

TOWN OF WINDHAM, MAINE

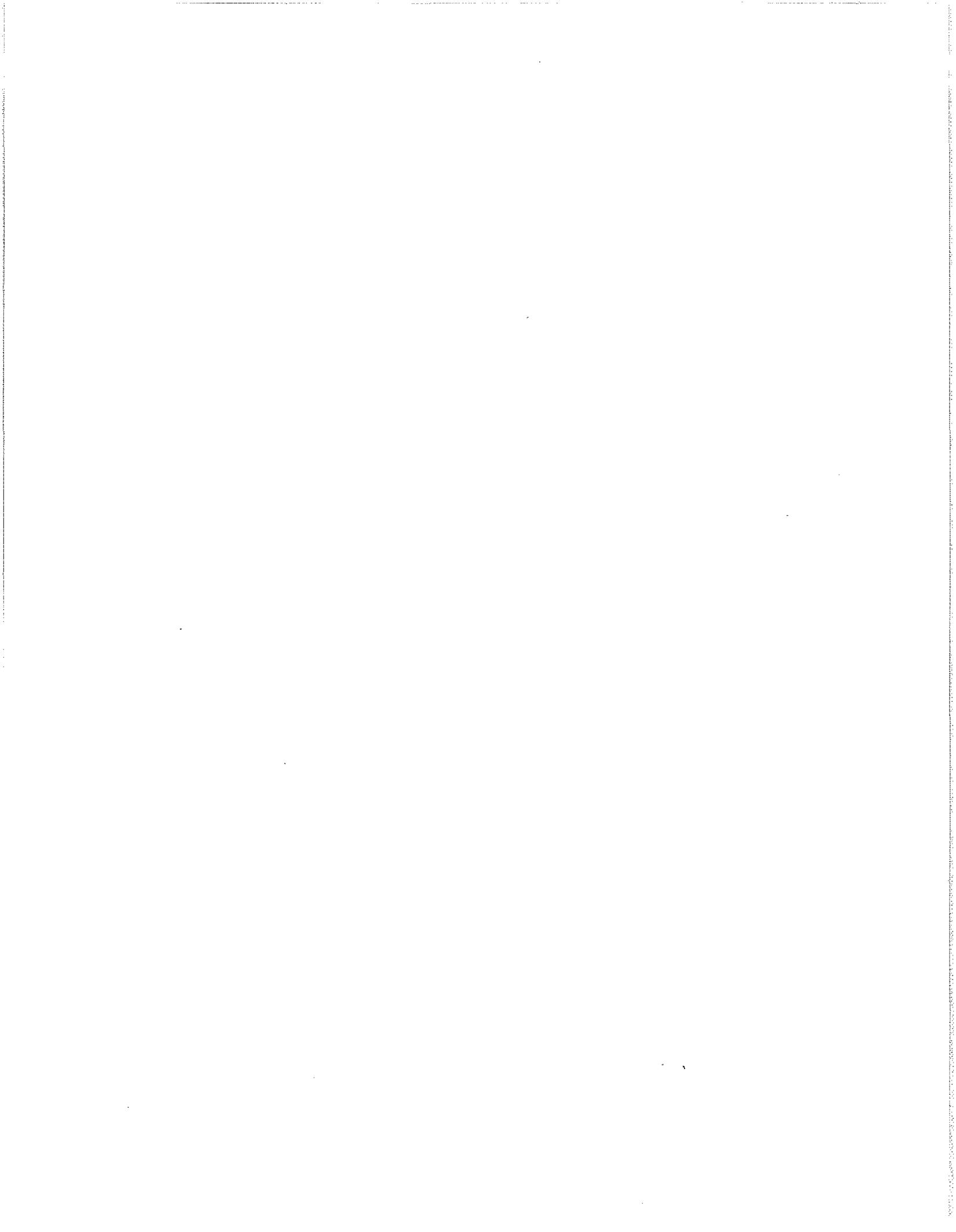
Annual Financial Report

For the year ended June 30, 2013

TOWN OF WINDHAM, MAINE
Annual Financial Report
Year ended June 30, 2013

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Independent Auditor's Report

Town Council
Town of Windham, Maine

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Windham, Maine, as of June 30, 2013, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, modified approach for infrastructure assets, and the schedule of funding progress for the retiree healthcare plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Windham, Maine's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013 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* in considering the Town of Windham, Maine's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Ryan Hudson Ouellette".

October 31, 2013
South Portland, Maine

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis
June 30, 2013

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, 2013. 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 unmodified opinions 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 Position and the Statement of Activities

The Statement of Net Position 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 Position reports the Town's net position. Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources and is one way to measure the Town's financial health or financial position. Viewed another way, it is what is left over after assets are used to satisfy liabilities. Over time, increases and decreases in the Town's net position 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, 2013

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.

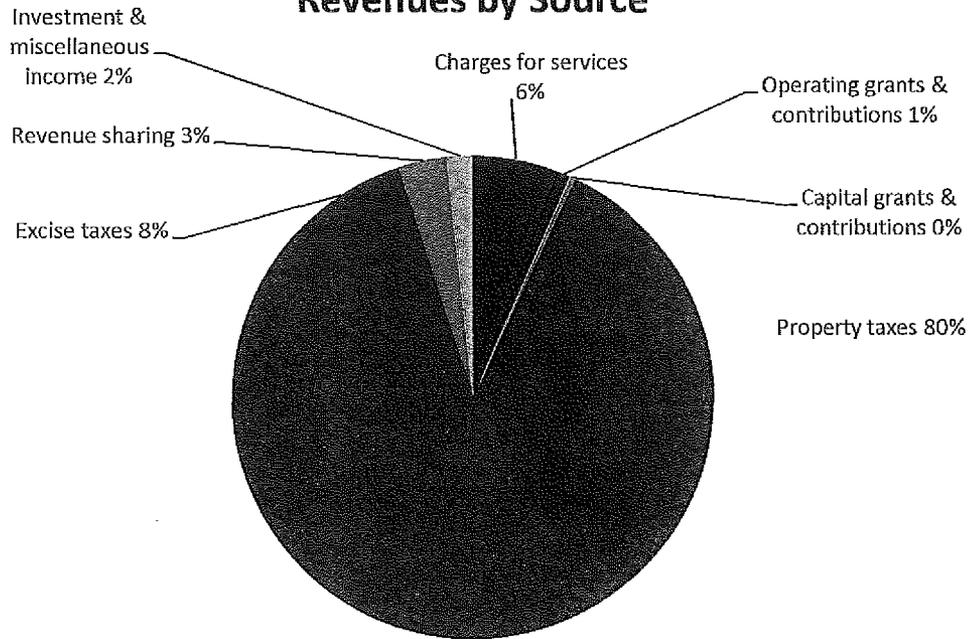
THE TOWN AS A WHOLE

The Town is providing condensed financial information for the year 2013 and comparative information for 2012.

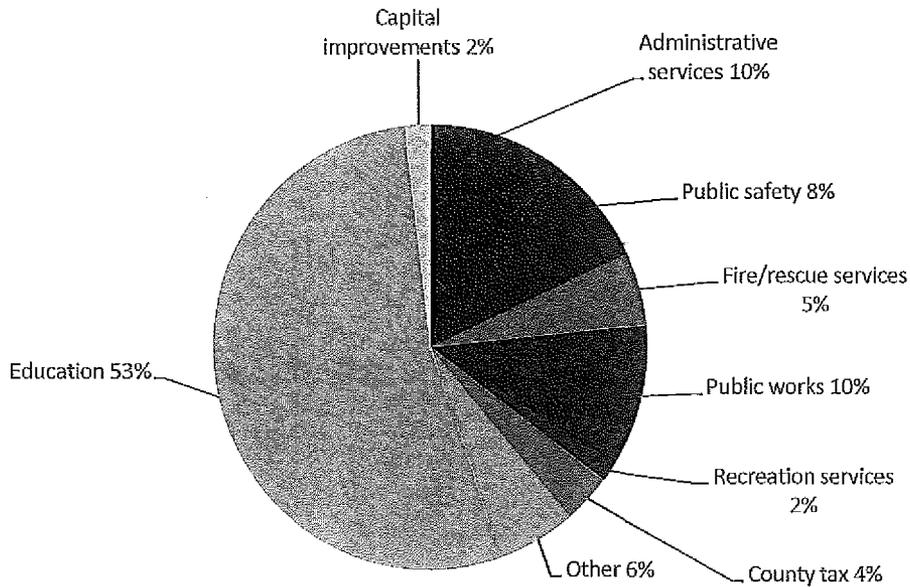
	<u>2013</u>		<u>2012</u>	
	<u>Governmental Activities</u>	<u>Component Unit (WEDC)</u>	<u>Governmental Activities</u>	<u>Component Unit (WEDC)</u>
Assets:				
Current and other assets	\$ 30,890,455	49,847	31,575,918	40,191
Capital assets (net)	25,911,024	502,423	24,784,240	499,815
Total assets	56,801,479	552,270	56,360,158	540,006
Deferred outflows of resources:				
Deferred charges on refunding	1,870,980	-	2,034,266	-
Liabilities:				
Long-term debt outstanding	25,957,195	455,500	27,820,008	455,500
Other liabilities	1,546,121	13,665	1,367,229	4,555
Total liabilities	27,503,316	469,165	29,187,237	460,055
Net position:				
Invested in capital assets	22,905,465	46,923	21,894,170	44,315
Restricted	460,876	-	524,421	-
Unrestricted	7,802,802	36,182	6,788,596	35,636
Total net position	\$ 31,169,143	83,105	29,207,187	79,951

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Management's Discussion and Analysis, Continued
June 30, 2013

Revenues by Source



Expenditures by Type



TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2013

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities for 2013 was \$30,108,771. However, as shown in the statement of activities, the amount paid by taxpayers through local property taxes for these activities was \$25,097,317 because some of the cost (\$1,846,251) was borne by those who directly benefited from the programs.

The Town paid for the remaining "public benefit" portion of governmental activities with \$4,649,113 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 \$61,277,914 were available during the year to finance governmental activities, consisting of restated net position of \$29,685,233 at July 1, 2012, program revenues of \$2,245,649 and general revenues of \$29,347,032.

Total governmental activities expenses were \$30,108,771. Net position increased by \$1,483,910 from a restated balance of \$29,685,233 to \$31,169,143, or 5%.

Total governmental activities expenses rose by \$536,459, or 1.8%; net expenses for governmental activities increased by \$2,167,959, or 8.4% from 2012 to 2013.

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Management's Discussion and Analysis, Continued
June 30, 2013

Statement of Activities

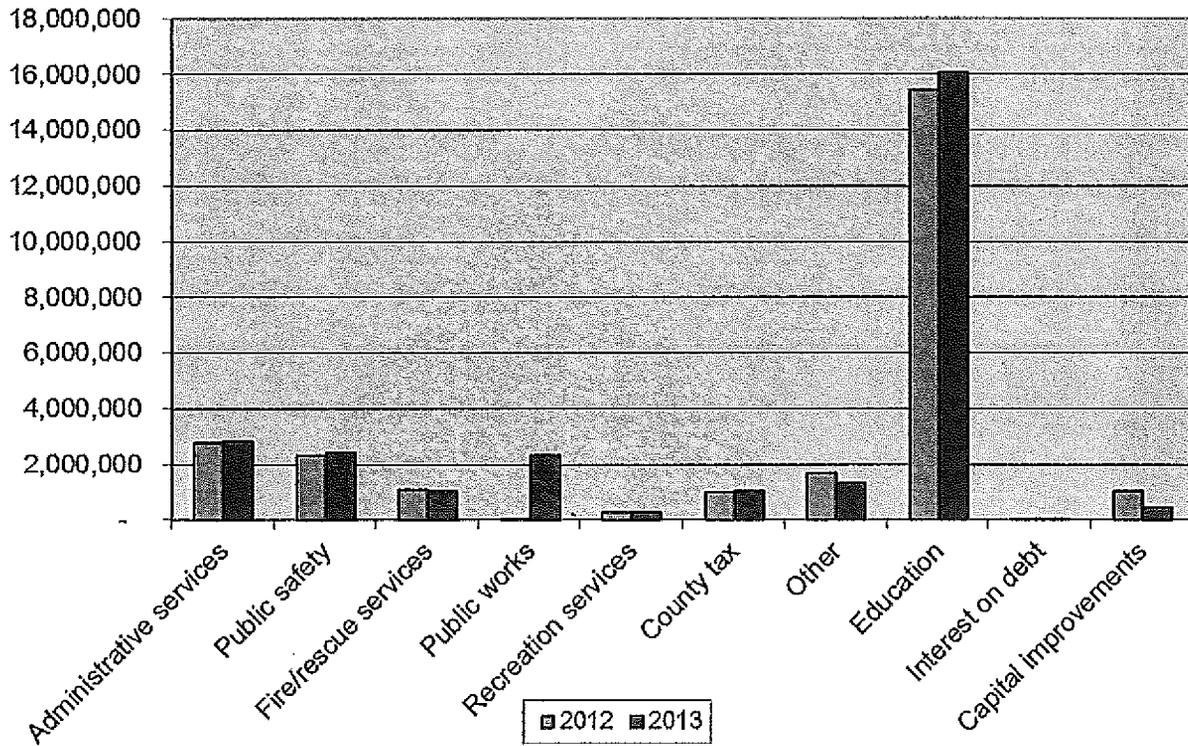
	Primary Government Governmental Activities	Component Unit (WEDC)	2013 Primary Government and Component Unit	2012 Primary Government and Component Unit
Revenues:				
Program Revenues:				
Charges for service	\$ 1,846,251	-	1,846,251	1,766,792
Operating grants and contributions	275,335	20,900	296,235	397,742
Capital grants and contributions	124,063	-	124,063	1,732,615
General Revenues:				
Property taxes	25,097,317	-	25,097,317	24,235,004
Excise tax	2,663,409	-	2,663,409	2,465,072
Franchise fees	124,487	-	124,487	127,116
Homestead exemption	247,843	-	247,843	203,084
Other state aid	27,274	-	27,274	25,271
State revenue sharing	1,027,862	-	1,027,862	983,924
Investment earnings	31,794	70	31,864	25,206
Miscellaneous revenues	127,046	-	127,046	228,522
Total Revenues	<u>31,592,681</u>	<u>20,970</u>	<u>31,613,651</u>	<u>32,190,348</u>
Expenses:				
Program Expenses:				
Administrative services	3,034,476	-	3,034,476	2,945,477
Public safety	2,429,969	-	2,429,969	2,362,401
Fire/rescue services	1,591,310	-	1,591,310	1,648,216
Public works	3,071,593	-	3,071,593	2,827,683
Recreation services	479,997	-	479,997	462,995
County tax	1,045,687	-	1,045,687	1,002,218
Other	1,731,806	17,816	1,749,622	1,813,034
Education	16,099,615	-	16,099,615	15,444,435
Interest on debt	52,230	-	52,230	39,908
Capital maintenance expenses	572,088	-	572,088	1,057,978
Total Expenses	<u>30,108,771</u>	<u>17,816</u>	<u>30,126,587</u>	<u>29,604,345</u>
Net position – beginning restated	29,685,233	79,951	29,765,184	26,701,135
Change in net position	<u>1,483,910</u>	<u>3,154</u>	<u>1,487,064</u>	<u>2,586,003</u>
Net position – ending	\$ <u>31,169,143</u>	<u>83,105</u>	<u>31,252,248</u>	<u>29,287,138</u>

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 2013.

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Management's Discussion and Analysis, Continued
June 30, 2013

	2013 Expense	2013 Program Revenue	2013 Net Expense	2012 Net Expense
Governmental activities:				
Administrative services	\$ 3,034,476	190,832	2,843,644	2,782,109
Public safety	2,429,969	5,839	2,424,130	2,334,800
Fire/rescue services	1,591,310	545,532	1,045,778	1,071,465
Public works	3,071,593	763,277	2,308,316	1,216
Recreation services	479,997	204,442	275,555	262,027
County tax	1,045,687	-	1,045,687	1,002,218
Other	1,731,806	411,664	1,320,142	1,699,007
Education	16,099,615	-	16,099,615	15,444,435
Interest on debt	52,230	-	52,230	39,908
Capital maintenance	572,088	124,063	448,025	1,057,978
Total governmental activities	\$ 30,108,771	2,245,649	27,863,122	25,695,163

Change in Net Expenses



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

The largest variance from 2012 to this year is in Public Works. In 2012, net expense was just \$1,216 due largely to the addition of \$1.7 million in new roads, which served as an offset to expenditures. In addition, expenditures for road and building improvements were up \$172,000 this year.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2013

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 36 for more detailed information.

Debt decreased by \$1,963,719 in fiscal year 2013. Please see below for the components of the decrease.

Statement of Governmental Activities Debt

Debt payable at June 30, 2012	\$ 26,759,626
New capital leases	636,348
Capital lease reductions	(370,859)
Premium reduction on refunded bonds	(188,031)
Other debt reductions	(2,041,177)
<u>Debt payable at June 30, 2013</u>	<u>\$ 24,795,907</u>

THE TOWN'S FUNDS

The following is an analysis of account balances in the Town's general fund for 2013. Comparative information is presented for fiscal years 2012 and 2011.

Statement of Revenues

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues by source			
Taxes	\$ 27,430,467	26,218,474	25,109,968
Licenses and permits	295,202	261,307	223,004
Intergovernmental revenue	1,578,314	1,514,097	1,531,761
Charges for service	542,387	495,013	539,824
Interest earned	145,734	125,950	141,683
Other revenues	731,343	827,452	690,074
	<u>\$ 30,723,447</u>	<u>29,442,293</u>	<u>28,236,314</u>

Statement of Expenditures

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Expenditures by function			
Administrative services	\$ 2,824,344	2,738,238	2,617,080
Public safety	2,256,520	2,212,083	2,270,024
Fire/rescue services	1,393,251	1,457,736	1,372,157
Public works	2,842,866	2,762,495	2,794,379
Recreation services	234,430	240,999	232,973
County tax	1,045,687	1,002,218	1,018,613
Other	1,379,155	1,411,197	1,572,526
Education	16,099,615	15,444,435	14,457,442
Debt service	216,375	219,019	235,031
Capital outlay	2,610,360	1,894,539	1,661,809
	<u>\$ 30,902,603</u>	<u>29,382,959</u>	<u>28,232,034</u>

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2013

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, 2013, net capital assets of governmental activities totaled \$25,911,024 an increase of \$1,126,784 from the year ending June 30, 2012. A detailed breakdown of the activity by asset type is shown below.

Statement of Capital Assets

	Balance 6/30/12	Increases	Decreases	Balance 6/30/13
Governmental assets				
Land, buildings and improvements	\$ 7,210,127	-	-	7,210,127
Infrastructure	18,113,432	758,720	-	18,872,152
Vehicles	4,039,568	596,639	174,867	4,461,340
Machinery and equipment	4,303,440	502,367	81,971	4,723,836
Total capital assets	<u>33,666,567</u>	<u>1,857,726</u>	<u>256,838</u>	<u>35,267,455</u>
Accumulated depreciation	<u>(8,882,327)</u>	<u>(723,977)</u>	<u>249,873</u>	<u>(9,356,431)</u>
Governmental assets, net	<u>\$ 24,784,240</u>	<u>1,133,749</u>	<u>6,965</u>	<u>25,911,024</u>

Use of Modified Approach for Certain Infrastructure Assets

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

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

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

The Town expended \$761,288 on road improvements for the fiscal year ended June 30, 2013. Based on a pavement condition rating conducted in 2010, the average rating for Town roads was 3.92 on a scale of 0 to 5, a decline from the previous assessment in 2007 (4.14), both in the "very good" range, compared with an average rating of 3.21, the lower limit of the "good" range, when the Town's first pavement condition rating survey done in 2001. Another survey will be conducted in the fall of 2013, the results of which will appear in management's discussion and analysis accompanying the June 30, 2014 audited financial reports.

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 2016 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, nearly \$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

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2013

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 2016. Another condition assessment will be completed before the end of calendar 2013 and will be incorporated into the 2014 financial statements.

Continued increases in the cost of asphalt will put pressure on the Town's estimates, 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 2013, the Town assessed the condition of its 831 storm water structures. The Town's database and reports previously included 18 private structures that the Town does not assess or maintain. All (100%) of the structures were in good (93.6%) or fair (6.4%) condition, compared to 99.9% of structures in 2007. No structures were reported in poor condition or in need of immediate repair. The Town conducts inspection and cleaning of drainage structures annually in the fall 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 2012-2013 general fund budget increased approximately \$198,000, or 1.4% from the previous year.

There were no supplemental appropriations during the fiscal year.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2013

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

The largest source of non-property tax revenues is excise taxes, comprising 39% of non-property tax revenue, and 17% of total revenues. For the last two years, the Town has seen steady growth in excise tax collections, mainly the result of people replacing aging vehicles. Excise tax collections for 2013 rose 8.2% over 2012. For fiscal 2014, revenues were estimated at \$2.6 million, within previous year's amounts, not anticipating continued growth as a precautionary measure. Through the first quarter of fiscal 2014, collections continued to exceed estimates.

State revenue sharing receipts, another significant source of revenues, exceeded the budget by 5.4% in 2013. However, continued state budget challenges have resulted in significant reductions in coming years. Revenue sharing was estimated at \$406,659 for fiscal 2014, due largely to the legislative uncertainty at the time the Town's budget was being developed. This would represent a decrease of nearly 60%; however, final legislative action resulted in a reduction of about 28%, or about \$287,000.

Budget Overview

The Town budget for fiscal 2014 is \$14,346,348, an increase of \$364,717 or 2.6% over 2013. Windham's municipal levy continues to remain below the statutory limit. The Town has never exceeded the limit; for fiscal 2014, it is beneath the limit by \$347,178.

The following are some highlights from budget deliberations:

- Excise tax revenue was increased by \$200,000 to \$2,600,000 based on favorable forecasts
- State revenue sharing was decreased over \$500,000 to \$406,659 due to uncertainty surrounding the state budget and legislative processes
- Use of \$100,000 from unassigned fund balance to capitalize a land and building improvement fund, focusing mainly on playing fields and facilities
- Use of up to \$450,000 from unassigned fund balance to offset anticipated losses in revenue sharing
- Funding for capital and infrastructure is as follows:
 - Equipment replacement – funding remained flat, but following the plan and replacement schedules
 - Road improvements – increased by \$100,000, or 15.4%
 - Building improvements – added \$37,500, or 8.9%, mainly for a multi-facility space needs analysis
- Eliminate skate park seasonal staffing, saving about \$17,000
- Lippman Park improvements of up to \$150,000, from the Bremon Fund and Recreation Program Fund

The budget for 2013-2014 maintains essentially the same range of programs and services as last year. One notable change is an increasing focus on mission, success, and measurement. Included in many departmental budgets are performance indicators to help measure in an objective way whether missions are being fulfilled.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2013

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. Windham Community Cable exceeded budget by \$5,833, or 13% as the anticipated transition to another web platform took longer than expected, resulting in higher costs. Municipal insurances were \$10,300, or 11% over budget. This was due to a combination of increased property valuations, general premium increases, and the loss ratio. Grounds maintenance was over budget by \$5,128, which translates to a 46% overage. This was caused by payments to a temporary employee for work on a special project that was not anticipated. Finally, equipment replacement shows an excess of expenditures over revenues of \$917,373. However, this is offset largely by lease proceeds of \$636,348. Another related lease receipt for \$288,712 was not booked until July of the new fiscal year.

Revenues/Fund Balance

Unassigned fund balance has grown each year since FY'09. At June 30, 2013, it stands at \$5.1 million. This represents an increase of \$291,925 over last year, or roughly 6%. Bond rating agencies consider a growing fund balance to be a positive sign, speaking to the credit strength of a municipality.

The Town seeks to maximize use of non-property tax revenues in its budgeting, although 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.

The Town has a fund balance policy which states that it maintain an unrestricted fund balance at 16.67% of the ensuing year's budget. We are pleased to report that as of June 30, 2013, unrestricted fund balance as a percentage of budget stands at 22.62%, considerably exceeding the target.

Increasing Demands

Similar to many growing communities, Windham has sought to balance the need to provide services in response to growth while maintaining a reasonable level of local property taxation. Capital equipment replacement and facilities funding increased this year, and will again next year. The use of capital lease purchase agreements allows us to replace major equipment with a relatively small impact on cash flows.

The Future

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

As mentioned earlier, unrestricted fund balance as a percentage of the FY 2014 budget is 22.62%. This means that the Town has nearly three months of funds available in the event of a liquidity crunch. Town policy recommends a target of 16.67%, equaling two months of expenses. We fully expect to maintain this strong financial position going forward.

Performance measurement and management will play an ever larger role in the future. We have taken initial steps along those lines in the FY 2014 budget, incorporating discussions of mission, success, and measurement.

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.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2013

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 2013-2014 will reflect a tax rate of \$14.45 per thousand dollars of assessed value. For every tax dollar raised, 30 cents goes to the Town to support municipal services, 66 cents to the school district for public education, and 4 cents to county government. The overall rate increased 1.4% over 2013; however, the Town portion decreased by 6 cents (1.3%), while the county's went up 2 cents (3.3%) and the share for schools increased by 24 cents (2.6%).

The Town continues to meet its debt obligations, reducing debt by \$2.6 million in 2013. As a measure of debt burden, bond rating agencies prefer to see per capita debt of \$2,000 or less. Windham per capita debt of \$1,256 is considerably below this benchmark. See the chart below which compares Windham with neighboring communities.

Debt per Capita:

Cumberland	\$6,051
Scarborough	\$5,109
Falmouth	\$4,666
South Portland	\$1,909
Yarmouth	\$1,748
Cape Elizabeth	\$1,636
Windham	\$1,256
Freeport	\$ 567

Given its strong bond ratings by Moody's (Aa2) and Standard & Poors (AA-), the Town has sufficient capacity to assume more debt as capital needs are identified.

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 Position
June 30, 2013

	Primary Governmental Activities	Component Unit WEDC
ASSETS		
Cash and cash equivalents	\$ 988,473	25
Investments	7,448,260	49,822
Receivables:		
Accounts, net of allowance of \$24,903	421,560	-
Taxes receivable - current year	900,384	-
Taxes receivable - prior years	262,010	-
Tax liens	660,922	-
Notes receivable	469,165	-
Inventory	10,110	-
Receivable - RSU #14 debt service payments	19,729,571	-
Capital assets, not being depreciated	19,340,941	502,423
Capital assets, being depreciated	6,570,083	-
Total assets	56,801,479	552,270
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,870,980	-
Total deferred outflows of resources	1,870,980	-
LIABILITIES		
Accounts payable and other current liabilities	1,121,054	-
Accrued wages	208,100	-
Accrued interest	163,678	13,665
Taxes paid in advance	53,289	-
Noncurrent liabilities:		
Due within one year	2,763,756	-
Due in more than one year	23,193,439	455,500
Total liabilities	27,503,316	469,165
NET POSITION		
Net investment in capital assets	22,905,465	46,923
Restricted:		
Special revenue programs and grants	416,340	-
Nonexpendable trust principal	44,536	-
Unrestricted	7,802,802	36,182
Total net position	\$ 31,169,143	83,105

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Activities
For the year ended June 30, 2013

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Governmental activities	Component Unit WEDC
Primary government:						
Governmental activities:						
Administrative services	\$ 3,034,476	190,832	-	-	(2,843,644)	-
Public safety	2,429,969	5,839	-	-	(2,424,130)	-
Fire/rescue services	1,591,310	545,532	-	-	(1,045,778)	-
Public works	3,071,593	504,557	258,720	-	(2,308,316)	-
Recreation services	479,997	204,442	-	-	(275,555)	-
Education	16,099,615	-	-	-	(16,099,615)	-
County tax	1,045,687	-	-	-	(1,045,687)	-
Other	1,731,806	395,049	16,615	-	(1,320,142)	-
Interest on debt service	52,230	-	-	-	(52,230)	-
Capital maintenance expenses	572,088	-	-	124,063	(448,025)	-
Total governmental activities	30,108,771	1,846,251	275,335	124,063	(27,863,122)	-
Total primary government	\$ 30,108,771	1,846,251	275,335	124,063	(27,863,122)	-
Component unit:						
WEDC	\$ 17,816	-	20,900	-	-	3,084
General revenues:						
Property taxes, levied for general purposes				\$ 25,097,317		-
Excise taxes				2,663,409		-
Supplemental taxes and lien fees				22,681		-
Motor vehicle registration fees				51,168		-
Franchise fees				124,487		-
Grants and contributions not restricted to specific programs:						
Homestead exemption				247,843		-
Other State aid				27,274		-
State Revenue Sharing				1,027,862		-
Unrestricted investment earnings				31,794		70
Loss on disposal				(6,965)		-
Miscellaneous				60,162		-
Total general revenues				29,347,032		70
Change in net position				1,483,910		3,154
Net position - beginning, restated				29,685,233		79,951
Net position - ending				\$ 31,169,143		83,105

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Balance Sheet
Governmental Funds
June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 988,473	-	988,473
Investments	7,055,017	393,243	7,448,260
Receivables:			
Accounts, net of allowance of \$24,903	282,880	138,680	421,560
Taxes receivable - prior years	262,010	-	262,010
Taxes receivable - current year	900,384	-	900,384
Tax liens	660,922	-	660,922
Note receivable	469,165	-	469,165
Interfund loans receivable	-	472,433	472,433
Inventory	10,110	-	10,110
Receivable - RSU #14 debt service payments	19,729,571	-	19,729,571
Total assets	\$ 30,358,532	1,004,356	31,362,888
LIABILITIES			
Accounts payable	871,540	25,182	896,722
Accrued wages	208,100	-	208,100
Interfund loans payable	382,495	89,938	472,433
Taxes paid in advance	53,289	-	53,289
Unearned income - impact fees	6,899	-	6,899
Inspection deposits and miscellaneous liabilities	217,433	-	217,433
Total liabilities	1,739,756	115,120	1,854,876
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	1,386,000	-	1,386,000
Unavailable revenue - RSU #14 debt service payments	19,729,571	-	19,729,571
Total deferred inflows of resources	21,115,571	-	21,115,571
FUND BALANCES			
Nonspendable	479,275	44,536	523,811
Restricted	-	416,340	416,340
Committed	93,381	445,938	539,319
Assigned	1,805,951	-	1,805,951
Unassigned	5,124,598	(17,578)	5,107,020
Total fund balances	7,503,205	889,236	8,392,441
Total liabilities, deferred inflows of resources, and fund balances	\$ 30,358,532	1,004,356	
Amounts reported for governmental activities in the statement of net position are different because:			
The deferred charge on the refunding bond in governmental activities is not reported in the funds.			1,870,980
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			25,911,024
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:			
Unavailable revenue - property taxes			1,386,000
Unavailable revenue - RSU #14 debt service payments			19,729,571
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			(729,825)
Accrued interest			(163,678)
Other postemployment benefits liability			(431,463)
Capital leases			(1,380,559)
Premium on refunding bonds			(2,060,777)
Bonds payable			(21,354,571)
Net position of governmental activities			\$ 31,169,143

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, 2013

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 27,430,467	260,000	27,690,467
Licenses and permits	295,202	-	295,202
Intergovernmental	1,578,314	124,063	1,702,377
Charges for services	542,387	505,815	1,048,202
Interest earned	145,734	421	146,155
Other	731,343	6,900	738,243
Total revenues	30,723,447	897,199	31,620,646
Expenditures:			
Current:			
Administrative services	2,824,344	-	2,824,344
Public safety	2,256,520	-	2,256,520
Fire/rescue services	1,393,251	-	1,393,251
Public works	2,842,866	-	2,842,866
Recreation services	234,430	230,446	464,876
Education	16,099,615	-	16,099,615
County tax	1,045,687	-	1,045,687
Other	1,379,155	353,256	1,732,411
Debt service	216,375	-	216,375
Capital outlay	2,610,360	190,313	2,800,673
Total expenditures	30,902,603	774,015	31,676,618
Excess (deficiency) of revenues over (under) expenditures	(179,156)	123,184	(55,972)
Other financing sources (uses):			
Capital lease proceeds	636,348	-	636,348
Transfers - in	289,762	-	289,762
Transfers - out	-	(289,762)	(289,762)
Total other financing sources (uses)	926,110	(289,762)	636,348
Net change in fund balances	746,954	(166,578)	580,376
Fund balances, beginning of year, as restated	6,756,251	1,055,814	7,812,065
Fund balances, end of year	\$ 7,503,205	889,236	8,392,441

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, 2013

Net change in fund balances - total governmental funds (from Statement 4)	\$ 580,376
<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 (\$1,857,726) exceeded depreciation expense (\$723,977) and loss on disposal (\$6,965) in the current period.</p>	1,126,784
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	(21,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in accrued interest (\$10,600), other post employment benefits liability (\$93,759) and accrued compensated absences (\$7,147).</p>	(111,506)
<p>Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which lease proceeds (\$636,348) exceeded repayments (\$370,859).</p>	(265,489)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments.</p>	2,041,177
<p>The Town is amortizing the deferred charge on refunding and the issuance premium over the life of the refunding bond. This is the amount by which the amortization of the premium (\$188,031) exceeded the amortization of the deferred charge on refunding (\$163,286).</p>	24,745
<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 \$19,729,571 with principal amounts paid off during the year totaling \$1,891,177.</p>	(1,891,177)
<p>Change in net position of governmental activities (see Statement 2)</p>	<p>\$ 1,483,910</p>

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, 2013

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 27,006,276	27,006,276	27,430,467	424,191
Licenses and permits	228,250	228,250	295,202	66,952
Intergovernmental	1,549,455	1,549,455	1,578,314	28,859
Charges for services	579,000	579,000	542,387	(36,613)
Interest earned	110,000	110,000	145,734	35,734
Other	640,501	640,501	731,343	90,842
Total revenues	30,113,482	30,113,482	30,723,447	609,965
Expenditures:				
Current:				
Administrative services	2,922,940	2,925,940	2,824,344	101,596
Public safety	2,272,780	2,272,780	2,256,520	16,260
Fire/rescue services	1,495,295	1,495,295	1,393,251	102,044
Public works	3,024,696	3,054,855	2,842,866	211,989
Recreation services	239,112	239,112	234,430	4,682
Education	16,099,615	16,099,615	16,099,615	-
County tax	1,045,687	1,045,687	1,045,687	-
Other	1,594,677	1,594,677	1,379,155	215,522
Debt service	216,375	216,375	216,375	-
Capital outlay	1,697,500	2,322,397	2,610,360	(287,963)
Total expenditures	30,608,677	31,266,733	30,902,603	364,130
Excess (deficiency) of revenues over (under) expenditures	(495,195)	(1,153,251)	(179,156)	974,095
Other financing sources (uses):				
Capital lease proceeds	-	-	636,348	636,348
Use of unassigned fund balance	200,000	858,056	-	(858,056)
Transfers from other funds	295,195	295,195	289,762	(5,433)
Total other financing sources (uses)	495,195	1,153,251	926,110	(227,141)
Net change in fund balance	-	-	746,954	746,954
Fund balance, beginning of year			6,756,251	
Fund balance, end of year	\$		7,503,205	

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

		Private-purpose Trust Fund (Scholarships)
ASSETS		
Investments	\$	66,221
Total assets		66,221
LIABILITIES		
Due to Town		-
Total liabilities		-
NET POSITION		
Restricted	\$	66,221

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2013

	Private-purpose Trust Fund (Scholarships)
Additions:	
Investment income	\$ -
Donation	-
Total additions	-
Deductions:	
Scholarships awarded	-
Total deductions	-
Change in net position	-
Net position, beginning of year	66,221
Net position, 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 position 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 are 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 position. Bond premiums and discounts, 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.

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

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Town only has one item that qualifies for reporting in this category. It is deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items, which arise under a modified accrual basis of accounting that qualifies for reporting in this category. They are unavailable revenue from property taxes and unavailable revenue from Regional School Unit #14 debt service payments, which are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

K. 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. Additionally, the Town Council has the authority to assign amounts for specific purposes. 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.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the Town'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 Town's intent to use committed or assigned resources first, and then unassigned resources as they are needed.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. 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.

M. 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.

N. Accounting Changes

As a result of implementing GASB Statements 63 and 65, The Town has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2012 by \$190,583. The decrease comes from no longer deferring and amortizing bond issuance costs. Further, the Town has also restated its assets to reflect the reclassification of deferred charge on refunding from an asset to a deferred outflow of resources on the government-wide Statement of Net Position.

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, 2013, the following expenditures exceeded appropriations:

Windham Community Cable Group	\$ 5,833	Recreation	1,738
Municipal insurance	10,300	Assessing	834
Town management	30,946	Town clerk/elections	2,899
Police vehicle maintenance	4,327	Library services	13,060
Public works administration	7,161	Equipment replacement	917,373*
Grounds maintenance	5,128		

* This overage was partially covered by \$636,348 of capital lease proceeds.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

C. Deficit Fund Balances

The CDBG fund had a deficit fund balance of \$8,415 as of June 30, 2013. The deficit will be funded with future revenues anticipated in 2013-2014 or transfers from the General Fund.

D. 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>
2013 budget as originally adopted	\$ 30,608,677	(30,608,677)	-
Assigned carryforward balance	-	(658,056)	658,056
Budgeted use of surplus	(200,000)	-	200,000
Transfer from Development District North TIF	(310)	-	310
Transfer from Pipeline Development District TIF	(48,456)	-	48,456
Transfer from Roosevelt Promenade TIF	(215,629)	-	215,629
Transfer from Recreation	(28,000)	-	28,000
Transfer from Cemetery	(2,800)	-	2,800
Totals	\$ 30,113,482	(31,266,733)	1,153,251

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, 2013, the Town reported deposits of \$988,498 with a bank balance of \$868,999. 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 \$25 which were fully covered by F.D.I.C.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

DEPOSITS AND INVESTMENTS, CONTINUED

Deposits have been reported as follows:

Reported in governmental funds	\$ 988,473
Reported in component unit (WEDC)	<u>25</u>
Total deposits	<u>\$ 988,498</u>

B. Investments

At June 30, 2013, the Town (including the WEDC, component unit) had the following investments:

	<u>Fair Value</u>
Certificates of deposit	\$ 2,678,729
Sweep accounts	4,815,900
Savings accounts	1,134
Money market	<u>68,540</u>
Total investments	<u>\$7,564,303</u>

Investments have been reported as follows:

Reported in governmental funds	\$ 7,448,260
Reported in fiduciary funds	66,221
Reported in component unit (WEDC)	<u>49,822</u>
Total investments	<u>\$ 7,564,303</u>

Custodial credit risk-investments – For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town minimizes investment custodial credit risk by limiting securities and cash held by a broker to investments protected up to full value by a combination of coverage provided by the Securities Investor Protection Corporation (SIPC) and excess coverage purchased from a private insurer. Certificates of deposit which exceed the F.D.I.C. 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 \$7,564,303 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.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

PROPERTY TAXES

Property taxes for the current year were committed on August 14, 2012 on the assessed value listed as of the prior April 1, for all real and personal property located in the Town. Payment of taxes was due in two equal installments. Interest was charged at 7% on all tax bills unpaid as of October 1, 2012 and April 1, 2013. 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 \$108,786 for the year ended June 30, 2013.

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 2013 and 2012 levies:

	<u>2013</u>	<u>2012</u>
Assessed value	\$ 1,723,891,500	1,707,732,500
Tax rate (per \$1,000)	14.25	13.90
Commitment	24,565,454	23,737,482
Supplemental taxes assessed	7,906	2,250
	24,573,360	23,739,732
Less:		
Abatements	39,897	42,128
Collections	23,633,079	22,686,046
Receivable at June 30	\$ 900,384	1,011,558
Due date(s)	(1/2) October 1, 2012 (1/2) April 1, 2013	(1/2) October 3, 2011 (1/2) April 2, 2012
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	96.3%	95.57%

INTERFUND BALANCES

Individual interfund receivable and payable balances at June 30, 2013 were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	382,495
Town Special Revenue Funds	472,433	89,938
Totals	\$ 472,433	472,433

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

INTERFUND BALANCES, CONTINUED

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, 2013 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
<u>General Fund</u>	<u>\$ 289,762</u>	<u>-</u>
Nonmajor Special Revenue Funds:		
Recreation Program	-	22,504
Carbon Monoxide Awareness	-	63
Development District North T.I.F.	-	310
Pipeline Development T.I.F.	-	48,456
Roosevelt Promenade T.I.F.	-	215,629
<u>Total nonmajor Special Revenue Funds</u>	<u>-</u>	<u>286,962</u>
Nonmajor permanent funds:		
Perpetual Care Trust Funds	-	2,800
<u>Total nonmajor Permanent Funds</u>	<u>-</u>	<u>2,800</u>
 Totals	 <u>\$ 289,762</u>	 <u>289,762</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, 2013 was as follows:

	Balance June 30, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2013</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,997,612	-	-	1,997,612
Infrastructure	16,584,609	758,720	-	17,343,329
Total capital assets, not being depreciated	18,582,221	758,720	-	19,340,941
Capital assets, being depreciated:				
Land improvements	114,782	-	-	114,782
Buildings	5,097,733	-	-	5,097,733
Equipment	4,303,440	502,367	(81,971)	4,723,836
Vehicles	4,039,568	596,639	(174,867)	4,461,340
Infrastructure	1,528,823	-	-	1,528,823
Total capital assets, being depreciated	15,084,346	1,099,006	(256,838)	15,926,514
Less accumulated depreciation for:				
Land improvements	(55,332)	(4,422)	-	(59,754)
Buildings	(2,564,041)	(132,617)	-	(2,696,658)
Equipment	(3,310,257)	(206,190)	81,971	(3,434,476)
Vehicles	(2,134,356)	(338,221)	167,902	(2,304,775)
Infrastructure	(818,241)	(42,527)	-	(860,768)
Total accumulated depreciation	(8,882,327)	(723,977)	249,873	(9,356,431)
Total capital assets being depreciated, net	6,202,019	375,029	(6,965)	6,570,083
Governmental capital assets, net	\$ 24,784,240	1,133,749	(6,965)	25,911,024

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

Governmental activities:

Administrative services	\$ 99,003
Public safety	168,187
Fire/rescue services	199,932
Public works	221,041
Recreation	17,677
Other (Town Clerk and Library)	18,137

Total depreciation expense – governmental activities **\$ 723,977**

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>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2013</u>
Capital assets, not being depreciated:				
Land	\$ 499,815	2,608	-	502,423
Total capital assets not being depreciated	\$ 499,815	2,608	-	502,423

RESTATEMENT OF FUND BALANCES/NET POSITION

During the year, the Town restated fund balances and net position to account for receivables which were not booked in the prior year, reclassifying amounts from liabilities to assigned fund balance, and the removal of bond issuance costs. The restatements are summarized as follows:

	General Fund <u>7/1/2011</u>	Little Falls Sewer <u>7/1/2012</u>	Governmental Activities <u>7/1/2012</u>
Fund balance/net position, as previously stated	\$ 5,608,818	53,044	29,207,187
Addition of note receivable	455,500	-	455,500
Reclassification of liabilities	182,166	-	182,166
Addition of sewer receivable	-	30,963	30,963
Removal of bond issuance costs	-	-	(190,583)
Fund balance/net position, as restated	\$ 6,246,484	84,007	29,685,233

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
General obligation bonds	\$ 23,395,748	-	2,041,177	21,354,571	2,053,337
Premium on refunding bonds	2,248,808	-	188,031	2,060,777	180,506
Capital leases	1,115,070	636,348	370,859	1,380,559	529,913
Accrued compensated absences	722,678	7,147	-	729,825	-
Other post employment benefits	337,704	102,325	8,566	431,463	-
Totals	\$ 27,820,008	745,820	2,608,633	25,957,195	2,763,756

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

LONG-TERM DEBT

General obligation bonds, notes, and capital leases payable at June 30, 2013 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</u>				
1999 Windham School	\$ 2,820,000	2.00-5.24%	2015	499,571
2003 General Obligation Bonds	35,787,000	2.00-5.00%	2025	1,810,000
2011 General Obligation Refunding Bonds	19,045,000	2.50-5.00%	2025	19,045,000
Total general obligation bonds				21,354,571 (1)
<u>Capital leases</u>				
2004 Aerial platform and ladder truck		3.55%	2014	85,659
CAT backhoe		3.60%	2014	17,670
Fire truck and public works truck		3.89%	2014	83,886
Two dump trucks/sidewalk tractor		3.88%	2015	170,739
Greenwood emergency vehicles		3.23%	2016	245,203
New Radio System		1.81%	2016	180,601
Ten wheel dump truck		2.57%	2017	141,054
Three dump trucks		2.48%	2018	455,747
Total capital leases				1,380,559
Total primary government general obligation bonds, promissory notes and capital leases				\$ 22,735,130

(1) As of July 1, 2009, the Windham School Department joined Regional School Unit (RSU) #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 \$19,729,571, 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, 2013 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, 2013 on primary government general obligation bonds and notes with interest ranging from 2.00% to 5.24% are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,785,000	568,725	2,353,725
2019-2023	8,880,000	1,753,763	10,633,763
2024-2025	3,025,000	138,375	3,163,375
Totals	\$ 21,354,571	5,311,570	26,666,141

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, 2013:

<u>Fiscal year ending</u>	<u>Total capital leases</u>
2014	\$ 569,581
2015	375,423
2016	285,066
2017	135,603
2018	98,044
Total minimum lease payments	1,463,717
Less amount representing interest	(83,158)
Present value of future minimum lease payments	\$ 1,380,559

Advance Refunding

During the year ended June 30, 2012, 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 2003 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 position.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,122,712. This amount is being amortized over the remaining life of the refunded debt. The Town advance refunded the 2003 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

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, 2013, the Town has not exceeded these percentages.

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	\$ 22,735,130	100%	22,735,130
Cumberland County	36,925,000	4.53%	1,671,943
Portland Water District - Water	31,085,441	6.91%	2,147,446
Portland Water District - Wastewater	28,725,760	6.32%	1,815,111

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, 2013 includes total assets of \$60,282,199, total liabilities of \$17,775,424 and unrestricted net position of \$11,323,226. The liabilities include an accrual for landfill closure and postclosure care amounting to \$15,951,872. 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.

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, 2013.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

NET POSITION

Net position represents assets less liabilities any deferred inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on its 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 investment in capital assets was calculated as follows at June 30, 2013:

Capital assets	\$ 35,267,455
Accumulated depreciation	(9,356,431)
<u>Capital assets, net of accumulated depreciation</u>	<u>25,911,024</u>
Bonds payable	(21,354,571)
Less:	
RSU No. 14 portion of debt service	19,729,571
<u>Net bonds payable</u>	<u>(1,625,000)</u>
Capital leases	(1,380,559)
<u>Net investment in capital assets</u>	<u>\$ 22,905,465</u>

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

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

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

Funding Policy - Police Officers who are plan members are required to contribute 7.5% of their compensation to the retirement system. Paramedics are required to contribute 8.0% of their compensation. The Town matches 6.6% and 10% for the Police Officers and Paramedics, respectively. The total Town contributions for these groups during the fiscal year ended June 30, 2013 were \$127,883.

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. Only \$266 remains for use as of June 30, 2013.

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, 2013, \$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, 2012. 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, 2013, \$210,000 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 \$5,124,598 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 (\$17,578) is also reported for other governmental funds (CDBG and Perpetual Care Trust Fund) that have negative fund balances as of June 30, 2013 as shown on Exhibit C-1 and D-1.

As of June 30, 2013, other fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund:				
Inventory	\$ 10,110	-	-	-
Note receivable	469,165	-	-	-
Equipment Replacement	-	-	93,381	-
Subsequent year budget	-	-	-	750,000
Public safety	-	-	-	125,575
Fire/rescue services	-	-	-	79,559
Public works	-	-	-	41,847
Recreation	-	-	-	15,969
Other	-	-	-	91,815
Capital outlay	-	-	-	701,186
Special Revenue Funds:				
Little Falls Sewer Operations	-	-	65,615	-
Recreation Program	-	-	197,119	-
Efficiency Maine	-	1,411	-	-
Development District North T.I.F.	-	266	-	-
Pipeline Development T.I.F.	-	41,546	-	-
Roosevelt Promenade T.I.F.	-	184,877	-	-
Brownfields	-	1,100	-	-
JAG Grant	-	13,474	-	-
Thomas Varney School Fund	2,662	41,417	-	-
Annie Akers Bregon Fund	-	132,249	-	-
Permanent Funds:				
Cemetery Acquisition Fund	-	-	177,226	-
Perpetual Care Trust Funds	41,074	-	-	-
Library Trust Fund	800	-	5,978	-
Totals	\$ 523,811	416,340	539,319	1,805,951

COMMITMENTS

In May of 2013, the Town executed an agreement with a contractor for residential solid waste and curbside collection services. This agreement commenced July 1, 2013 and expires June 30, 2016. For services rendered, the Town agreed to provide compensation to the contractor in the amounts of \$554,370, \$573,772, and \$593,853 for fiscal year 2014, 2015, and 2016, respectively.

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 2012.

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, 2013, 2012 and 2011 and the annual required contribution:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Normal cost	\$ 49,976	49,976	49,976
Amortization of Unfunded	56,267	56,266	56,266
Adjustment to ARC	(19,530)	(14,091)	(8,526)
<u>Interest</u>	<u>15,612</u>	<u>11,851</u>	<u>8,001</u>
Annual Required Contribution	\$ 102,325	104,002	105,717

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPEB liability, July 1	\$ 337,704	243,654	147,433
Annual required contribution	102,325	104,002	105,717
<u>Less: Actual contributions</u>	<u>(8,566)</u>	<u>(9,952)</u>	<u>(9,496)</u>
OPEB liability, June 30	\$ 431,463	337,704	243,654

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, 2013, 2012 and 2011 were as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution	\$ 102,325	104,002	105,717
Actual contribution	8,566	9,952	9,496
Percent contributed	8.37%	9.57%	8.98%
Actuarial accrued liability	1,011,865	1,011,865	1,011,865
Plan assets	-	-	-
Unfunded actuarial accrued liability	1,011,865	1,011,865	1,011,865
Covered payroll	4,726,024	4,513,604	4,495,688
Unfunded actuarial accrued liability as a percentage of covered payroll	21.4%	22.4%	22.5%

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 \$547,353 on road and street maintenance and \$761,288 for improvements for the fiscal year ended June 30, 2013. 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%
2013	1/1/11	-	1,011,865	1,011,865	0.00%	4,726,024	21.4%

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, 2013 and 2012

	2013	2012 (Restated)
ASSETS		
Cash and cash equivalents	\$ 988,473	4,582,484
Investments	7,055,017	2,750,356
Receivables:		
Taxes receivable - current year	900,384	1,011,558
Taxes receivable - prior years	262,010	251,927
Tax liens - prior years	660,922	588,875
Accounts receivable, net of allowance of \$24,903 and \$31,473, respectively	282,880	174,937
Note receivable	469,165	460,055
Inventory	10,110	9,038
Receivable - RSU #14 debt service payments	19,729,571	21,620,748
Total assets	\$ 30,358,532	31,449,978
LIABILITIES		
Accounts payable	871,540	639,576
Accrued wages	208,100	188,609
Interfund loans payable	382,495	645,886
Taxes paid in advance	53,289	49,005
Unearned income - impact fees	6,899	11,872
Inspection deposits and miscellaneous liabilities	217,433	131,031
Total liabilities	1,739,756	1,665,979
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	1,386,000	1,407,000
Unavailable revenue - RSU #14 debt service payments	19,729,571	21,620,748
Total deferred inflows of resources	21,115,571	23,027,748
FUND BALANCE		
Nonspendable	479,275	469,093
Committed	93,381	400,050
Assigned	1,805,951	1,052,158
Unassigned	5,124,598	4,834,950
Total fund balance	7,503,205	6,756,251
Total liabilities, deferred inflows of resources, and fund balance	\$ 30,358,532	31,449,978

TOWN OF WINDHAM, MAINE
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the year ended June 30, 2013
 (with comparative actual amounts for the year ended June 30, 2012)

	2013					
	2012 carryforward	Budget	Total available	Actual	Variance positive (negative)	2012 Actual
Revenues:						
Taxes:						
Property taxes	\$ -	24,561,776	24,561,776	24,723,377	161,601	23,848,379
Change in deferred property tax revenue	-	-	-	21,000	21,000	(116,000)
Excise taxes	-	2,425,000	2,425,000	2,663,409	238,409	2,465,072
Supplemental taxes and lien fees	-	19,500	19,500	22,681	3,181	21,023
Total taxes	-	27,006,276	27,006,276	27,430,467	424,191	26,218,474
Licenses and permits:						
Plumbing fees	-	17,500	17,500	33,870	16,370	30,931
Town Clerk fees	-	45,000	45,000	43,259	(1,741)	35,598
Building permits	-	75,000	75,000	97,578	22,578	83,119
Planning fees	-	7,000	7,000	16,125	9,125	13,720
License and other fees	-	37,250	37,250	53,202	15,952	46,788
Motor vehicle registration fees	-	46,500	46,500	51,168	4,668	51,151
Total licenses and permits	-	228,250	228,250	295,202	66,952	261,307
Intergovernmental:						
State Revenue Sharing	-	975,000	975,000	1,027,862	52,862	983,924
State highway block grant	-	266,612	266,612	258,720	(7,892)	266,612
Homestead exemption	-	247,843	247,843	247,843	-	203,084
General assistance reimbursement	-	50,000	50,000	16,615	(33,385)	35,206
Other state assistance	-	10,000	10,000	27,274	17,274	25,271
Total intergovernmental	-	1,549,455	1,549,455	1,578,314	28,859	1,514,097
Charges for services:						
Solid waste disposal fees	-	540,000	540,000	504,557	(35,443)	450,905
False alarm fees/police fines and fees	-	2,000	2,000	5,839	3,839	3,068
Park fees	-	37,000	37,000	31,991	(5,009)	41,040
Total charges for services	-	579,000	579,000	542,387	(36,613)	495,013

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

	2012 carryforward	2013		Actual	Variance positive (negative)	2012 Actual
		Budget	Total available			
Revenues, continued:						
Interest earned:						
Interest on delinquent taxes	\$ -	100,000	100,000	113,940	13,940	100,821
Interest earned on investments	-	10,000	10,000	31,794	21,794	25,129
Total interest earned	-	110,000	110,000	145,734	35,734	125,950
Other revenues:						
Cable television franchise	-	125,000	125,000	124,487	(513)	127,116
Court fees	-	250	250	494	244	94
Rent	-	9,416	9,416	9,416	-	9,431
Rescue reimbursement	-	480,000	480,000	545,532	65,532	576,751
Miscellaneous	-	18,335	18,335	42,931	24,596	105,430
Library fines and state funds	-	7,500	7,500	8,483	983	8,630
Total other revenues	-	640,501	640,501	731,343	90,842	827,452
Total revenues	-	30,113,482	30,113,482	30,723,447	609,965	29,442,293
Expenditures:						
Current:						
Administrative services:						
Town Council	-	136,055	136,055	120,591	15,464	137,092
Economic Development	-	103,243	103,243	102,104	1,139	100,235
Community participation	-	38,675	38,675	31,114	7,561	31,793
Windham Community Cable Group	3,000	44,109	47,109	52,942	(5,833)	40,478
Municipal insurance	-	96,000	96,000	106,300	(10,300)	105,450
Employee benefits	-	1,802,526	1,802,526	1,688,382	114,144	1,635,055
Money management fees	-	375	375	299	76	259
Town management	-	363,636	363,636	394,582	(30,946)	369,844
Collect/account Town funds	-	200,010	200,010	192,047	7,963	197,997
Information services	-	138,311	138,311	135,983	2,328	120,035
Total administrative services	3,000	2,922,940	2,925,940	2,824,344	101,596	2,738,238

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

	2012 carryforward	2013		Variance positive (negative)	2012 Actual	
		Budget	Total available			Actual
Expenditures, continued						
Current, continued:						
Public safety:						
Police safety	\$ -	1,766,138	1,766,138	1,755,918	10,220	1,736,590
Animal control	-	57,820	57,820	56,188	1,632	36,469
Public safety dispatching	-	330,885	330,885	322,150	8,735	323,459
Police vehicle maintenance	-	117,937	117,937	122,264	(4,327)	115,565
Total public safety	-	2,272,780	2,272,780	2,256,520	16,260	2,212,083
Fire/rescue services:						
Fire safety	-	1,254,420	1,254,420	1,185,434	68,986	1,243,139
Emergency safety (rescue)	-	-	-	-	-	-
Civil emergency preparedness	-	1,000	1,000	272	728	146
Water main charges	-	92,075	92,075	91,164	911	91,604
Fire and rescue vehicle maintenance	-	147,800	147,800	116,381	31,419	122,847
Total fire/rescue services	-	1,495,295	1,495,295	1,393,251	102,044	1,457,736
Public works:						
Public works administration	-	138,933	138,933	146,094	(7,161)	139,956
Road maintenance/patching	-	557,569	557,569	547,353	10,216	466,056
Traffic signals, road markings/drainage	23,019	104,925	127,944	113,572	14,372	108,225
Snow plowing	-	345,247	345,247	277,321	67,926	228,905
Highway vehicle maintenance	7,140	403,893	411,033	332,111	78,922	363,391
Solid waste disposal	-	972,315	972,315	955,760	16,555	982,761
Building maintenance	-	490,514	490,514	454,227	36,287	463,931
Grounds maintenance	-	11,300	11,300	16,428	(5,128)	9,270
Total public works	30,159	3,024,696	3,054,855	2,842,866	211,989	2,762,495

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

	2012 carryforward	2013		Variance positive (negative)	2012 Actual	
		Budget	Total available			Actual
Expenditures, continued						
Current, continued:						
Recreation services:						
Recreation	\$ -	160,420	160,420	162,158	(1,738)	166,042
Skate park	-	16,850	16,850	10,664	6,186	13,317
Dundee Park	-	61,842	61,842	61,608	234	61,640
Total recreation services	-	239,112	239,112	234,430	4,682	240,999
Education	-	16,099,615	16,099,615	16,099,615	-	15,444,435
County tax	-	1,045,687	1,045,687	1,045,687	-	1,002,218
Other:						
Social services	-	186,091	186,091	123,483	62,608	137,523
Social services agency funding	-	44,125	44,125	44,125	-	44,125
Assessing	-	229,051	229,051	229,885	(834)	228,179
Geographic information systems	-	23,859	23,859	10,817	13,042	19,843
Contingency	-	100,000	100,000	23,135	76,865	104,709
Energy and weather emergency fund	-	100,000	100,000	-	100,000	-
Town Clerk/elections	-	151,779	151,779	154,678	(2,899)	134,412
Community development	-	166,133	166,133	153,169	12,964	155,799
Planning services	-	223,375	223,375	194,055	29,320	183,000
Library services	-	320,264	320,264	333,324	(13,060)	307,940
Rescue bad debt expense	-	50,000	50,000	72,587	(22,587)	53,539
Abatements	-	-	-	39,897	(39,897)	42,128
Total other	-	1,594,677	1,594,677	1,379,155	215,522	1,411,197
Debt service (excluding education):						
Principal	-	150,000	150,000	150,000	-	150,000
Interest	-	66,375	66,375	66,375	-	69,019
Total debt service (excluding education)	-	216,375	216,375	216,375	-	219,019

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

	2013					
	2012 carryforward	Budget	Total available	Actual	Variance positive (negative)	2012 Actual
Expenditures, continued:						
Capital outlay:						
Town road resurfacing	\$ 394,307	650,000	1,044,307	761,288	283,019	557,445
Equipment replacement	-	625,000	625,000	1,542,373	(917,373)	998,902
Town building/land improvements	230,590	422,500	653,090	306,699	346,391	338,192
Total capital outlay	624,897	1,697,500	2,322,397	2,610,360	(287,963)	1,894,539
Total expenditures	658,056	30,608,677	31,266,733	30,902,603	364,130	29,382,959
Excess (deficiency) of revenues over (under) expenditures	(658,056)	(495,195)	(1,153,251)	(179,156)	974,095	59,334
Other financing sources (uses):						
Capital lease proceeds	-	-	-	636,348	636,348	174,138
Transfers - in	-	295,195	295,195	289,762	(5,433)	276,295
Refunding bonds issued	-	-	-	-	-	19,045,000
Premium on refunding bonds issued	-	-	-	-	-	2,346,582
Payment to refunded bond escrow agent	-	-	-	-	-	(21,192,713)
Bond issuance costs	-	-	-	-	-	(198,869)
Utilization of prior year surplus and carried forward balances	658,056	200,000	858,056	-	(858,056)	-
Total other financing sources (uses)	658,056	495,195	1,153,251	926,110	(227,141)	450,433
Net change in fund balance	-	-	-	746,954	746,954	509,767
Fund balance, beginning of year, restated				6,756,251		6,246,484
Fund balance, end of year	\$			7,503,205		6,756,251

ALL OTHER GOVERNMENTAL FUNDS



TOWN OF WINDHAM
Combining Balance Sheet
All Other Governmental Funds
June 30, 2013

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
ASSETS			
Investments	\$ 177,328	215,915	393,243
Accounts receivable	138,680	-	138,680
Interfund loans receivable	472,433	-	472,433
Total assets	\$ 788,441	215,915	1,004,356
LIABILITIES			
Accounts payable	25,182	-	25,182
Interfund loans payable	89,938	-	89,938
Total liabilities	115,120	-	115,120
FUND BALANCES			
Nonspendable	2,662	41,874	44,536
Restricted	416,340	-	416,340
Committed	262,734	183,204	445,938
Assigned	-	-	-
Unassigned	(8,415)	(9,163)	(17,578)
Total fund balances	673,321	215,915	889,236
Total liabilities and fund balances	\$ 788,441	215,915	1,004,356

TOWN OF WINDHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2013

	Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
Revenues:			
Property taxes revenue	\$ 260,000	-	260,000
Intergovernmental	124,063	-	124,063
Charges for services	505,815	-	505,815
Other revenue	-	6,900	6,900
Interest revenue	73	348	421
Total revenues	889,951	7,248	897,199
Expenditures:			
Current:			
Recreation	230,446	-	230,446
Sewer assessment	351,756	-	351,756
Scholarships	1,500	-	1,500
Capital outlay	190,313	-	190,313
Total expenditures	774,015	-	774,015
Excess (deficiency) of revenues over (under) expenditures	115,936	7,248	123,184
Other financing sources (uses):			
Transfer to other funds	(286,962)	(2,800)	(289,762)
Transfer from other funds	-	-	-
Total other financing sources (uses)	(286,962)	(2,800)	(289,762)
Net change in fund balances	(171,026)	4,448	(166,578)
Fund balances, beginning of year	844,347	211,467	1,055,814
Fund balances, end of year	\$ 673,321	215,915	889,236

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

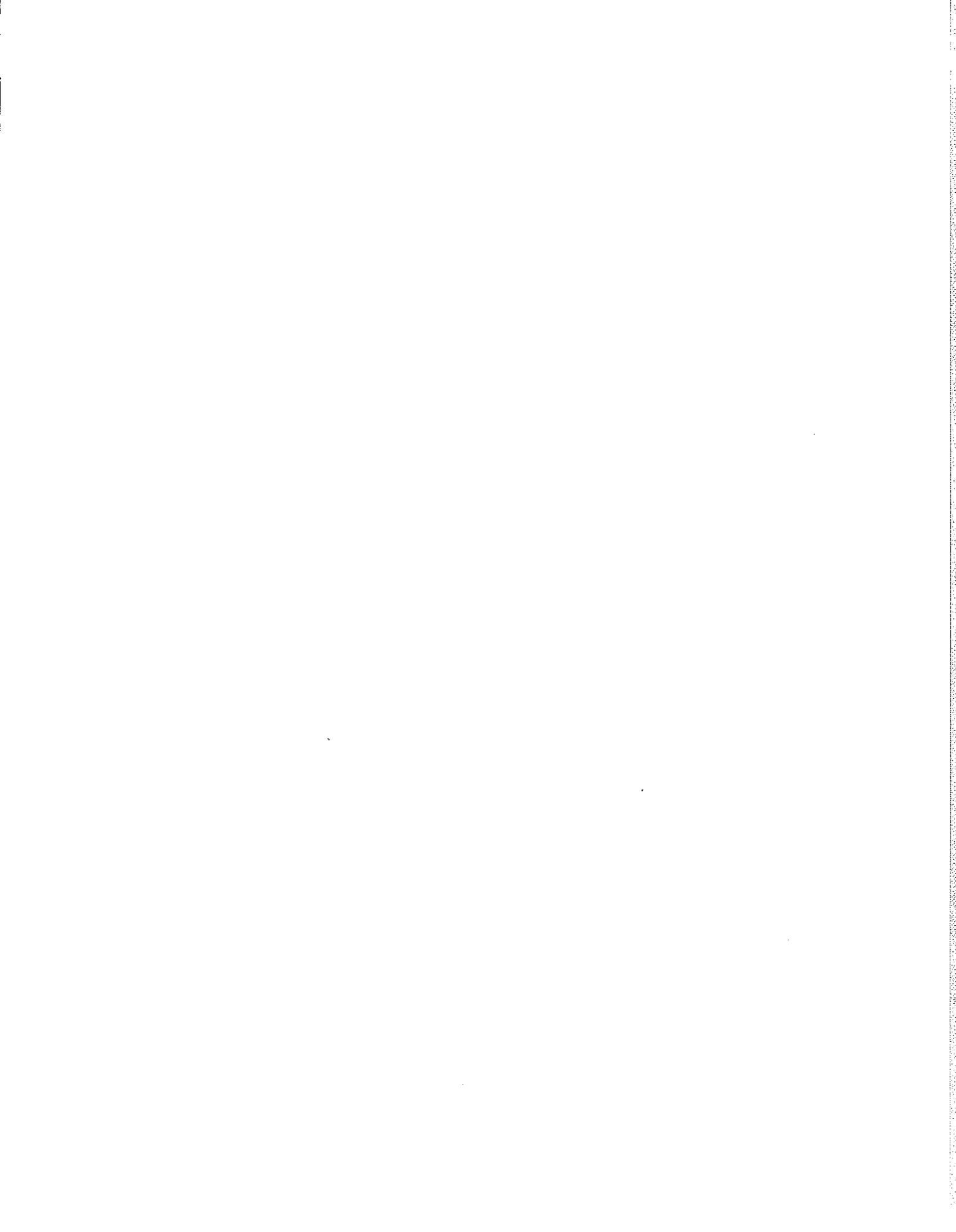
To account for the revenues and related expenditures for the Municipal Development District - North T.I.F., Pipeline Development T.I.F., and the Roosevelt Promenade T.I.F.

Thomas Varney School Fund

To account for funds restricted to assist students.

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, 2013

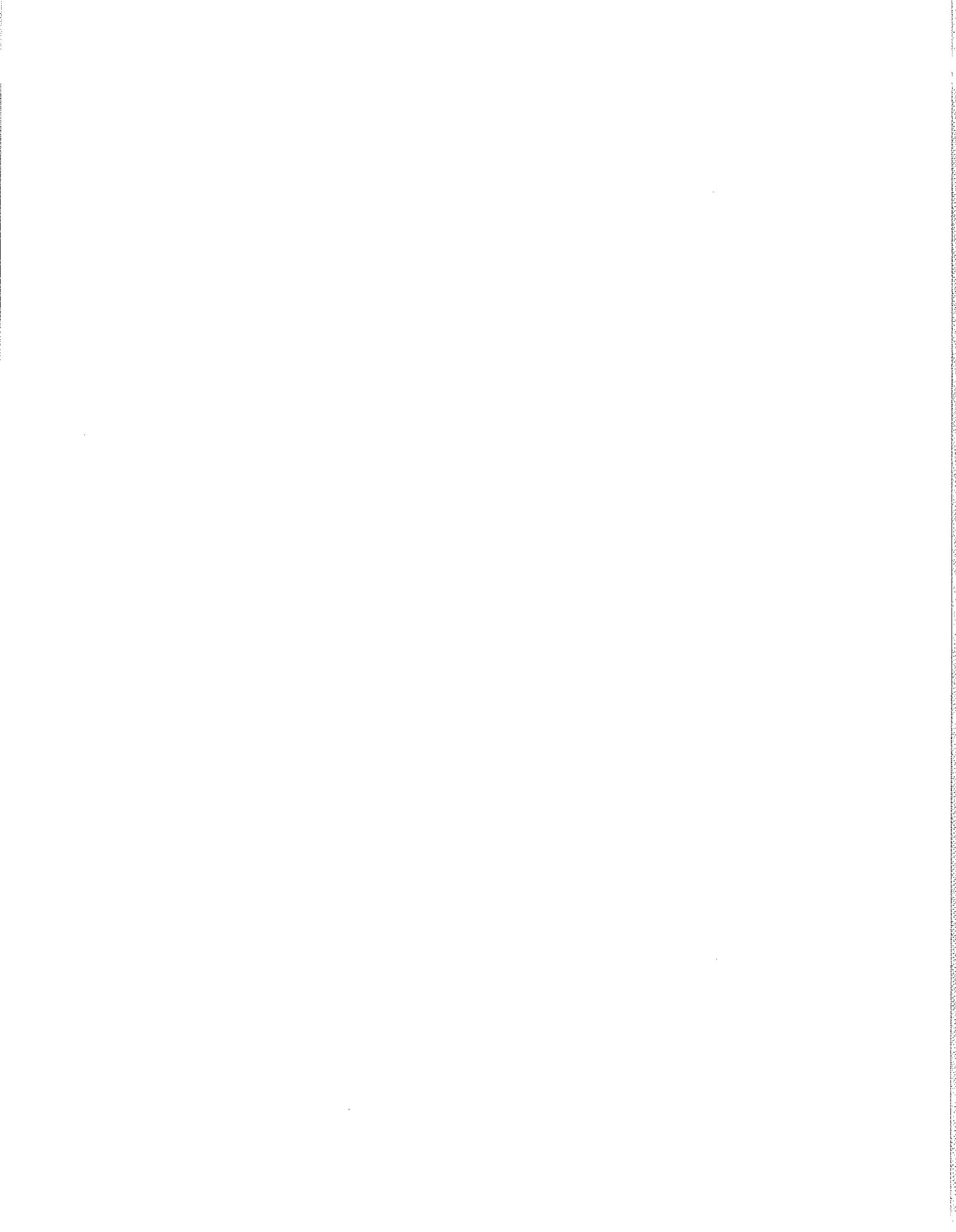
	Little Falls Sewer Operations	Recreation Program	CDBG	Efficiency Maine	Development District North T.I.F.	Pipeline Development T.I.F.	Roosevelt Promenade T.I.F.	Brownfields Grant	Carbon Monoxide Awareness	JAG Grant	Thomas Varney School Fund	Annie Akers Bremont Fund	Total
ASSETS													
Investments	\$ -	-	-	-	-	-	-	-	-	-	44,079	133,249	177,328
Receivables:													
Accounts receivable	57,057	-	33,657	-	-	-	-	47,966	-	-	-	-	138,680
Interfund loans receivable	8,558	222,301	-	1,411	266	41,546	184,877	-	-	13,474	-	-	472,433
Total assets	\$ 65,615	222,301	33,657	1,411	266	41,546	184,877	47,966	-	13,474	44,079	133,249	788,441
LIABILITIES													
Accounts payable	-	25,182	-	-	-	-	-	-	-	-	-	-	25,182
Interfund loans payable	-	-	42,072	-	-	-	-	46,866	-	-	-	1,000	89,938
Total liabilities	-	25,182	42,072	-	-	-	-	46,866	-	-	-	1,000	115,120
FUND BALANCES (DEFICITS)													
Nonspendable	-	-	-	-	-	-	-	-	-	-	2,662	-	2,662
Restricted	-	-	-	1,411	266	41,546	184,877	1,100	-	13,474	41,417	132,249	416,340
Committed	65,615	197,119	-	-	-	-	-	-	-	-	-	-	262,734
Unassigned	-	-	(8,415)	-	-	-	-	-	-	-	-	-	(8,415)
Total fund balances	65,615	197,119	(8,415)	1,411	266	41,546	184,877	1,100	-	13,474	44,079	132,249	673,321
Total liabilities and fund balances	\$ 65,615	222,301	33,657	1,411	266	41,546	184,877	47,966	-	13,474	44,079	133,249	788,441

TOWN OF WINDHAM, MAINE
 Nonmajor Special Revenue Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the year ended June 30, 2013

	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	210,000	-	-	-	-	-	260,000
Intergovernmental revenues:													
Federal subsidies	-	-	26,391	-	-	-	-	70,171	-	27,501	-	-	124,063
State subsidies	-	-	-	-	-	-	-	-	-	-	-	-	-
Total intergovernmental revenues	-	-	26,391	-	-	-	-	70,171	-	27,501	-	-	124,063
Charges for services:													
Recreation revenues	-	172,451	-	-	-	-	-	-	-	-	-	-	172,451
Sewer user fees	333,364	-	-	-	-	-	-	-	-	-	-	-	333,364
Total charges for services	333,364	172,451	-	-	-	-	-	-	-	-	-	-	505,815
Interest and dividends	-	-	-	-	-	-	-	-	-	-	72	1	73
Other revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenues	333,364	172,451	26,391	-	-	50,000	210,000	70,171	-	27,501	72	1	889,951

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	\$ -	230,446	-	-	-	-	-	-	-	-	-	-	230,446
Capital expenditures	-	-	32,319	-	-	11,500	44,269	69,071	1,699	31,455	-	-	190,313
Sewer assessments	351,756	-	-	-	-	-	-	-	-	-	-	-	351,756
Scholarships	-	-	-	-	-	-	-	-	-	-	-	1,500	1,500
Total expenditures	351,756	230,446	32,319	-	-	11,500	44,269	69,071	1,699	31,455	-	1,500	774,015
Excess (deficiency) of revenues over (under) expenditures	(18,392)	(57,995)	(5,928)	-	-	38,500	165,731	1,100	(1,699)	(3,954)	72	(1,499)	115,936
Other financing sources:													
Transfer to General Fund	-	(22,504)	-	-	(310)	(48,456)	(215,629)	-	(63)	-	-	-	(286,962)
Total other financing sources	-	(22,504)	-	-	(310)	(48,456)	(215,629)	-	(63)	-	-	-	(286,962)
Net change in fund balances	(18,392)	(80,499)	(5,928)	-	(310)	(9,956)	(49,898)	1,100	(1,762)	(3,954)	72	(1,499)	(171,026)
Fund balances (deficit), beginning of year, restated	84,007	277,618	(2,487)	1,411	576	51,502	234,775	-	1,762	17,428	44,007	133,748	844,347
Fund balances (deficit), end of year	\$ 65,615	197,119	(8,415)	1,411	266	41,546	184,877	1,100	-	13,474	44,079	132,249	673,321



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

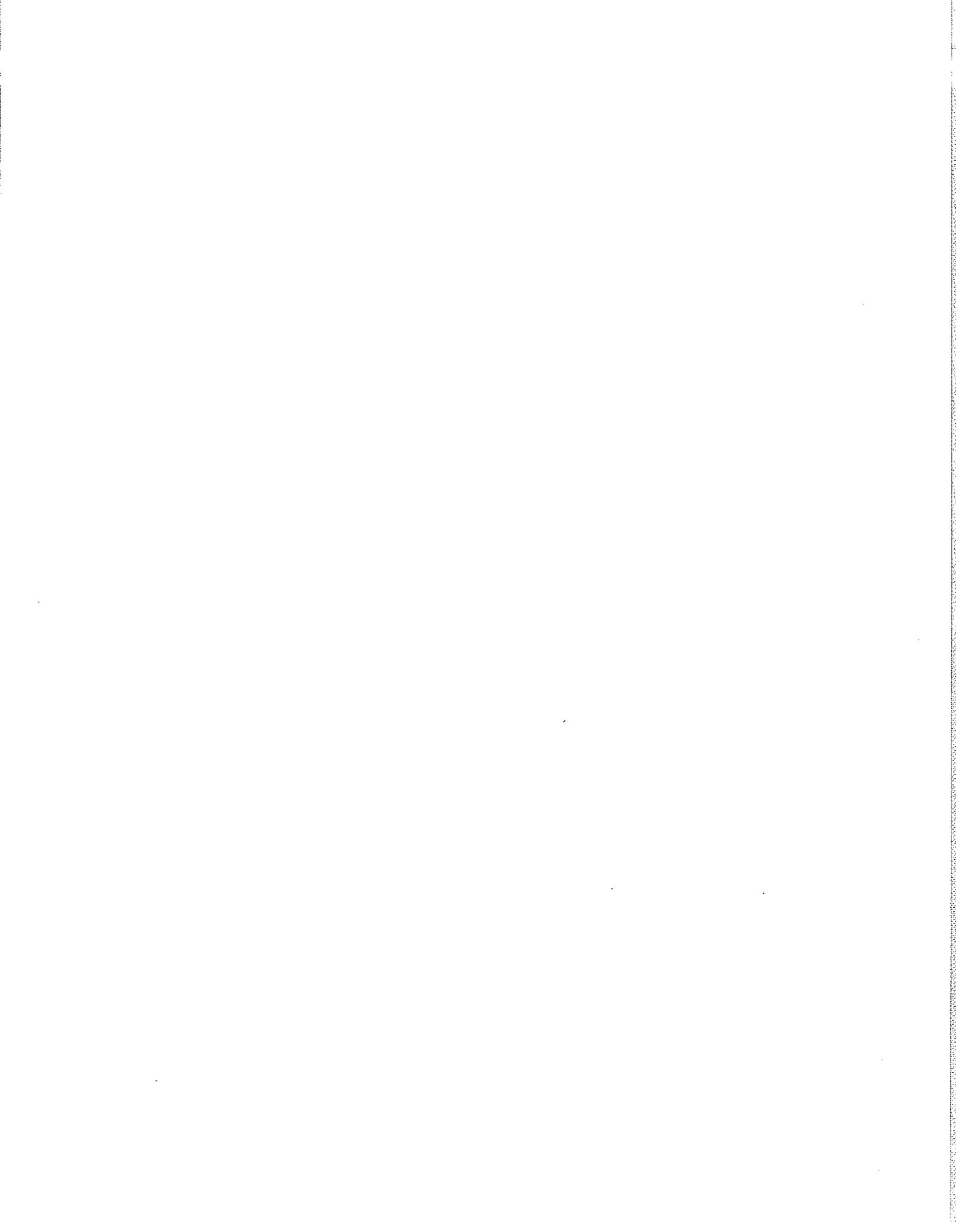
Funds restricted for the acquisition of a Town cemetery.

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, 2013

		Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
ASSETS					
Investments	\$	177,226	31,911	6,778	215,915
Interfund loans receivable		-	-	-	-
Total assets	\$	177,226	31,911	6,778	215,915
LIABILITIES					
Interfund loans payable		-	-	-	-
Total liabilities		-	-	-	-
FUND BALANCES					
Nonspendable		-	41,074	800	41,874
Committed		177,226	-	5,978	183,204
Unassigned		-	(9,163)	-	(9,163)
Total fund balances		177,226	31,911	6,778	215,915
Total liabilities and fund balances	\$	177,226	31,911	6,778	215,915

TOWN OF WINDHAM, MAINE
Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2013

	Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
Revenues:				
Interest and dividends	\$ 280	57	11	348
Lot sales	6,900	-	-	6,900
Total revenues	7,180	57	11	7,248
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	7,180	(2,743)	11	4,448
Fund balances, beginning of year	170,046	34,654	6,767	211,467
Fund balances, end of year	\$ 177,226	31,911	6,778	215,915