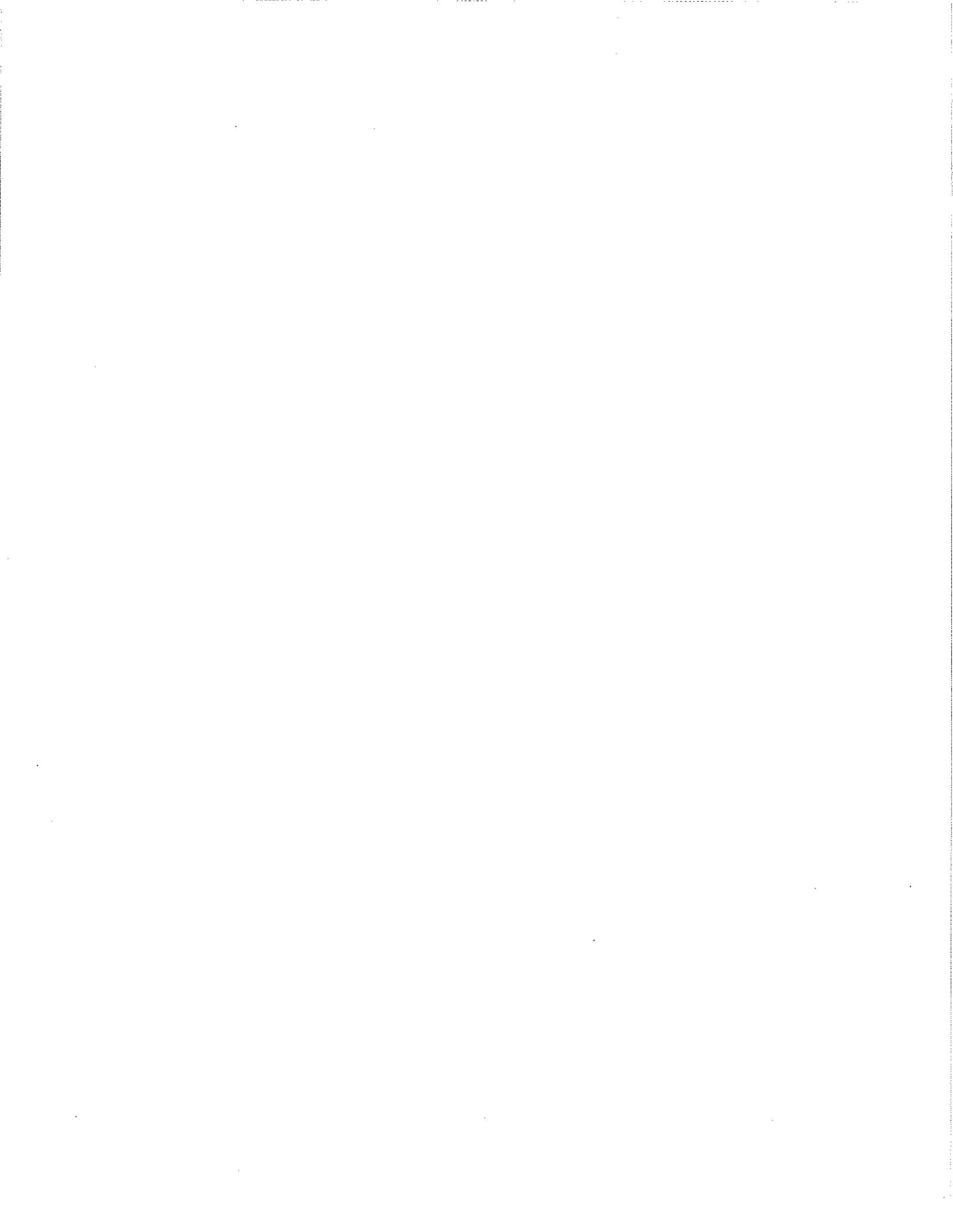


TOWN OF WINDHAM, MAINE

Annual Financial Report

For the year ended June 30, 2011



TOWN OF WINDHAM, MAINE
Annual Financial Report
Year ended June 30, 2011

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Certified Public Accountants and Business Consultants

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, 2011, 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.

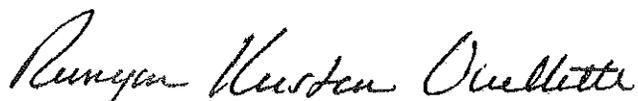
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011, 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 November 30, 2011 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.



November 30, 2011
South Portland, Maine

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis
June 30, 2011

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, 2011. 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, 2011

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.

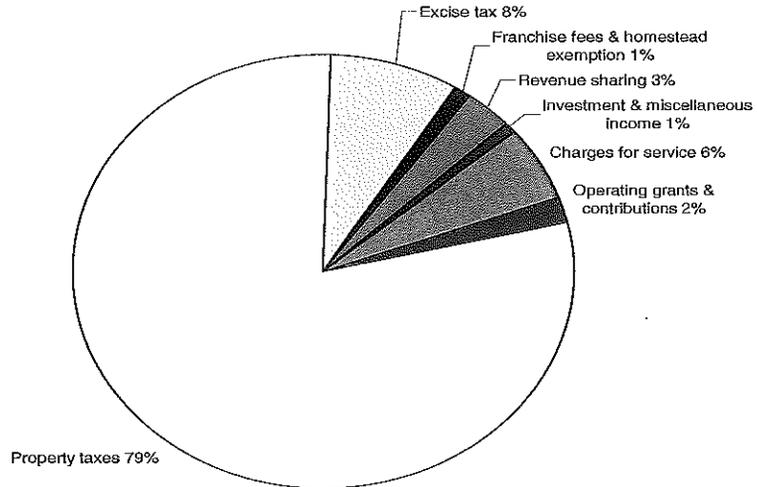
THE TOWN AS A WHOLE

The Town is providing condensed financial information for the year 2011 and comparative information for 2010.

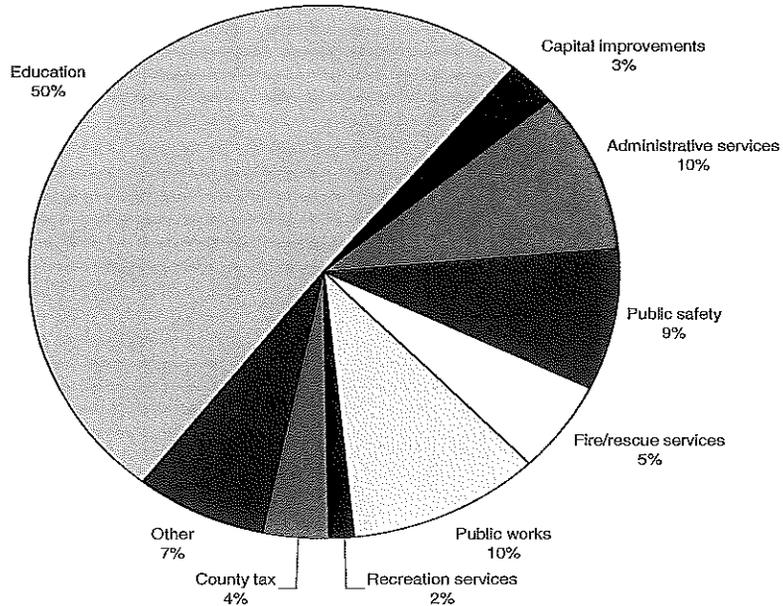
| | <u>2011</u> | | <u>2010</u> | |
|----------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|
| | <u>Government Activities</u> | <u>Activities (WEDC)</u> | <u>Government Activities</u> | <u>Activities (WEDC)</u> |
| Assets: | | | | |
| Current and other assets | \$ 32,994,003 | 56,274 | 33,996,986 | 47,603 |
| Capital assets (net) | 22,980,821 | 504,781 | 23,079,100 | 489,541 |
| Total assets | <u>55,974,824</u> | <u>561,055</u> | <u>57,076,086</u> | <u>537,144</u> |
| Liabilities: | | | | |
| Long-term debt outstanding | 27,121,594 | 455,500 | 26,788,230 | 455,500 |
| Other liabilities | 2,244,002 | 13,648 | 4,483,467 | 5,738 |
| Total liabilities | <u>29,365,596</u> | <u>469,148</u> | <u>31,271,697</u> | <u>461,238</u> |
| Net assets: | | | | |
| Invested in capital assets | 19,669,602 | 49,281 | 19,598,696 | 34,041 |
| Restricted | 594,365 | - | 41,874 | - |
| Unrestricted | 6,345,261 | 42,626 | 6,163,819 | 41,865 |
| Total net assets | <u>\$ 26,609,228</u> | <u>91,907</u> | <u>25,804,389</u> | <u>75,906</u> |

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

Governmental Revenues by Source



Governmental Expenditures by Type



TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities for 2011 was \$28,387,481. However, as shown in the statement of activities, the amount paid by taxpayers through local property taxes for these activities was \$23,092,907 because some of the cost (\$1,616,958) was borne by those who directly benefited from the programs.

The Town paid for the remaining "public benefit" portion of governmental activities with \$4,482,455 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 \$54,996,709 were available during the year to finance governmental activities, consisting of net assets of \$25,804,389 at July 1, 2010, program revenues of \$2,185,460 and general revenues of \$27,006,860.

Total governmental activities expenses were \$28,387,481. Net assets increased by \$804,839, from \$25,804,389 to \$26,609,228, or 3.1%.

Total governmental activities expenses fell by \$177,344, or .6%; net expenses for governmental activities increased by \$1,326,446, or 5.3% from 2010 to 2011.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

Statement of Activities

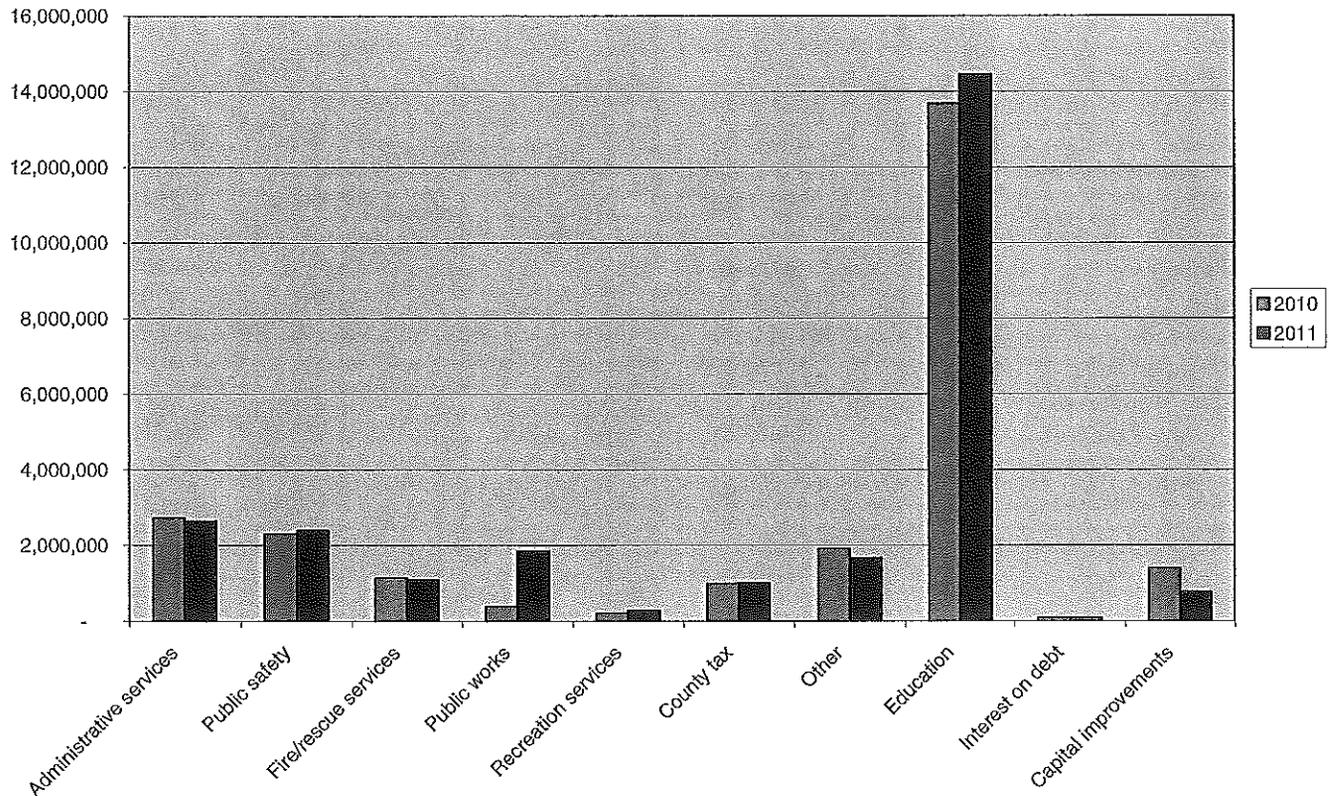
| | <u>Primary Government Governmental Activities</u> | <u>Component Unit (WEDC)</u> | <u>2011 Primary Government and Component Unit</u> | <u>2010 Primary Government and Component Unit</u> |
|--|---|--------------------------------------|---|---|
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for service | \$ 1,616,958 | - | 1,616,958 | 1,720,923 |
| Operating grants and contributions | 568,502 | 20,000 | 588,502 | 557,367 |
| Capital grants and contributions | - | - | - | 1,410,959 |
| General Revenues: | | | | |
| Property taxes | 23,092,907 | - | 23,092,907 | 21,898,293 |
| Excise tax | 2,465,351 | - | 2,465,351 | 2,482,805 |
| Franchise fees | 129,272 | - | 129,272 | 119,784 |
| Homestead exemption | 200,132 | - | 200,132 | 337,730 |
| Other state aid | 12,315 | - | 12,315 | 11,577 |
| State revenue sharing | 843,031 | - | 843,031 | 898,351 |
| Investment earnings | 142,580 | 205 | 142,785 | 185,038 |
| Miscellaneous revenues | 121,272 | - | 121,272 | 171,865 |
| Total Revenues | <u>29,192,320</u> | <u>20,205</u> | <u>29,212,525</u> | <u>29,794,692</u> |
| Expenses: | | | | |
| Program Expenses: | | | | |
| Administrative services | 2,683,569 | - | 2,683,569 | 2,893,362 |
| Public safety | 2,443,534 | - | 2,443,534 | 2,312,575 |
| Fire/rescue services | 1,558,145 | - | 1,558,145 | 1,607,673 |
| Public works | 2,987,488 | - | 2,987,488 | 2,949,641 |
| Recreation services | 446,433 | - | 446,433 | 390,024 |
| County tax | 1,018,613 | - | 1,018,613 | 1,005,752 |
| Other | 1,925,894 | 4,204 | 1,930,098 | 2,182,133 |
| Education | 14,457,442 | - | 14,457,442 | 13,684,504 |
| Interest on debt | 85,031 | - | 85,031 | 79,330 |
| Capital maintenance expenses | 781,332 | - | 781,332 | 1,464,697 |
| Total Expenses | <u>28,387,481</u> | <u>4,204</u> | <u>28,391,685</u> | <u>28,569,691</u> |
| Net assets -- beginning | 25,804,389 | 75,906 | 25,880,295 | 36,093,771 |
| Change in net assets before special item | <u>804,839</u> | <u>16,001</u> | <u>820,840</u> | <u>1,225,001</u> |
| Special item: | | | | |
| Transfer to RSU #14 | - | - | - | (11,438,477) |
| Net assets -- ending | <u>\$ 26,609,228</u> | <u>91,907</u> | <u>26,701,135</u> | <u>25,880,295</u> |

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

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 2011.

| | 2011 Expense | 2011 Program Revenue | 2011 Net Expense | 2010 Net Expense |
|--------------------------------------|-------------------|-------------------------|---------------------|---------------------|
| Governmental activities: | | | | |
| Administrative services | 2,683,569 | 140,532 | 2,543,037 | 2,730,007 |
| Public safety | 2,443,534 | 35,419 | 2,408,115 | 2,309,561 |
| Fire/rescue services | 1,558,145 | 460,806 | 1,097,339 | 1,143,682 |
| Public works | 2,987,488 | 1,131,197 | 1,856,291 | 398,821 |
| Recreation services | 446,433 | 165,393 | 281,040 | 215,955 |
| County tax | 1,018,613 | - | 1,018,613 | 1,005,752 |
| Other | 1,925,894 | 252,113 | 1,673,781 | 1,909,181 |
| Education | 14,457,442 | - | 14,457,442 | 13,684,504 |
| Interest on debt | 85,031 | - | 85,031 | 79,330 |
| Capital maintenance | 781,332 | - | 781,332 | 1,398,783 |
| Total governmental activities | 28,387,481 | 2,185,460 | 26,202,021 | 24,875,576 |

Change in Net Expenses



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. The large increase in Public Works' net expenses over 2010 stems from adding \$1.4 million in new roads in 2010, which served to offset expenses that year.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

DEBT ADMINISTRATION

Debt decreased by \$2,037,962 (7%) in fiscal year 2011. New capital leases amounted to \$396,125; principal payments against lease debt were \$415,310, leaving a lease payable at June 30 of \$1,361,219. Principal payments made on general obligation bonds were \$2,018,777, resulting in a year-end bond payable balance of \$25,760,375.

Statement of Governmental Activities Debt

| | |
|-------------------------------|--------------------|
| Debt payable at June 30, 2010 | \$ 29,159,556 |
| New capital leases | 396,125 |
| <u>Debt retired</u> | <u>(2,434,087)</u> |
| Debt payable at June 30, 2011 | \$ 27,121,594 |

THE TOWN'S FUNDS

The following is an analysis of account balances in the Town's general fund for 2011. Comparative information is presented for fiscal years 2010 and 2009. Fiscal year 2009 includes Windham school department data.

Statement of Revenues

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---------------------------|----------------------|-------------------|-------------------|
| Revenues by source | | | |
| Taxes | \$ 25,109,968 | 24,070,839 | 23,199,811 |
| Licenses and permits | 223,004 | 242,012 | 211,938 |
| Intergovernmental revenue | 1,531,761 | 1,739,111 | 19,426,832 |
| Charges for service | 539,824 | 577,632 | 2,047,280 |
| Interest earned | 141,683 | 170,263 | 250,111 |
| Other revenues | 690,074 | 677,878 | 928,142 |
| | <u>\$ 28,236,314</u> | <u>27,477,735</u> | <u>46,064,114</u> |

Statement of Expenditures

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--------------------------|----------------------|-------------------|-------------------|
| Expenditures by function | | | |
| Administrative services | \$ 2,617,080 | 2,732,814 | 2,793,266 |
| Public safety | 2,270,024 | 2,235,854 | 2,241,250 |
| Fire/rescue services | 1,372,157 | 1,410,877 | 1,400,342 |
| Public works | 2,794,379 | 2,910,798 | 3,007,327 |
| Recreation services | 232,973 | 237,298 | 250,909 |
| County tax | 1,018,613 | 1,005,752 | 959,303 |
| Other | 1,572,526 | 1,821,500 | 1,657,581 |
| Education | 14,457,442 | 13,684,504 | 29,170,633 |
| Debt service | 235,031 | 239,625 | 3,356,276 |
| Capital outlay | 1,661,809 | 555,860 | 1,041,990 |
| | <u>\$ 28,232,034</u> | <u>26,834,882</u> | <u>45,878,877</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, 2011, net capital assets of governmental activities totaled \$22,980,821, a decrease of \$98,279 from the year ending June 30, 2010. A detailed breakdown of the activity by asset type is shown below.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

| | Balance 6/30/10 | Increases | Decreases | Balance 6/30/11 |
|----------------------------------|----------------------|------------------|----------------|--------------------|
| Governmental assets | | | | |
| Land, buildings and improvements | \$ 7,136,115 | 6,495 | - | 7,142,610 |
| Infrastructure | 16,189,992 | - | - | 16,189,992 |
| Vehicles | 3,753,051 | 581,603 | 352,116 | 3,982,538 |
| Machinery and equipment | 4,338,697 | 75,091 | | 4,413,788 |
| Total capital assets | <u>31,417,855</u> | <u>663,189</u> | <u>352,116</u> | <u>31,728,928</u> |
| Accumulated depreciation | <u>(8,338,755)</u> | <u>(661,905)</u> | <u>252,553</u> | <u>(8,748,107)</u> |
| Governmental assets, net | \$ <u>23,079,100</u> | <u>1,284</u> | <u>99,563</u> | <u>22,980,821</u> |

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 \$354,715 on road improvements for the fiscal year ended June 30, 2011. Based on a pavement condition rating conducted in 2010, the average rating for Town roads was 3.91 on a scale of 0 to 5, a decline 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. This amount also includes resurfacing of Route 302 in North Windham, also being done by the state, at an estimated cost of \$3,537,000. Not counting River Road or Route 302 through North Windham, the total estimate to maintain both Town and state roads at an average PCR rating of 3.21 or better is about \$2,568,000, or about \$856,000 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 was increased to \$542,500 in 2011. 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.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

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:

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 2010-2011 general fund budget decreased \$73,412, or .5% from the previous year.

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.

Trends

After two years of falling state revenues, management is cautiously optimistic the trend will reverse in fiscal year 2011-2012. Based on estimates received from the State, the town budgeted for an increase in state revenue

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

sharing next year, though still at a level lower than the "best-case scenario" projected during the state's budget process. Revenue sharing represents about 15% of non-property tax receipts.

The largest source of non-property tax revenues is excise taxes, comprising 37% of the total. These have dropped slightly each of the last three years; the town's budget continues to reflect that trend for FY 2012. Based on recent reports however, U.S. auto sales are likely to grow in the next two years. The rationale is after several years of deferred purchases, the highways are filled with older, high mileage vehicles whose average age is 10 years. These will need to be replaced. In that case, the town could realize a favorable budget variance in this revenue category.

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 2011-2012 is \$13,783,652, an increase of \$7,444 or .05% over last year, essentially a flat budget. This resulted in a reduction of \$154 in the municipal portion of property taxes from the year before. Windham's fiscal discipline is further demonstrated by its continued compliance with the state property tax levy limit. The town will be under the limit by \$406,549 for 2011-2012.

Following are some highlights from budget deliberations:

- Wages were frozen for all non-union staff. This is the third year of the freeze for most of the staff.
- The town's unions agreed to wage freezes similar to that imposed on non-union staff or to contract concessions that were the equivalent.
- Police overtime was reduced 23% from last year's budget.
- Funding for the code enforcement director's position was restored, while one CEO position was eliminated.
- Added a 36 hour/week general assistance administrator. By bringing this function in-house, the expectation is that we might significantly reduce general assistance payments. As a result, funding for a contracted social service professional through PROP was removed, saving \$40,300.
- Road improvement funding increased significantly as paving costs continue to rise
- A reduced reliance on fund balance as a revenue source, from \$350,000 last year to \$200,000.

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/Fund Balance

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 uncertain state of the national and global economies, prudent management dictates that cash reserves be built up rather than depleted. With that in mind, the town

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

has reduced its reliance on fund balance from \$650,000 in FY 2008-2009 to \$200,000 for budget year 2011-2012. This represents a 69% decrease over four budget cycles. The only remaining use of fund balance is to offset two contingency funds and not the operating budget in general.

During the year, the Town Council adopted a new fund balance policy. It establishes a target level of fund balance for the general fund and certain special revenue funds. This coincided nicely with the introduction of Government Accounting Standards Board (GASB) Statement No. 54, a new rule intended to make fund balance reporting more consistent and transparent. It classifies fund balances in five categories based on the purposes for which funds can be spent. The policy states that the town maintains an unrestricted fund balance at 16.67% of the ensuing year's budget. Unrestricted fund balance is defined as the sum of committed, assigned, and unassigned fund balance categories.

Bond rating agencies consider an adequate level of fund balance to be a credit strength.

Excise taxes, the largest source of non-property tax revenues, appear to have stabilized; the town has budgeted \$2.3 million from this source for FY 2012, the same as the last two years.

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. Once the target level of 16.67% is reached, any portion of the unassigned fund balance above the target may be used to fund capital needs or reduce property taxes as directed by the Town Council.

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 increased this year, and will again next year. The use of capital lease purchase agreements allows us to replace major equipment with a relatively small impact on cash flows.

The Future

The Town continues to maintain its strong financial position. The tendency to budget conservatively continues to stand it in good stead.

Unrestricted fund balance as a percentage of the FY 2012 budget is nearly 20%. This means that the Town has approximately two and one half months of funds available during periods of limited liquidity. Town policy recommends a target of 16.67%, equaling two months of expenses. Looking ahead, with the reduced reliance on fund balance to meet operating needs, the ratio should remain strong.

There has been increased interest in establishing performance measures throughout the town. Performance measurement and management will play an ever larger role in the future.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2011

With interest rates at historic lows, management is looking into the possibility of advance refunding some of the 2003 general obligation bonds. This has the potential to save several hundred thousands of dollars in interest expense over the remaining life of the bonds.

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 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 2011-2012 will reflect a tax rate of \$13.90 per thousand dollars of assessed value. For every tax dollar raised, 31 cents goes to the Town, 65 cents to schools, and 4 cents for the tax assessment levied by the County on the Town. This is an increase of 13.9% over last year. There are two reasons for the increase: 1) assessed values were reduced to be more reflective of real estate values, and as assessed values are reduced, the tax rate must increase in order to raise the necessary budget dollars. 2) the school district assessment increased by 6.83%.

The Town continues to meet its debt obligations, reducing debt by nearly \$2.04 million in 2011. Windham carries a relatively light debt load. Bond rating agencies prefer a "debt per capita" of \$2,000 or less. Windham's ratio is \$1,515. 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, 2011

| | Primary Governmental Governmental Activities | Component Unit WEDC |
|---|---|------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 713,816 | 56,274 |
| Investments | 6,611,480 | - |
| Receivables: | | |
| Accounts, net of allowance of \$21,238 | 312,587 | - |
| Taxes receivable - current year | 848,120 | - |
| Taxes receivable - prior years | 231,112 | - |
| Tax liens | 453,302 | - |
| Inventory | 13,212 | - |
| Receivable from RSU #14 for debt service payments | 23,810,374 | - |
| Capital assets, not being depreciated | 16,716,192 | 504,781 |
| Capital assets, being depreciated | 6,264,629 | - |
| Total assets | 55,974,824 | 561,055 |
| LIABILITIES | | |
| Accounts payable and other current liabilities | 893,583 | - |
| Accrued wages | 160,729 | - |
| Compensated absences payable | 700,838 | - |
| Accrued interest | 181,147 | 13,648 |
| Taxes paid in advance | 64,051 | - |
| Other postemployment benefits liability | 243,654 | - |
| Noncurrent liabilities: | | |
| Due within one year | 2,449,911 | - |
| Due in more than one year | 24,671,683 | 455,500 |
| Total liabilities | 29,365,596 | 469,148 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 19,669,602 | 49,281 |
| Restricted | 594,365 | - |
| Unrestricted | 6,345,261 | 42,626 |
| Total net assets | \$ 26,609,228 | 91,907 |

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Activities
For the year ended June 30, 2011

| 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 Government | Component Unit |
| | | | | | Governmental activities | WEDC |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| Administrative services | \$ 2,683,569 | 140,532 | - | - | (2,543,037) | - |
| Public safety | 2,443,534 | 2,860 | 32,559 | - | (2,408,115) | - |
| Fire/rescue services | 1,558,145 | 460,806 | - | - | (1,097,339) | - |
| Public works | 2,987,488 | 814,237 | 316,960 | - | (1,856,291) | - |
| Recreation services | 446,433 | 165,393 | - | - | (281,040) | - |
| County tax | 1,018,613 | - | - | - | (1,018,613) | - |
| Other | 1,925,894 | 33,130 | 218,983 | - | (1,673,781) | - |
| Education | 14,457,442 | - | - | - | (14,457,442) | - |
| Interest on debt service | 85,031 | - | - | - | (85,031) | - |
| Capital maintenance expenses | 781,332 | - | - | - | (781,332) | - |
| Total governmental activities | 28,387,481 | 1,616,958 | 568,502 | - | (26,202,021) | - |
| Total primary government | \$ 28,387,481 | 1,616,958 | 568,502 | - | (26,202,021) | - |
| Component unit: | | | | | | |
| WEDC | \$ 4,204 | - | 20,000 | - | - | 15,796 |
| General revenues: | | | | | | |
| Property taxes, levied for general purposes | | | | \$ 23,092,907 | | - |
| Excise taxes | | | | 2,465,351 | | - |
| Supplemental taxes and lien fees | | | | 25,710 | | - |
| Motor vehicle registration fees | | | | 49,342 | | - |
| Franchise fees | | | | 129,272 | | - |
| Grants and contributions not restricted to specific programs: | | | | | | |
| Homestead exemption | | | | 200,132 | | - |
| Other State aid | | | | 12,315 | | - |
| State Revenue Sharing | | | | 843,031 | | - |
| Unrestricted investment earnings | | | | 142,580 | | 205 |
| Loss on disposal | | | | (99,563) | | - |
| Miscellaneous | | | | 145,783 | | - |
| Total general revenues | | | | 27,006,860 | | 205 |
| Change in net assets | | | | 804,839 | | 16,001 |
| Net assets - beginning | | | | 25,804,389 | | 75,906 |
| Net assets - ending | | | | \$ 26,609,228 | | 91,907 |

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Balance Sheet
Governmental Funds
June 30, 2011

| | General | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 503,923 | 209,893 | 713,816 |
| Investments | 6,433,053 | 178,427 | 6,611,480 |
| Receivables: | | | |
| Accounts, net of allowance of \$21,238 | 310,139 | 2,448 | 312,587 |
| Taxes receivable - prior years | 231,112 | - | 231,112 |
| Taxes receivable - current year | 848,120 | - | 848,120 |
| Tax liens | 453,302 | - | 453,302 |
| Interfund loans receivable | - | 779,023 | 779,023 |
| Inventory | 13,212 | - | 13,212 |
| Receivable from RSU #14 for debt service payments | 23,810,374 | - | 23,810,374 |
| Total assets | \$ 32,603,235 | 1,169,791 | 33,773,026 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | 546,795 | 4,343 | 551,138 |
| Accrued wages | 160,729 | - | 160,729 |
| Interfund loans payable | 779,023 | - | 779,023 |
| Taxes paid in advance | 64,051 | - | 64,051 |
| Deferred revenue | 1,291,000 | - | 1,291,000 |
| Unearned income - impact fees | 12,284 | - | 12,284 |
| Inspection deposits and miscellaneous liabilities | 330,161 | - | 330,161 |
| Deferred debt service payments from RSU #14 | 23,810,374 | - | 23,810,374 |
| Total liabilities | 26,994,417 | 4,343 | 26,998,760 |
| Fund balances: | | | |
| Non-spendable | 13,212 | 44,536 | 57,748 |
| Restricted | - | 552,491 | 552,491 |
| Committed | 660,958 | 572,116 | 1,233,074 |
| Assigned | 890,348 | - | 890,348 |
| Unassigned | 4,044,300 | (3,695) | 4,040,605 |
| Total fund balances | 5,608,818 | 1,165,448 | 6,774,266 |
| Total liabilities and fund balances | \$ 32,603,235 | 1,169,791 | |
| 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. | | | 22,980,821 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds: | | | |
| Deferred revenue | | | 1,291,000 |
| Deferred debt service payments from RSU #14 | | | 23,810,374 |
| 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 | | | (700,838) |
| Accrued interest | | | (181,147) |
| Other postemployment benefits liability | | | (243,654) |
| Capital leases | | | (1,361,219) |
| Bonds payable | | | (25,760,375) |
| Net assets of governmental activities | | | \$ 26,609,228 |

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, 2011

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | |
| Taxes | \$ 25,109,968 | 260,000 | 25,369,968 |
| Licenses and permits | 223,004 | - | 223,004 |
| Intergovernmental | 1,531,761 | 121,615 | 1,653,376 |
| Charges for services | 539,824 | 452,757 | 992,581 |
| Interest earned | 141,683 | 897 | 142,580 |
| Other | 690,074 | 6,300 | 696,374 |
| Total revenues | 28,236,314 | 841,569 | 29,077,883 |
| Expenditures: | | | |
| Current: | | | |
| Administrative services | 2,617,080 | - | 2,617,080 |
| Public safety | 2,270,024 | - | 2,270,024 |
| Fire/rescue services | 1,372,157 | - | 1,372,157 |
| Public works | 2,794,379 | - | 2,794,379 |
| Recreation services | 232,973 | 202,412 | 435,385 |
| County tax | 1,018,613 | - | 1,018,613 |
| Other | 1,572,526 | 353,256 | 1,925,782 |
| Education | 14,457,442 | - | 14,457,442 |
| Debt service | 235,031 | - | 235,031 |
| Capital outlay | 1,661,809 | 198,021 | 1,859,830 |
| Total expenditures | 28,232,034 | 753,689 | 28,985,723 |
| Excess (deficiency) of revenues over (under) expenditures | 4,280 | 87,880 | 92,160 |
| Other financing sources (uses): | | | |
| Capital lease proceeds | 396,125 | - | 396,125 |
| Transfers - in | 1,031,132 | 4,658 | 1,035,790 |
| Transfers - out | (4,658) | (1,031,132) | (1,035,790) |
| Total other financing sources (uses) | 1,422,599 | (1,026,474) | 396,125 |
| Net change in fund balances | 1,426,879 | (938,594) | 488,285 |
| Fund balances, beginning of year | 4,181,939 | 2,104,042 | 6,285,981 |
| Fund balances, end of year | \$ 5,608,818 | 1,165,448 | 6,774,266 |

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, 2011

| | | |
|---|----|---------|
| Net change in fund balances - total governmental funds (from Statement 4) | \$ | 488,285 |
|---|----|---------|

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

| | | |
|---|--|----------|
| 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 depreciation (\$661,905) and the loss on disposal (\$99,563) exceed capital outlays (\$663,189) in the current period. | | (98,279) |
|---|--|----------|

| | | |
|--|--|---------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 214,000 |
|--|--|---------|

| | | |
|---|--|--------|
| 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 (\$10,937) and accrued compensated absences (\$7,694) plus the change in other post retirement benefits liability of (\$13,018). | | 31,649 |
|---|--|--------|

| | | |
|--|--|--------|
| 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 repayments (\$415,310) exceeded proceeds (\$396,125). | | 19,184 |
|--|--|--------|

| | | |
|--|--|-----------|
| 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. | | 2,018,777 |
|--|--|-----------|

| | | |
|--|--|-------------|
| The Town has bonds that were originally issued for School purposes. These amounts will be funded by Regional School Unit #14 when the debt service payments are due. The Town has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was \$23,810,374 with principal amounts paid off during the year totaling \$1,868,777. | | (1,868,777) |
|--|--|-------------|

| | | |
|--|-----------|----------------|
| Change in net assets of governmental activities (see Statement 2) | \$ | 804,839 |
|--|-----------|----------------|

TOWN OF WINDHAM, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2011

| | Budgeted amounts | | Actual | Variance with final budget positive (negative) |
|--|-------------------|--------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 25,122,462 | 25,122,462 | 25,109,968 | (12,494) |
| Licenses and permits | 181,250 | 181,250 | 223,004 | 41,754 |
| Intergovernmental | 1,435,132 | 1,435,132 | 1,531,761 | 96,629 |
| Charges for services | 483,000 | 483,000 | 539,824 | 56,824 |
| Interest earned | 125,000 | 125,000 | 141,683 | 16,683 |
| Other | 699,177 | 699,177 | 690,074 | (9,103) |
| Total revenues | 28,046,021 | 28,046,021 | 28,236,314 | 190,293 |
| Expenditures: | | | | |
| Current: | | | | |
| Administrative services | 2,718,678 | 2,718,678 | 2,617,080 | 101,598 |
| Public safety | 2,429,290 | 2,436,757 | 2,270,024 | 166,733 |
| Fire/rescue services | 1,425,804 | 1,425,804 | 1,372,157 | 53,647 |
| Public works | 2,940,554 | 2,940,554 | 2,794,379 | 146,175 |
| Recreation services | 227,911 | 227,911 | 232,973 | (5,062) |
| Education | 14,457,442 | 14,457,442 | 14,457,442 | - |
| County tax | 1,018,613 | 1,018,613 | 1,018,613 | - |
| Other | 1,969,734 | 1,969,734 | 1,572,526 | 397,208 |
| Debt service | 235,031 | 235,031 | 235,031 | - |
| Capital outlay | 1,299,550 | 1,784,624 | 1,661,809 | 122,815 |
| Total expenditures | 28,722,607 | 29,215,148 | 28,232,034 | 983,114 |
| Excess (deficiency) of revenues over (under) expenditures | (676,586) | (1,169,127) | 4,280 | 1,173,407 |
| Other financing sources (uses): | | | | |
| Capital lease proceeds | - | - | 396,125 | 396,125 |
| Use of undesignated fund balance | 410,291 | 902,832 | - | (902,832) |
| Transfers from other funds | 266,295 | 266,295 | 1,031,132 | 764,837 |
| Transfers to other funds | - | - | (4,658) | (4,658) |
| Total other financing sources (uses) | 676,586 | 1,169,127 | 1,422,599 | 253,472 |
| Net change in fund balance | - | - | 1,426,879 | 1,426,879 |
| Fund balance, beginning of year | | | 4,181,939 | |
| Fund balance, end of year | \$ | | 5,608,818 | |

TOWN OF WINDHAM, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

| | | Private-purpose Trust Fund (Scholarships) |
|---------------------------|----|--|
| ASSETS | | |
| Cash and cash equivalents | \$ | 66,103 |
| Total assets | | 66,103 |
| LIABILITIES | | |
| Due to Town | | - |
| Total liabilities | | - |
| NET ASSETS | | |
| Restricted | \$ | 66,103 |

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, 2011

| | Private-purpose Trust Fund (Scholarships) |
|--------------------------------|--|
| Additions: | |
| Investment income | \$ 198 |
| Donation | - |
| Total additions | 198 |
| Deductions: | |
| Scholarships awarded | - |
| Total deductions | - |
| Change in net assets | 198 |
| Net assets, beginning of year | 65,905 |
| Net assets, end of year | \$ 66,103 |

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.

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, if material to the financial statements, 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 Balance - Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is used during the year by the Town. All encumbrances lapse at year end except those authorized to be carried forward. These amounts are reported as assigned fund balance. The voters at the Town budget meeting have the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

When both restricted and unrestricted resources are available for use, it is the government's intent to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the government's practice to use committed or assigned resources first, and then unassigned resources as they are needed.

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.

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, 2011, expenditures exceeded appropriations in the following departments:

| | |
|-----------------------|-----------|
| Town council | \$ 13,628 |
| Economic development | 12,576 |
| Money management fees | 132 |
| Solid waste disposal | 863 |
| Recreation | 939 |
| Dundee Park | 5,802 |

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

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> |
|---|----------------------|---------------------|---------------------------------------|
| 2011 budget as originally adopted | \$ 28,722,607 | (28,722,607) | - |
| Designated carryforward balance | - | (492,541) | 492,541 |
| Budgeted use of surplus | (410,291) | - | 410,291 |
| Transfer from Development District North TIF | (826) | - | 826 |
| Transfer from Pipeline Development District TIF | (45,689) | - | 45,689 |
| Transfer from Roosevelt Promenade TIF | (216,980) | - | 216,980 |
| Transfer from Cemetery | (2,800) | - | 2,800 |
| Totals | \$ 28,046,021 | (29,215,148) | 1,169,127 |

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, 2011, the Town reported deposits of \$779,919 with a bank balance of \$711,395. 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 \$56,274 which were fully covered by F.D.I.C.

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

DEPOSITS AND INVESTMENTS, CONTINUED

Deposits have been reported as follows:

| | |
|-----------------------------------|-------------------|
| Reported in governmental funds | \$ 713,816 |
| Reported in fiduciary funds | 66,103 |
| Total Town deposits | 779,919 |
| | |
| Reported in component unit (WEDC) | 56,274 |
| | |
| Total deposits | \$ 836,193 |

B. Investments

At June 30, 2011, the Town (including the WEDC, component unit) had the following investments:

| | <u>Fair Value</u> |
|--------------------------|-----------------------|
| Certificates of deposit | \$ 760,620 |
| Sweep accounts | 147,698 |
| Savings accounts | 5,451,949 |
| Money market | 251,213 |
| | |
| Total investments | \$ 6,611,480 |

Investments have been reported as follows:

| | |
|-----------------------------------|---------------------|
| Reported in governmental funds | \$ 6,611,480 |
| Reported in component unit (WEDC) | - |
| | |
| Total investments | \$ 6,611,480 |

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 \$6,611,480 investment as noted above, 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.

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

PROPERTY TAX

Property taxes for the current year were committed on August 10, 2010 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 7% on all tax bills unpaid as of October 1, 2010 and April 1, 2011. Assessed values are periodically established by the Town's Assessor at 105% 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 \$117,042 for the year ended June 30, 2011.

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.

The following summarizes the 2011 and 2010 levies:

| | <u>2011</u> | <u>2010</u> |
|---------------------------------------|--|--|
| Assessed value | \$ 1,870,208,800 | 1,840,166,300 |
| Tax rate (per \$1,000) | 12.20 | 11.75 |
| Commitment | 22,816,547 | 21,621,954 |
| <u>Supplemental taxes assessed</u> | <u>13,203</u> | <u>6,232</u> |
| | 22,829,750 | 21,628,186 |
| Less: | | |
| Abatements | 36,368 | 25,074 |
| <u>Collections</u> | <u>21,945,262</u> | <u>20,866,594</u> |
| Receivable at June 30 | \$ 848,120 | 736,518 |
| Due date(s) | (1/2) October 1, 2010 (1/2) April 1, 2011 | (1/2) October 1, 2009 (1/2) April 1, 2010 |
| Interest rate on delinquent taxes | 7.00% | 9.00% |
| Collection rate | 96.18% | 96.59% |

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

INTERFUND BALANCES

Individual interfund receivable and payable balances at June 30, 2011 were as follows:

| | <u>Interfund receivables</u> | <u>Interfund payables</u> |
|----------------------------|----------------------------------|-------------------------------|
| General Fund | \$ - | 779,023 |
| Special Revenue Funds: | | |
| Town Special Revenue Funds | 779,023 | - |
| Totals | \$ 779,023 | 779,023 |

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.

INTERFUND TRANSFERS

Individual fund transfers for the year ended June 30, 2011 were as follows:

| | <u>Transfers in</u> | <u>Transfers out</u> |
|---|-------------------------|--------------------------|
| <u>General Fund</u> | <u>\$ 1,031,132</u> | <u>4,658</u> |
| Nonmajor Special Revenue Funds: | | |
| Equipment Replacement Fund | - | 745,708 |
| CDBG | 4,658 | - |
| Development District North T.I.F. | - | 826 |
| Pipeline Development T.I.F. | - | 45,689 |
| Roosevelt Promenade T.I.F. | - | 216,980 |
| Highland Lake Youth Conservation Camp | - | 19,129 |
| Total nonmajor Special Revenue Funds | 4,658 | 1,028,332 |
| Nonmajor permanent funds: | | |
| Perpetual Care Trust Funds | - | 2,800 |
| Total nonmajor Permanent Funds | - | 2,800 |
| Totals | \$ 1,035,790 | 1,035,790 |

Some transfers were budgeted transfers to fund certain activities; other transfers were to reclass fund balances from Special Revenue Funds to the General Fund due to implementation of GASB Statement 54. Specifically, GASB Statement 54 does not allow the use of Special Revenue Funds unless there is an ongoing restricted, committed or assigned revenue source.

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

| | Balance June 30, <u>2010</u> | <u>Increases</u> | <u>Decreases</u> | Balance June 30, <u>2011</u> |
|---|------------------------------------|------------------|------------------|------------------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,997,612 | - | - | 1,997,612 |
| Infrastructure | 14,718,580 | - | - | 14,718,580 |
| Total capital assets, not being depreciated | 16,716,192 | - | - | 16,716,192 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 114,782 | - | - | 114,782 |
| Buildings | 5,023,721 | 6,495 | - | 5,030,216 |
| Equipment | 4,338,697 | 75,091 | - | 4,413,788 |
| Vehicles | 3,753,051 | 581,603 | 352,116 | 3,982,538 |
| Infrastructure | 1,471,412 | - | - | 1,471,412 |
| Total capital assets, being depreciated | 14,701,663 | 663,189 | 352,116 | 15,012,736 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 46,487 | 4,423 | - | 50,910 |
| Buildings | 2,304,001 | 129,473 | - | 2,433,474 |
| Equipment | 3,039,491 | 246,173 | - | 3,285,664 |
| Vehicles | 2,254,819 | 245,051 | 252,553 | 2,247,317 |
| Infrastructure | 693,957 | 36,785 | - | 730,742 |
| Total accumulated depreciation | 8,338,755 | 661,905 | 252,553 | 8,748,107 |
| Total capital assets being depreciated, net | 6,362,908 | 1,284 | 99,563 | 6,264,629 |
| Governmental capital assets, net | \$ 23,079,100 | 1,284 | 99,563 | 22,980,821 |

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 | \$ 81,603 |
| Public safety | 175,014 |
| Fire/rescue services | 179,983 |
| Public works | 207,509 |
| Recreation | 12,224 |
| Other (Town Clerk and Library) | 5,572 |

Total depreciation expense – governmental activities \$ 661,905

Discretely Presented Component Unit

Activity for the Windham Economic Development Corporation (WEDC):

| | Balance June 30, <u>2010</u> | <u>Increases</u> | <u>Decreases</u> | Balance June 30, <u>2011</u> |
|--|------------------------------------|----------------------|------------------|------------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 489,541 | 15,240 | - | 504,781 |
| <u>Total capital assets not being depreciated</u> | <u>\$ 489,541</u> | <u>15,240</u> | <u>-</u> | <u>504,781</u> |

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, 2011, the Town has not exceeded these percentages.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011, was as follows:

| | Beginning <u>balance</u> | <u>Additions</u> | <u>Reductions</u> | Ending <u>balance</u> | Due within <u>one year</u> |
|---------------------------------|-----------------------------|-----------------------|-------------------------|--------------------------|-------------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 27,779,152 | - | 2,018,777 | 25,760,375 | 2,029,626 |
| Capital leases | 1,380,404 | 396,125 | 415,310 | 1,361,219 | 420,285 |
| Accrued compensated absences | 708,532 | - | 7,694 | 700,838 | - |
| Other post employment benefits | 256,672 | 105,717 | 118,735 | 243,654 | - |
| <u>Totals</u> | <u>\$ 30,124,760</u> | <u>501,842</u> | <u>2,560,516</u> | <u>28,066,086</u> | <u>2,449,911</u> |

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

LONG-TERM DEBT

General obligation bonds, notes, and capital leases payable at June 30, 2011 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 | 950,375 |
| 2003 General Obligation Bonds | 35,787,000 | Var. | 2025 | 24,810,000 |
| Total general obligation bonds and promissory notes | | | | 25,760,375 (1) |
| <u>Capital leases</u> | | | | |
| Town: | | | | |
| 2004 Aerial platform and ladder truck | | 3.55% | 2014 | 248,268 |
| 2007 Fire truck and Public Works plows | | 4.17% | 2012 | 94,311 |
| CAT backhoe | | 3.60% | 2014 | 51,195 |
| Fire truck and Public Works truck | | 3.89% | 2014 | 242,353 |
| Two dump trucks / sidewalk tractor | | 3.88% | 2015 | 328,967 |
| Greenwood Emergency Vehicles | | 3.19% | 2015 | 396,125 |
| Total capital leases | | | | 1,361,219 |
| Total primary government general obligation bonds, promissory notes and capital leases | | | | \$ 27,121,594 |

(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 \$23,810,374, 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, 2011 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, 2011 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> |
|---------------|----------------------|------------------|-------------------|
| 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 | 1,810,000 | 742,750 | 2,552,750 |
| 2017-2021 | 9,050,000 | 2,598,338 | 11,648,338 |
| 2022-2025 | 6,710,001 | 626,725 | 7,336,726 |
| Totals | \$ 25,760,375 | 7,761,396 | 33,521,771 |

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, 2011:

| <u>Fiscal year ending</u> | <u>Total capital leases</u> |
|---|-----------------------------|
| 2012 | \$ 469,828 |
| 2013 | 371,585 |
| 2014 | 371,585 |
| 2015 | 177,427 |
| 2016 | 87,070 |
| Total minimum lease payments | 1,477,795 |
| Less amount representing interest | 116,276 |
| Present value of future minimum lease payments | \$ 1,361,219 |

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 | \$ 25,760,374 | 100% | 25,760,374 |
| Cumberland County | 1,445,000 | 4.44% | 64,147 |
| Portland Water District | 28,463,828 | 6.85% | 1,950,541 |
| Portland Water – Little Falls sewer project | 7,896,050 | 21.72% | 1,715,140 |
| Portland Water – Westbrook sewer project | 22,702,911 | 1.45% | 329,274 |

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, 2011, outstanding "Incinerator Debt" of ecomaine totaled \$4,560,000 of which the Windham share, based on estimated tonnage to be delivered, amounted to 4.45% or \$202,880.

Additionally, ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure costs approximate \$15,138,502 at June 30, 2010, the most recent date available. The Town's proportionate share of these estimated landfill closure and postclosure costs is 4.62% or \$699,874.

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.

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, 2011.

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

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, 2011:

| | |
|---|-----------------------------|
| Capital assets | \$ 31,728,928 |
| <u>Accumulated depreciation</u> | <u>(8,748,107)</u> |
| Capital assets, net of accumulated depreciation | 22,980,821 |
| | |
| Bonds payable | (25,760,374) |
| Less: | |
| <u>RSU No. 14 portion of debt service</u> | <u>23,810,374</u> |
| Net bonds payable | (1,950,000) |
| | |
| <u>Capital leases</u> | <u>(1,361,219)</u> |
| | |
| <u>Total invested in capital assets, net of related debt</u> | <u>\$ 19,669,602</u> |

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

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

Police Officers 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. Paramedics are required to contribute 8.0% of their compensation. The Town matches 4.4% and 6.6% for the Police Officers and Paramedics, respectively. The total Town contributions for these groups during the fiscal year ended June 30, 2011 were \$84,790.

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.

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. The TIF expired on December 28, 2004 and 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, 2011, \$50,000 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. The maximum tax of \$1,050,000 was captured as of June 30, 2011. The Town has reauthorized the District for another ten years, expiring June 30, 2021. 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, 2011, \$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.

FUND BALANCE

The General Fund unassigned fund balance total of \$4,044,300 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. Unassigned fund balance totaling (\$3,695) is also reported for a permanent fund (Perpetual Care Trust Fund) that has a negative fund balance as of June 30, 2011 as shown on Statement 3.

As of June 30, 2011 other fund balance components consisted of the following:

| | <u>Nonspendable</u> | <u>Restricted</u> | <u>Committed</u> | <u>Assigned</u> |
|-----------------------------------|---------------------|-------------------|------------------|-----------------|
| General Fund: | | | | |
| Inventory | \$ 13,212 | - | - | - |
| Equipment Replacement | - | - | 660,958 | - |
| Subsequent year budget | - | - | - | 890,348 |
| Special Revenue Funds: | | | | |
| Little Falls Sewer Operations | - | - | 79,856 | - |
| Recreation Program | - | - | 320,546 | - |
| Efficiency Maine | - | 3,488 | - | - |
| Development District North T.I.F. | - | 1,125 | - | - |
| Pipeline Development T.I.F. | - | 62,104 | - | - |
| Roosevelt Promenade T.I.F. | - | 295,400 | - | - |
| JAG Grant | - | 14,609 | - | - |
| Thomas Varney School Fund | 2,662 | 41,256 | - | - |
| Annie Akers Bremon Fund | - | 134,509 | - | - |
| Permanent Funds: | | | | |
| Cemetery Acquisition Fund | - | - | 165,761 | - |
| Perpetual Care Trust Funds | 41,074 | - | - | - |
| Library Trust Fund | 800 | - | 5,953 | - |
| Total | \$ 57,748 | 552,491 | 1,233,074 | 890,348 |

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

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 October 2011.

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:

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|------------------------------|-------------|-------------|-------------|
| Normal cost | \$ 49,976 | 40,381 | 40,381 |
| Amortization of Unfunded | 56,266 | 43,671 | 43,671 |
| Adjustment to ARC | (8,526) | (4,958) | - |
| Interest | 8,001 | 5,111 | 1,682 |
| Annual Required Contribution | \$ 105,717 | 84,205 | 85,734 |

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

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-------------------------------|-------------|-------------|-------------|
| OPEB liability, July 1, 2010 | \$ 147,433 | 85,734 | - |
| Annual required contribution | 105,717 | 84,205 | 85,734 |
| Less: Actual contributions | (9,496) | (22,506) | - |
| OPEB liability, June 30, 2011 | \$ 243,654 | 147,433 | 85,734 |

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, 2011 were as follows:

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|-------------|-------------|-------------|
| Annual required contribution | \$ 105,717 | 84,205 | 85,734 |
| Actual contribution | 9,496 | 22,506 | - |
| Percent contributed | 8.98% | 26.73% | 0% |
| <hr/> | | | |
| Actuarial accrued liability | 1,011,865 | 785,331 | 785,331 |
| Plan assets | - | - | - |
| Unfunded actuarial accrued liability | 1,011,865 | 785,331 | 785,331 |
| <hr/> | | | |
| Covered payroll | 4,495,688 | 5,009,860 | 4,998,035 |
| Unfunded actuarial accrued liability as a percentage of covered payroll | 22.5% | 15.7% | 15.7% |

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 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 | 1/1/11 |
| 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% - 8.7% |

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 \$482,853 on road and street maintenance and \$354,715 for improvements for the fiscal year ended June 30, 2011. 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 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 | \$ - | \$ 785,331 | \$ 785,331 | 0.00% | \$4,998,035 | 15.7% |
| 2010 | 1/1/09 | \$ - | \$ 785,331 | \$ 785,331 | 0.00% | \$5,009,860 | 15.7% |
| 2011 | 1/1/11 | \$ - | \$1,011,865 | \$1,011,865 | 0.00% | \$4,495,688 | 22.5% |

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, 2011 and 2010

| | 2011 | 2010 |
|---|----------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 503,923 | 4,574,389 |
| Investments | 6,433,053 | 1,765,984 |
| Receivables: | | |
| Taxes receivable - current year | 848,120 | 736,518 |
| Taxes receivable - prior years | 231,112 | 209,674 |
| Tax liens - prior years | 453,302 | 364,462 |
| Accounts receivable, net of allowance of \$21,238 and \$12,508, respectively | 310,139 | 260,155 |
| Inventory | 13,212 | 12,076 |
| Receivable from RSU #14 for debt service payments | 23,810,374 | 25,679,152 |
| Total assets | \$ 32,603,235 | 33,602,411 |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable | 546,795 | 434,201 |
| Accrued wages | 160,729 | 153,111 |
| Interfund loans payable | 779,023 | 1,716,565 |
| Taxes paid in advance | 64,051 | 40,383 |
| Deferred tax revenue | 1,291,000 | 1,077,000 |
| Unearned income - impact fees | 12,284 | 12,284 |
| Inspection deposits and miscellaneous liabilities | 330,161 | 307,776 |
| Deferred debt service payments from RSU #14 | 23,810,374 | 25,679,152 |
| Total liabilities | 26,994,417 | 29,420,472 |
| Fund balance: | | |
| Non-spendable | 13,212 | 12,076 |
| Committed | 660,958 | - |
| Assigned | 890,348 | 512,032 |
| Unassigned | 4,044,300 | 3,657,831 |
| Total fund balance | 5,608,818 | 4,181,939 |
| Total liabilities and fund balance | \$ 32,603,235 | 33,602,411 |

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

| | 2011 | | | | Variance positive (negative) | 2010 Actual |
|--------------------------------|----------------------|------------|--------------------|------------|------------------------------------|----------------|
| | 2010 carryforward | Budget | Total available | Actual | | |
| Revenues, continued: | | | | | | |
| Interest earned: | | | | | | |
| Interest on delinquent taxes | \$ - | 80,000 | 80,000 | 99,016 | 19,016 | 132,257 |
| Interest earned on investments | - | 45,000 | 45,000 | 42,667 | (2,333) | 38,006 |
| Total interest earned | - | 125,000 | 125,000 | 141,683 | 16,683 | 170,263 |
| Other revenues: | | | | | | |
| Cable television franchise | - | 105,000 | 105,000 | 129,272 | 24,272 | 119,784 |
| Court fees | - | 2,000 | 2,000 | 400 | (1,600) | 345 |
| Rent | - | 9,416 | 9,416 | 9,416 | - | 9,417 |
| Rescue reimbursement | - | 525,000 | 525,000 | 460,806 | (64,194) | 463,991 |
| Miscellaneous | - | 47,761 | 47,761 | 81,680 | 33,919 | 75,399 |
| Library fines and state funds | - | 10,000 | 10,000 | 8,500 | (1,500) | 8,942 |
| Total other revenues | - | 699,177 | 699,177 | 690,074 | (9,103) | 677,878 |
| Total revenues | - | 28,046,021 | 28,046,021 | 28,236,314 | 190,293 | 27,477,735 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Administrative services: | | | | | | |
| Town Council | - | 124,404 | 124,404 | 138,032 | (13,628) | 140,174 |
| Economic Development | - | 104,093 | 104,093 | 116,669 | (12,576) | 74,998 |
| Community participation | - | 17,550 | 17,550 | 12,373 | 5,177 | 13,179 |
| Windham Community Cable Group | - | 46,404 | 46,404 | 38,913 | 7,491 | 42,938 |
| Municipal insurance | - | 85,898 | 85,898 | 75,773 | 10,125 | 117,519 |
| Employee benefits | - | 1,611,839 | 1,611,839 | 1,562,522 | 49,317 | 1,616,821 |
| Money management fees | - | 275 | 275 | 407 | (132) | 780 |
| Town management | - | 362,723 | 362,723 | 340,580 | 22,143 | 364,322 |
| Collect/account Town funds | - | 206,238 | 206,238 | 195,686 | 10,552 | 217,805 |
| Data processing | - | 159,254 | 159,254 | 136,125 | 23,129 | 144,278 |
| Total administrative services | - | 2,718,678 | 2,718,678 | 2,617,080 | 101,598 | 2,732,814 |

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

| | 2011 | | | | Variance positive (negative) | 2010 Actual |
|--|----------------------|------------|--------------------|------------|------------------------------------|----------------|
| | 2010 carryforward | Budget | Total available | Actual | | |
| Expenditures, continued | | | | | | |
| Current, continued: | | | | | | |
| Recreation services: | | | | | | |
| Recreation | \$ - | 162,471 | 162,471 | 163,410 | (939) | 165,991 |
| Skate park | - | 16,400 | 16,400 | 14,721 | 1,679 | 12,330 |
| Dundee Park | - | 49,040 | 49,040 | 54,842 | (5,802) | 58,977 |
| Total recreation services | - | 227,911 | 227,911 | 232,973 | (5,062) | 237,298 |
| Education | - | 14,457,442 | 14,457,442 | 14,457,442 | - | 13,684,504 |
| County tax | - | 1,018,613 | 1,018,613 | 1,018,613 | - | 1,005,752 |
| Other: | | | | | | |
| Social services | - | 581,212 | 581,212 | 514,059 | 67,153 | 579,417 |
| Social services agency funding | - | 44,125 | 44,125 | 43,850 | 275 | 31,415 |
| Assessing | - | 229,128 | 229,128 | 223,605 | 5,523 | 223,881 |
| Geographic information systems | - | 20,003 | 20,003 | 15,632 | 4,371 | 4,639 |
| Contingency | - | 100,000 | 100,000 | - | 100,000 | - |
| Energy and weather emergency fund | - | 100,000 | 100,000 | - | 100,000 | - |
| Town Clerk/elections | - | 143,961 | 143,961 | 129,274 | 14,687 | 140,624 |
| Community development | - | 173,740 | 173,740 | 142,524 | 31,216 | 270,847 |
| Planning services | - | 180,859 | 180,859 | 179,139 | 1,720 | 184,007 |
| Library services | - | 321,706 | 321,706 | 282,570 | 39,136 | 310,733 |
| Rescue bad debt expense | - | 75,000 | 75,000 | 5,505 | 69,495 | 50,863 |
| Abatements | - | - | - | 36,368 | (36,368) | 25,074 |
| Total other | - | 1,969,734 | 1,969,734 | 1,572,526 | 397,208 | 1,821,500 |
| Debt service (excluding education): | | | | | | |
| Principal | - | 150,000 | 150,000 | 150,000 | - | 150,000 |
| Interest | - | 85,031 | 85,031 | 85,031 | - | 89,625 |
| Total debt service (excluding education) | - | 235,031 | 235,031 | 235,031 | - | 239,625 |

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

| | 2011 | | | | Variance positive (negative) | 2010 Actual |
|--|----------------------|------------|--------------------|------------------|------------------------------------|------------------|
| | 2010 carryforward | Budget | Total available | Actual | | |
| Expenditures, continued: | | | | | | |
| Capital outlay: | | | | | | |
| Town road resurfacing | \$ 369,417 | 394,550 | 763,967 | 354,715 | 409,252 | 275,112 |
| Equipment replacement | 4,537 | 545,000 | 549,537 | 1,030,412 | (480,875) | - |
| Town building/land improvements | 111,120 | 360,000 | 471,120 | 276,682 | 194,438 | 280,748 |
| Total capital outlay | 485,074 | 1,299,550 | 1,784,624 | 1,661,809 | 122,815 | 555,860 |
| Total expenditures | 492,541 | 28,722,607 | 29,215,148 | 28,232,034 | 983,114 | 26,834,882 |
| Excess (deficiency) of revenues over (under) expenditures | (492,541) | (676,586) | (1,169,127) | 4,280 | 1,173,407 | 642,853 |
| Other financing sources (uses): | | | | | | |
| Capital lease proceeds | - | - | - | 396,125 | 396,125 | - |
| Transfers - in | - | 266,295 | 266,295 | 1,031,132 | 764,837 | 249,952 |
| Transfers - out - CDBG | - | - | - | (4,658) | (4,658) | (5,324) |
| Transfers - out - Equipment replacement | - | - | - | - | - | (435,000) |
| Utilization of prior year surplus and carried forward balances | 492,541 | 410,291 | 902,832 | - | (902,832) | - |
| Total other financing sources (uses) | 492,541 | 676,586 | 1,169,127 | 1,422,599 | 253,472 | (190,372) |
| Net change in fund balance | - | - | - | 1,426,879 | 1,426,879 | 452,481 |
| Fund balance, beginning of year | | | | 4,181,939 | | 3,729,458 |
| Fund balance, end of year | | | | 5,608,818 | | 4,181,939 |

ALL OTHER GOVERNMENTAL FUNDS



TOWN OF WINDHAM
Combining Balance Sheet
All Other Governmental Funds
June 30, 2011

| | Special Revenue Funds | Permanent Funds | Total Other Governmental Funds |
|--|-----------------------------|--------------------|--------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ - | 209,893 | 209,893 |
| Investments | 178,427 | - | 178,427 |
| Accounts receivable | 2,448 | - | 2,448 |
| Interfund loans receivable | 779,023 | - | 779,023 |
| Total assets | \$ 959,898 | 209,893 | 1,169,791 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | 4,343 | - | 4,343 |
| Interfund loans payable | - | - | - |
| Total liabilities | 4,343 | - | 4,343 |
| Fund balances: | | | |
| Non-spendable | 2,662 | 41,874 | 44,536 |
| Restricted | 552,491 | - | 552,491 |
| Committed | 400,402 | 171,714 | 572,116 |
| Assigned | - | - | - |
| Unassigned | - | (3,695) | (3,695) |
| Total fund balances | \$ 955,555 | 209,893 | 1,165,448 |
| Total liabilities and fund balances | 959,898 | 209,893 | 1,169,791 |

TOWN OF WINDHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2011

| | Special Revenue Funds | Permanent Funds | Total Other Governmental Funds |
|--|-----------------------------|--------------------|--------------------------------------|
| Revenues: | | | |
| Property taxes revenue | \$ 260,000 | - | 260,000 |
| Intergovernmental | 121,615 | - | 121,615 |
| Charges for services | 452,757 | - | 452,757 |
| Other revenue | - | 6,300 | 6,300 |
| Interest revenue | 313 | 584 | 897 |
| Total revenues | 834,685 | 6,884 | 841,569 |
| Expenditures: | | | |
| Current: | | | |
| Recreation | 202,412 | - | 202,412 |
| Sewer assessment | 351,756 | - | 351,756 |
| Scholarships | 1,500 | - | 1,500 |
| Capital outlay | 198,021 | - | 198,021 |
| Total expenditures | 753,689 | - | 753,689 |
| Excess (deficiency) of revenues over (under) expenditures | 80,996 | 6,884 | 87,880 |
| Other financing sources (uses): | | | |
| Transfer to other funds | (1,028,332) | (2,800) | (1,031,132) |
| Transfer from other funds | 4,658 | - | 4,658 |
| Total other financing sources (uses) | (1,023,674) | (2,800) | (1,026,474) |
| Net change in fund balances | (942,678) | 4,084 | (938,594) |
| Fund balances, beginning of year | 1,898,233 | 205,809 | 2,104,042 |
| Fund balances, end of year | \$ 955,555 | 209,893 | 1,165,448 |

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 (1)

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.

CDBG, Brownfields and JAG Grants

To account for grant activity.

Efficiency Maine

To account for grant activity.

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.

Highland Lake Youth Conservation Corp. (1)

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.

(1) These funds were transferred to the General Fund due to implementation of GASB Statement 54.



TOWN OF WINDHAM, MAINE
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2011

| | Equipment Replacement | Little Falls Sewer Operations | Recreation Program | CDBG | Efficiency Maine | Development District North T.I.F. | Pipeline Development T.I.F. | Roosevelt Promenade T.I.F. | Brownfields Grant | Highland Lake Youth Conservation Camp | JAG Grant | Thomas Varney School Fund | Amie Akers Bremon Fund | Total |
|--|-----------------------|-------------------------------|--------------------|----------|------------------|-----------------------------------|-----------------------------|----------------------------|-------------------|---------------------------------------|---------------|---------------------------|------------------------|----------------|
| ASSETS | | | | | | | | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Investments | - | - | - | - | - | - | - | - | - | - | - | 43,918 | 134,509 | 178,427 |
| Receivables: | | | | | | | | | | | | | | |
| Accounts receivable | - | 2,448 | - | - | - | - | - | - | - | - | - | - | - | 2,448 |
| Interfund loans receivable | - | 77,408 | 324,889 | - | 3,488 | 1,125 | 62,104 | 295,400 | - | - | 14,609 | - | - | 779,023 |
| Total assets | \$ - | 79,856 | 324,889 | - | 3,488 | 1,125 | 62,104 | 295,400 | - | - | 14,609 | 43,918 | 134,509 | 959,898 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | | |
| Accounts payable | - | - | 4,343 | - | - | - | - | - | - | - | - | - | - | 4,343 |
| Interfund loans payable | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total liabilities | - | - | 4,343 | - | - | - | - | - | - | - | - | - | - | 4,343 |
| Fund balances: | | | | | | | | | | | | | | |
| Non-spendable | - | - | - | - | - | - | - | - | - | - | - | 2,662 | - | 2,662 |
| Restricted | - | - | - | - | 3,488 | 1,125 | 62,104 | 295,400 | - | - | 14,609 | 41,256 | 134,509 | 552,491 |
| Committed | - | 79,856 | 320,546 | - | - | - | - | - | - | - | - | - | - | 400,402 |
| Total fund balances | - | 79,856 | 320,546 | - | 3,488 | 1,125 | 62,104 | 295,400 | - | - | 14,609 | 43,918 | 134,509 | 959,898 |
| Total liabilities and fund balances | \$ - | 79,856 | 324,889 | - | 3,488 | 1,125 | 62,104 | 295,400 | - | - | 14,609 | 43,918 | 134,509 | 959,898 |

TOWN OF WINDHAM, MAINE
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the year ended June 30, 2011

| | Equipment Replacement | Little Falls Sewer Operations | Recreation Program | CDBG | Efficiency Maine | Development District North T.I.F. | Pipeline Development T.I.F. | Roosevelt Promenade T.I.F. | Brownfields Grant | Highland Lake Youth Conservation Corp | JAG Grant | Thomas Varney School Fund | Annie Akers Bremon Fund | Total |
|----------------------------------|-----------------------|-------------------------------|--------------------|--------|------------------|-----------------------------------|-----------------------------|----------------------------|-------------------|---------------------------------------|-----------|---------------------------|-------------------------|---------|
| Revenues: | | | | | | | | | | | | | | |
| Property tax revenues | \$ - | - | - | - | - | - | 50,000 | 210,000 | - | - | - | - | - | 260,000 |
| Intergovernmental revenues: | | | | | | | | | | | | | | |
| Federal subsidies | - | - | - | 16,000 | - | - | - | - | 32,559 | - | - | - | - | 48,559 |
| State subsidies | - | - | - | - | 17,056 | - | 6,431 | 6,431 | 59,660 | - | - | - | - | 83,147 |
| Total intergovernmental revenues | - | - | - | 16,000 | 17,056 | - | 6,431 | 6,431 | 59,660 | - | 32,559 | - | - | 131,706 |
| Charges for services: | | | | | | | | | | | | | | |
| Recreation revenues | - | - | 125,420 | - | - | - | - | - | - | - | - | - | - | 125,420 |
| Sewer user fees | - | 327,337 | - | - | - | - | - | - | - | - | - | - | - | 327,337 |
| Total charges for services | - | 327,337 | 125,420 | - | - | - | - | - | - | - | - | - | - | 452,757 |
| Interest and dividends | - | - | - | - | - | - | - | - | - | - | - | 124 | 189 | 313 |
| Other revenues | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total revenues | - | 327,337 | 125,420 | 16,000 | 17,056 | - | 50,000 | 216,431 | 59,660 | - | 32,559 | 124 | 189 | 844,776 |

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

| | Equipment Replacement | Little Falls Sewer Operations | Recreation Program | CDBG | Efficiency Maine | Development District North T.I.F. | Pipeline Development T.I.F. | Roosevelt Promenade T.I.F. | Brownfields Grant | Highland Lake | | Thomas Varney School Fund | Annie Akers Brennon Fund | Total |
|---|-----------------------|-------------------------------|--------------------|---------|------------------|-----------------------------------|-----------------------------|----------------------------|-------------------|---------------|--------------|---------------------------|--------------------------|-------------|
| | | | | | | | | | | Youth Corp | Conservation | | | |
| Expenditures: | | | | | | | | | | | | | | |
| Recreation | - | - | 202,412 | - | - | - | - | - | - | - | - | - | - | 202,412 |
| Capital expenditures | - | - | - | 20,658 | 13,568 | 11,500 | 12,911 | 47,663 | 59,660 | - | 32,061 | - | - | 198,021 |
| Sewer assessments | - | 351,756 | - | - | - | - | - | - | - | - | - | - | - | 351,756 |
| Scholarships | - | - | - | - | - | - | - | - | - | - | - | - | 1,500 | 1,500 |
| Accounts receivable write-offs | - | 10,091 | - | - | - | - | - | - | - | - | - | - | - | 10,091 |
| Total expenditures | - | 361,847 | 202,412 | 20,658 | 13,568 | 11,500 | 12,911 | 47,663 | 59,660 | - | 32,061 | - | 1,500 | 763,780 |
| Excess (deficiency) of revenues over (under) expenditures | - | (34,510) | (76,992) | (4,658) | 3,488 | (11,500) | 37,089 | 168,768 | - | - | 498 | 124 | (1,311) | 80,996 |
| Other financing sources: | | | | | | | | | | | | | | |
| Transfer to General Fund | (745,708) | - | - | - | - | (826) | (45,689) | (216,980) | - | - | - | - | - | (1,028,332) |
| Transfer from General Fund | - | - | - | 4,658 | - | - | - | - | - | - | - | - | - | 4,658 |
| Total other financing sources | (745,708) | - | - | 4,658 | - | (826) | (45,689) | (216,980) | - | - | - | - | - | (1,023,674) |
| Net change in fund balances | (745,708) | (34,510) | (76,992) | - | 3,488 | (12,326) | (8,600) | (48,212) | - | - | 498 | 124 | (1,311) | (942,678) |
| Fund balances, beginning of year | 745,708 | 114,366 | 397,538 | - | - | 13,451 | 70,704 | 343,612 | - | 19,129 | 43,794 | 135,820 | - | 1,898,233 |
| Fund balances, end of year | - | 79,856 | 320,546 | - | 3,488 | 1,125 | 62,104 | 295,400 | - | - | 14,609 | 43,918 | 134,509 | 955,555 |

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, 2011

| | | Cemetery Acquisition Fund | Perpetual Care Trust Funds | Library Trust Fund | Total |
|--|-----------|---------------------------------|-------------------------------------|--------------------------|----------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ | 165,761 | 37,379 | 6,753 | 209,893 |
| Interfund loans receivable | | - | - | - | - |
| Total assets | \$ | 165,761 | 37,379 | 6,753 | 209,893 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Interfund loans payable | | - | - | - | - |
| Total liabilities | | - | - | - | - |
| Fund balances: | | | | | |
| Non-spendable | | - | 41,074 | 800 | 41,874 |
| Committed | | 165,761 | - | 5,953 | 171,714 |
| Unassigned | | - | (3,695) | - | (3,695) |
| Total fund balances | | 165,761 | 37,379 | 6,753 | 209,893 |
| Total liabilities and fund balances | \$ | 165,761 | 37,379 | 6,753 | 209,893 |

TOWN OF WINDHAM, MAINE
Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2011

| | Cemetery Acquisition Fund | Perpetual Care Trust Funds | Library Trust Fund | Total |
|-----------------------------------|---------------------------------|-------------------------------------|--------------------------|----------------|
| Revenues: | | | | |
| Interest and dividends | \$ 451 | 114 | 19 | 584 |
| Lot sales | 6,300 | - | - | 6,300 |
| Total revenues | 6,751 | 114 | 19 | 6,884 |
| 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 | 6,751 | (2,686) | 19 | 4,084 |
| Fund balances, beginning of year | 159,010 | 40,065 | 6,734 | 205,809 |
| Fund balances, end of year | \$ 165,761 | 37,379 | 6,753 | 209,893 |