	383
Change in net assets before special item					1,229,485	(4,484)
Special item:						
Transfer of assets, liabilities and equity to Regional School Unit #14					(11,438,477)	-
Change in net assets					(10,208,992)	(4,484)
Net assets - beginning					36,013,381	80,390
Net assets - ending					\$ 25,804,389	75,906

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Balance Sheet
Governmental Funds
June 30, 2010

	General	School Operations	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,574,389	-	203,609	4,777,999
Investments	1,765,984	-	179,614	1,945,598
Receivables:				
Accounts, net of allowance of \$12,508	260,155	-	11,353	271,508
Taxes receivable - prior years	209,674	-	-	209,674
Taxes receivable - current year	736,518	-	-	736,518
Tax liens	364,462	-	-	364,462
Interfund loans receivable	-	-	1,716,565	1,716,565
Inventory	12,076	-	-	12,076
Receivable from RSU #14 for debt service payments	25,679,152	-	-	25,679,152
Total assets	\$ 33,602,411	-	2,111,141	35,713,552
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	434,201	-	7,098	441,299
Accrued wages	153,111	-	-	153,111
Interfund loans payable	1,716,565	-	-	1,716,565
Taxes paid in advance	40,383	-	-	40,383
Deferred revenue	1,077,000	-	-	1,077,000
Unearned income - impact fees	12,284	-	-	12,284
Inspection deposits and miscellaneous liabilities	307,776	-	-	307,776
Deferred debt service payments from RSU #14	25,679,152	-	-	25,679,152
Total liabilities	29,420,472	-	7,098	29,427,570
Fund balances:				
Reserved for:				
Inventory	12,076	-	-	12,076
Nonexpendable trust principal	-	-	41,874	41,874
Unreserved:				
Designated	512,032	-	-	512,032
Unreserved, reported in:				
General fund	3,657,831	-	-	3,657,831
Special revenue funds	-	-	1,898,234	1,898,234
Permanent funds	-	-	163,935	163,935
Total fund balances	4,181,939	-	2,104,043	6,285,981
Total liabilities and fund balances	\$ 33,602,411	-	2,111,141	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				23,079,100
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:				
Deferred revenue				1,077,000
Deferred debt service payments from RSU #14				25,679,152
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:				
Compensated absences payable				(708,532)
Accrued interest				(192,084)
Other postemployment benefits liability				(256,672)
Capital leases				(1,380,404)
Bonds payable				(27,779,152)
Net assets of governmental activities				\$ 25,804,389

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	General	School Operations	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 24,070,839	-	264,009	24,334,848
Licenses and permits	242,012	-	-	242,012
Intergovernmental	1,739,111	-	65,914	1,805,025
Charges for services	577,632	-	488,925	1,066,557
Interest earned	170,263	-	14,392	184,655
Other	677,878	-	5,375	683,253
Total revenues	27,477,735	-	838,615	28,316,350
Expenditures:				
Current:				
Administrative services	2,732,814	-	-	2,732,814
Public safety	2,235,854	-	-	2,235,854
Fire/rescue services	1,410,877	-	-	1,410,877
Public works	2,910,798	-	-	2,910,798
Recreation services	237,298	-	134,822	372,120
County tax	1,005,752	-	-	1,005,752
Other	1,821,500	-	346,461	2,167,961
Education	13,684,504	-	-	13,684,504
Debt service	239,625	-	-	239,625
Capital outlay	555,860	-	1,489,861	2,045,721
Total expenditures	26,834,882	-	1,971,145	28,806,027
Excess (deficiency) of revenues over (under) expenditures	642,853	-	(1,132,529)	(489,676)
Other financing sources (uses):				
Capital lease proceeds	-	-	403,800	403,800
Transfers - in	249,952	-	440,324	690,276
Transfers - out	(440,324)	-	(249,952)	(690,276)
Total other financing sources (uses)	(190,372)	-	594,172	403,800
Net change in fund balances before special item	452,481	-	(538,357)	(85,877)
Special item:				
Transfer of funds to Regional School Unit #14	-	(706,043)	(913,870)	(1,619,913)
Net change in fund balances	452,481	(706,043)	(1,452,227)	(1,705,790)
Fund balances, beginning of year	3,729,458	706,043	3,556,270	7,991,771
Fund balances, end of year	\$ 4,181,939	-	2,104,043	6,285,981

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2010

Net change in fund balances - total governmental funds (from Statement 4)	\$	(1,705,790)
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of (\$1,991,983) exceeded depreciation of (\$691,856) in the current period</p>		
		1,300,127
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		67,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in accrued interest (\$10,295) and accrued compensated absences (\$41,234) less the other post retirement benefits liability of (\$117,083).</p>		
		(65,554)
<p>This is the effect of the special item on the governmental activities (See note disclosure for more information):</p>		
Receivable for debt service payments		25,679,152
Capital assets (\$56,224,095) net of depreciation (\$17,973,371)		(38,250,724)
Accrued compensated absences		684,021
Capital leases		209,810
<p>Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which lease proceeds (\$403,800) exceeded repayments (\$267,589).</p>		
		(136,211)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of the repayments.</p>		
		2,009,177
<hr/> Change in net assets of governmental activities (see Statement 2)		\$ (10,208,992)

TOWN OF WINDHAM, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2010

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 23,859,909	23,859,909	24,070,839	210,930
Licenses and permits	181,250	181,250	242,012	60,762
Intergovernmental	1,927,730	1,927,730	1,739,111	(188,619)
Charges for services	513,000	513,000	577,632	64,632
Interest earned	210,000	210,000	170,263	(39,737)
Other	550,339	550,339	677,878	127,539
Total revenues	27,242,228	27,242,228	27,477,735	235,507
Expenditures:				
Current:				
Administrative services	2,868,562	2,868,562	2,732,814	135,748
Public safety	2,446,865	2,446,865	2,235,854	211,011
Fire/rescue services	1,424,139	1,424,139	1,410,877	13,262
Public works	3,114,906	3,160,143	2,910,798	249,345
Recreation services	235,664	235,664	237,298	(1,634)
Education	13,684,504	13,684,504	13,684,504	-
County tax	1,005,752	1,005,752	1,005,752	-
Other	1,745,163	1,780,429	1,821,500	(41,071)
Debt service	239,625	239,625	239,625	-
Capital outlay	820,000	1,041,721	555,860	485,861
Total expenditures	27,585,180	27,887,404	26,834,882	1,052,522
Excess (deficiency) of revenues over (under) expenditures	(342,952)	(645,176)	642,853	1,288,029
Other financing sources (uses):				
Use of undesignated fund balance	528,000	932,583	-	(932,583)
Transfers from other funds	249,952	249,952	249,952	-
Transfers to other funds	(435,000)	(537,359)	(440,324)	97,035
Total other financing sources (uses)	342,952	645,176	(190,372)	(835,548)
Net change in fund balance	-	-	452,481	452,481
Fund balance, beginning of year			3,729,458	
Fund balance, end of year	\$		4,181,939	

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Private-purpose Trust Fund (Scholarships)
ASSETS	
Cash and cash equivalents	\$ 65,911
Total assets	65,911
LIABILITIES	
Due to Town	6
Total liabilities	6
NET ASSETS	
Held in trust	\$ 65,905

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2010

	Private-purpose Trust Fund (Scholarships)
Additions:	
Investment income	\$ 340
Donation	397
Total additions	737
Deductions:	
Scholarships awarded	-
Total deductions	-
Change in net assets	737
Net assets, beginning of year	65,168
Net assets, end of year	\$ 65,905

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Windham, Maine was incorporated in 1762 and operates under a Council-Manager form of Government, adopted by charter in 1975.

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth by accounting principles generally accepted in the United States of America. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, there is one component unit that should be included as part of this reporting entity.

Discretely Presented Component Unit - The Windham Economic Development Corporation was established to promote economic development in the Town. Its major funding source is the Town of Windham and the majority of its board members are appointed by the Windham Town Council.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The School Operations Fund is used to account for the operations of the Town of Windham School Department, the revenues of which are dedicated by State statute for school purposes.

As of July 1, 2009, the Windham School Department joined Regional School Unit No. 14 and is no longer a department of the Town of Windham.

Additionally, the Town reports the following fund type:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include the following fund type:

Private-purpose trust funds are used to account for assets that the Town holds and uses for scholarships.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and time deposits. Investments are stated at fair value.

E. Interfund Loans Receivable/Payable

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans or as interfund advances (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

F. Inventories

Inventories are valued at the lower of cost (first-in, first-out basis) or market. Inventory consists of fuel.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than the following thresholds and an estimated useful life in excess of one year:

Land and improvements	\$ 25,000
Buildings and improvements	25,000
Machinery, equipment and vehicles	5,000
Infrastructure	100,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Town has elected to use the Modified Approach for reporting certain infrastructure assets.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 40 years.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Town elected to use the Modified Approach as defined by Statement No. 34 for roads, storm drainage, catch basins and manholes. The Town performed a physical assessment for all major infrastructure conditions in 2010. This condition assessment is performed every 3 years.

The Town commissioned a triennial physical condition assessment of the streets and roads in 2001, 2004, 2007 and 2010. These streets, primarily pavement, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. This condition assessment will be performed every 3 years. Each street was assigned a physical condition based on several potential defects. A pavement condition rating (PCR), a nationally recognized rating, was assigned to each street and expressed in a continuous scale from 0 to 5, where 0 is impassable and 5 is perfect. The following conditions were defined: very good condition was assigned to those segments with a rating between 3.61 – 5.00, good condition was assigned to those segments with a rating between 3.21 – 3.60, Fair - good condition was assigned to those segments with a rating between 2.81 – 3.20, fair condition was assigned to those segments with a rating between 2.41 – 2.80, poor - fair condition was assigned to those segments with a rating between 2.01 – 2.40, poor condition was assigned to those segments with a rating between 1.61 – 2.00, and very poor condition was assigned to those segments with a rating between 0.00 – 1.60. The Town's policy relative to maintaining the street assets is to achieve a minimum rating of 2.81 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds.

In accordance with GASB Statement No. 34, the Town utilized the Public Works Department to inventory and perform a condition assessment on all other infrastructure assets in 2010. Other infrastructure assets consist of catch basins, manholes and storm drainage. Per the rating system noted above, each infrastructure asset was assigned a condition assessment based on a visual inspection conducted on each asset.

For all other capital assets: buildings, vehicles, and equipment, the Town elects to use the Depreciation Approach as defined by Statement No. 34 for reporting. The Town conducted an inventory of all other capital assets for fiscal year 2003 and performs internal updates annually.

This original and updated process determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each capital asset. The book value was then computed by deducting the accumulated depreciation from the original cost.

H. Compensated Absences

Under terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service and is accrued ratably over the year. Sick time is not paid unless an employee is ill, or retires in good standing. Accrued vacation and sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

L. Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are formally adopted for the General Fund each year through the passage of a Town warrant, and are prepared on a basis consistent with accounting principles generally accepted in the United States of America as noted below. The Town's other funds do not have legally adopted budgets but have adopted budgets through formal authorizations by the Town Council and through grant agreements.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

In the General Fund, the level of control (level at which expenditures may not exceed budget) is the Department. Once adopted, the budget can only be amended by the Town Council, and then only to the extent that excess revenues over estimated amounts can be used to increase appropriation accounts.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2010, expenditures exceeded appropriations in the following departments:

Recreation services	\$ 1,634
Social services	248,505

C. Revised Budget

The revised budget presented for the General Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Statement 6), includes various adjustments as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses)</u>
2010 budget as originally adopted	\$ 28,020,180	(28,020,180)	-
Designated carryforward balance	-	(404,583)	404,583
Budgeted use of surplus	(528,000)	-	528,000
Transfer to Equipment Replacement Fund	-	537,359	(537,359)
Transfer from Development District North TIF	(7,772)	-	7,772
Transfer from Pipeline Development District TIF	(40,851)	-	40,851
Transfer from Roosevelt Promenade TIF	(198,529)	-	198,529
Transfer from Cemetery	(2,800)	-	2,800
Totals	\$ 27,242,228	(27,887,404)	645,176

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town minimizes custodial credit risk by obtaining collateral for all uninsured amounts on deposit. Time deposits are insured up to \$250,000 by the F.D.I.C.

The Town's custodian agrees to provide safekeeping services and to hold the securities (in book entry) pledged by a financial institution in a custodial account established for the benefit of the Town of Windham as a secured party. This account shall be kept separate and apart from the general assets of the Custodian, and will not, under any circumstances, be commingled with or become part of, the backing for any other deposit or liability of the Town.

As of June 30, 2010, the Town reported deposits of \$4,843,910 with a bank balance of \$4,887,703. None of the Town's bank balances were exposed to custodial credit risk as they were covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions. The Town's component unit, WEDC, reported deposits of \$47,603 which were fully covered by F.D.I.C.

Deposits have been reported as follows:

Reported in governmental funds	\$ 4,777,999
<u>Reported in fiduciary funds</u>	<u>65,911</u>
Total Town deposits	4,843,910
<u>Reported in component unit (WEDC)</u>	<u>47,603</u>
<u>Total deposits</u>	<u>\$ 4,891,513</u>

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

DEPOSITS AND INVESTMENTS, CONTINUED

B. Investments

At June 30, 2010, the Town (including the WEDC, component unit) had the following investments:

	<u>Fair Value</u>
Certificates of deposit	\$ 1,882,825
Money market	62,773
<u>Total investments</u>	<u>\$ 1,945,598</u>

Investments have been reported as follows:

Reported in governmental funds	\$ 1,945,598
Reported in component unit (WEDC)	-
<u>Total investments</u>	<u>\$ 1,945,598</u>

Custodial credit risk-investments – For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town minimizes investment custodial credit risk by limiting securities and cash held by a broker to investments protected up to full value by a combination of coverage provided by the Securities Investor Protection Corporation (SIPC) and excess coverage purchased from a private insurer. Certificates of deposit which exceed the FDIC insured amount are collateralized in accordance with Title 30-A, Section 5706 of the Maine Revised Statutes.

Of the Town's and component unit's \$1,945,598 investment in money markets and certificates of deposit, 100% was either covered by F.D.I.C. insurance or was collateralized by underlying securities held by the related bank, which were not in the Town's name.

Interest rate risk – The Town does not have a deposit policy for interest rate risk.

PROPERTY TAX

Property taxes for the current year were committed on August 11, 2009 on the assessed value listed as of the prior April 1, for all real and personal property located in the Town. Payment of taxes was due in two equal installments. Interest was charged at 9% on all tax bills unpaid as of October 1, 2009 and April 1, 2010. Assessed values are periodically established by the Town's Assessor at 100% of assumed market value.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$123,028 for the year ended June 30, 2010.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

PROPERTY TAX, CONTINUED

The following summarizes the 2010 and 2009 levies:

	<u>2010</u>	<u>2009</u>
Assessed value	\$ 1,840,166,300	1,829,101,200
Tax rate (per \$1,000)	11.75	11.40
Commitment	21,621,954	20,851,754
Supplemental taxes assessed	6,232	6,534
	21,628,186	20,858,288
Less:		
Abatements	25,074	25,121
Collections	20,866,594	20,030,338
Receivable at June 30	\$ 736,518	802,829
Due date(s)	(1/2) October 1, 2009 (1/2) April 1, 2010	(1/2) October 1, 2008 (1/2) April 1, 2009
Interest rate on delinquent taxes	9.00%	11.00%
Collection rate	96.59%	96.15%

INTERFUND BALANCES

Individual interfund receivable and payable balances at June 30, 2010 were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	1,716,565
Special Revenue Funds:		
Town Special Revenue Funds	1,714,365	-
Permanent Fund:		
Cemetery Acquisition Fund	2,200	-
Totals	\$ 1,716,565	1,716,565

All receipts and disbursements occur within the General Fund cash account. If the activity pertains to some other fund, the interfund receivable/payable accounts are used to record revenue and expenditure in the proper fund. Actual cash transactions occur in the general fund; the use of interfund accounts ensures that activity is reflected in the proper fund.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

INTERFUND TRANSFERS

Individual fund transfers for the year ended June 30, 2010 were as follows:

	Transfers <u>in</u>	Transfers <u>out</u>
General Fund	\$ 249,952	440,324
Nonmajor Special Revenue Funds:		
Equipment Replacement Fund	435,000	-
CDBG	5,324	-
Development District North T.I.F.	-	7,772
Pipeline Development T.I.F.	-	40,851
Roosevelt Promenade T.I.F.	-	198,529
Total nonmajor Special Revenue Funds	440,324	247,152
Nonmajor permanent funds:		
Perpetual Care Trust Funds	-	2,800
Total nonmajor Permanent Funds	-	2,800
Totals	\$ 690,276	690,276

These transfers were budgeted transfers to fund certain activities.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance June 30, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2010</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,997,612	-	-	1,997,612
School land	592,280	-	592,280	-
Infrastructure	<u>13,307,621</u>	<u>1,410,959</u>	-	<u>14,718,580</u>
Total capital assets, not being depreciated	15,897,513	1,410,959	592,280	16,716,192
Capital assets, being depreciated:				
Land improvements	114,782	-	-	114,782
Buildings	5,011,303	12,418	-	5,023,721
Equipment	4,255,591	339,164	256,058	4,338,697
Vehicles	3,523,609	229,442	-	3,753,051
School vehicles	1,756,774	-	1,756,774	-
School equipment	2,513,464	-	2,513,464	-
School buildings	50,742,270	-	50,742,270	-
School furniture	619,307	-	619,307	-
Infrastructure	<u>1,471,412</u>	-	-	<u>1,471,412</u>
Total capital assets, being depreciated	70,008,512	581,024	55,887,873	14,701,663
Less accumulated depreciation for:				
Land improvements	42,065	4,422	-	46,487
Buildings	2,174,716	129,285	-	2,304,001
Equipment	3,019,378	276,171	256,058	3,039,491
Vehicles	2,009,626	245,193	-	2,254,819
School vehicles	1,178,486	-	1,178,486	-
School equipment	1,644,992	-	1,644,992	-
School buildings	14,628,503	-	14,628,503	-
School furniture	521,390	-	521,390	-
Infrastructure	<u>657,172</u>	<u>36,785</u>	-	<u>693,957</u>
Total accumulated depreciation	25,876,328	691,856	18,229,429	8,338,755
Total capital assets being depreciated, net	44,132,184	(110,832)	37,658,444	6,362,908
Governmental capital assets, net	<u>\$ 60,029,697</u>	<u>1,300,127</u>	<u>38,250,724</u>	<u>23,079,100</u>

As of July 1, 2009, the Windham School Department joined Regional School Unit #14. As part of the agreement, the Town transferred all School Department capital assets to the new School Unit. The cost of the assets transferred was \$56,224,095 with accumulated depreciation of \$17,973,371 for a net book value of \$38,250,724.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Administrative services	\$ 81,891
Public safety	180,206
Fire/rescue services	191,463
Public works	222,081
Recreation	10,736
Other (Town Clerk and Library)	5,479

Total depreciation expense – governmental activities \$ 691,856

Discretely Presented Component Unit

Activity for the Windham Economic Development Corporation (WEDC):

	Balance June 30, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2010</u>
Capital assets, not being depreciated:				
Land	\$ -	489,541	-	489,541
Total capital assets not being depreciated	\$ -	489,541	-	489,541

STATUTORY DEBT LIMIT

In accordance with 30 MRSA, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. As of June 30, 2010, the Town has not exceeded these percentages.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
General obligation bonds	\$ 29,788,329	-	2,009,177	27,779,152	2,018,778
Capital leases	1,454,003	403,800	477,399	1,380,404	352,548
Accrued compensated absences	1,433,787	-	725,255	708,532	-
Totals	\$ 32,676,119	403,800	3,211,831	29,868,088	2,371,326

As of July 1, 2009, the Windham School Department joined Regional School Unit #14. All School Department liabilities were transferred to the new School Unit with the exception of the bonds that are in the name of the Town. The value of liabilities transferred was \$209,810 of capital leases and \$684,021 of accrued compensated absences.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT

General obligation bonds, notes, and capital leases payable at June 30, 2010 are comprised of the following:

Primary government:

	<u>Original amount</u>	<u>Interest rate</u>	<u>Final maturity date</u>	<u>Balance end of year</u>
<u>General obligation bonds and promissory notes</u>				
1999 Windham School	\$ 2,820,000	Var.	2015	1,159,152
2003 General Obligation Bonds	35,787,000	Var.	2025	26,620,000
Total general obligation bonds and promissory notes				<u>27,779,152 (1)</u>
<u>Capital leases</u>				
Town:				
2004 Aerial platform and Ladder truck		3.55%	2014	325,414
2007 Fire truck and Public Works plows		4.17%	2012	184,847
Public Safety equipment		3.75%	2014	82,189
CAT backhoe		3.60%	2014	67,088
Fire truck and Public Works truck		3.89%	2014	317,165
Two dump trucks / sidewalk tractor		3.88%	2015	403,701
Total capital leases				<u>1,380,404</u>
Total primary government general obligation bonds, promissory notes and capital leases				<u>\$ 29,159,556</u>

(1) As of July 1, 2009, the Windham School Department joined Regional School Unit #14. RSU #14 will reimburse the Town of Windham for all Windham School Department bonds payable when the debt service payments are due. The Town has recorded a receivable for \$25,679,152, which is the outstanding amount of bonds payable related to the School Department.

Discretely Presented Component Unit:

Note Payable

During the year ended June 30, 2010, WEDC purchased land with a promissory note from the Town of Windham. The balance at June 30, 2010 was \$455,500. The note is due on demand and accrues interest at 2%, until all remaining principal and interest shall be paid in full no later than December 30, 2016.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize all debt outstanding as of June 30, 2010 on primary government general obligation bonds and notes with interest ranging from 4.00% to 7.50% are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,018,778	1,144,573	3,163,351
2012	2,029,626	1,072,555	3,102,181
2013	2,041,177	991,909	3,033,086
2014	2,053,337	907,257	2,960,594
2015	2,066,234	821,862	2,888,096
2016-2020	9,050,000	2,975,044	12,025,044
2021-2025	8,520,000	992,769	9,512,769
Totals	\$ 27,779,152	8,905,969	36,685,121

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2010:

<u>Fiscal year ending</u>	<u>Total capital leases</u>
2011	\$ 405,267
2012	405,267
2013	307,023
2014	307,023
2015	90,357
Total minimum lease payments	1,514,937
Less amount representing interest	134,533
Present value of future minimum lease payments	\$ 1,380,404

DIRECT AND OVERLAPPING DEBT

The Town's proportionate share of debt of all local government units which provide services within the Town's boundaries, and which must be borne by properties in the Town, is summarized as follows:

<u>Units</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Town of Windham	\$ 27,779,152	100%	27,779,152
Cumberland County	3,772,625	4.59%	173,203
Portland Water District	31,450,023	7.09%	2,229,952
Portland Water – Little Falls sewer project	6,130,000	29.53%	1,809,887
Portland Water – Route 202 sewer replacement	9,600	100%	9,600
Portland Water – Westbrook sewer project	1,586,285	22.29%	353,505

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

CONTINGENT OBLIGATIONS

ecomaine (formally Regional Waste Systems) - A Maine corporation, with twenty seven participating municipalities including the Town of Windham has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of ecomaine, payable from and secured by a pledge of ecomaine revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of the State of Maine, or a pledge of the full faith and credit of any political subdivision of the State of Maine. ecomaine has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to ecomaine for processing, to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service of the bonds. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2010, outstanding "Incinerator Debt" of ecomaine totaled \$11,190,000 of which the Windham share, based on estimated tonnage to be delivered, amounted to 4.55% or \$509,347.

Additionally, ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure costs approximate \$14,834,132 at June 30, 2009, the most recent date available. The Town's proportionate share of these estimated landfill closure and postclosure costs is 4.64% or \$687,626.

STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES

The State of Maine currently reimburses the Town for a portion of financing costs of School building and School bus purchases. Continuation of such reimbursements is dependent upon continued appropriation by the State Legislature.

DESIGNATED FUND BALANCE

At June 30, 2010 and 2009, portions of the General Fund and Special Revenue Fund balance were appropriated to future periods as follows:

	<u>2010</u>	<u>2009</u>
General Fund:		
Capital equipment	\$ 4,537	102,359
Road improvements	369,417	144,529
Road striping	-	31,000
300th anniversary	11,877	11,810
Building improvements	111,120	77,192
Summerfest	7,614	5,300
Accrued benefit payouts	7,467	49,503
	<hr/>	<hr/>
Total general fund	\$ 512,032	421,693
Special Revenue Fund:		
Carry over for future years - education	-	706,043
	<hr/>	<hr/>
Total Special Revenue Fund	\$ 512,032	706,043

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for workers' compensation coverage. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2010.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2010:

Capital assets	\$ 31,417,855
Accumulated depreciation	(8,338,755)
Bonds payable	(27,779,152)
Less:	
RSU No. 14 portion of debt service	25,679,152
Net bonds payable	(2,100,000)
Capital leases	(1,380,404)
Total invested in capital assets, net of related debt	\$ 19,598,696

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (MainePERS) - CONSOLIDATED RETIREMENT PENSION PLAN

A. Maine Public Employees Retirement System (MainePERS) - Police Officers, Dispatchers and Paramedics

Police Officers, Dispatchers and Paramedics are eligible to participate in the Maine Public Employees Retirement System. MainePERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Police Officers who are plan members are required to contribute 7.5% of their compensation to the retirement system. Dispatchers are required to contribute 6.5% of their compensation and Paramedics are required to contribute 8.0%. The Town matches 3.5%, 2.8% and 5.3% for the Police Officers, Dispatchers and Paramedics, respectively. The total Town contributions for these groups during the fiscal year ended June 30, 2010 were \$66,984.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM (MainePERS) - CONSOLIDATED RETIREMENT PENSION PLAN

B. Deferred Compensation Plan

Town Plan - The Town of Windham offers all its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries.

SCHOOL ADMINISTRATIVE REORGANIZATION (SPECIAL ITEM)

As of July 1, 2009, the Windham School Department has merged with the Raymond School Department to form Regional School Unit #14 or RSU #14. The Town has transferred all assets and liabilities, with the exception of the bonds payable which remain in the name of the Town of Windham, to Regional School Unit #14. The Town has recorded a receivable for the amount of outstanding bonds that were issued on behalf of the Windham School Department. The effects of the special item are as follows:

	Governmental <u>Activities</u>	Governmental <u>Funds</u>
Capital assets	\$ 56,224,095	-
Accumulated depreciation	(17,973,371)	-
Receivable from RSU #14 for debt service payments	(27,538,329)	(27,538,329)
Deferred debt service payments from RSU #14	-	27,538,329
Accrued compensated absences	(684,021)	-
Capital leases	(209,810)	-
Fund balances:		
School Operations	706,043	706,043
Special Revenue Funds	913,870	913,870
Total transferred to RSU #14	\$ 11,438,477	1,619,913

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

TAX INCREMENT FINANCING DISTRICT

The Town has established the Windham Municipal Development District - North tax increment financing district (TIF). The District retains the tax increment on 80% on the new captured assessed value of the property in this TIF District to finance certain eligible projects for a period of five years. The Town accounts for the activity of the TIF in the special revenue fund. Revenues will be used specifically for conducting a multi-year environmental assessment to measure the impact of expanded development on Windham's natural resource base and to undertake the implementation of aspects of Windham's comprehensive plan. The maximum tax revenues collected over the five years were \$650,000 and were captured as of June 30, 1999. The Town has reauthorized the District for another ten years, with a physical expansion of approximately one acre, and increased the maximum revenues to \$2,000,000 over its ten year life. Funds were appropriated to the District on an annual basis by the Council and budgetary town meeting. As of June 30, 2005, all of the tax revenues were captured and during 2006 the remaining \$481,595 held in the general fund was transferred into the TIF fund.

The creation of a Pipeline Development District is to address specific concerns and issues that have been identified by the Town's staff, elected leaders, and citizenry over the past year during forums and other forms of direct communication. Public comments have been directed towards a reactionary environment, lack of capital expenditures and the continuing need to ration resources and proactively seek out economic opportunity before crisis and concern are established. The development within this District will produce approximately \$16,352,800 of new tax base for the Town. The District will produce new taxable revenues, beginning with 80% and declining by 5% annually, over a ten year period. These revenues will be used to make payments into the Pipeline Development Fund specifically for: the purchase of a Geographic Information System (GIS) that would integrate automated data and provide a tool for planning economic and community development, a formal study and long range plan to mitigate environmental issues related to pollutants within the northern section of Town, the development of a business and tourism center within the commercial hub, a mechanism to leverage private funding for rehabilitation and new construction of desirable commercial facilities throughout the community and the continuance of the Town's economic development program. For the year ended June 30, 2010, \$54,009 of tax revenues were captured and reported as TIF district revenues.

The goal of the Roosevelt Promenade TIF is to gain a better understanding of the impact that economic development has had on the North Windham Business District and to prepare for future growth. Increasing traffic volumes on Route 302 necessitate a study of transportation alternatives including the development of local connector roads to alleviate congestion. The Town's economic development program will administer the development program and will continue to be funded by TIF proceeds. Captured assessed value will be calculated for the District based upon the difference between the property's original assessed value as of April 1, 2005 (March 31, 2006) and April 1, 2006. The Town will capture no more than \$210,000 in any given year up to a total of \$1,050,000 in TIF revenues on assessed value resulting from the development with the District over the five year TIF period. Allocations from the TIF fund will be by the action of the Town Council as approved by the Town Meeting. For the year ended June 30, 2010, \$210,000 of tax revenues were captured and reported as TIF district revenues.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

LANDFILL CLOSURE COSTS AND POSTCLOSURE CARE COSTS

The Town of Windham presently has one landfill, closure of which is substantially complete. Some monitoring costs will be required in the future, however these costs are not deemed to be material.

OTHER POST EMPLOYMENT BENEFITS

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the Town of Windham, Maine for the year ended June 30, 2009. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

The Town of Windham is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in June 2009.

Plan Descriptions – The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees. Town employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. For those Town employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

Funding Policy and Annual OPEB Cost – GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

Normal cost	\$ 72,250
Amortization of Unfunded	64,602
Interest	<u>2,737</u>
Annual Required Contribution	\$ 139,589

Net OPEB Obligation – The Town's net OPEB obligation was calculated as follows:

OPEB liability, July 1, 2009	\$ 139,589
Annual required contribution	139,589
Less: Actual contributions	<u>(22,506)</u>
OPEB liability, June 30, 2010	\$ 256,672

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements, Continued

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

Funding Status and Funding Progress – The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2010 were as follows:

Annual required contribution	\$ 139,589
Actual contribution	22,506
Percent contributed	16.12%
Actuarial accrued liability	1,161,778
<u>Plan assets</u>	<u>-</u>
Unfunded actuarial accrued liability	1,161,778
Covered payroll	5,009,860
Unfunded actuarial accrued liability as a percentage of covered payroll	23.2%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information (only one year available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/09
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

TOWN OF WINDHAM, MAINE
Required Supplementary Information

MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS

In accordance with GASB Statement No. 34 the Town is required to account for and report infrastructure capital assets. The Town defines infrastructure as the basic physical assets including streets and roads, storm water conveyance system, parks and recreation land and improvements, buildings and associated amenities such as parking used by the Town in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, streets and roads can be divided into pavement, curbing, sidewalks, streetlights, traffic control devices (signs, signals, and pavement markings), landscaping, and land. Subsystem detail is not presented in these basic financial statements; however, the Town maintains detailed information on these subsystems.

The Town has elected to use the "modified approach" as defined by GASB 34 for infrastructure reporting for roads and drainage structures only. Under GASB 34 eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The Town manages the eligible infrastructure capital assets using an asset management system which provides for (1) an up-to-date inventory, (2) condition assessments and summary according to a measurement scale, and (3) an estimate of the annual amount required to maintain and preserve the infrastructure at the established condition assessment level.
- The Town documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In 2010, the Town completed a physical condition assessment of roads and streets. For the purposes of this assessment, roads and streets were defined as all public roadways within Windham that the Town has some responsibility for maintenance and improvement. The condition assessment is performed every three years.

The pavement condition rating survey was conducted according to procedures outlined in "Visual Condition Survey for Flexible Pavements, Instruction Manual for Community Level Pavement Management," Maine Department of Transportation, March 1986. The approach is based on upon systematic sampling to locate each rating site. Each rating site is one hundred feet in length and one travel lane wide, with a maximum travel lane width of twelve feet. The survey records the extent and severity of distresses that commonly occur on Maine roads. The distresses include several types of cracking, distortion, and patching.

A one-quarter mile rating frequency was used for streets that are less than one mile and one-half mile rating frequency for streets that are greater than one mile, with a minimum of two ratings on each homogeneous road segment. The rating sites were located with a calibrated distance measuring instrument (DMI), a piece of equipment similar to an odometer, but more precise. This allows the same rating sites to be relocated in subsequent distress surveys.

The raw field data was reduced to an individual pavement condition rating (PCR) score for each rating site. The PCR was based upon a 0 to 5 scale, with 0 being impassable and 5 being perfect. The scale reflects the structural integrity of the pavement and, as a result, is useful in determining appropriate treatment strategies for each condition range.

TOWN OF WINDHAM, MAINE
Required Supplementary Information, Continued

A description of the PCR scale is as follows:

Pavement Condition Rating Scale

PCR Range	Condition
0.00 – 1.60	Very Poor
1.61 – 2.00	Poor
2.01 – 2.40	Poor – Fair
2.41 – 2.80	Fair
2.81 – 3.20	Fair – Good
3.21 – 3.60	Good
3.61 – 5.00	Very Good

Generally, roads with ratings of 2.40 or lower are considered poor and in obvious need of improvement. Roads with ratings of 3.21 or higher are considered good and are not usually considered eligible for improvement, except for routine maintenance.

There were approximately 195 streets or street sections resulting in 101.55 miles of rated roads. The overall existing condition rating of Windham's road network was determined by calculating the total roadway length in each of the condition ranges. In 2001 the overall condition rating of the entire roadway network was "good" with an average rating of 3.21. At the time the PCR survey was conducted in 2004 the average condition rating had improved to 4.15 and remained consistent in 2007 with an average of 4.11. As of October 2001, 29.76% of the public roadway mileage in Windham was rated below 2.81, while only 5.17% of all public roads fell into this category in 2004, with 3.08% of town roads and 10.56% of state roads. By October 2007 only 1.6% of all public roads were categorized as "fair," with 1.4% of town roads and 2.1% of state roads. In October 2010, 5.1% of all public roads were categorized as "fair or poor-fair," with 3.4% of town roads and 9% of state roads. The Town's overall average condition rating for all public roads is 3.92, which is considered "very good".

The Town's roads and streets are constantly deteriorating due to the effects of (1) traffic using the roads and streets, (2) ultraviolet solar radiation drying out and breaking down the top layer of pavement, (3) pavement cuts, damage, and trenching operations resulting from utility construction, repairs, and/or development, and (4) water damage from precipitation and drainage runoff. The Town is continuously taking actions to arrest the deterioration through short-term maintenance activities such as patching, sweeping, and repair.

As of 2010, the estimated cost to treat all eligible Town roadways (with condition ratings of less than 3.21) was estimated at \$1,582,892 through 2013. The estimated cost to treat all eligible state highways for which the Town has maintenance responsibility is estimated at \$7,980,122 through 2013. Since 2001 the Town has appropriated and/or expended \$7,300,000 for roadway maintenance and improvements other than routine maintenance. The Town expended \$543,870 on road and street maintenance and \$275,112 for improvements for the fiscal year ended June 30, 2010. Both types of activities may contribute to improvements in the overall condition of roads.

TOWN OF WINDHAM, MAINE
Required Supplementary Information, Continued

Pavement condition rating (PCR) surveys only look at one element of a road's condition, but one which can communicate a great deal about underlying problems. Overlay alone may be enough to improve a road's rating for the short term, but more extensive work may be needed to address other issues. The Town estimates that the amount of annual expenditures required to improve and maintain the Town's roads and streets, and portions of state highways for which the Town is responsible for maintenance, at an average PCR score of 3.21 through to be at least \$3,188,000. Continued increases in the cost of asphalt could put pressure on this estimate, possibly leading to the need for increases in paving expenditures to maintain quality. Since 2001 the Town has appropriated at least \$500,000 annually for road improvement activities. It should be noted, however, that this amount relates mainly to the maintenance of current pavement infrastructure and does not contemplate more extensive improvements as might be required in the future for storm water management, improved safety, added capacity, or additional amenities such as sidewalks.

During 2010, the Town also conducted a condition assessment of its storm water drainage system. The storm water drainage system consists of drainage structures, pipes, and pipe openings. Stormwater drainage structures include catch basins, leaching catch basins, manholes, and dry wells. Pipes and pipe openings are identified as drain inlets, drain outlets, and pipe outfalls. Elements of the storm water drainage system were rated for structural and hydraulic condition according to the following criteria:

Good

Items examined and found to be "like new" or without apparent defects, are functioning well and reliably per design intent, and without flow restrictions; do not require attention, correction, or repair.

Fair

Items examined and found to have apparent defects or slight flow restrictions, are minimally functioning and/or may be at or near its useful life; Near term replacement or rehabilitation may be necessary, however does not require immediate corrective action.

Poor/Needs Repair/Cleaning

Items examined and found to have a deficiency or deficiencies which affect performance, potential for failure exists, or has ceased to function as designed; requires immediate service, repair, or replacement.

Blocked

Items examined and found to have flow obstructions that require immediate service, rehabilitation, or replacement.

With regard to structural condition, 99.6% of drainage structures, pipes, and pipe openings were found to be in good (97.4%) or fair (2.2%) condition. The remaining .4% assessed as poor/needs repair. The Town conducted a complete cleaning of drainage structures in 2007, subsequent to the condition assessment, and expects to continue its program of maintenance, and regular cleaning along with inspection and condition assessment required for compliance with both GASB 34 and NPDES Phase II stormwater management rules.

The next required condition assessment is to be performed by 2013.

TOWN OF WINDHAM, MAINE
Required Supplementary Information, Continued

SCHEDULE OF FUNDING PROGRESS

Retiree Healthcare Plan

Fiscal Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
2009	1/1/09	\$ -	\$1,161,778	\$1,161,778	0.00%	\$4,998,035	23.2%
2010	1/1/09	\$ -	\$1,161,778	\$1,161,778	0.00%	\$5,009,860	23.2%

GENERAL FUND

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

TOWN OF WINDHAM, MAINE
General Fund
Comparative Balance Sheet
June 30, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 4,574,389	2,663,947
Investments	1,765,984	7,176,937
Receivables:		
Taxes receivable - current year	736,518	802,829
Taxes receivable - prior years	209,674	196,358
Tax liens - prior years	364,462	317,047
Accounts receivable, net of allowance of \$12,508 and \$193,144, respectively	260,155	330,906
Inventory	12,076	6,019
Receivable from RSU #14 for debt service payments	25,679,152	-
Total assets	\$ 33,602,411	11,494,043
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	434,201	296,414
Accrued wages	153,111	378,872
Interfund loans payable	1,716,565	5,821,506
Taxes paid in advance	40,383	53,354
Deferred tax revenue	1,077,000	1,010,000
Unearned income - impact fees	12,284	19,474
Inspection deposits and miscellaneous liabilities	307,776	184,965
Deferred debt service payments from RSU #14	25,679,152	-
Total liabilities	29,420,472	7,764,585
Fund balance:		
Reserved for:		
Inventory	12,076	6,019
Unreserved:		
Designated	512,032	421,693
Undesignated	3,657,831	3,301,746
Total fund balance	4,181,939	3,729,458
Total liabilities and fund balance	\$ 33,602,411	11,494,043

TOWN OF WINDHAM, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the year ended June 30, 2010

(with comparative actual amounts for the year ended June 30, 2009)

	2010				Variance positive (negative)	2009 Actual
	2009 carryforward	Budget	Total available	Actual		
Revenues:						
Taxes:						
Property taxes	\$ -	21,517,909	21,517,909	21,634,284	116,375	20,867,039
Change in deferred property tax revenue	-	-	-	(67,000)	(67,000)	(176,000)
Excise taxes	-	2,325,000	2,325,000	2,482,805	157,805	2,489,164
Supplemental taxes and lien fees	-	17,000	17,000	20,750	3,750	19,608
Total taxes	-	23,859,909	23,859,909	24,070,839	210,930	23,199,811
Licenses and permits:						
Plumbing fees	-	10,000	10,000	19,808	9,808	15,119
Town Clerk fees	-	60,000	60,000	54,541	(5,459)	58,652
Building permits	-	40,000	40,000	61,289	21,289	50,654
Planning fees	-	4,000	4,000	22,850	18,850	8,026
License and other fees	-	27,250	27,250	31,887	4,637	28,952
Motor vehicle registration fees	-	40,000	40,000	51,637	11,637	50,535
Total licenses and permits	-	181,250	181,250	242,012	60,762	211,938
Intergovernmental:						
State Revenue Sharing	-	1,000,000	1,000,000	898,351	(101,649)	1,235,010
State highway block grant	-	275,000	275,000	250,388	(24,612)	209,475
Homestead exemption	-	337,730	337,730	337,730	-	324,039
General assistance reimbursement	-	125,000	125,000	241,065	116,065	160,274
COPS Grant	-	180,000	180,000	-	(180,000)	-
Other state assistance	-	10,000	10,000	11,577	1,577	15,215
Total intergovernmental	-	1,927,730	1,927,730	1,739,111	(188,619)	1,944,013
Charges for services:						
Solid waste disposal fees	-	480,000	480,000	534,122	54,122	580,645
False alarm fees/police fines and fees	-	3,500	3,500	3,014	(486)	4,111
Park fees	-	29,500	29,500	40,496	10,996	25,119
Total charges for services	-	513,000	513,000	577,632	64,632	609,875

TOWN OF WINDHAM, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual, Continued

	2010				Variance positive (negative)	2009 Actual
	2009 carryforward	Budget	Total available	Actual		
Revenues, continued:						
Interest earned:						
Interest on delinquent taxes	-	80,000	80,000	132,257	52,257	128,250
Interest earned on investments	-	130,000	130,000	38,006	(91,994)	121,861
Total interest earned	-	210,000	210,000	170,263	(39,737)	250,111
Other revenues:						
Cable television franchise	-	105,000	105,000	119,784	14,784	110,657
Court fees	-	2,000	2,000	345	(1,655)	1,831
Rent	-	9,416	9,416	9,417	1	9,416
Rescue reimbursement	-	405,000	405,000	463,991	58,991	588,136
Miscellaneous	-	18,923	18,923	75,399	56,476	85,834
Library fines and state funds	-	10,000	10,000	8,942	(1,058)	10,695
Total other revenues	-	550,339	550,339	677,878	127,539	806,569
Total revenues	-	27,242,228	27,242,228	27,477,735	235,507	27,022,317
Expenditures:						
Current:						
Administrative services:						
Town Council	-	136,304	136,304	140,174	(3,870)	136,076
Economic Development	-	84,093	84,093	74,998	9,095	88,714
Community participation	-	25,550	25,550	13,179	12,371	18,716
Windham Community Cable Group	-	46,404	46,404	42,938	3,466	35,942
Municipal insurance	-	123,628	123,628	117,519	6,109	131,440
Employee benefits	-	1,698,898	1,698,898	1,616,821	82,077	1,676,094
Money management fees	-	375	375	780	(405)	(547)
Town management	-	354,305	354,305	364,322	(10,017)	345,157
Collect/account Town funds	-	235,751	235,751	217,805	17,946	215,507
Data processing	-	163,254	163,254	144,278	18,976	146,167
Total administrative services	-	2,868,562	2,868,562	2,732,814	135,748	2,793,266

TOWN OF WINDHAM, MAINE
General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual, Continued

	2010				Variance positive (negative)	2009 Actual
	2009 carryforward	Budget	Total available	Actual		
Expenditures, continued						
Current, continued:						
Recreation services:						
Recreation	\$ -	170,224	170,224	165,991	4,233	191,209
Skate park	-	16,400	16,400	12,330	4,070	12,521
Dundee Park	-	49,040	49,040	58,977	(9,937)	47,179
Total recreation services	-	235,664	235,664	237,298	(1,634)	250,909
Education	-	13,684,504	13,684,504	13,684,504	-	13,350,632
County tax	-	1,005,752	1,005,752	1,005,752	-	959,303
Other:						
Social services	-	330,912	330,912	579,417	(248,505)	386,668
Social services agency funding	-	44,125	44,125	31,415	12,710	44,434
Assessing	-	229,628	229,628	223,881	5,747	223,246
Geographic information systems	-	20,503	20,503	4,639	15,864	23,997
Contingency	-	100,000	100,000	-	100,000	-
Energy and weather emergency fund	-	100,000	100,000	-	100,000	-
Town Clerk/elections	-	151,406	151,406	140,624	10,782	139,769
Community development	35,266	251,339	286,605	270,847	15,758	252,682
Planning services	-	185,344	185,344	184,007	1,337	177,994
Library services	-	331,906	331,906	310,733	21,173	313,362
Rescue bad debt expense	-	-	-	50,863	(50,863)	69,144
Abatements	-	-	-	25,074	(25,074)	26,285
Total other	35,266	1,745,163	1,780,429	1,821,500	(41,071)	1,657,581
Debt service (excluding education):						
Principal	-	150,000	150,000	150,000	-	230,000
Interest	-	89,625	89,625	89,625	-	97,125
Total debt service (excluding education)	-	239,625	239,625	239,625	-	327,125

TOWN OF WINDHAM, MAINE
General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual, Continued

	2010		Total available	Actual	Variance positive (negative)	2009 Actual
	2009 carryforward	Budget				
Expenditures, continued:						
Capital outlay:						
Town road resurfacing	\$ 144,529	500,000	644,529	275,112	369,417	494,136
ECB capital expenditures	-	-	-	-	-	35,681
Town building/land improvements	77,192	320,000	397,192	280,748	116,444	411,489
Total capital outlay	221,721	820,000	1,041,721	555,860	485,861	941,306
Total expenditures	302,224	27,585,180	27,887,404	26,834,882	1,052,522	26,929,041
Excess (deficiency) of revenues over (under) expenditures	(302,224)	(342,952)	(645,176)	642,853	1,288,029	93,276
Other financing sources (uses):						
Transfers - in	-	249,952	249,952	249,952	-	292,885
Transfers - out - CDBG	-	-	-	(5,324)	(5,324)	-
Transfers - out - Equipment replacement	(102,359)	(435,000)	(537,359)	(435,000)	102,359	(535,000)
Utilization of prior year surplus and carried forward balances	404,583	528,000	932,583	-	(932,583)	-
Total other financing sources (uses)	302,224	342,952	645,176	(190,372)	(835,548)	(242,115)
Net change in fund balance	-	-	-	452,481	452,481	(148,839)
Fund balance, beginning of year				3,729,458		3,878,297
Fund balance, end of year	\$		4,181,939			3,729,458

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF WINDHAM
Combining Balance Sheet
All Other Governmental Funds
June 30, 2010

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	203,609	203,609
Investments	179,614	-	179,614
Accounts receivable	11,353	-	11,353
Interfund loans receivable	1,714,365	2,200	1,716,565
Total assets	\$ 1,905,332	205,809	2,111,141
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	7,098	-	7,098
Interfund loans payable	-	-	-
Total liabilities	7,098	-	7,098
Fund balances:			
Reserved for nonexpendable trust principal	-	41,874	41,874
Unreserved:			
Undesignated	1,898,234	163,935	2,062,169
Total fund balances	1,898,234	205,809	2,104,043
Total liabilities and fund balances	\$ 1,905,332	205,809	2,111,141

TOWN OF WINDHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2010

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
Revenues:			
Property taxes revenue	\$ 264,009	-	264,009
Intergovernmental	65,914	-	65,914
Charges for services	488,925	-	488,925
Other revenue	-	5,375	5,375
Interest revenue	13,376	1,016	14,392
Total revenues	832,224	6,391	838,615
Expenditures:			
Current:			
Recreation	134,822	-	134,822
Sewer assessment	343,461	-	343,461
Scholarships	3,000	-	3,000
Capital outlay	1,489,861	-	1,489,861
Total expenditures	481,283	-	481,283
Excess (deficiency) of revenues over (under) expenditures	350,941	6,391	357,332
Other financing sources (uses):			
Capital lease proceeds	403,800	-	403,800
Transfer to other funds	(247,152)	(2,800)	(249,952)
Transfer from other funds	440,324	-	440,324
Total other financing sources (uses)	596,972	(2,800)	594,172
Net change in fund balances before special item	947,913	3,591	951,504
Special item:			
Transfer of funds to Regional School Unit # 14	(913,870)	-	(913,870)
Net change in fund balances	34,043	3,591	37,634
Fund balances, beginning of year	3,354,052	202,218	3,556,270
Fund balances, end of year	\$ 3,388,095	205,809	3,593,904

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are established to account for resources obtained and expended for specified purposes that are restricted by law or administrative action.

Special revenue funds are established for the following purposes:

Town Special Revenue Funds:

Equipment Replacement

To account for the financial activity of a reserve established for the acquisition of major equipment.

Little Falls Sewer Operations

To account for the revenues and expenditures of the Little Falls Sewer operations.

Recreation Program

To account for non-budgeted self-funded recreation programs and activities.

T.I.F. Funds

To account for the revenues and related expenditures for the Municipal Development District - North T.I.F., Pipeline Development T.I.F., and the Roosevelt Promenade T.I.F.

CDBG, Brownfields and JAG Grants

To account for grant activity.

Highland Lake Youth Conservation Corp.

To account for a County grant for the conservation of soil and water.

Thomas Varney School Fund

Annie Akers Bremon Scholarship Trust Fund

The Town was appointed as successor trustee in 2004 to administer the trust assets. The income is to be used to award scholarships to worthy students graduating from Windham High School.

TOWN OF WINDHAM, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2010

	Town Special Revenue Funds	School Special Revenue Funds	Adult Education Program	R.E.A.L. School Fund	School Lunch Program	Thomas Varney School Fund	Annie Akers Bremont Fund	Total
ASSETS								
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-
Investments	-	-	-	-	-	43,794	135,820	179,614
Receivables:								
Accounts receivable	11,353	-	-	-	-	-	-	11,353
Interfund loans receivable	1,714,365	-	-	-	-	-	-	1,714,365
Total assets	\$ 1,725,718	-	-	-	-	43,794	135,820	1,905,332
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	7,098	-	-	-	-	-	-	7,098
Interfund loans payable	-	-	-	-	-	-	-	-
Total liabilities	7,098	-	-	-	-	-	-	7,098
Fund balances:								
Unreserved:								
Undesignated	1,718,620	-	-	-	-	43,794	135,820	1,898,234
Total fund balances	1,718,620	-	-	-	-	43,794	135,820	1,898,234
Total liabilities and fund balances	\$ 1,725,718	-	-	-	-	43,794	135,820	1,905,332

TOWN OF WINDHAM, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2010

	Town Special Revenue Funds	School Special Revenue Funds	Adult Education Program	R.E.A.L. School Fund	School Lunch Program	Thomas Varney School Fund	Annie Akers Bremon Fund	Total
Revenues:								
Property taxes revenue	\$ 264,009	-	-	-	-	-	-	264,009
Intergovernmental revenues:								
Federal subsidies	65,914	-	-	-	-	-	-	65,914
State subsidies	-	-	-	-	-	-	-	-
Total intergovernmental revenues	65,914	-	-	-	-	-	-	65,914
Charges for services:								
Recreation revenues	133,573	-	-	-	-	-	-	133,573
Sale of school lunches	-	-	-	-	-	-	-	-
Sewer user fees	355,351	-	-	-	-	-	-	355,351
Total charges for services	488,925	-	-	-	-	-	-	488,925
Interest and dividends	11,373	-	-	-	-	217	1,786	13,376
Other revenues	-	-	-	-	-	-	-	-
Total revenues	830,221	-	-	-	-	217	1,786	832,224

TOWN OF WINDHAM, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, Continued

	Town Special Revenue Funds	School Special Revenue Funds	Adult Education Program	R.E.A.L. School Fund	School Lunch Program	Thomas Varney School Fund	Annie Akers Bremont Fund	Total
(Schedule A)								
Expenditures:								
Education:								
Adult education	\$ -	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
School lunch	-	-	-	-	-	-	-	-
Total education	-	-	-	-	-	-	-	-
Recreation	134,822	-	-	-	-	-	-	134,822
Capital expenditures	1,489,861	-	-	-	-	-	-	1,489,861
Sewer assessments	343,461	-	-	-	-	-	-	343,461
Scholarships	-	-	-	-	-	-	3,000	3,000
Total expenditures	1,968,145	-	-	-	-	-	3,000	1,971,145
Excess (deficiency) of revenues over (under) expenditures	(1,137,923)	-	-	-	-	217	(1,214)	(1,138,920)
Other financing sources:								
Capital lease proceeds	403,800	-	-	-	-	-	-	403,800
Transfer to other funds	(247,152)	-	-	-	-	-	-	(247,152)
Transfer from other funds	440,324	-	-	-	-	-	-	440,324
Total other financing sources	596,972	-	-	-	-	-	-	596,972
Net change in fund balances before special item	(540,951)	-	-	-	-	217	(1,214)	(541,948)
Special item:								
Transfer of funds to Regional School Unit #14	-	(752,052)	(57,747)	(10,232)	(93,839)	-	-	(913,870)
Net change in fund balances	(540,951)	(752,052)	(57,747)	(10,232)	(93,839)	217	(1,214)	(1,455,818)
Fund balances, beginning of year	2,259,571	752,052	57,747	10,232	93,839	43,577	137,034	3,354,052
Fund balances, end of year	\$ 1,718,620	-	-	-	-	43,794	135,820	1,898,234

NONMAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Acquisition Fund

Funds restricted for the acquisition of a Town cemetery.

Perpetual Care Trust Funds

Consisting of numerous trust funds restricted for the perpetual care of specific lots or cemeteries.

Library Trust Fund

Consisting of a single fund established to assist the library.

TOWN OF WINDHAM, MAINE
 Permanent Funds
 Combining Balance Sheet
 June 30, 2010

		Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
ASSETS					
Cash and cash equivalents	\$	156,810	40,065	6,734	203,609
Interfund loans receivable		2,200	-	-	2,200
Total assets	\$	159,010	40,065	6,734	205,809
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund loans payable		-	-	-	-
Total liabilities		-	-	-	-
Fund balances:					
Reserved for nonexpendable trust principal		-	41,074	800	41,874
Undesignated		159,010	(1,009)	5,934	163,935
Total fund balances		159,010	40,065	6,734	205,809
Total liabilities and fund balances	\$	159,010	40,065	6,734	205,809

TOWN OF WINDHAM, MAINE
Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2010

	Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
Revenues:				
Interest and dividends	\$ 762	219	35	1,016
Lot sales	5,375	-	-	5,375
Total revenues	6,137	219	35	6,391
Expenditures:				
Bank fees	-	-	-	-
Total expenditures	-	-	-	-
Other financing uses:				
Transfers	-	(2,800)	-	(2,800)
Total other financing uses	-	(2,800)	-	(2,800)
Net change in fund balances	6,137	(2,581)	35	3,591
Fund balances, beginning of year	152,873	42,646	6,699	202,218
Fund balances, end of year	\$ 159,010	40,065	6,734	205,809

SCHEDULE

The following schedule provides more detailed information on the financial activity of the following Special Revenue fund:

Special Revenue Funds:
Town Special Revenue Funds

TOWN OF WINDHAM, MAINE
Town Special Revenue Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2010
(with comparative actual amounts for the year ended June 30, 2009)

	Equipment Replacement	Little Falls Sewer Operations	Recreation Program	CDBG	Development District North		Pipeline Development		Roosevelt Promenade		Brownfields Conservation		Highland Lake Youth Corp		Totals	
					T.I.F.	T.I.F.	T.I.F.	T.I.F.	T.I.F.	T.I.F.	Grant	Corp	2010	2009		
Revenues:																
Property tax revenues	\$ -	-	-	-	-	-	54,009	210,000	-	-	-	-	-	264,009	269,886	
State/Federal grants	-	-	-	20,000	-	-	-	-	18,562	-	-	-	-	65,914	16,320	
Sewer user fees	-	355,351	-	-	-	-	-	-	-	-	-	-	-	355,351	218,601	
Recreation	-	-	133,573	-	-	-	-	-	-	-	-	-	-	133,573	176,328	
Interest	11,373	-	-	-	-	-	-	-	-	-	-	-	-	11,373	21,926	
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62,745	
Total revenues	11,373	355,351	133,573	20,000	-	54,009	210,000	18,562	-	27,352	-	-	830,221	765,807		
Expenditures:																
Sewer assessments	-	343,461	-	-	-	-	-	-	-	-	-	-	-	343,461	282,878	
Recreation	-	-	134,822	-	-	-	-	-	-	-	-	-	-	134,822	138,793	
Capital expenditures	936,622	-	-	25,324	198,373	273,300	24,439	18,562	-	13,241	-	-	1,489,861	1,105,767		
Total expenditures	936,622	343,461	134,822	25,324	198,373	273,300	24,439	18,562	-	13,241	-	-	1,968,145	1,527,438		
Other financing sources (uses):																
Capital lease proceeds	403,800	-	-	-	-	-	-	-	-	-	-	-	-	403,800	572,519	
Transfers to General Fund	-	-	-	-	(7,772)	(40,851)	(198,529)	-	-	-	-	-	-	(247,152)	(290,085)	
Transfers from General Fund	435,000	-	-	5,324	-	-	-	-	-	-	-	-	-	440,324	535,000	
Total other financing sources (uses)	838,800	-	-	5,324	(7,772)	(40,851)	(198,529)	-	-	-	-	-	-	596,972	817,434	
Net change in fund balances	(86,449)	11,890	(1,249)	-	(206,145)	(260,142)	(12,968)	-	-	14,111	-	-	(540,951)	55,803		
Fund balances, beginning of year	832,157	102,476	398,787	-	219,596	330,846	356,580	-	19,129	-	-	-	2,259,571	2,203,768		
Fund balances, end of year	\$ 745,708	114,366	397,538	-	13,451	70,704	343,612	-	19,129	14,111	1,718,620	2,259,571				

