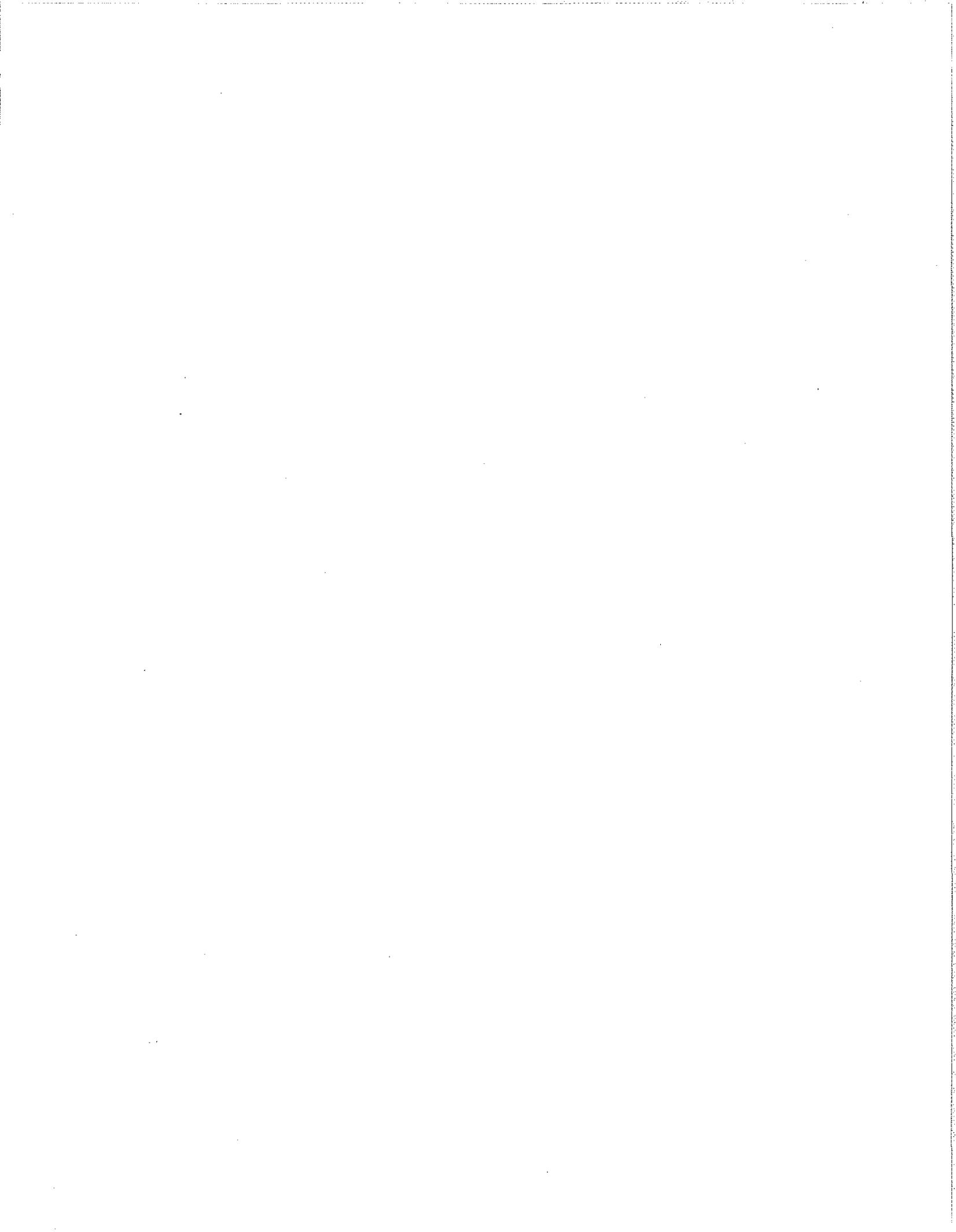


TOWN OF WINDHAM, MAINE

Annual Financial Report

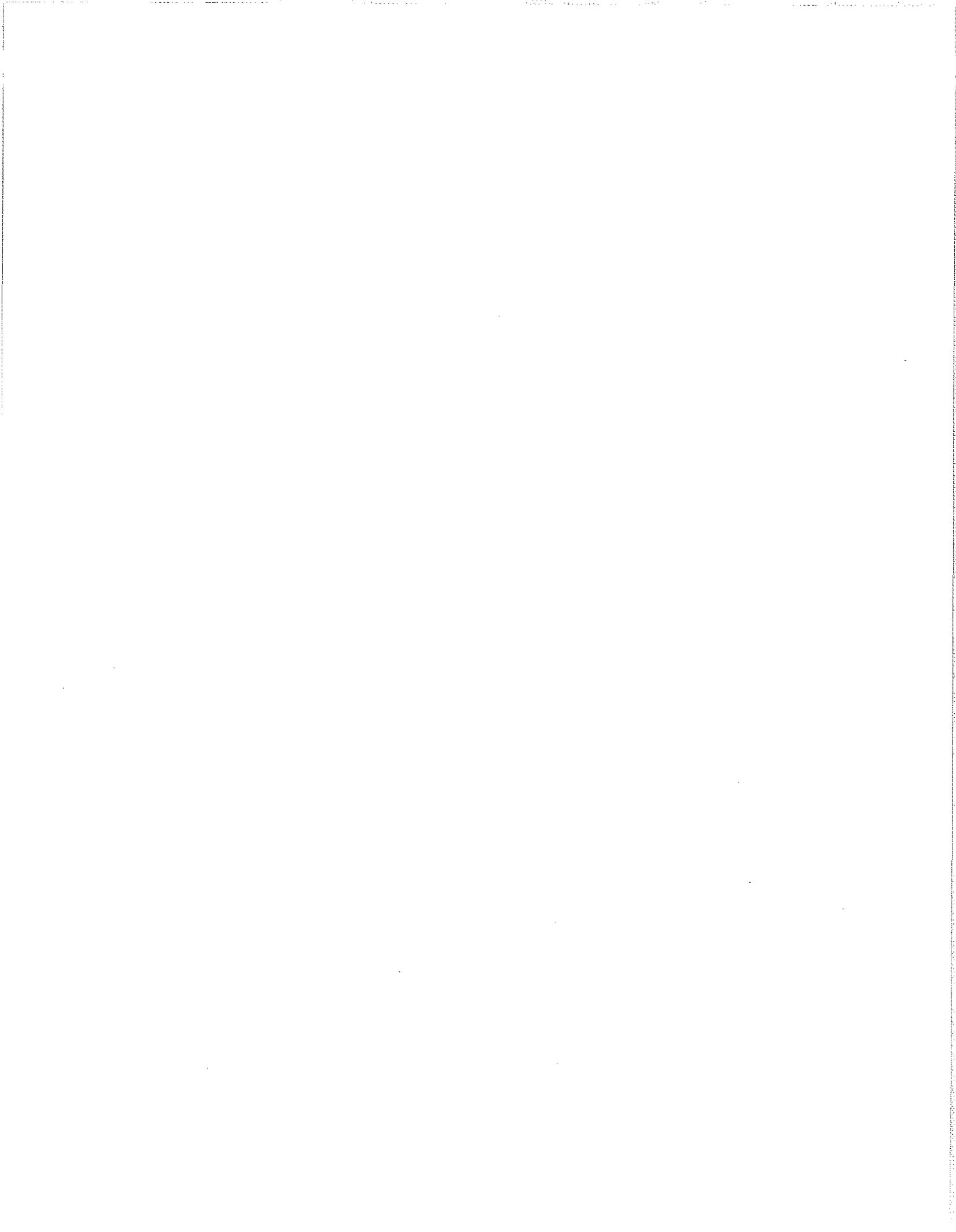
For the year ended June 30, 2012



TOWN OF WINDHAM, MAINE
Annual Financial Report
Year ended June 30, 2012

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Independent Auditor's Report

Town Council
Town of Windham, Maine

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Windham, Maine as of and for the year ended June 30, 2012, 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, 2012, 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 27, 2012 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 27, 2012
South Portland, Maine

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis
June 30, 2012

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, 2012. 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, 2012

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

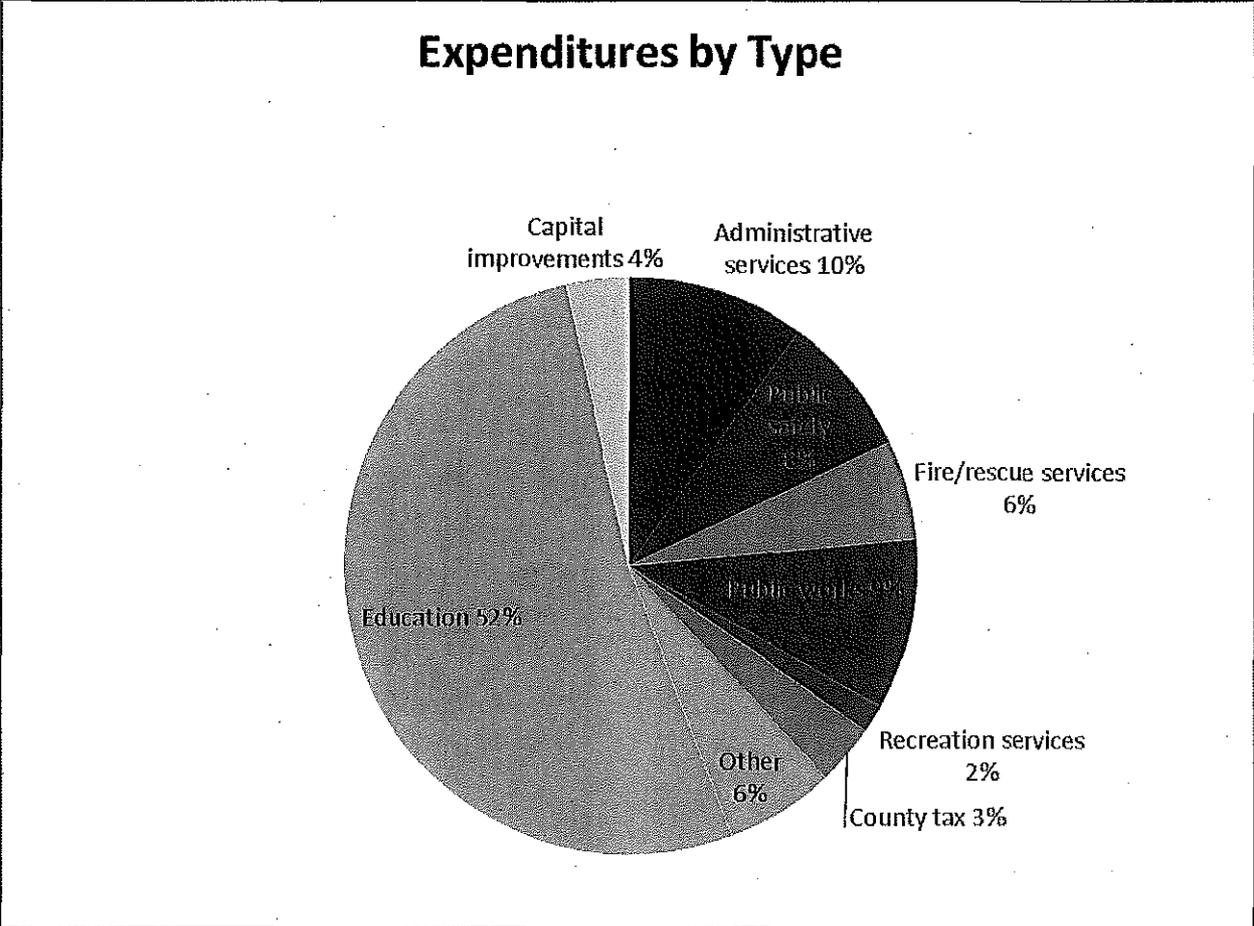
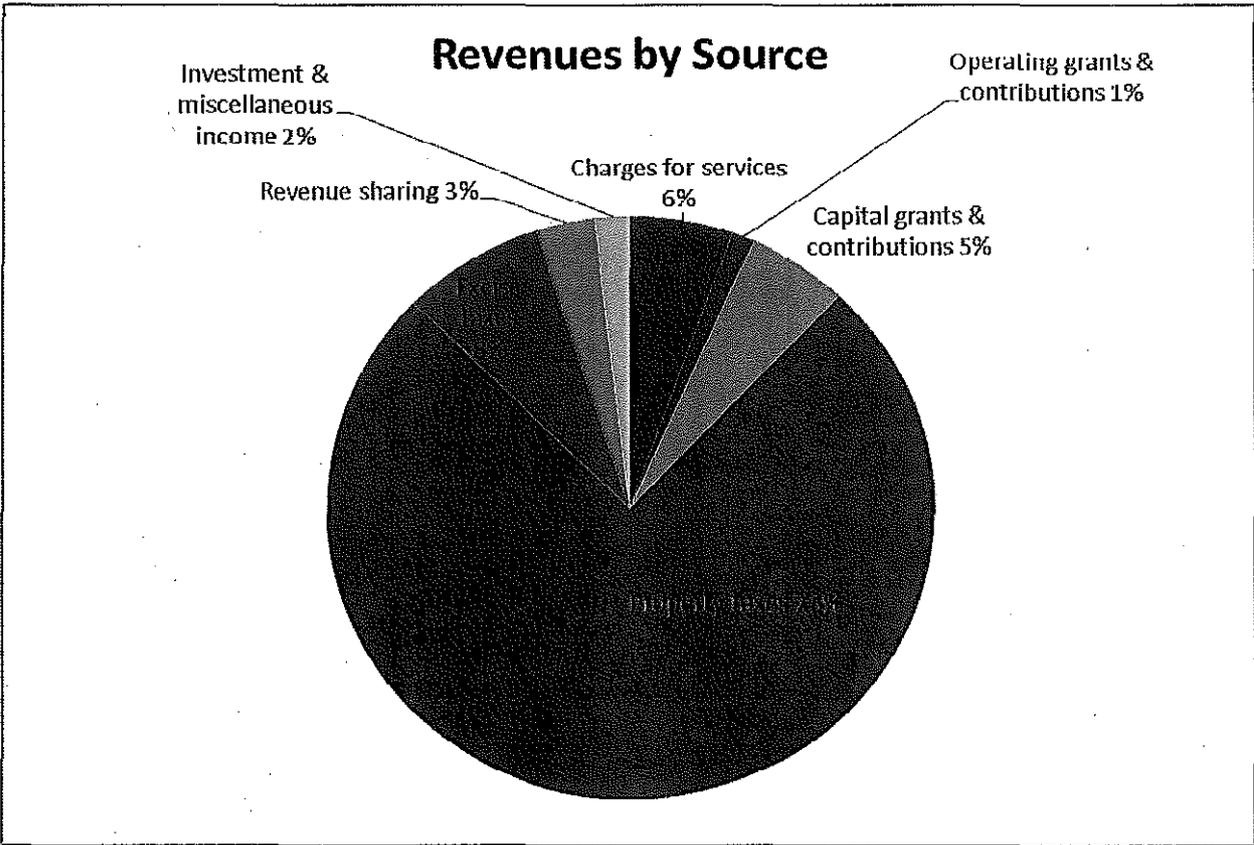
The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by law and by bond covenants. However, other funds are established to help control and manage funds for particular purposes, or to demonstrate 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 2012 and comparative information for 2011.

	<u>2012</u>		<u>2011</u>	
	<u>Government Activities</u>	<u>Activities (WEDC)</u>	<u>Government Activities</u>	<u>Activities (WEDC)</u>
Assets:				
Current and other assets	\$ 33,610,184	40,191	32,994,003	56,274
Capital assets (net)	24,784,240	499,815	22,980,821	504,781
Total assets	58,394,424	540,006	55,974,824	561,055
Liabilities:				
Long-term debt outstanding	27,820,008	455,500	27,121,594	455,500
Other liabilities	1,367,229	4,555	2,244,002	13,648
Total liabilities	29,187,237	460,055	29,365,596	469,148
Net assets:				
Invested in capital assets	21,894,170	44,315	19,669,602	49,281
Restricted	524,421	-	594,365	-
Unrestricted	6,788,596	35,636	6,345,261	42,626
Total net assets	\$ 29,207,187	79,951	26,609,228	91,907

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2012



TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2012

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities for 2012 was \$29,572,312. However, as shown in the statement of activities, the amount paid by taxpayers through local property taxes for these activities was \$24,235,004 because some of the cost (\$1,766,792) was borne by those who directly benefited from the programs.

The Town paid for the remaining "public benefit" portion of governmental activities with \$6,168,475 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 \$58,779,499 were available during the year to finance governmental activities, consisting of net assets of \$26,609,228 at July 1, 2011, program revenues of \$3,877,149 and general revenues of \$28,293,122.

Total governmental activities expenses were \$29,572,312. Net assets increased by \$2,597,959, from \$26,609,228 to \$29,207,187, or 9.8%.

Total governmental activities expenses rose by \$1,184,831, or 4.2%; net expenses for governmental activities fell by \$506,858, or 1.9% from 2011 to 2012.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2012

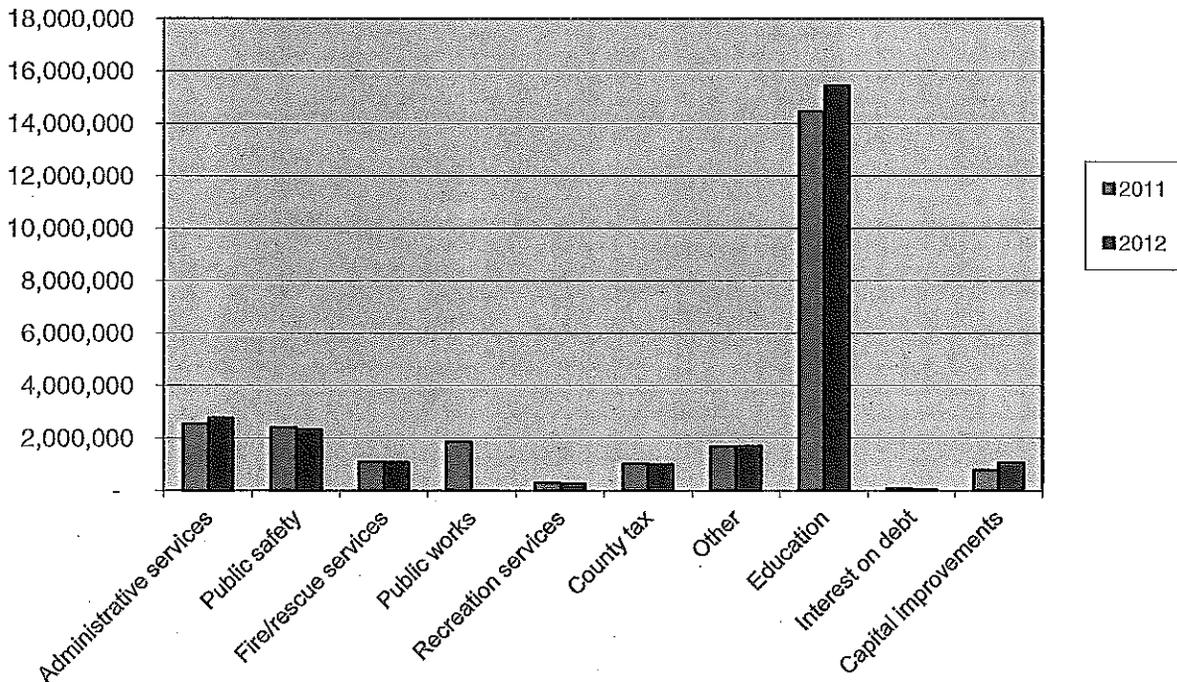
	Primary Government Governmental Activities	Component Unit (WEDC)	2012 Primary Government and Component Unit	2011 Primary Government and Component Unit
Revenues:				
Program Revenues:				
Charges for service	\$ 1,766,792	-	1,766,792	1,616,958
Operating grants and contributions	377,742	20,000	397,742	588,502
Capital grants and contributions	1,732,615	-	1,732,615	-
General Revenues:				
Property taxes	24,235,004	-	24,235,004	23,092,907
Excise tax	2,465,072	-	2,465,072	2,465,351
Franchise fees	127,116	-	127,116	129,272
Homestead exemption	203,084	-	203,084	200,132
Other state aid	25,271	-	25,271	12,315
State revenue sharing	983,924	-	983,924	843,031
Investment earnings	25,129	77	25,206	142,785
Miscellaneous revenues	228,522	-	228,522	121,272
Total Revenues	32,170,271	20,077	32,190,348	29,212,525
Expenses:				
Program Expenses:				
Administrative services	2,945,477	-	2,945,477	2,683,569
Public safety	2,362,401	-	2,362,401	2,443,534
Fire/rescue services	1,648,216	-	1,648,216	1,558,145
Public works	2,827,683	-	2,827,683	2,987,488
Recreation services	462,995	-	462,995	446,433
County tax	1,002,218	-	1,002,218	1,018,613
Other	1,781,001	32,033	1,813,034	1,930,098
Education	15,444,435	-	15,444,435	14,457,442
Interest on debt	39,908	-	39,908	85,031
Capital maintenance expenses	1,057,978	-	1,057,978	781,332
Total Expenses	29,572,312	32,033	29,604,345	28,391,685
Net assets – beginning	26,609,228	91,907	26,701,135	25,880,295
Change in net assets	2,597,959	(11,956)	2,586,003	820,840
Net assets – ending	\$ 29,207,187	79,951	29,287,138	26,701,135

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 2012.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2012

	2012 Expense	2012 Program Revenue	2012 Net Expense	2011 Net Expense
Governmental activities:				
Administrative services	\$ 2,945,477	163,368	2,782,109	2,543,037
Public safety	2,362,401	27,601	2,334,800	2,408,115
Fire/rescue services	1,648,216	576,751	1,071,465	1,097,339
Public works	2,827,683	2,826,467	1,216	1,856,291
Recreation services	462,995	200,968	262,027	281,040
County tax	1,002,218	-	1,002,218	1,018,613
Other	1,781,001	81,994	1,699,007	1,673,781
Education	15,444,435	-	15,444,435	14,457,442
Interest on debt	39,908	-	39,908	85,031
Capital maintenance	1,057,978	-	1,057,978	781,332
Total governmental activities	\$ 29,572,312	3,877,149	25,695,163	26,202,021

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.

Two large variances bear noting. Public Works net expenditures were nearly reduced to zero due to about \$1.7 million in new roads built by developers being turned over to the town. Without this offset, year over year expenses would have been comparable. Capital expenditures were up nearly \$277,000; this is largely attributable to increased spending on roads and building improvements.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2012

DEBT ADMINISTRATION

To take advantage of historically low interest rates, the Town advance refunded its callable bonds in November 2011. The bonds were originally issued in 2003 to finance the construction of the high school and to make road improvements. The refunding/refinancing resulted in interest savings of nearly \$860,000. Since the State of Maine subsidizes most of this debt, much of the savings will accrue to the State (\$626,000). Still, Windham schools will enjoy \$166,800 in savings and the Town will realize \$66,500 in reduced interest costs. Please see the "Advance Refunding" section of the notes to the financial statements on page 37 for more detailed information.

Debt decreased by \$361,967 in fiscal year 2012. Please see below for the components of the decrease.

Statement of Governmental Activities Debt

Debt payable at June 30, 2011	\$ 27,121,594
New capital leases	174,138
Capital lease reductions	(420,287)
New debt issued	19,045,000
Premium on new debt	2,248,808
Debt advance refunded	(19,380,000)
Other debt reductions	<u>(2,029,626)</u>
 Debt payable at June 30, 2012	 \$ 26,759,627

THE TOWN'S FUNDS

The following is an analysis of account balances in the Town's general fund for 2012. Comparative information is presented for fiscal years 2011 and 2010.

Statement of Revenues

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues by source			
Taxes	\$ 26,218,474	25,109,968	24,070,839
Licenses and permits	261,307	223,004	242,012
Intergovernmental revenue	1,514,097	1,531,761	1,739,111
Charges for service	495,013	539,824	577,632
Interest earned	125,950	141,683	170,263
Other revenues	827,452	690,074	677,878
	<u>\$ 29,442,293</u>	<u>28,236,314</u>	<u>27,477,735</u>

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2012

Statement of Expenditures

	2012	2011	2010
Expenditures by function			
Administrative services	\$ 2,738,238	2,617,080	2,732,814
Public safety	2,212,083	2,270,024	2,235,854
Fire/rescue services	1,457,736	1,372,157	1,410,877
Public works	2,762,495	2,794,379	2,910,798
Recreation services	240,999	232,973	237,298
County tax	1,002,218	1,018,613	1,005,752
Other	1,411,197	1,572,526	1,821,500
Education	15,444,435	14,457,442	13,684,504
Debt service	219,019	235,031	239,625
Capital outlay	1,894,539	1,661,809	555,860
	<u>\$ 29,382,959</u>	<u>28,232,034</u>	<u>26,834,882</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, 2012, net capital assets of governmental activities totaled \$24,784,240, an increase of \$1,803,419 from the year ending June 30, 2011. A detailed breakdown of the activity by asset type is shown below.

Statement of Capital Assets

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12
Governmental assets				
Land, buildings and improvements	\$ 7,142,610	67,517	-	7,210,127
Infrastructure	16,189,992	1,866,029	-	18,056,021
Vehicles	3,982,538	458,411	401,381	4,039,568
Machinery and equipment	4,413,788	78,399	131,336	4,360,851
Total capital assets	<u>31,728,928</u>	<u>2,470,356</u>	<u>532,717</u>	<u>33,666,567</u>
Accumulated depreciation	<u>(8,748,107)</u>	<u>(662,037)</u>	<u>527,817</u>	<u>(8,882,327)</u>
Governmental assets, net	<u>\$ 22,980,821</u>	<u>1,808,319</u>	<u>4,900</u>	<u>24,784,240</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

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2012

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 \$557,445 on road improvements for the fiscal year ended June 30, 2012. 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 through 2013 to be 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 \$856,000 per year through 2013. Another condition assessment is planned for 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. This was reduced to \$394,550 in 2011 but increased to 542,500 in 2012 and \$650,000 for 2013. It should be noted that this amount relates mainly to the maintenance of current pavement infrastructure and does not contemplate more extensive improvements as might be required in the future for storm water management, improved safety, added capacity, or additional amenities such as sidewalks.

During 2007, the Town conducted its first condition assessment of its storm water drainage system, and has conducted assessments annually since. 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.

In 2012, 818 of 852 structures were assessed. With regard to structural condition, 99.4% of drainage structures, pipes, and pipe openings assessed were found to be in good (96.2%) or fair (3.2%) condition (compared to 99.9% of structures in 2007). The remaining 0.6% assessed as poor/needs repair consists of five (5) catch basins. Approximately 34 structures were not assessed due to traffic conditions or other factors, representing 4.0% of the total number of structures. The Town conducts inspection and cleaning of drainage structures annually in the fall

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2012

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.

BUDGETS AND BUDGETARY ACCOUNTING

The 2011-2012 general fund budget increased \$7,444, or .05% 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, things started to pick up this year. We are hopeful that this trend will continue in fiscal year 2012-13. State revenue sharing is conservatively budgeted at \$975,000; actual receipts were \$983,924 for the year just ended.

The largest source of non-property tax revenues is excise taxes, comprising 38% of the total. After 3 years of decline, this revenue source stabilized in 2012. We have budgeted for a slight increase in 2013. Economic forecasters project auto sales will increase over the next year or two as the average age of vehicles on the road, now eleven years, continues to rise. This, combined with an improving economy, should lead to increased car sales. We are seeing signs of this early in the new fiscal year.

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. Drawing on reserves, particularly unassigned fund balance, to maintain property taxes at a low level is detrimental to the Town's long-term financial health. Consequently, the Town began an effort in fiscal year 2010 to decrease its reliance on fund balance as a source of revenue. Except as an offset to the town's two contingency funds, the town has reduced its reliance on fund balance as a source of revenue to zero.

Budget Overview

The Town budget for 2012-2013 is \$13,981,631, an increase of \$197,979 or 1.4 %. Windham continues to remain below the state property tax levy limit. The Town has never exceeded the limit: for fiscal 2013, it is beneath the limit by \$188,025. This speaks to the long-standing fiscal discipline of the community.

Following are some highlights from budget deliberations:

- The wage freeze for non-union personnel was lifted after three years. The town is currently in negotiations with its three employee unions, each of which made concessions during the previous three years.
- The return of early hours for some town offices.
- Changes to the town's health insurance plan for employees. A new plan design coupled with health reimbursement accounts will result in lower costs for both the town and its employees.
- Funding for capital and infrastructure was increased by:
 - Equipment – \$80,000, or 14.7%
 - Road improvements – \$107,500, or 19.8%

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2012

Building improvements – \$43,500, or 36.5%. This also includes funds for a complete facilities condition assessment.

- General assistance has decreased 69% due to tighter management control and closer adherence to state guidelines.
- Excise tax revenues are expected to increase *slightly*, as is state revenue sharing
- The use of unassigned fund balance as a revenue source remains at \$200,000

The budget for 2012-2013 proposes few changes, but it does place more emphasis on caring for the town's capital assets, as noted in the previous section. We are continually seeking ways to improve service and increase efficiencies. We are working to develop meaningful performance measures to serve as benchmarks against which we can objectively assess our efforts.

Budget Variances

On page 30 of the notes to the financial statements, departments that exceeded their budgeted appropriations are listed. Our comments will focus on departments with the most significant variances. Town Council exceeded budget by \$10,505, or 8%. This is due to fees paid to town legal counsel to prepare for and attend police department arbitration hearings. Municipal insurances exceeded budget by \$19,552, or 23%. This is a result of deductibles paid for insurance claims. Lastly, Dundee Park operations were \$12,700, or 26% more than was allocated. However, park *revenues* were also 20% over budget. Park attendance was much greater than was expected.

Revenues/Fund Balance

The Town has significantly reduced its reliance on fund balance in recent years, from \$650,000 in FY '09 to \$200,000 today, the only remaining amount being to offset the town's two contingency funds. Unassigned fund balance has grown each year since FY '09. At June 30, 2012, it stands at \$4.85 million. Bond rating agencies consider a growing fund balance to be a positive sign, speaking to the credit strength of a municipality.

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.

Last year, the Town Council adopted a new fund balance policy. It states that the Town maintain an unrestricted fund balance at 16.67% of the ensuing year's budget. We are pleased to report that as of June 30, 2012, unrestricted fund balance as a percentage of budget stands at 20.72%, exceeding our target.

Increasing Demands

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.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2012

The Future

The Town continues to maintain its strong financial position. The practice of conservative budgeting continues to stand it in good stead.

Unrestricted fund balance as a percentage of the FY 2013 budget is 20.72%. This means that the Town has two and one half months of funds available in the event of a liquidity crunch. Town policy recommends a target of 16.67%, equaling two months of expenses. Looking ahead, with the reduced reliance on fund balance, this 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.

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 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

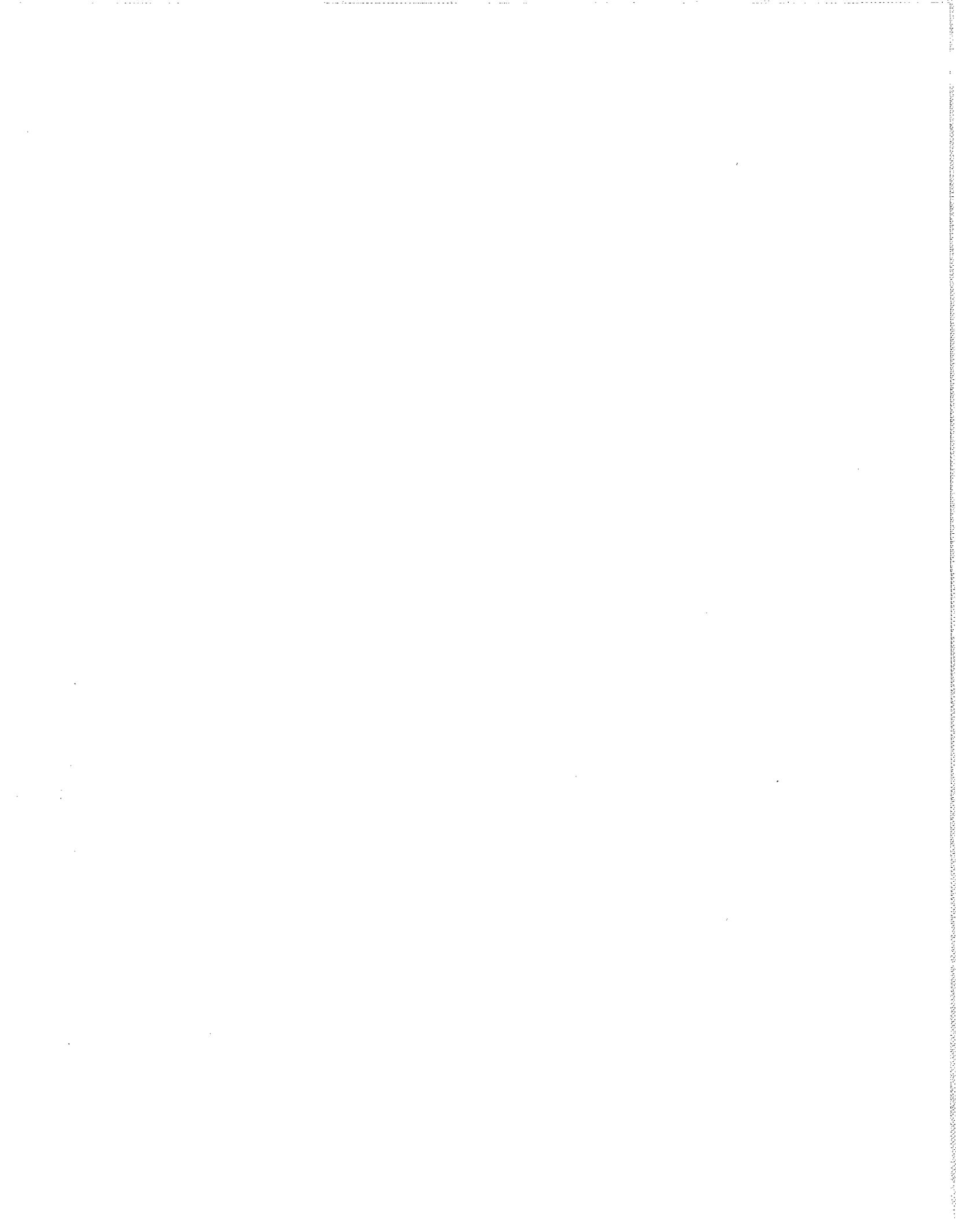
Fiscal year 2012-2013 will reflect a tax rate of \$14.25 per thousand dollars of assessed value. For every tax dollar raised, 31 cents goes to the town, 65 cents is earmarked for schools, and 4 cents is for the county. This is a tax increase of 2.5% over last year. Breaking down the increase, the Town's portion grew 1.15%, whereas the school district's share went up 3.1%.

The Town continues to meet its debt obligations, reducing debt by \$2.37 million in 2012. Windham carries a relatively light debt load. Bond rating agencies prefer to see a "debt per capita" of \$2,000 or less. Windham's per capita debt load is \$1,376. 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 identified by the complete facilities condition assessment planned for the upcoming year.

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, 2012

	Primary Government Governmental Activities	Component Unit WEDC
ASSETS		
Cash and cash equivalents	\$ 4,793,951	132
Investments	2,928,111	40,059
Receivables:		
Accounts, net of allowance of \$31,473	181,127	-
Taxes receivable - current year	1,011,558	-
Taxes receivable - prior years	251,927	-
Tax liens	588,875	-
Inventory	9,038	-
Receivable from RSU #14 for debt service payments	21,620,748	-
Deferred charge on refunding	2,034,266	-
Capital assets, not being depreciated	18,582,221	499,815
Capital assets, being depreciated	6,202,019	-
Bond issuance costs	190,583	-
Total assets	58,394,424	540,006
LIABILITIES		
Accounts payable and other current liabilities	976,537	-
Accrued wages	188,609	-
Accrued interest	153,078	4,555
Taxes paid in advance	49,005	-
Noncurrent liabilities:		
Due within one year	2,592,542	-
Due in more than one year	25,227,466	455,500
Total liabilities	29,187,237	460,055
NET ASSETS		
Invested in capital assets, net of related debt	21,894,170	44,315
Restricted	524,421	-
Unrestricted	6,788,596	35,636
Total net assets	\$ 29,207,187	79,951

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Activities
For the year ended June 30, 2012

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Governmental activities	Component Unit WEDC
Primary government:						
Governmental activities:						
Administrative services	\$ 2,945,477	163,368	-	-	(2,782,109)	-
Public safety	2,362,401	3,068	24,533	-	(2,334,800)	-
Fire/rescue services	1,648,216	576,751	-	-	(1,071,465)	-
Public works	2,827,683	775,849	318,003	1,732,615	(1,216)	-
Recreation services	462,995	200,968	-	-	(262,027)	-
County tax	1,002,218	-	-	-	(1,002,218)	-
Other	1,781,001	46,788	35,206	-	(1,699,007)	-
Education	15,444,435	-	-	-	(15,444,435)	-
Interest on debt service	39,908	-	-	-	(39,908)	-
Capital maintenance expenses	1,057,978	-	-	-	(1,057,978)	-
Total governmental activities	29,572,312	1,766,792	377,742	1,732,615	(25,695,163)	-
Total primary government	\$ 29,572,312	1,766,792	377,742	1,732,615	(25,695,163)	-
Component unit:						
WEDC	\$ 32,033	-	20,000	-	-	(12,033)

General revenues:

Property taxes, levied for general purposes	\$ 24,235,004	-
Excise taxes	2,465,072	-
Supplemental taxes and lien fees	21,023	-
Motor vehicle registration fees	51,151	-
Franchise fees	127,116	-
Grants and contributions not restricted to specific programs:		
Homestead exemption	203,084	-
Other State aid	25,271	-
State Revenue Sharing	983,924	-
Unrestricted investment earnings	25,129	77
Loss on disposal	(4,900)	-
Miscellaneous	161,248	-
Total general revenues	28,293,122	77

Change in net assets	2,597,959	(11,956)
Net assets - beginning	26,609,228	91,907
Net assets - ending	\$ 29,207,187	79,951

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Balance Sheet
Governmental Funds
June 30, 2012

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,582,484	211,467	4,793,951
Investments	2,750,356	177,755	2,928,111
Receivables:			
Accounts, net of allowance of \$31,473	179,492	1,635	181,127
Taxes receivable - prior years	251,927	-	251,927
Taxes receivable - current year	1,011,558	-	1,011,558
Tax liens	588,875	-	588,875
Interfund loans receivable	-	648,373	648,373
Inventory	9,038	-	9,038
Receivable from RSU #14 for debt service payments	21,620,748	-	21,620,748
Total assets	\$ 30,994,478	1,039,230	32,033,708
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	639,576	11,892	651,468
Accrued wages	188,609	-	188,609
Interfund loans payable	645,886	2,487	648,373
Taxes paid in advance	49,005	-	49,005
Deferred revenue	1,407,000	-	1,407,000
Unearned income - impact fees	11,872	-	11,872
Inspection deposits and miscellaneous liabilities	313,197	-	313,197
Deferred debt service payments from RSU #14	21,620,748	-	21,620,748
Total liabilities	24,875,893	14,379	24,890,272
Fund balances:			
Nonspendable	9,038	44,536	53,574
Restricted	-	482,547	482,547
Committed	400,050	506,675	906,725
Assigned	869,992	-	869,992
Unassigned	4,839,505	(8,907)	4,830,598
Total fund balances	6,118,585	1,024,851	7,143,436
Total liabilities and fund balances	\$ 30,994,478	1,039,230	
Amounts reported for governmental activities in the statement of net assets are different because:			
Bond issuance costs amortized in governmental activities, are not reported in the funds			190,583
The deferred charge on the refunding bond in governmental activities is not reported in the funds.			2,034,266
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			24,784,240
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:			
Deferred revenue			1,407,000
Deferred debt service payments from RSU #14			21,620,748
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			(722,678)
Accrued interest			(153,078)
Other postemployment benefits liability			(337,704)
Capital leases			(1,115,070)
Premium on refunding bonds			(2,248,808)
Bonds payable			(23,395,748)
Net assets of governmental activities			\$ 29,207,187

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, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 26,218,474	270,625	26,489,099
Licenses and permits	261,307	-	261,307
Intergovernmental	1,514,097	119,164	1,633,261
Charges for services	495,013	484,872	979,885
Interest earned	125,950	752	126,702
Other	827,452	3,950	831,402
Total revenues	29,442,293	879,363	30,321,656
Expenditures:			
Current:			
Administrative services	2,738,238	-	2,738,238
Public safety	2,212,083	-	2,212,083
Fire/rescue services	1,457,736	-	1,457,736
Public works	2,762,495	-	2,762,495
Recreation services	240,999	202,856	443,855
County tax	1,002,218	-	1,002,218
Other	1,411,197	352,756	1,763,953
Education	15,444,435	-	15,444,435
Debt service	219,019	-	219,019
Capital outlay	1,894,539	188,053	2,082,592
Total expenditures	29,382,959	743,665	30,126,624
Excess (deficiency) of revenues over (under) expenditures	59,334	135,698	195,032
Other financing sources (uses):			
Capital lease proceeds	174,138	-	174,138
Transfers - in	276,295	-	276,295
Transfers - out	-	(276,295)	(276,295)
Refunding bonds issued	19,045,000	-	19,045,000
Premium on refunding bonds issued	2,346,582	-	2,346,582
Payment to refunded bond escrow agent	(21,192,713)	-	(21,192,713)
Bond issuance costs	(198,869)	-	(198,869)
Total other financing sources (uses)	450,433	(276,295)	174,138
Net change in fund balances	509,767	(140,597)	369,170
Fund balances, beginning of year	5,608,818	1,165,448	6,774,266
Fund balances, end of year	\$ 6,118,585	1,024,851	7,143,436

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, 2012

Net change in fund balances - total governmental funds (from Statement 4)	\$	369,170
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$2,470,356) exceeded depreciation expense (\$662,037) and loss on disposal (\$4,900) in the current period.</p>		
		1,803,419
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		116,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in accrued interest (\$28,069) less the change in other post retirement benefits liability (\$94,050) less the change in accrued compensated absences (\$21,840).</p>		
		(87,821)
<p>Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which lease repayments (\$420,287) exceeded proceeds (\$174,138).</p>		
		246,149
<p>The proceeds of the Town's portion of the refunding bond (\$1,475,000) were less than the amount refunded (\$1,500,000). This is the amount by which the defeased bonds exceeded the proceeds of the new debt.</p>		
		(25,000)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which the repayments exceeded the proceeds on new debt.</p>		
		2,364,626
<p>The Town is amortizing the deferred charge on refunding, the issuance premium and the bond issuance costs over the life of the refunding bond. This is the amount by which the amortization of the premium (\$97,774) exceeded the amortization of the deferred charge on refunding (\$88,446) and the amortization of the issuance costs (\$8,286).</p>		
		1,042
<p>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 \$21,620,748 with principal amounts paid off during the year totaling \$2,189,626.</p>		
		(2,189,626)
<hr/>		
Change in net assets of governmental activities (see Statement 2)	\$	2,597,959

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2012

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 26,092,454	26,092,454	26,218,474	126,020
Licenses and permits	201,250	201,250	261,307	60,057
Intergovernmental	1,575,584	1,575,584	1,514,097	(61,487)
Charges for services	576,500	576,500	495,013	(81,487)
Interest earned	110,000	110,000	125,950	15,950
Other	640,666	640,666	827,452	186,786
Total revenues	29,196,454	29,196,454	29,442,293	245,839
Expenditures:				
Current:				
Administrative services	2,836,303	2,836,303	2,738,238	98,065
Public safety	2,279,797	2,290,164	2,212,083	78,081
Fire/rescue services	1,484,825	1,484,825	1,457,736	27,089
Public works	2,991,906	3,033,806	2,762,495	271,311
Recreation services	229,714	229,714	240,999	(11,285)
Education	15,444,435	15,444,435	15,444,435	-
County tax	1,002,218	1,002,218	1,002,218	-
Other	1,735,082	1,735,082	1,411,197	323,885
Debt service	229,969	229,969	219,019	10,950
Capital outlay	1,466,500	2,084,390	1,894,539	189,851
Total expenditures	29,700,749	30,370,906	29,382,959	987,947
Excess (deficiency) of revenues over (under) expenditures	(504,295)	(1,174,452)	59,334	1,233,786
Other financing sources (uses):				
Capital lease proceeds	-	-	174,138	174,138
Use of unassigned fund balance	200,000	870,157	-	(870,157)
Transfers from other funds	304,295	304,295	276,295	(28,000)
Refunding bonds issued	-	-	19,045,000	19,045,000
Premium on refunding bonds issued	-	-	2,346,582	2,346,582
Payment to refunded bond escrow agent	-	-	(21,192,713)	(21,192,713)
Bond issuance costs	-	-	(198,869)	(198,869)
Total other financing sources (uses)	504,295	1,174,452	450,433	(724,019)
Net change in fund balance	-	-	509,767	509,767
Fund balance, beginning of year			5,608,818	
Fund balance, end of year	\$		6,118,585	

TOWN OF WINDHAM, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

		Private-purpose Trust Fund (Scholarships)
ASSETS		
Cash and cash equivalents	\$	66,221
Total assets		66,221
LIABILITIES		
Due to Town		-
Total liabilities		-
NET ASSETS		
Restricted	\$	66,221

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, 2012

	Private-purpose Trust Fund (Scholarships)
Additions:	
Investment income	\$ 118
Donation	-
Total additions	118
Deductions:	
Scholarships awarded	-
Total deductions	-
Change in net assets	118
Net assets, beginning of year	66,103
Net assets, end of year	\$ 66,221

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

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.

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.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

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, 2012, expenditures exceeded appropriations in the following departments:

Town Council	\$ 10,505
Municipal insurance	19,552
Town management	4,953
Water main charges	1,604
Recreation	1,668
Dundee Park	12,700

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>
2012 budget as originally adopted	\$ 29,700,749	(29,700,749)	-
Assigned carryforward balance	-	(670,157)	670,157
Budgeted use of surplus	(200,000)	-	200,000
Transfer from Development District North TIF	(549)	-	549
Transfer from Pipeline Development District TIF	(49,103)	-	49,103
Transfer from Roosevelt Promenade TIF	(223,843)	-	223,843
Transfer from Recreation	(28,000)	-	28,000
Transfer from Cemetery	(2,800)	-	2,800
Totals	\$ 29,196,454	(30,370,906)	1,174,452

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

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, 2012, the Town reported deposits of \$4,860,172 with a bank balance of \$4,672,974. 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 \$132 which were fully covered by F.D.I.C.

Deposits have been reported as follows:

Reported in governmental funds	\$ 4,793,951
Reported in fiduciary funds	<u>66,221</u>
Total Town deposits	4,860,172
Reported in component unit (WEDC)	<u>132</u>
Total deposits	<u>\$ 4,860,304</u>

B. Investments

At June 30, 2012, the Town (including the WEDC, component unit) had the following investments:

	<u>Fair Value</u>
Certificates of deposit	\$ 2,392,267
Sweep accounts	286,060
Savings accounts	249,784
Money market	<u>40,059</u>
Total investments	<u>\$ 2,968,170</u>

Investments have been reported as follows:

Reported in governmental funds	\$ 2,928,111
Reported in component unit (WEDC)	<u>40,059</u>
Total investments	<u>\$ 2,968,170</u>

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

DEPOSITS AND INVESTMENTS, CONTINUED

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 \$2,968,170 investments 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.

PROPERTY TAX

Property taxes for the current year were committed on August 14, 2011 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 3, 2011 and April 2, 2012. Assessed values are periodically established by the Town's Assessor at 100% of assumed market value.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$126,049 for the year ended June 30, 2012.

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 2012 and 2011 levies:

	<u>2012</u>	<u>2011</u>
Assessed value	\$ 1,707,732,500	1,870,208,800
Tax rate (per \$1,000)	13.90	12.20
Commitment	23,737,482	22,816,547
Supplemental taxes assessed	2,250	13,203
	23,739,732	22,829,750
Less:		
Abatements	42,128	36,368
Collections	22,686,046	21,945,262
Receivable at June 30	\$ 1,011,558	848,120
Due date(s)	(1/2) October 3, 2011 (1/2) April 2, 2012	(1/2) October 1, 2010 (1/2) April 1, 2011
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	95.57%	96.18%

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

INTERFUND BALANCES

Individual interfund receivable and payable balances at June 30, 2012 were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	645,886
Special Revenue Funds:		
Town Special Revenue Funds	648,373	2,487
<u>Totals</u>	<u>\$ 648,373</u>	<u>648,373</u>

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, 2012 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
<u>General Fund</u>	<u>\$ 276,295</u>	<u>-</u>
Nonmajor Special Revenue Funds:		
Development District North T.I.F.	-	549
Pipeline Development T.I.F.	-	49,103
Roosevelt Promenade T.I.F.	-	223,843
<u>Total nonmajor Special Revenue Funds</u>	<u>-</u>	<u>273,495</u>
Nonmajor permanent funds:		
Perpetual Care Trust Funds	-	2,800
<u>Total nonmajor Permanent Funds</u>	<u>-</u>	<u>2,800</u>
<u>Totals</u>	<u>\$ 276,295</u>	<u>276,295</u>

Some transfers were budgeted transfers to fund certain activities.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,997,612	-	-	1,997,612
Infrastructure	14,718,580	1,866,029	-	16,584,609
Total capital assets, not being depreciated	16,716,192	1,866,029	-	18,582,221
Capital assets, being depreciated:				
Land improvements	114,782	-	-	114,782
Buildings	5,030,216	67,517	-	5,097,733
Equipment	4,413,788	78,399	(131,336)	4,360,851
Vehicles	3,982,538	458,411	(401,381)	4,039,568
Infrastructure	1,471,412	-	-	1,471,412
Total capital assets, being depreciated	15,012,736	604,327	(532,717)	15,084,346
Less accumulated depreciation for:				
Land improvements	(50,910)	(4,422)	-	(55,332)
Buildings	(2,433,474)	(130,567)	-	(2,564,041)
Equipment	(3,285,664)	(210,661)	131,336	(3,364,989)
Vehicles	(2,247,317)	(279,602)	396,481	(2,130,438)
Infrastructure	(730,742)	(36,785)	-	(767,527)
Total accumulated depreciation	8,748,107	(662,037)	527,817	(8,882,327)
Total capital assets being depreciated, net	6,264,629	(57,710)	(4,900)	6,202,019
Governmental capital assets, net	\$ 22,980,821	1,808,319	(4,900)	24,784,240

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

Governmental activities:

Administrative services	\$ 88,776
Public safety	157,139
Fire/rescue services	191,745
Public works	191,791
Recreation	17,677
Other (Town Clerk and Library)	14,909

Total depreciation expense – governmental activities **\$ 662,037**

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

CAPITAL ASSETS, CONTINUED

Discretely Presented Component Unit

Activity for the Windham Economic Development Corporation (WEDC):

	Balance June 30, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2012</u>
Capital assets, not being depreciated:				
Land	\$504,781	-	(4,966)	499,815
Total capital assets not being depreciated	\$504,781	-	(4,966)	499,815

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, 2012, the Town has not exceeded these percentages.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 25,760,375	19,045,000	(21,409,627)	23,395,748	2,041,177
Premium on refunding bonds	-	2,346,582	(97,774)	2,248,808	180,506
Capital leases	1,361,219	174,138	(420,287)	1,115,070	370,859
Accrued compensated absences	700,838	21,840	-	722,678	-
Other post employment benefits	243,654	94,050	-	337,704	-
Totals	\$ 28,066,086	21,681,610	(21,927,688)	27,820,008	2,592,542

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

LONG-TERM DEBT

General obligation bonds, notes, and capital leases payable at June 30, 2012 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	730,748
2003 General Obligation Bonds	35,787,000	Var.	2025	3,620,000
2011 General Obligation Refunding Bonds	19,045,000	Var.	2025	19,045,000
Total general obligation bonds and promissory notes				<u>23,395,748 (1)</u>
<u>Capital leases</u>				
Town:				
2004 Aerial platform and ladder truck		3.55%	2014	168,380
CAT backhoe		3.60%	2014	34,729
Fire truck and public works truck		3.89%	2014	164,631
Two dump trucks/sidewalk tractor		3.88%	2015	251,342
Greenwood emergency vehicles		3.19%	2015	321,850
10 wheel dump truck		2.57%	2017	174,138
Total capital leases				<u>1,115,070</u>
Total primary government general obligation bonds, promissory notes and capital leases				<u>\$ 24,510,818</u>

(1) As of July 1, 2009, the Windham School Department joined Regional School Unit #14. RSU #14 will reimburse the Town of Windham for all Windham School Department bonds payable when the debt service payments are due. The Town has recorded a receivable for \$21,620,748, 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, 2012 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

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize all debt outstanding as of June 30, 2012 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>
2013	\$ 2,041,177	896,709	2,937,886
2014	2,053,337	812,057	2,865,394
2015	2,041,234	736,087	2,777,321
2016	1,785,000	675,825	2,460,825
2017	1,785,000	626,738	2,411,738
2018-2022	8,895,000	2,126,988	11,021,988
2023-2025	4,795,000	333,875	5,128,875
Totals	\$ 23,395,748	6,208,279	29,604,027

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, 2012:

<u>Fiscal year ending</u>	<u>Total capital leases</u>
2013	\$ 409,144
2014	409,144
2015	214,986
2016	124,630
2017	37,559
Total minimum lease payments	1,195,463
Less amount representing interest	(80,393)
Present value of future minimum lease payments	\$ 1,115,070

Advance Refunding

The Town issued \$19,045,000 in general obligation bonds with an interest rate ranging from 2.5% to 5%. The proceeds were used to partially advance refund \$19,380,000 of outstanding 2003 Series A, Series B and Series C general obligation bonds which had interest rates ranging from 2.0% to 5%. The net proceeds of \$21,192,713 (including a \$2,346,582 premium and after payment of \$198,869 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2012 Series A, Series B, and Series C general obligation bonds are considered partially defeased and the liability for those bonds has been removed from the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,034,266. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The Town advance refunded the 2012 Series A, Series B, and Series C general obligation bonds to reduce its total debt service payments over 12 years by \$955,581 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$859,622.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

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	\$ 23,395,748	100%	23,395,748
Cumberland County	37,220,000	4.54%	1,688,927
Portland Water District	28,438,885	6.97%	1,981,826
Portland Water – Little Falls sewer project	7,910,511	21.72%	1,718,163
Portland Water – Westbrook sewer project	30,855,897	0.69%	211,840

JOINTLY GOVERNED ORGANIZATION

The Town of Windham participates in a jointly governed organization, which is not part of the Town's reporting entity.

ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 member communities, ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The Town is a member community in ecomaine. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to ecomaine for processing and to make service payments and pay tipping fees for such processing. The Town has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in ecomaine. Selected balance sheet information for ecomaine for the year ended June 30, 2012 includes total assets of \$60,491,701, total liabilities of \$22,953,734 and unrestricted net assets of \$9,881,421. The liabilities include an accrual for landfill closure and postclosure care amounting to \$15,694,020. ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2011 and a projected closing date. The separate audited financial statements of ecomaine may be obtained at their administrative office: ecomaine, 64 Blueberry Rd., Portland, Maine 04102.

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, 2012.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

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, 2012:

Capital assets	\$ 33,666,567
Accumulated depreciation	(8,882,327)
Capital assets, net of accumulated depreciation	24,784,240
Bonds payable	(23,395,748)
Less:	
RSU No. 14 portion of debt service	21,620,748
Net bonds payable	(1,775,000)
Capital leases	(1,115,070)
Total invested in capital assets, net of related debt	\$ 21,894,170

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 5.5% and 8.3% for the Police Officers and Paramedics, respectively. The total Town contributions for these groups during the fiscal year ended June 30, 2012 were \$103,898.

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

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, 2012, \$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, 2012, \$220,625 of tax revenues were captured and reported as TIF district revenues.

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.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

FUND BALANCE

The General Fund unassigned fund balance total of \$4,839,505 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 (\$8,907) is also reported for other governmental funds (CDBG and Perpetual Care Trust Fund) that have negative fund balances as of June 30, 2012 as shown on Exhibit C-1 and D-1.

As of June 30, 2012 other fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund:				
Inventory	\$ 9,038	-	-	-
Equipment Replacement	-	-	400,050	-
Subsequent year budget	-	-	-	869,992
Special Revenue Funds:				
Little Falls Sewer Operations	-	-	53,044	-
Recreation Program	-	-	277,618	-
Efficiency Maine	-	1,411	-	-
Development District North T.I.F.	-	576	-	-
Pipeline Development T.I.F.	-	51,502	-	-
Roosevelt Promenade T.I.F.	-	234,775	-	-
Carbon Monoxide Awareness	-	1,762	-	-
JAG Grant	-	17,428	-	-
Thomas Varney School Fund	2,662	41,345	-	-
Annie Akers Bremon Fund	-	133,748	-	-
Permanent Funds:				
Cemetery Acquisition Fund	-	-	170,046	-
Perpetual Care Trust Funds	41,074	-	-	-
Library Trust Fund	800	-	5,967	-
Totals	\$ 53,574	482,547	906,725	869,992

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

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 years ending June 30, 2012, 2011 and 2010 and the annual required contribution:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Normal cost	\$ 49,976	49,976	40,381
Amortization of Unfunded	56,266	56,266	43,671
Adjustment to ARC	(14,091)	(8,526)	(4,958)
Interest	<u>11,851</u>	<u>8,001</u>	<u>5,111</u>
Annual Required Contribution	\$ 104,002	105,717	84,205

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
OPEB liability, July 1, 2011	\$ 243,654	147,433	85,734
Annual required contribution	104,002	105,717	84,205
Less: Actual contributions	<u>(9,952)</u>	<u>(9,496)</u>	<u>(22,506)</u>
OPEB liability, June 30, 2012	\$ 337,704	243,654	147,433

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

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 years ending June 30, 2012, 2011 and 2010 were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution	\$104,002	105,717	84,205
Actual contribution	9,952	9,496	22,506
Percent contributed	9.57%	8.98%	26.73%
Actuarial accrued liability	1,011,865	1,011,865	785,331
Plan assets	-	-	-
Unfunded actuarial accrued liability	1,011,865	1,011,865	785,331
Covered payroll	4,513,604	4,495,688	5,009,860
Unfunded actuarial accrued liability as a percentage of covered payroll	22.4%	22.5%	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 \$8,300,000 for roadway maintenance and improvements other than routine maintenance. The Town expended \$466,056 on road and street maintenance and \$557,445 for improvements for the fiscal year ended June 30, 2012. 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.

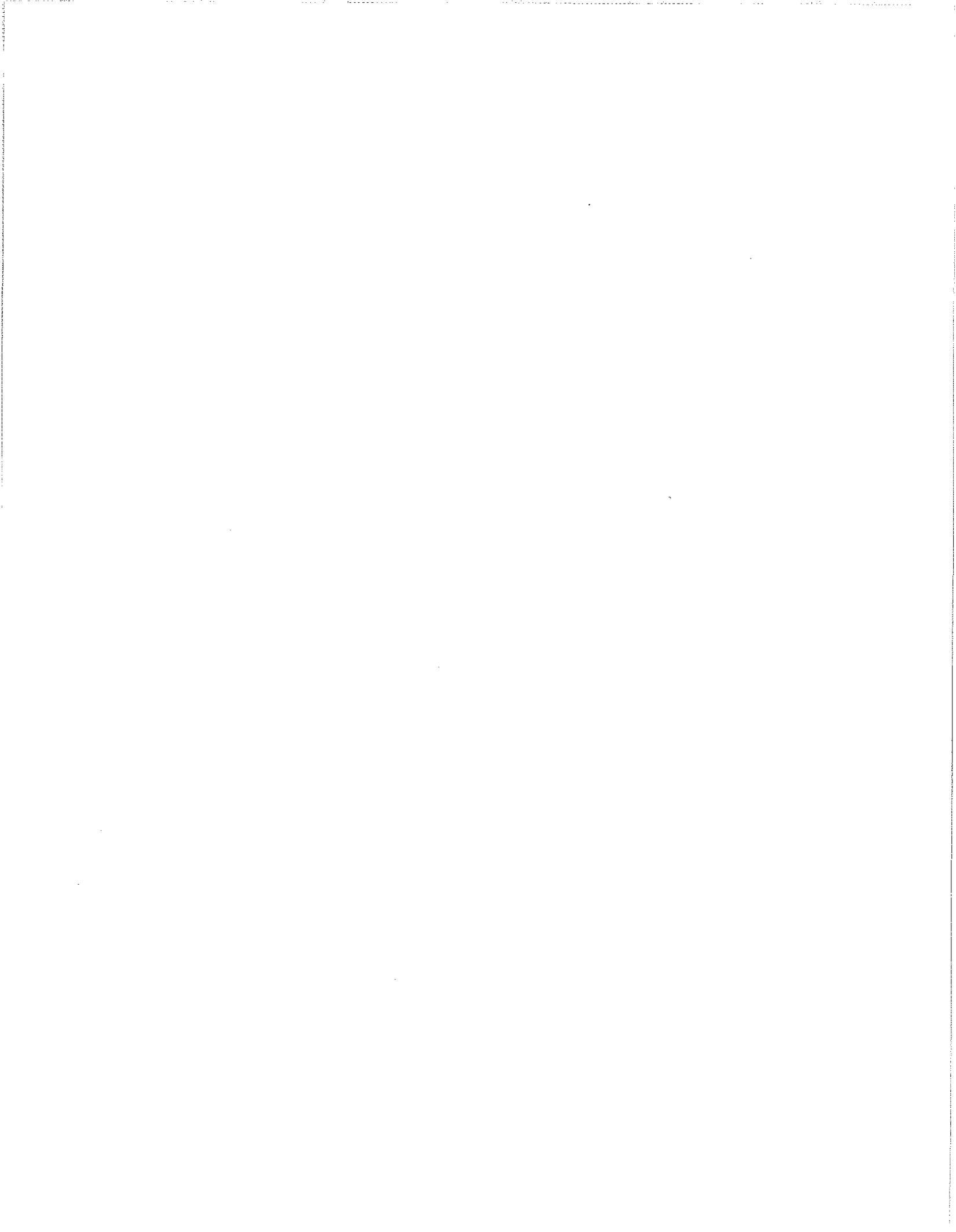
The next required condition assessment is to be performed by 2013.

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%
2012	1/1/11	-	1,011,865	1,011,865	0.00%	4,513,604	22.4%



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, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 4,582,484	503,923
Investments	2,750,356	6,433,053
Receivables:		
Taxes receivable - current year	1,011,558	848,120
Taxes receivable - prior years	251,927	231,112
Tax liens - prior years	588,875	453,302
Accounts receivable, net of allowance of \$31,473 and \$21,238, respectively	179,492	310,139
Inventory	9,038	13,212
Receivable from RSU #14 for debt service payments	21,620,748	23,810,374
Total assets	\$ 30,994,478	32,603,235
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	639,576	546,795
Accrued wages	188,609	160,729
Interfund loans payable	645,886	779,023
Taxes paid in advance	49,005	64,051
Deferred tax revenue	1,407,000	1,291,000
Unearned income - impact fees	11,872	12,284
Inspection deposits and miscellaneous liabilities	313,197	330,161
Deferred debt service payments from RSU #14	21,620,748	23,810,374
Total liabilities	24,875,893	26,994,417
Fund balance:		
Nonspendable	9,038	13,212
Committed	400,050	660,958
Assigned	869,992	890,348
Unassigned	4,839,505	4,044,300
Total fund balance	6,118,585	5,608,818
Total liabilities and fund balance	\$ 30,994,478	32,603,235

TOWN OF WINDHAM, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2012
(with comparative actual amounts for the year ended June 30, 2011)

	2011 carryforward	2012		2011 Actual	Variance positive (negative)	2011 Actual
		Budget	Total available			
Revenues:						
Taxes:						
Property taxes	\$ -	23,747,954	23,747,954	23,848,379	100,425	22,832,907
Change in deferred property tax revenue	-	-	-	(116,000)	(116,000)	(214,000)
Excise taxes	-	2,325,000	2,325,000	2,465,072	140,072	2,465,351
Supplemental taxes and lien fees	-	19,500	19,500	21,023	1,523	25,710
Total taxes	-	26,092,454	26,092,454	26,218,474	126,020	25,109,968
Licenses and permits:						
Plumbing fees	-	15,000	15,000	30,931	15,931	17,183
Town Clerk fees	-	60,000	60,000	35,598	(24,402)	50,043
Building permits	-	50,000	50,000	83,119	33,119	65,281
Planning fees	-	4,000	4,000	13,720	9,720	8,025
License and other fees	-	27,250	27,250	46,788	19,538	33,130
Motor vehicle registration fees	-	45,000	45,000	51,151	6,151	49,342
Total licenses and permits	-	201,250	201,250	261,307	60,057	223,004
Intergovernmental:						
State Revenue Sharing	-	950,000	950,000	983,924	33,924	843,031
State highway block grant	-	250,000	250,000	266,612	16,612	257,300
Homestead exemption	-	203,084	203,084	203,084	-	200,132
General assistance reimbursement	-	162,500	162,500	35,206	(127,294)	218,983
Other state assistance	-	10,000	10,000	25,271	15,271	12,315
Total intergovernmental	-	1,575,584	1,575,584	1,514,097	(61,487)	1,531,761
Charges for services:						
Solid waste disposal fees	-	540,000	540,000	450,905	(89,095)	496,991
False alarm fees/police fines and fees	-	2,000	2,000	3,068	1,068	2,860
Park fees	-	34,500	34,500	41,040	6,540	39,973
Total charges for services	-	576,500	576,500	495,013	(81,487)	539,824

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

	2011 carryforward	2012		2011 Actual	Variance positive (negative)	2011 Actual
		Budget	Total available			
Revenues, continued:						
Interest earned:						
Interest on delinquent taxes	\$ -	100,000	100,000	100,821	821	99,016
Interest earned on investments	-	10,000	10,000	25,129	15,129	42,667
Total interest earned	-	110,000	110,000	125,950	15,950	141,683
Other revenues:						
Cable television franchise	-	120,000	120,000	127,116	7,116	129,272
Court fees	-	250	250	94	(156)	400
Rent	-	9,416	9,416	9,431	15	9,416
Rescue reimbursement	-	465,000	465,000	576,751	111,751	460,806
Miscellaneous	-	38,500	38,500	105,430	66,930	81,680
Library fines and state funds	-	7,500	7,500	8,630	1,130	8,500
Total other revenues	-	640,666	640,666	827,452	186,786	690,074
Total revenues	-	29,196,454	29,196,454	29,442,293	245,839	28,236,314
Expenditures:						
Current:						
Administrative services:						
Town Council	-	126,587	126,587	137,092	(10,505)	138,032
Economic Development	-	102,278	102,278	100,235	2,043	116,669
Community participation	-	39,100	39,100	31,793	7,307	12,373
Windham Community Cable Group	-	45,022	45,022	40,478	4,544	38,913
Municipal insurance	-	85,898	85,898	105,450	(19,552)	75,773
Employee benefits	-	1,703,125	1,703,125	1,635,055	68,070	1,562,522
Money management fees	-	375	375	259	116	407
Town management	-	364,891	364,891	369,844	(4,953)	340,580
Collect/account Town funds	-	206,408	206,408	197,997	8,411	195,686
Information services	-	162,619	162,619	120,035	42,584	136,125
Total administrative services	-	2,836,303	2,836,303	2,738,238	98,065	2,617,080

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

	2011 carryforward	2012		2011 Actual	Variance positive (negative)	2011 Actual
		Budget	Total available			
Expenditures, continued						
Current, continued:						
Public safety:						
Police safety	\$ 10,367	1,768,948	1,779,315	1,736,590	42,725	1,733,035
Animal control	-	59,759	59,759	36,469	23,290	52,461
Public safety dispatching	-	329,459	329,459	323,459	6,000	385,328
Police vehicle maintenance	-	121,631	121,631	115,565	6,066	99,200
Total public safety	10,367	2,279,797	2,290,164	2,212,083	78,081	2,270,024
Fire/rescue services:						
Fire safety	-	1,249,985	1,249,985	1,243,139	6,846	686,613
Emergency safety (rescue)	-	-	-	-	-	470,119
Civil emergency preparedness	-	1,000	1,000	146	854	-
Water main charges	-	90,000	90,000	91,604	(1,604)	89,593
Fire and rescue vehicle maintenance	-	143,840	143,840	122,847	20,993	125,832
Total fire/rescue services	-	1,484,825	1,484,825	1,457,736	27,089	1,372,157
Public works:						
Public works administration	-	140,259	140,259	139,956	303	129,136
Road maintenance/patching	-	505,873	505,873	466,056	39,817	482,853
Traffic signals, road markings/drainage	25,400	104,925	130,325	108,225	22,100	86,147
Snow plowing	-	321,239	321,239	228,905	92,334	284,905
Highway vehicle maintenance	16,500	434,384	450,884	363,391	87,493	369,536
Solid waste disposal	-	985,409	985,409	982,761	2,648	962,747
Building maintenance	-	487,867	487,867	463,931	23,936	438,919
Grounds maintenance	-	11,950	11,950	9,270	2,680	40,136
Total public works	41,900	2,991,906	3,033,806	2,762,495	271,311	2,794,379

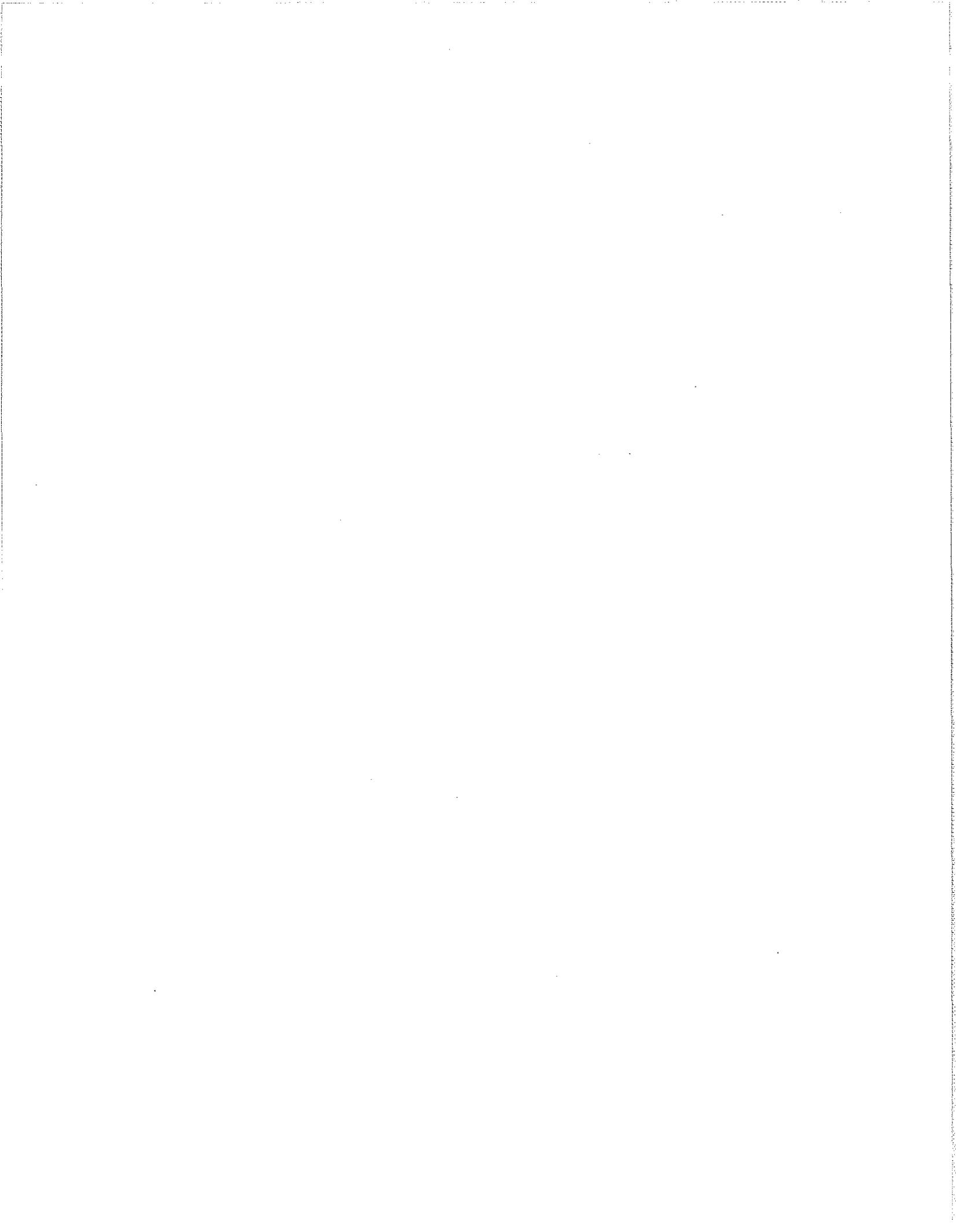
TOWN OF WINDHAM, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual, Continued

	2011 carryforward	2012		Variance positive (negative)	2011 Actual	
		Budget	Total available			Actual
Expenditures, continued						
Current, continued:						
Recreation services:						
Recreation	\$ -	164,374	164,374	166,042	(1,668)	163,410
Skate park	-	16,400	16,400	13,317	3,083	14,721
Dundee Park	-	48,940	48,940	61,640	(12,700)	54,842
Total recreation services	-	229,714	229,714	240,999	(11,285)	232,973
Education	-	15,444,435	15,444,435	15,444,435	-	14,457,442
County tax	-	1,002,218	1,002,218	1,002,218	-	1,018,613
Other:						
Social services	-	411,200	411,200	137,523	273,677	514,059
Social services agency funding	-	44,125	44,125	44,125	-	43,850
Assessing	-	228,809	228,809	228,179	630	223,605
Geographic information systems	-	20,003	20,003	19,843	160	15,632
Contingency	-	100,000	100,000	104,709	(4,709)	-
Energy and weather emergency fund	-	100,000	100,000	-	100,000	-
Town Clerk/elections	-	145,338	145,338	134,412	10,926	129,274
Community development	-	163,975	163,975	155,799	8,176	142,524
Planning services	-	184,385	184,385	183,000	1,385	179,139
Library services	-	322,247	322,247	307,940	14,307	282,570
Rescue bad debt expense	-	15,000	15,000	53,539	(38,539)	5,505
Abatements	-	-	-	42,128	(42,128)	36,368
Total other	-	1,735,082	1,735,082	1,411,197	323,885	1,572,526
Debt service (excluding education):						
Principal	-	150,000	150,000	150,000	-	150,000
Interest	-	79,969	79,969	69,019	10,950	85,031
Total debt service (excluding education)	-	229,969	229,969	219,019	10,950	235,031

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

	2012					
	2011 carryforward	Budget	Total available	Actual	Variance positive (negative)	2011 Actual
Expenditures, continued:						
Capital outlay:						
Town road resurfacing	\$ 409,252	542,500	951,752	557,445	394,307	354,715
Equipment replacement	18,856	545,000	563,856	998,902	(435,046)	1,030,412
Town building/land improvements	189,782	379,000	568,782	338,192	230,590	276,682
Total capital outlay	617,890	1,466,500	2,084,390	1,894,539	189,851	1,661,809
Total expenditures	670,157	29,700,749	30,370,906	29,382,959	987,947	28,232,034
Excess (deficiency) of revenues over (under) expenditures	(670,157)	(504,295)	(1,174,452)	59,334	1,233,786	4,280
Other financing sources (uses):						
Capital lease proceeds	-	-	-	174,138	174,138	396,125
Transfers - in	-	304,295	304,295	276,295	(28,000)	1,031,132
Transfers - out - CDBG	-	-	-	-	-	(4,658)
Refunding bonds issued	-	-	-	19,045,000	19,045,000	-
Premium on refunding bonds issued	-	-	-	2,346,582	2,346,582	-
Payment to refunded bond escrow agent	-	-	-	(21,192,713)	(21,192,713)	-
Bond issuance costs	-	-	-	(198,869)	(198,869)	-
Utilization of prior year surplus and carried forward balances	670,157	200,000	870,157	-	(870,157)	-
Total other financing sources (uses)	670,157	504,295	1,174,452	450,433	(724,019)	1,422,599
Net change in fund balance	-	-	-	509,767	509,767	1,426,879
Fund balance, beginning of year				5,608,818		4,181,939
Fund balance, end of year	\$			6,118,585		5,608,818

ALL OTHER GOVERNMENTAL FUNDS



TOWN OF WINDHAM
Combining Balance Sheet
All Other Governmental Funds
June 30, 2012

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	211,467	211,467
Investments	177,755	-	177,755
Accounts receivable	1,635	-	1,635
Interfund loans receivable	648,373	-	648,373
Total assets	\$ 827,763	211,467	1,039,230
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	11,892	-	11,892
Interfund loans payable	2,487	-	2,487
Total liabilities	14,379	-	14,379
Fund balances:			
Nonspendable	2,662	41,874	44,536
Restricted	482,547	-	482,547
Committed	330,662	176,013	506,675
Assigned	-	-	-
Unassigned	(2,487)	(6,420)	(8,907)
Total fund balances	813,384	211,467	1,024,851
Total liabilities and fund balances	\$ 827,763	211,467	1,039,230

TOWN OF WINDHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2012

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
Revenues:			
Property taxes revenue	\$ 270,625	-	270,625
Intergovernmental	119,164	-	119,164
Charges for services	484,872	-	484,872
Other revenue	-	3,950	3,950
Interest revenue	328	424	752
Total revenues	874,989	4,374	879,363
Expenditures:			
Current:			
Recreation	202,856	-	202,856
Sewer assessment	351,756	-	351,756
Scholarships	1,000	-	1,000
Capital outlay	188,053	-	188,053
Total expenditures	743,665	-	743,665
Excess (deficiency) of revenues over (under) expenditures	131,324	4,374	135,698
Other financing sources (uses):			
Transfer to other funds	(273,495)	(2,800)	(276,295)
Transfer from other funds	-	-	-
Total other financing sources (uses)	(273,495)	(2,800)	(276,295)
Net change in fund balances	(142,171)	1,574	(140,597)
Fund balances, beginning of year	955,555	209,893	1,165,448
Fund balances, end of year	\$ 813,384	211,467	1,024,851

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:

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, Carbon Monoxide Awareness 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.

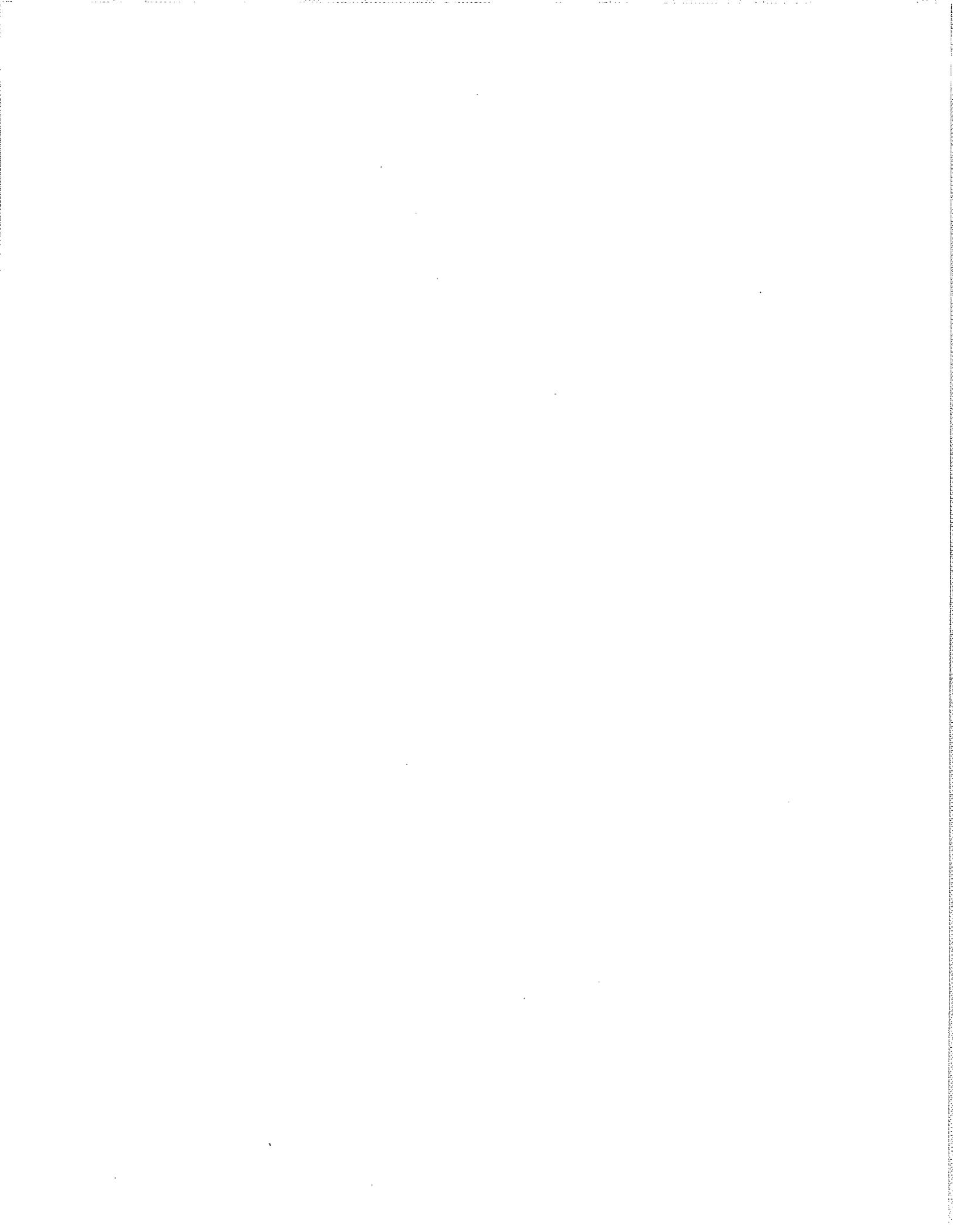
Highland Lake Youth Conservation Corp. (1)

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.



TOWN OF WINDHAM, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2012

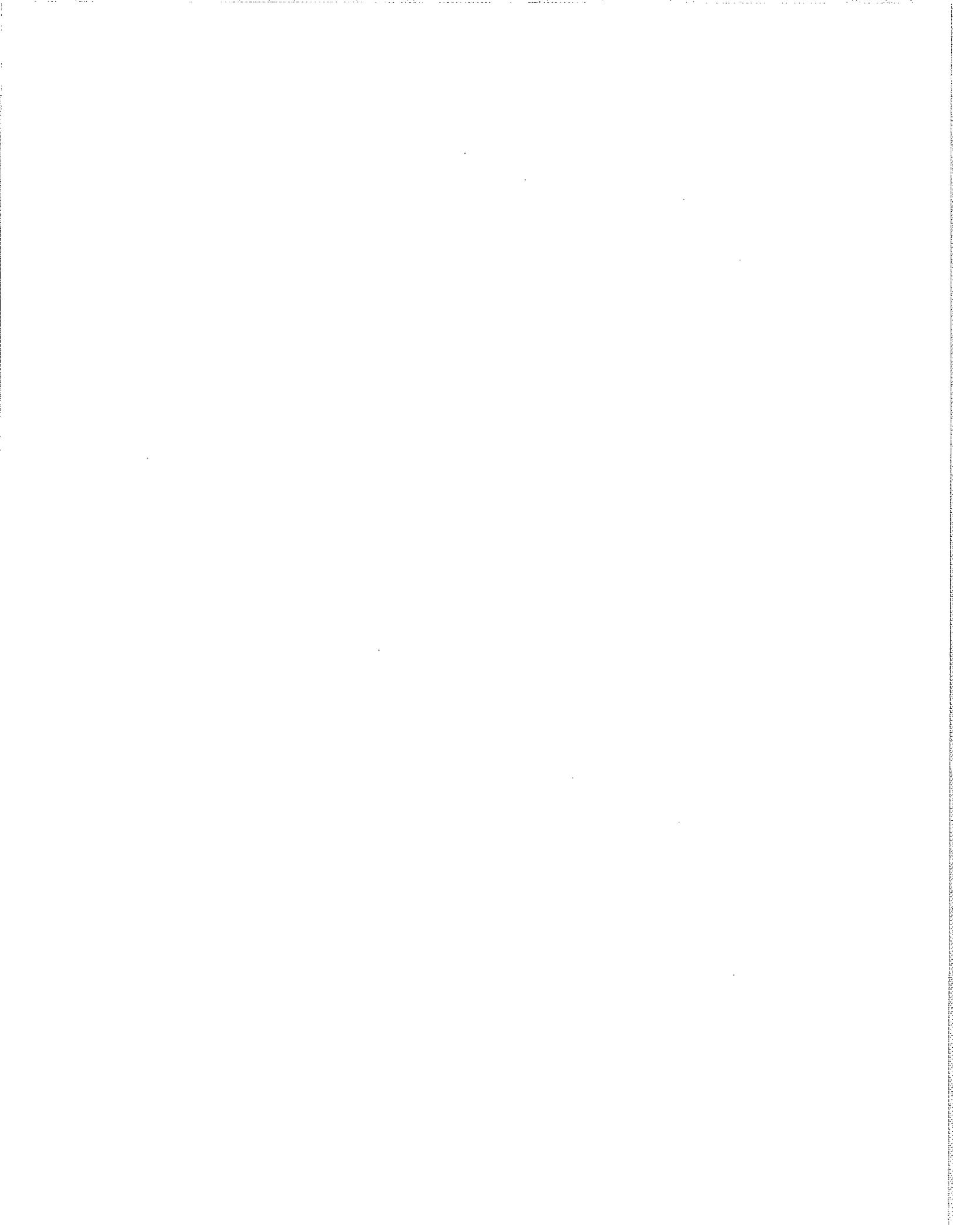
	Little Falls Sewer Operations	Recreation Program	CDBG	Efficiency Maine	Development District North T.I.F.	Pipeline Development T.I.F.	Roosevelt Promenade T.I.F.	Brownfields Grant	Carbon Monoxide Awareness	JAG Grant	Thomas Varney School Fund	Annie Akers Bremont Fund	Total
ASSETS													
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	44,007	133,748	177,755
Receivables:													
Accounts receivable	1,635	-	-	-	-	-	-	-	-	-	-	-	1,635
Interfund loans receivable	51,409	289,510	-	1,411	576	51,502	234,775	-	1,762	17,428	-	-	648,373
Total assets	\$ 53,044	289,510	-	1,411	576	51,502	234,775	-	1,762	17,428	44,007	133,748	827,763
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts payable	-	11,892	-	-	-	-	-	-	-	-	-	-	11,892
Interfund loans payable	-	-	2,487	-	-	-	-	-	-	-	-	-	2,487
Total liabilities	-	11,892	2,487	-	-	-	-	-	-	-	-	-	14,379
Fund balances (deficit):													
Nonspendable	-	-	-	-	-	-	-	-	-	-	2,662	-	2,662
Restricted	-	-	-	1,411	576	51,502	234,775	-	1,762	17,428	41,345	133,748	482,547
Committed	53,044	277,618	-	-	-	-	-	-	-	-	-	-	330,662
Unassigned	-	-	(2,487)	-	-	-	-	-	-	-	-	-	(2,487)
Total fund balances (deficit)	53,044	277,618	(2,487)	1,411	576	51,502	234,775	-	1,762	17,428	44,007	133,748	813,384
Total liabilities and fund balances	\$ 53,044	289,510	-	1,411	576	51,502	234,775	-	1,762	17,428	44,007	133,748	827,763

TOWN OF WINDHAM, MAINE
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the year ended June 30, 2012

	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	Carbon Monoxide Awareness	JAG Grant	Thomas Varney School Fund	Annie Akers Bremont Fund	Total
Revenues:													
Property tax revenues	\$ -	-	-	-	-	50,000	220,625	-	-	-	-	-	270,625
Intergovernmental revenues:													
Federal subsidies	-	-	7,266	-	-	-	-	51,391	-	24,533	-	-	83,190
State subsidies	-	-	-	29,169	-	-	-	-	6,805	-	-	-	35,974
Total intergovernmental revenues	-	-	7,266	29,169	-	-	-	51,391	6,805	24,533	-	-	119,164
Charges for services:													
Recreation revenues	-	159,928	-	-	-	-	-	-	-	-	-	-	159,928
Sewer user fees	324,944	-	-	-	-	-	-	-	-	-	-	-	324,944
Total charges for services	324,944	159,928	-	-	-	-	-	-	-	-	-	-	484,872
Interest and dividends	-	-	-	-	-	-	-	-	-	-	89	239	328
Other revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	324,944	159,928	7,266	29,169	-	50,000	220,625	51,391	6,805	24,533	89	239	874,989

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

	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	Carbon Monoxide Awareness	JAG Grant	Thomas Varney School Fund	Annie Akers Bremont Fund	Total
Expenditures:													
Recreation	-	202,856	-	-	-	-	-	-	-	-	-	-	202,856
Capital expenditures	-	-	9,753	31,246	-	11,499	57,407	51,391	5,043	21,714	-	-	188,053
Sewer assessments	351,756	-	-	-	-	-	-	-	-	-	-	-	351,756
Scholarships	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000
Total expenditures	351,756	202,856	9,753	31,246	-	11,499	57,407	51,391	5,043	21,714	-	1,000	743,665
Excess (deficiency) of revenues over (under) expenditures	(26,812)	(42,928)	(2,487)	(2,077)	-	38,501	163,218	-	1,762	2,819	89	(761)	131,324
Other financing sources:													
Transfer to General Fund	-	-	-	-	(549)	(49,103)	(223,843)	-	-	-	-	-	(273,495)
Transfer from General Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	(549)	(49,103)	(223,843)	-	-	-	-	-	(273,495)
Net change in fund balances	(26,812)	(42,928)	(2,487)	(2,077)	(549)	(10,602)	(60,625)	-	1,762	2,819	89	(761)	(142,171)
Fund balances, beginning of year	79,856	320,546	-	3,488	1,125	62,104	295,400	-	-	14,609	43,918	134,509	955,555
Fund balances (deficit), end of year	\$ 53,044	277,618	(2,487)	1,411	576	51,502	234,775	-	1,762	17,428	44,007	133,748	813,384



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

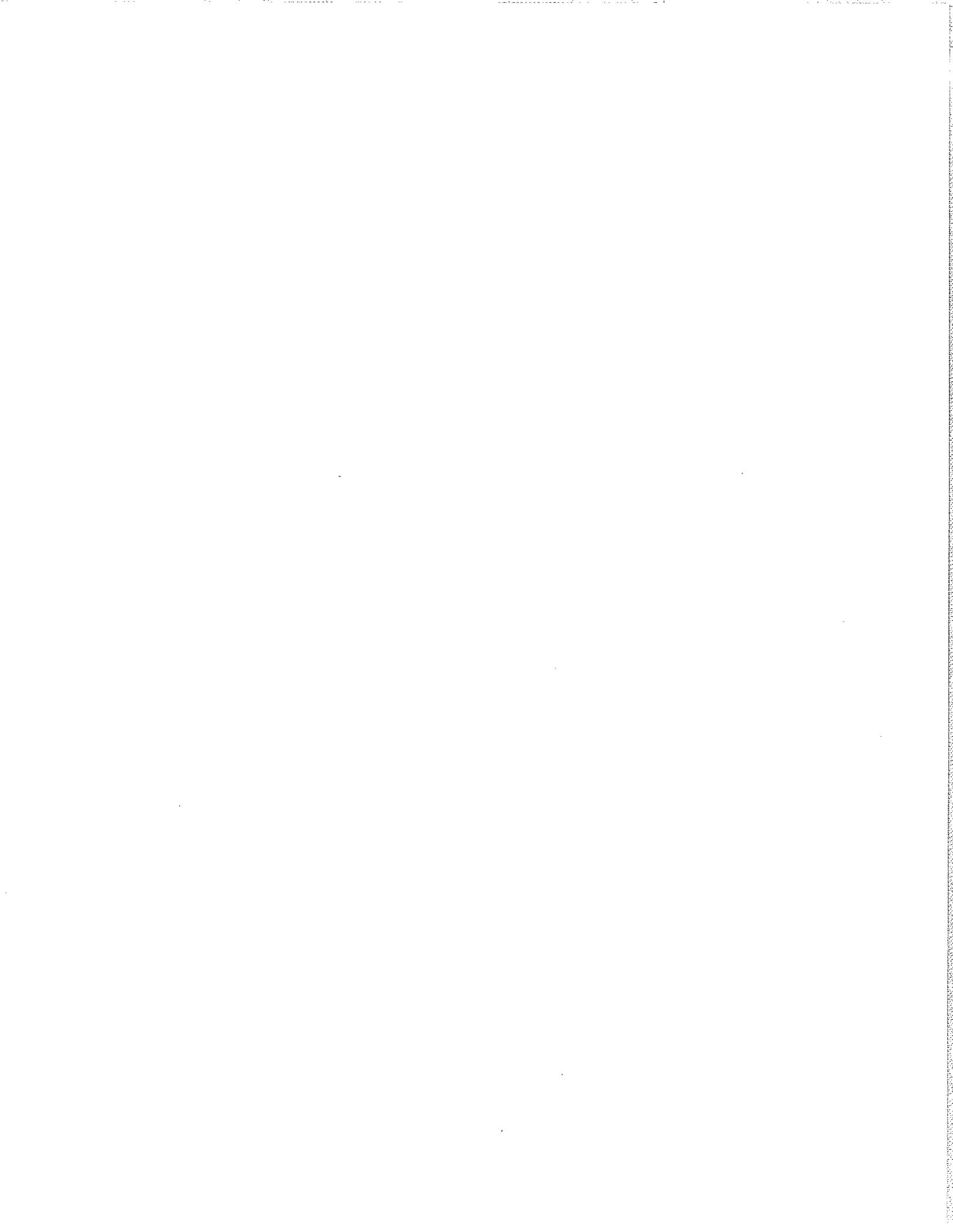
Funds restricted for the acquisition of a Town cemetery.

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, 2012

		Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
ASSETS					
Cash and cash equivalents	\$	170,046	34,654	6,767	211,467
Interfund loans receivable		-	-	-	-
Total assets	\$	170,046	34,654	6,767	211,467
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund loans payable		-	-	-	-
Total liabilities		-	-	-	-
Fund balances:					
Nonspendable		-	41,074	800	41,874
Committed		170,046	-	5,967	176,013
Unassigned		-	(6,420)	-	(6,420)
Total fund balances		170,046	34,654	6,767	211,467
Total liabilities and fund balances	\$	170,046	34,654	6,767	211,467

TOWN OF WINDHAM, MAINE
Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2012

	Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
Revenues:				
Interest and dividends	\$ 335	75	14	424
Lot sales	3,950	-	-	3,950
Total revenues	4,285	75	14	4,374
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	4,285	(2,725)	14	1,574
Fund balances, beginning of year	165,761	37,379	6,753	209,893
Fund balances, end of year	\$ 170,046	34,654	6,767	211,467