

**TOWN OF WINDHAM, MAINE**

**Annual Financial Report**

**June 30, 2004**



**TOWN OF WINDHAM, MAINE**  
**Annual Financial Report**  
**Year ended June 30, 2004**

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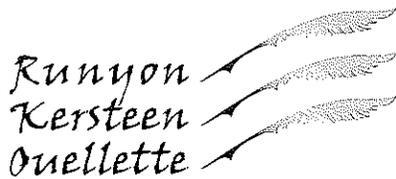
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Certified Public Accountants and Business Consultants

## Independent Auditor's Report

Town Council  
Town of Windham, Maine

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Windham, Maine as of and for the year ended June 30, 2004, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Windham, Maine as of and for the year ended June 30, 2004, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the Required Supplemental Information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The combining and individual fund schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Town Council  
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated August 13, 2004, on our consideration of the Town of Windham, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



August 13, 2004  
South Portland, Maine

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2004**

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As management of the Town of Windham, Maine we offer readers of the Town of Windham, Maine's financial statements this narrative overview and analysis of the financial activities of the Town of Windham for the fiscal year ended June 30, 2004. 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. The fiduciary activities include agency and trust funds which do not have a measurement focus and only report a balance sheet. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

***REPORTING THE TOWN AS A WHOLE***

**The Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about 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. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the Town's financial health or *financial position*. Over time, increases and decreases in the Town's net assets are one 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 Net Assets and Statement of Activities reports on the Town's *Governmental Activities*, which include administrative services, public works, police, fire and rescue, recreation and libraries, planning and code enforcement, assessing, town clerk, social services, debt and capital expenses. Property taxes, other taxes and user fees, license and permit fees, intergovernmental revenue, investments and other miscellaneous revenues finance these activities.

**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, management establishes other funds to help it control and manage money for particular purposes or to show that it is complying with legal requirements regarding the use of certain taxes, grants, or other money.

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**

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 left at year-end that are available for spending. 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 detailed shorter-term view of the Town's administrative services operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

**THE TOWN AS A WHOLE**

The Town is providing condensed financial information for the year 2004 and comparative information for 2003.

Statement of Net Assets (WEDC)	2004 Primary Govern- ment Activities	2004 Component Unit Activities (WEDC)	2003 Primary Govern- ment Activities	2003 Component Activities
Current and other assets	\$ 12,841,663	\$ 58,703	\$ 25,666,816	\$ 50,879
Capital assets	57,696,122	-	44,024,295	-
Total assets	70,537,785	\$ 58,703	69,691,111	50,879
Long-term debt outstanding	42,101,685	-	42,699,965	-
Other liabilities	4,452,533	-	3,897,832	-
Total liabilities	46,554,218	-	46,597,797	-
Net assets:				
Invested in capital assets	15,594,437	-	17,693,073	-
Restricted	2,645,109	-	41,874	-
Unrestricted	5,744,021	58,703	5,358,367	50,879
Total net assets	\$ 23,983,567	\$ 58,703	\$ 23,093,314	\$ 50,879

The next analysis focuses on changes in the net assets of the Town's governmental activities.

Statement of Activities	Governmental Activities	Component Unit (WEDC)	2004 Primary Government	2003 Primary Government
Revenues				
Program Revenues				
Charges for service	\$ 2,648,590	\$ -	\$ 2,648,590	\$ 2,404,965
Operating grants and contributions	12,541,337	25,000	12,566,337	12,270,244
Capital grants and contributions	667,125	-	667,125	-
General Revenues				
Property taxes	18,364,720	-	18,364,720	16,542,971
Motor vehicle excise tax	2,568,992	-	2,568,992	2,473,339
Franchise fees	61,980	-	61,980	61,464
Homestead exemption	311,457	-	311,457	424,435
Other state aid	14,369	-	14,369	13,266
State revenue sharing	1,152,899	-	1,152,899	1,081,829
Investment earnings	158,095	138	158,233	174,180
Sale of land	-	-	-	200,000
Miscellaneous revenues	1,105,668	-	1,105,668	1,166,676
Total Revenues	\$ 39,595,232	\$ 25,138	\$ 39,620,370	\$ 36,813,099

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**

Expenses				
Program Expenses				
Administrative services	\$ 2,343,633	\$ 17,314	\$2,360,947	\$ 2,560,801
Public safety	1,778,347	-	1,778,347	1,679,969
Fire/rescue services	1,288,920	-	1,288,920	1,236,735
Public works	2,646,157	-	2,646,157	2,501,619
Recreation services	349,273	-	349,273	351,810
County tax	780,524	-	780,524	742,901
Other	1,218,642	-	1,218,642	1,218,696
Education	25,590,535	-	25,590,535	23,913,820
Interest on debt	1,576,700	-	1,576,700	467,904
Capital improvements	1,132,098	-	1,132,098	2,565,626
<b>Total Expenses</b>	<b>\$ 38,704,979</b>	<b>\$ 17,314</b>	<b>\$ 38,722,293</b>	<b>\$ 37,239,881</b>
Net assets – beginning, as restated	\$ 23,093,314	\$ 50,879	\$ 23,144,193	\$ 23,570,975
Change in net assets	(\$ 890,253)	\$ 7,824	(\$ 898,077)	(\$ 426,782)
Net assets – ending	\$ 23,983,567	\$ 58,703	\$ 24,042,270	\$ 23,144,193

**GOVERNMENTAL ACTIVITIES**

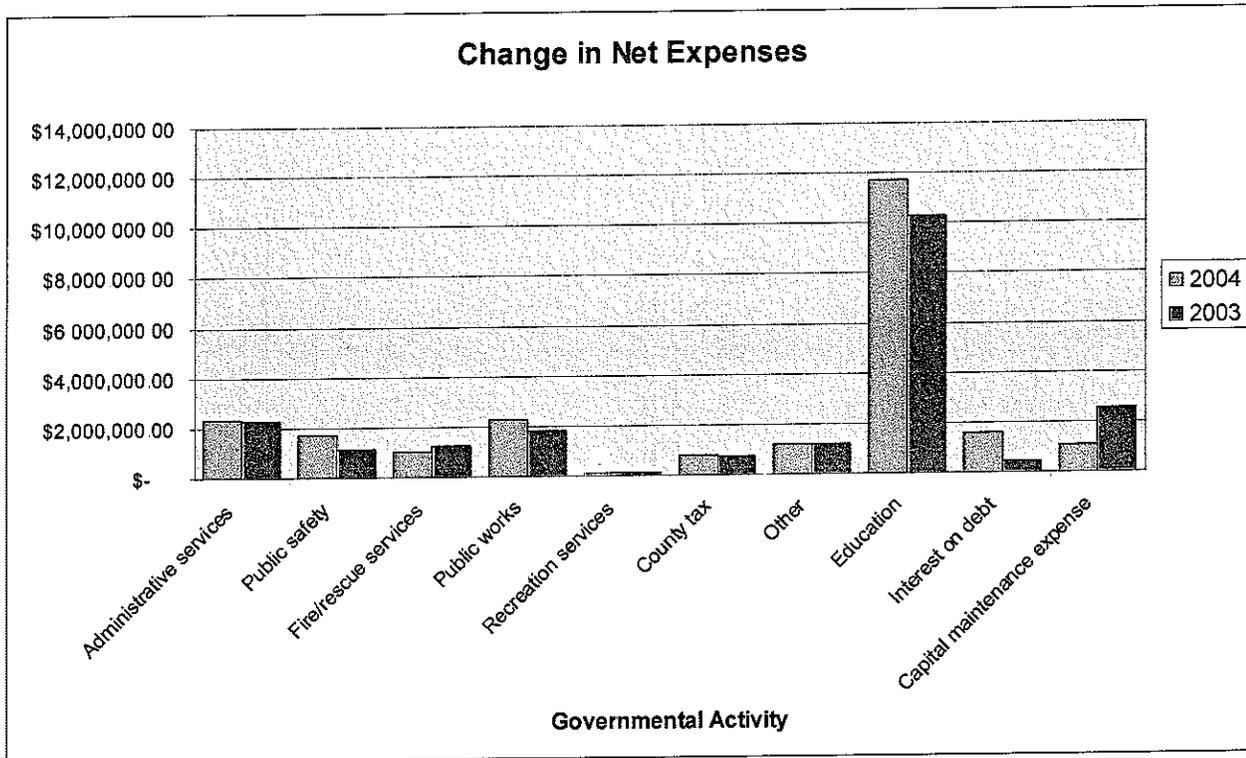
The cost of all governmental activities for 2004 was \$38,704,979. However, as shown in the statement of activities, the amount paid by taxpayers through local property taxes for these activities was \$18,364,720 because some of the cost was paid by those who directly benefited from the programs \$2,648,590. The Town paid for the remaining “public benefit” portion of governmental activities with \$17,691,669 in non-property taxes and other revenues, such as investment earnings, state revenue sharing, excise taxes, homestead exemption reimbursement, and other miscellaneous revenues.

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, debt and capital expenses. Each program’s net cost (total cost less revenues generated by the activities) is presented below for 2004.

The net expense represents that portion of governmental activities expenses that were 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.

Statement of Activities	2004 Expense	2004 Program revenue	2004 Net expense	2003 Net Expense
Governmental activity				
Administrative services	(\$ 2,343,633)	\$ -	(\$ 2,343,633)	(\$ 2,264,938)
Public safety	(1,778,347)	90,563	(1,687,784)	(1,152,977)
Fire/rescue services	(1,288,920)	270,020	(1,018,900)	(1,236,795)
Public works	(2,646,157)	1,344,728	(1,301,429)	(1,845,223)
Recreation services	(349,423)	215,773	(133,650)	(110,005)
County tax	(780,524)	-	(780,524)	(742,901)
Other	(1,218,642)	44,266	(1,174,376)	(1,173,572)
Education	(25,590,535)	13,860,668	(11,729,867)	(10,316,912)
Interest on debt	(1,576,700)	-	(1,576,700)	(467,904)
Capital maintenance expense	(1,132,098)	31,034	(1,101,064)	(2,543,627)
<b>Total government activities</b>	<b>(\$ 38,704,979)</b>	<b>\$ 15,857,052</b>	<b>(\$ 22,847,927)</b>	<b>(\$ 22,294,794)</b>

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**



Total resources of \$62,688,546 were available during the year to finance governmental activities, consisting of net assets of \$23,093,314 at July 1, 2003, program revenues amounting to \$15,857,052, and general revenues of \$23,738,180.

Total governmental activities expenses were \$38,704,979, resulting in an increase in net assets by \$890,253 from \$23,093,314 to \$23,983,567.

Total governmental activities expenses rose by \$1,760,961, or 4.77%, while net expenses for governmental activities increased by \$553,133, or 2.48% from 2003 to 2004.

**THE TOWN'S FUNDS**

The following is an analysis of balances in the Town and School's general fund for 2004. Comparative information is provided for fiscal years 2003 and 2002. Data from 2002 is included, though the Town did not begin reporting financial under GASB 34 until the start of the 2003 fiscal year.

Statement of Revenues	2004	2003	2002
Revenues by source			
Taxes	\$ 20,591,442	\$ 18,525,032	\$ 17,206,240
Licenses and permits	473,089	353,656	276,923
Intergovernmental revenue	12,555,114	12,620,977	10,173,555
Charges for service	1,036,216	962,189	1,148,212
Interest earned	135,264	143,948	213,123
Other revenues	661,317	533,929	392,091
<b>Total revenues</b>	<b>\$ 35,452,442</b>	<b>\$ 33,139,731</b>	<b>\$ 29,410,144</b>

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**

The following information compares general fund expenditures for 2004, 2003, and 2002.

Statement of Expenditures	2004	2003	2002
Expenditures by function			
Administrative services	\$ 2,207,687	\$ 2,195,859	\$ 2,037,912
Public safety	1,612,473	1,499,575	1,451,988
Fire/rescue services	1,187,745	1,100,401	1,019,172
Public works	2,530,688	2,362,681	2,085,518
Recreation services	187,805	185,591	184,579
County tax	780,524	742,901	638,514
Other	969,377	1,005,886	928,094
Education	22,231,858	21,093,780	18,243,754
Debt service	2,488,556	1,151,045	1,076,834
Capital outlay	716,789	1,182,959	649,759
Total expenditures	\$ 34,913,502	\$ 32,521,038	\$ 28,316,124

**DEBT ADMINISTRATION**

Debt, considered a liability of governmental activities, had a net decrease in 2004 of \$598,280 through a combination of new capital leases for equipment (\$308,767) and the retirement of debt principal (\$907,047).

Statement of Governmental Activities Debt	
Debt payable at June 30, 2003	\$ 42,699,965
<u>Add: new capital lease purchases (net of payments)</u>	<u>308,767</u>
Total debt before retirement of principal	\$ 43,008,732
<u>Less: debt retired</u>	<u>907,047</u>
Debt payable at June 30, 2004	\$ 42,101,685

**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, 2004 net capital assets of governmental activities totaled \$57,696,122, an increase of \$12,305,087 over the year ending June 30, 2003. The most significant changes resulted from continuing work on expansion and renovation of the high school. Depreciation on capital assets is recognized in the government-wide financial statements.

Statement of Capital Assets	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
Governmental activities				
Land, buildings and improvements	\$ 50,471,868	\$ 31,028,927	\$ 19,169,463	\$ 62,331,332
Vehicles	4,366,291	654,571	395,288	4,625,574
Machinery and equipment	4,224,843	1,261,013	170,186	5,315,670
Total capital assets	\$ 59,063,002	\$ 32,944,511	\$ 19,734,937	\$ 72,272,576
<u>Accumulated depreciation</u>	<u>(13,671,967)</u>	<u>(1,691,209)</u>	<u>(786,722)</u>	<u>14,576,454</u>
Total government activities	\$ 45,391,035	\$ 31,253,302	\$ 18,948,215	\$ 57,696,122

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**

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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 \$1,032,189 on road and street maintenance and improvements for the fiscal year ended June 30, 2004 through a combination of annual appropriations and bond funds. Both types of activities may contribute to improvements in the overall condition of roads. Based on a pavement condition rating conducted in 2004, the average rating for town roads has improved to 4.15, compared with an average rating of 3.21 when the town's first pavement condition rating survey done in 2001.

Including elements of road maintenance and improvement other than pavement condition, such as drainage systems, pedestrian and other amenities, and traffic safety, 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) through the year 2006 to be at least \$1,000,000, or \$500,000 per year.

Drainage structures (culverts, catch basins, etc.) are expected to be the subject of a condition assessment during fiscal 2005-2006.

## **BUDGETS AND BUDGETARY ACCOUNTING**

### **General Fund Budget Variances**

The 2003-2004 general fund budget increased 7.58% to \$23,217,308 from 2002-2003, due largely to anticipated debt service and interest costs associated with the renovation and expansion of the high school. Significant increases in state school construction assistance are expected in 2004-2005 to help offset some of the increases resulting from the high school project.

There were no supplemental appropriations during the fiscal year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**

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**Historical Trend**

As the Town enters fiscal 2005 it does so with solid financials, but with some serious short term demands on its resources. These demands result mainly from the costs (and/or lack of revenue) associated with interim local financing and initial debt service for the high school expansion and renovation project. The effects of these costs will be mitigated to a significant degree once the Town starts receiving funds for state participation in debt service, the debt service "circuit breaker," and share of operating costs, beginning in fiscal 2004-2005. There will also be additional costs to properly staff, operate and maintain the new facility which will be ongoing.

In order to achieve a tax rate acceptable to the community, a series of efforts using reserves and reallocation of carry-over funds has shielded taxpayers from the full effect of the additional debt costs of the high school expansion and renovation project as well as operating cost increases for both school and municipal operations. Continuing in this direction will increase the strain on the Town's resources, fund balance in particular, and will make it more difficult to maintain adequate levels of fund balance while providing current levels of service and implementing the Town's capital improvements plan.

**The Budget**

The approved budget for fiscal 2005 is \$36,277,635 and represents an increase of \$2,315,044 or 6.82% over the budget for fiscal 2004. Since fiscal 1999 the annual budget has increased by an average of 7.47% per year.

The original budget requests from department heads were based on preservation of the current level of programs and services. Other service or program needs were listed in the department's budget narrative but not included in their requests. The Town Council reviews and adjusts the budget as it sees fit and adopts a budget for recommendation to town meeting.

**Revenues/Surplus**

Amounts budgeted as revenue other than property taxes have increased from \$12,565,663 in 1999 to \$16,467,142 in the approved budget for 2005, an average annual increase of 5.75%. Over this period, other revenues have declined from about 53% of total revenues to 45% at the same time that the Town has become more accurate in its revenue forecasting and projection. This trend results from the Town acting to meet more of its capital equipment and facilities needs, which typically are not offset by other revenues, as well as responding to rising costs and service level expectations and demands in the community.

As the Town seeks to maximize use of non-property tax revenues in its budgeting it should remain conservative in its approach and leave an appropriate "safety margin" to guard against revenues failing to meet estimates. This will also contribute to maintaining an adequate level of fund balance. The Town should also be cautious in its use of fund balance as a tool in managing its local tax rate and use only sustainable levels as a normal practice, with higher amounts being used only to offset "one time" or otherwise unusual expenses.

**Major Increases**

The major increase in the governmental activities budget for 2005 is due to an additional \$1,952,973, an increase of 8.6%, in the education budget. Most of this increase is due to the costs of debt service for the high school renovation and expansion project approved by the voters in December 2000 plus costs associated with staffing and operating the larger building. Of the remaining \$362,071 increase in the 2005 budget wages, benefits, and other costs of providing essentially the same programs and services for 2005 as for 2004. County taxes, which are not included in the budget figures discussed above, increased \$14,575 or 1.9% to \$795,099 for fiscal 2004-2005. County taxes are established through the county's budget approval process and are allocated to cities and towns in the county according to state law. The Town has no control over the amount of, or the amount of increase in, county taxes.

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**

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**Savings/Increasing Demands**

The Town's department heads and senior staff are always looking for ways to use the Town's resources more efficiently, effectively, and economically, as well as to improve the overall quality of service received by citizens.

The Town has implemented a mail-in motor vehicle re-registration service as well as participating in the state's online "Rapid Renewal" program. These are examples of extending the availability of services beyond normal operating hours and locations, of bringing the service to the customer instead of the customer having to come to the service. More online services and access to information can be expected in the future.

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

Like many communities which have experienced, and continue to experience rapid rates of growth, Windham has sought to balance the need to provide services in response to growth, and growing expectations with a reasonable level of local property taxation. Capital equipment replacement and facilities funding have been increasing in recent years, along with the use of capital lease purchase agreements to help manage the impact of the costs to replace major equipment. Facilities funding has also increased, but will take longer to make a significant impact on meeting the long-term facilities needs of the Town.

**The Future**

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

In order to achieve stability in its local property tax rates and sustainability in its programs and services, the Town will need to work diligently to implement its comprehensive master plan and develop associated multi-year strategic and financial plans under the policy guidance and direction of the Town Council with appropriate and substantial input and involvement from citizens and other stakeholders.

**Summary**

The fiscal year 2005 budget will require an increase in the tax rate of \$1.70, from \$17.30 per thousand dollars of assessed value to \$19.00, an increase of 9.83%. This increase, the second of an anticipated two years of significant tax increases, is driven mainly by the high school expansion and renovation project approved by voters at referendum in December 2000. Among the projected costs disclosed to voters was the cost of interim local financing. Interim local financing allowed the high school project to be completed two years sooner than it would have been otherwise, taking advantage of lower bid prices and historically low interest rates.

The high school project has been regarded as the largest and most important capital facilities project for the Town to undertake. The project was nearing completion at the end of the fiscal year for which these reports were issued. In fiscal 2005 the Town will start to receive state assistance for debt repayment and operations. As debt for the high school and previous capital facilities projects is retired, the Town will be in a position to consider meeting other capital facilities needs as it carefully examines the costs of programs and services relative to the costs they incur.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF WINDHAM, MAINE**  
**Statement of Net Assets**  
**June 30, 2004**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit WEDC</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,878,922	58,703
Investments	882,525	-
Receivables:		
Accounts	100,663	-
Intergovernmental	179,834	-
Taxes receivable - prior years	90,717	-
Taxes receivable - current year	565,993	-
Tax liens	119,236	-
Inventory	23,773	-
Capital assets, net	57,696,122	-
Total assets	70,537,785	58,703
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	1,193,596	-
Accrued payroll	1,824,759	-
Compensated absences payable	1,135,789	-
Accrued interest	247,838	-
Taxes paid in advance	50,551	-
Noncurrent liabilities:		
Due within one year	1,585,706	-
Due in more than one year	40,515,979	-
Total liabilities	46,554,218	-
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	15,594,437	-
Restricted for:		
Capital projects	2,603,235	-
Nonexpendable trust principal	41,874	-
Unrestricted	5,744,021	58,703
Total net assets	\$ 23,983,567	58,703

*See accompanying notes to financial statements.*

**TOWN OF WINDHAM, MAINE**  
**Statement of Activities**  
**For the year ended June 30, 2004**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government	Component Unit
					Governmental activities	WEDC
<b>Primary government:</b>						
Governmental activities:						
Administrative services	\$ 2,343,633	-	-	-	(2,343,633)	-
Public safety	1,778,347	10,618	79,945	-	(1,687,784)	-
Fire/rescue services	1,288,920	270,020	-	-	(1,018,900)	-
Public works	2,646,157	444,170	233,433	667,125	(1,301,429)	-
Recreation services	349,423	215,773	-	-	(133,650)	-
County tax	780,524	-	-	-	(780,524)	-
Other	1,218,642	-	44,266	-	(1,174,376)	-
Education	25,590,535	1,708,009	12,152,659	-	(11,729,867)	-
Interest on debt service	1,576,700	-	-	-	(1,576,700)	-
Capital maintenance expenses	1,132,098	-	31,034	-	(1,101,064)	-
Total governmental activities	38,704,979	2,648,590	12,541,337	667,125	(22,847,927)	-
<b>Total primary government</b>	<b>\$ 38,704,979</b>	<b>2,648,590</b>	<b>12,541,337</b>	<b>667,125</b>	<b>(22,847,927)</b>	<b>-</b>
<b>Component unit:</b>						
WEDC	17,314	-	25,000	-	-	7,686
<b>General revenues:</b>						
Property taxes, levied for general purposes					18,364,720	-
Excise taxes					2,568,992	-
Supplemental taxes and lien fees					31,190	-
Motor vehicle Registration fees					58,088	-
Franchise fees					61,980	-
Licenses and permits					415,001	-
<b>Grants and contributions not restricted to specific programs:</b>						
Homestead exemption					311,457	-
Other State aid					14,369	-
State Revenue Sharing					1,152,899	-
Unrestricted investment earnings					158,095	138
Miscellaneous					601,389	-
Total general revenues and transfers					23,738,180	138
Change in net assets					890,253	7,824
Net assets - beginning, as restated					23,093,314	50,879
<b>Net assets - ending</b>					<b>\$ 23,983,567</b>	<b>58,703</b>

*See accompanying notes to financial statements*

**TOWN OF WINDHAM, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**

	General	School Operations	High School Construction (State)	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 10,430,540	-	-	448,382	10,878,922
Investments	581,577	-	-	300,948	882,525
Receivables:					
Accounts	72,937	6,530	-	21,196	100,663
Intergovernmental	-	63,001	-	116,833	179,834
Taxes receivable - prior years	90,717	-	-	-	90,717
Taxes receivable - current year	565,993	-	-	-	565,993
Tax liens	119,236	-	-	-	119,236
Interfund loans receivable	-	2,121,475	2,902,791	1,880,595	6,904,861
Inventory	-	-	-	23,773	23,773
<b>Total assets</b>	<b>\$ 11,861,000</b>	<b>2,191,006</b>	<b>2,902,791</b>	<b>2,791,727</b>	<b>19,746,524</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	268,363	92,970	615,290	7,343	983,966
Accrued payroll	162,689	1,607,430	-	54,640	1,824,759
Interfund loans payable	6,823,743	-	-	81,118	6,904,861
Taxes paid in advance	50,551	-	-	-	50,551
Deferred tax revenue	512,000	-	-	-	512,000
Unearned income - impact fees	77,176	-	-	-	77,176
Inspection deposits and miscellaneous liabilities	132,454	-	-	-	132,454
<b>Total liabilities</b>	<b>8,026,976</b>	<b>1,700,400</b>	<b>615,290</b>	<b>143,101</b>	<b>10,485,767</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Inventory	-	-	-	23,773	23,773
Nonexpendable trust principal	-	-	-	41,874	41,874
<b>Unreserved:</b>					
Designated - subsequent year	1,947,286	150,000	-	-	2,097,286
Designated - capital reserve	-	340,606	-	-	340,606
<b>Unreserved, reported in:</b>					
General fund	1,886,738	-	-	-	1,886,738
Special revenue funds	-	-	-	2,149,439	2,149,439
Capital projects funds	-	-	2,287,501	315,734	2,603,235
Permanent funds	-	-	-	117,806	117,806
<b>Total fund balances</b>	<b>3,834,024</b>	<b>490,606</b>	<b>2,287,501</b>	<b>2,648,626</b>	<b>9,260,757</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,861,000</b>	<b>2,191,006</b>	<b>2,902,791</b>	<b>2,791,727</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	57,696,122
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	512,000
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	(1,135,789)
Accrued interest	(247,838)
Capital leases	(1,712,692)
Bonds payable	(40,388,993)

**Net assets of governmental activities** **\$ 23,983,567**

*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, 2004**

	General	School Operations (Schedule B)	High School Construction (State)	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 20,591,442	-	-	391,460	20,982,902
Licenses and permits	473,089	-	-	-	473,089
Intergovernmental	1,756,424	10,798,690	-	1,464,948	14,020,062
Charges for services	456,437	579,779	-	1,342,354	2,378,570
Interest earned	135,264	-	-	22,831	158,095
Other	403,499	257,818	-	272,072	933,389
<b>Total revenues</b>	<b>23,816,155</b>	<b>11,636,287</b>	<b>-</b>	<b>3,493,665</b>	<b>38,946,107</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Administrative services	2,207,687	-	-	-	2,207,687
Public safety	1,612,473	-	-	79,634	1,692,107
Fire/rescue services	1,187,745	-	-	-	1,187,745
Public works	2,530,688	-	-	-	2,530,688
Recreation services	187,805	-	-	155,519	343,324
County tax	780,524	-	-	-	780,524
Other	969,377	-	-	7,100	976,477
Education	-	22,231,858	-	2,781,799	25,013,657
Debt service	371,085	2,117,471	-	-	2,488,556
Capital outlay	716,789	-	12,984,048	2,016,360	15,717,197
<b>Total expenditures</b>	<b>10,564,173</b>	<b>24,349,329</b>	<b>12,984,048</b>	<b>5,040,412</b>	<b>52,937,962</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>13,251,982</b>	<b>(12,713,042)</b>	<b>(12,984,048)</b>	<b>(1,546,747)</b>	<b>(13,991,855)</b>
<b>Other financing sources (uses):</b>					
Capital lease proceeds	-	-	-	735,822	735,822
Operating transfers - in	304,326	12,386,862	73,277	484,101	13,248,566
Operating transfers - out	-	(284,208)	-	-	(284,208)
Operating transfers - out - Sewer	(46,000)	-	-	-	(46,000)
Operating transfers - out - Equipment replacement	(385,000)	-	-	-	(385,000)
Operating transfers - out - School appropriation	(12,530,558)	-	-	-	(12,530,558)
Operating transfers - out - General Fund	-	-	-	(2,800)	(2,800)
<b>Total other financing sources (uses)</b>	<b>(12,657,232)</b>	<b>12,102,654</b>	<b>73,277</b>	<b>1,217,123</b>	<b>735,822</b>
<b>Net change in fund balances</b>	<b>594,750</b>	<b>(610,388)</b>	<b>(12,910,771)</b>	<b>(329,624)</b>	<b>(13,256,033)</b>
<b>Fund balances, beginning of year</b>	<b>3,239,274</b>	<b>1,100,994</b>	<b>15,198,272</b>	<b>2,978,250</b>	<b>22,516,790</b>
<b>Fund balances, end of year</b>	<b>\$ 3,834,024</b>	<b>490,606</b>	<b>2,287,501</b>	<b>2,648,626</b>	<b>9,260,757</b>

*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, 2004**

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Net change in fund balances - total governmental funds (from Statement 4)	\$	(13,256,033)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$14,516,402) exceeded depreciation expense (\$1,691,209) in the current period.		12,825,193
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(18,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(107,368)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		539,414
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of the repayments.		907,047

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<b>Change in net assets of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>890,253</b>
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*See accompanying notes to financial statements.*

**TOWN OF WINDHAM, MAINE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**General Fund**  
**For the year ended June 30, 2004**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 20,239,555	20,239,555	20,591,442	351,887
Licenses and permits	331,200	331,200	473,089	141,889
Intergovernmental	1,656,957	1,656,957	1,756,424	99,467
Charges for services	506,900	506,900	456,437	(50,463)
Interest earned	120,000	120,000	135,264	15,264
Other	462,696	462,696	403,499	(59,197)
<b>Total revenues</b>	<b>23,317,308</b>	<b>23,317,308</b>	<b>23,816,155</b>	<b>498,847</b>
Expenditures:				
Current:				
Administrative services	2,546,819	2,546,819	2,207,687	339,132
Public safety	1,694,273	1,694,273	1,612,473	81,800
Fire/rescue services	1,204,783	1,204,783	1,187,745	17,038
Public works	2,499,440	2,499,440	2,530,688	(31,248)
Recreation services	203,289	203,289	187,805	15,484
County tax	780,524	780,524	780,524	-
Other	1,098,783	1,098,783	969,377	129,406
Debt service	374,006	374,006	371,085	2,921
Capital outlay	2,094,699	2,094,699	716,789	1,377,910
<b>Total expenditures</b>	<b>12,496,616</b>	<b>12,496,616</b>	<b>10,564,173</b>	<b>1,932,443</b>
<b>Excess of revenues over expenditures</b>	<b>10,820,692</b>	<b>10,820,692</b>	<b>13,251,982</b>	<b>2,431,290</b>
Other financing sources (uses):				
Use of undesignated fund balance	1,911,540	1,911,540	-	(1,911,540)
Operating transfers from other funds	229,326	229,326	304,326	75,000
Operating transfers to other funds	(12,961,558)	(12,961,558)	(12,961,558)	-
<b>Total other financing sources (uses)</b>	<b>(10,820,692)</b>	<b>(10,820,692)</b>	<b>(12,657,232)</b>	<b>(1,836,540)</b>
Net change in fund balance	-	-	594,750	594,750
Fund balance, beginning of year			3,239,274	
<b>Fund balance, end of year</b>	<b>\$</b>		<b>3,834,024</b>	

*See accompanying notes to financial statements.*

**TOWN OF WINDHAM, MAINE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2004**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash	\$ 209,255
<b>Total assets</b>	<b>\$ 209,255</b>
<b>LIABILITIES</b>	
Due to student groups	209,255
<b>Total liabilities</b>	<b>\$ 209,255</b>

*See accompanying notes to financial statements.*

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**A. Reporting Entity**

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

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

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

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

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

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

The Town reports the following major governmental funds:

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

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

The High School Construction Capital Project Fund is used to account for a major High School construction project.

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:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**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).

**F. Inventories**

Inventories are valued at the lower of cost (first-in, first-out basis) or market, and consist of food and supplies, and include the value of government surplus items donated to the School Lunch Program.

**G. Capital Assets**

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

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

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

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

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

Property, plant, and equipment of the primary government is depreciated using the straight line method over the assets' estimated useful lives ranging from 5 to 40 years.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local government's basic financial statements. In accordance with Statement No. 34, the Town has included the value of, at a minimum, "major" infrastructure assets as defined in GASB Statement No. 34 that were acquired, constructed or significantly reconstructed, or that received significant improvements after June 30, 1980 into the 2003-2004 basic financial statements.

The Town elected to use the Modified Approach as defined by Statement No. 34 only for roads. The Town performed a physical assessment of all road conditions in 2004, since that is the only infrastructure for which the Modified Approach is being used. This condition assessment will be performed every 3 years.

The Town commissioned a physical condition assessment of the streets and roads in 2001 and again, three years later, in 2004. 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, fair - poor condition was assigned to those segments with a rating between 2.01 – 2.40, poor condition was assigned to those segments with a rating between 1.61 – 2.00, and very poor condition was assigned to those segments with a rating between 0.00 – 1.60. The Town's policy relative to maintaining the street assets is to achieve a minimum rating of 2.81 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds.

In 2001 and again in 2004, the Town subcontracted with an independent engineering firm to inventory and perform a condition assessment on all roads. Other infrastructure assets, catch basins and manholes, storm drainage, sidewalks and bridges are recorded using the Depreciation Approach.

In accordance with GASB Statement No. 34, the Town is required to retroactively report all major general infrastructure assets by June 30, 2007. As of June 30, 2004, the Town has not yet determined the amount to be recorded for storm drainage, catch basins and manholes.

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 has completed an internal update for June 30, 2004.

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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**H. Vacation and Sick Leave**

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. Accumulated vacation time has been recorded in the General Fund if it is expected to be liquidated with expendable available financial resources. Sick time accumulated for individuals who have reached retirement age has also been recorded as a liability in the General Fund. Sick time is not paid unless an employee is ill, or retires in good standing. Amounts of accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements.

**I. Long-Term Obligations**

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

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

**J. Fund Equity**

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

**K. Interfund Transactions**

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

**L. Use of Estimates**

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**M. Comparative Data/Reclassifications**

Comparative data for the prior year has been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**A. Budgetary Information**

Budgets are formally adopted for the General Fund, School Operations Fund and Adult Education 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, School Board and through grant agreements.

In the General Fund, the level of control (level at which expenditures may not exceed budget) is the Department. The Town has adopted the Expenditure Control Budgeting Policy. This policy allows all unexpended departmental budgetary accounts except for salary and benefit lines to be carried over to the succeeding year's budget. 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.

In the School Operations Fund, the level of control is also the Department. Generally, all unexpended budgetary accounts lapse to the School Operations Fund fund balance at the close of the fiscal year. Once adopted, the budget can be amended by the School Board, but only through transfers between expenditure accounts.

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 employed in the governmental funds during the year. At year end, open encumbrances are reviewed and either recorded as a liability, carried forward as a designation of fund balance or voided.

**B. Budgetary vs. GAAP Basis of Accounting**

As required by accounting principles generally accepted in the United States of America (GAAP), the Town has recorded a revenue and an expenditure for Maine State Retirement contributions made by the State of Maine on behalf of the Windham School Department. These amounts have not been budgeted in the School Operations Fund (a special revenue fund) and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$2,141,000. These amounts have been included as an intergovernmental revenue and an education expenditure in the Special Revenue Funds on Statement 2 (GAAP basis) and Statement 4. There is no effect on the fund balance at the end of the year.

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

**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>
2004 budget as originally adopted	\$ 34,653,960	(34,653,960)	-
Designated carryforward balance	-	(1,071,477)	1,071,477
Budgeted use of surplus	(840,063)	-	840,063
Transfer to Sewer Fund	-	46,000	(46,000)
Transfer to Equipment Replacement Fund	-	385,000	(385,000)
Transfer to School	(10,163,899)	22,694,457	(12,530,558)
Transfer from Cemetery	(2,800)	-	2,800
Transfer from IIF	(226,526)	-	226,526
Budgeted IIF fund variance (\$494,823 - \$391,460)	(103,364)	103,364	-
<b>Totals</b>	<b>\$ 23,317,308</b>	<b>(12,496,616)</b>	<b>(10,820,692)</b>

**DEPOSITS AND INVESTMENTS**

The Town's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk. The funds are invested in liquid investments with maturities planned to coincide with the Town's cash needs during the year.

**A. Deposits**

The Town's deposits are categorized as follows to give an indication of the level of risk assumed by the Town at year end: Category 1 includes deposits covered by federal depository insurance or by collateral held by the Town or by the Town's agent in the Town's name; category 2 includes uninsured deposits covered by collateral held by the pledging financial institution's trust department or agent in the Town's name; category 3 includes uninsured and uncollateralized deposits.

At June 30, 2004, cash and cash equivalents consisted of:

	<u>Carrying amount</u>	<u>Bank balance</u>	<u>Category</u>		
			<u>1</u>	<u>2</u>	<u>3</u>
Petty cash	\$ 1,140	-	-	-	-
Checking and savings accounts	11,087,037	11,527,250	665,008	7,914,532	2,947,711
<b>Total cash and cash equivalents</b>	<b>\$ 11,088,177</b>	<b>11,527,250</b>	<b>665,008</b>	<b>7,914,532</b>	<b>2,947,710</b>

**B. Investments**

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. Generally, the Town invests such excess funds in mutual funds and certificates of deposits.

Investments are classified into 3 categories. Category 1 includes investments which are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments held by the financial institution's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent, but not in the Town's name.

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

**DEPOSITS AND INVESTMENTS, CONTINUED**

At June 30, 2004, investments consisted of the following:

	Carrying value (fair value)	Category		
		<u>1</u>	<u>2</u>	<u>3</u>
Treasury Bonds	\$ 10,086	10,086	-	-
Mutual Funds (1)	872,439	-	-	-
<b>Total investments</b>	<b>\$ 882,525</b>	<b>10,086</b>	<b>-</b>	<b>-</b>

(1) Mutual funds are not required to be categorized in any of the three above categories because they are not evidenced by securities that exist in physical or book entry form.

**PROPERTY TAX**

Property taxes for the current year were committed on August 13, 2003 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 2, 2003 and April 2, 2004. Assessed values are periodically established by the Town's Assessor at 85% 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 \$22,499 for the year ended June 30, 2004.

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 2004 and 2003 levies:

	<u>2004</u>	<u>2003</u>
Assessed value	\$ 1,038,780,300	998,310,200
Tax rate (per \$1,000)	17.30	16.15
Commitment	17,970,917	16,122,721
Supplemental taxes assessed	21,110	24,800
	17,992,027	16,147,521
Less:		
Abatements	23,786	9,084
Collections	17,402,248	15,663,376
<b>Receivable at June 30</b>	<b>\$ 565,993</b>	<b>475,061</b>
Due date(s)	(1/2) October 1, 2003 (1/2) April 1, 2004	(1/2) October 1, 2002 (1/2) April 1, 2003
Interest rate on delinquent taxes	7%	8.75%
Collection rate	96.85%	97.06%

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

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance June 30, <u>2003</u>	<u>Increases</u>	Decreases and adjustments (see below)	Balance June 30, <u>2004</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,675,165	66,569	-	1,741,734
School land	592,280	-	-	592,280
<u>Construction in progress</u>	<u>17,579,927</u>	<u>-</u>	<u>17,579,927</u>	<u>-</u>
<b>Total capital assets, not being depreciated</b>	<b>19,847,372</b>	<b>66,569</b>	<b>17,579,927</b>	<b>2,334,014</b>
Capital assets, being depreciated:				
Buildings	4,294,623	-	61,068	4,233,555
Equipment	2,698,229	325,988	-	3,024,217
Vehicles	3,004,279	600,326	359,288	3,245,317
School vehicles	1,362,012	54,245	36,000	1,380,257
School equipment	1,526,614	500,089	170,186	1,856,517
School buildings	18,565,113	30,295,233	1,528,468	47,331,878
School furniture	-	434,936	-	434,936
<u>Infrastructure</u>	<u>7,764,760</u>	<u>667,125</u>	<u>-</u>	<u>8,431,885</u>
<b>Total capital assets, being depreciated</b>	<b>39,215,630</b>	<b>32,877,942</b>	<b>2,155,010</b>	<b>69,938,562</b>
Less accumulated depreciation for:				
Buildings	1,540,009	103,474	4,265	1,639,218
Equipment	1,287,546	416,621	-	1,704,167
Vehicles	1,182,388	264,418	216,154	1,230,652
School vehicles	712,215	135,735	36,000	811,950
School equipment	1,048,745	131,989	108,554	1,072,180
School buildings	7,458,916	603,279	421,749	7,640,446
<u>Infrastructure</u>	<u>442,148</u>	<u>35,693</u>	<u>-</u>	<u>477,841</u>
<b>Total accumulated depreciation</b>	<b>13,671,967</b>	<b>1,691,209</b>	<b>786,722</b>	<b>14,576,454</b>
<b>Total capital assets being depreciated, net</b>	<b>25,543,663</b>	<b>31,186,733</b>	<b>1,368,288</b>	<b>55,362,108</b>
<b>Governmental assets, net</b>	<b>\$ 45,391,035</b>	<b>31,253,302</b>	<b>18,948,215</b>	<b>57,696,122</b>

Capital assets at June 30, 2003 have been restated by \$1,366,740 as a result of deleting certain assets that fall below the Town's capitalization threshold of \$5,000 for equipment and vehicles and \$25,000 for buildings and improvements. The School Department recently completed a full review of inventory of vehicles, equipment, furniture and buildings. These detailed listings removed amounts that were previously carried below the capitalization threshold for these capital asset categories. Accumulated depreciation was adjusted accordingly. This resulted in much of the decreases reported in capital asset totals. Beginning net assets on the Statement of Activities has been restated accordingly. The following summarizes the restatement of capital assets and beginning net assets:

	<u>2003 capital assets (net)</u>	<u>2003 net assets</u>
As previously reported	\$ 45,391,035	24,460,054
<u>Adjustment, net (recorded as decreases)</u>	<u>(1,366,740)</u>	<u>(1,366,740)</u>
<b>As restated</b>	<b>\$ 44,024,295</b>	<b>23,093,314</b>

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

**CAPITAL ASSETS, CONTINUED**

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

Governmental activities:

Town:

Administrative services	\$ 90,314
Public safety	86,240
Fire/rescue services	176,065
Public works	219,323
Recreation	6,099
Other (Town Clerk, Library, and Cemetery)	242,165

School:

Administration	28,257
Buildings and grounds	499,871
High school	129,088
Manchester Arlington	28,712
Middle school	5,904
Primary school	7,013
Art and music	4,759
Business office	8,049
REAL School	931
Transportation	135,735
Athletics	22,684

**Total depreciation expense – governmental activities      \$ 1,691,209**

**INTERFUND BALANCES**

Individual interfund receivable and payable balances at June 30, 2004, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	6,823,743
Special revenue funds:		
Town special revenue funds	1,235,130	-
School operations	2,121,475	-
Sweetser fund	103,831	-
School special revenue funds	67,716	34,692
R.E.A.L. School	31,103	-
Adult education	127,081	-
School lunch program	-	43,626
Capital project funds:		
High School construction	2,902,791	-
Locally funded school projects	315,734	-
Permanent funds:		
Perpetual Care fund	-	2,800
<b>Totals</b>	<b>\$ 6,904,861</b>	<b>6,904,861</b>

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

**ACCRUED PAYROLL**

The Town records the liability for teachers' and certain other contracted employees' summer salaries and for wages and related expenditures of hourly employees. At June 30, 2004, accrued wages amounted to \$1,824,759, of which \$1,662,070 applies to the School Funds and the remaining \$162,689 applies to the Town's General Fund.

**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, 2004, the Town has not exceeded these percentages.

**CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 41,296,040	-	907,047	40,388,993	1,155,371
Capital leases	1,403,924	848,182	539,414	1,712,692	430,335
<b>Totals</b>	<b>\$ 42,699,964</b>	<b>848,182</b>	<b>1,446,461</b>	<b>42,101,685</b>	<b>1,585,706</b>

**LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2004:

	<u>Primary government</u>
General obligation bonds, notes and capital leases payable at June 30, 2003	\$ 42,699,964
Principal additions	848,182
Debt retired	1,446,461
<b>General obligation bonds, notes and capital leases payable at June 30, 2004</b>	<b>\$ 42,101,685</b>

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

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**LONG-TERM DEBT, CONTINUED**

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General obligation bonds, notes, and capital leases payable at June 30, 2004 are comprised of the following:

Primary government:

	<u>Original amount</u>	<u>Interest rate</u>	<u>Final maturity date</u>	<u>Balance end of year</u>
<u>General obligation bonds and promissory notes</u>				
1988 Elementary school construction	\$ 7,765,000	Var.	2008	1,540,000
1989 Public safety building construction	1,600,000	Var.	2009	400,000
1999 Manchester School	2,820,000	Var.	2015	2,235,708
2001 Windham School	710,475	Var.	2007	426,285
<u>2003 General Obligation Bonds</u>	<u>35,787,000</u>	<u>Var.</u>	<u>2025</u>	<u>35,787,000</u>
Total general obligation bonds and promissory notes				<u>\$ 40,388,993</u>
<u>Capital leases</u>				
Town:				
2001 Grader		6.150%	2005	\$ 37,438
2002 Squad Truck		3.49%	2006	149,780
2002 Loader and sweeper		3.49%	2007	147,438
2003 Dump Truck		3.585%	2008	85,232
2004 Aerial Platform & Ladder Truck		3.55%	2014	735,822
School:				
2003 Passenger Freightliner bus (1)		4.50%	2007	31,692
2004 Passenger Freightliner bus (1)		4.78%	2008	42,360
2001 Copiers		3.50%	2009	172,108
2002 Passenger Freightliner bus		4.25%	2006	20,117
2000 Subfinder		6.10%	2005	4,187
2003 Climate Control		4.00%	2007	232,466
2003 Technology		3.75%	2005	54,052
Total capital leases				<u>1,712,692</u>
<b>Total primary government general obligation bonds, promissory notes and capital leases</b>				<b><u>\$ 42,101,685</u></b>

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

**LONG-TERM DEBT, CONTINUED**

The annual requirements to amortize all debt outstanding as of June 30, 2004 on primary government general obligation bonds and notes with interest ranging from 4.00% to 7.50% are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,155,371	1,527,340	2,682,711
2006	2,449,997	1,457,246	3,907,243
2007	2,452,072	1,400,372	3,852,444
2008	2,462,576	1,340,899	3,803,475
2009	2,080,648	1,275,590	3,356,238
2010-2014	10,152,095	5,325,980	15,478,075
2015-2019	9,306,234	3,352,806	12,659,040
2020-2024	9,050,000	1,404,869	10,454,869
2025-2026	1,280,000	32,000	1,312,000
<b>Totals</b>	<b>\$ 40,388,993</b>	<b>17,117,102</b>	<b>57,506,095</b>

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, 2004:

<u>Fiscal year ending</u>	<u>Town</u>	<u>School</u>	<u>Total capital leases</u>
2005	\$ 283,990	205,601	489,591
2006	242,031	155,764	397,795
2007	162,812	155,764	318,576
2008	111,951	49,629	161,580
2009	88,699	37,744	126,443
2010-2014	443,497	-	443,497
Total minimum lease payment	1,332,980	604,502	1,937,482
Less amount representing interest	177,270	47,520	224,790
<b>Present value of future minimum lease payments</b>	<b>\$ 1,155,710</b>	<b>556,982</b>	<b>1,712,692</b>

**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	\$ 40,388,993	100%	40,388,993
Cumberland County	14,580,000	4.3%	622,245
Portland Water District	26,015,000	6.3298%	1,646,691
Town of Gorham - Little Falls sewer project	53,150	83.39%	44,320

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

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**RISK MANAGEMENT**

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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 and the School Department participates in a public entity risk pool sponsored by the Maine School Management 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, 2004.

**CONTINGENT OBLIGATIONS**

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**Regional Waste Systems**

Regional Waste Systems, Inc. (RWS), a Maine corporation with twenty participating municipalities including the Town of Windham, has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of RWS, payable from and secured by a pledge of RWS revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of the State of Maine, or a pledge of the full faith and credit of any political subdivision of the State of Maine. RWS has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to RWS for processing, to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service of the bonds. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2004, outstanding bonds of RWS totaled \$62,835,000 of which the Windham share, based on estimated tonnage to be delivered, amounted to 4.77% or \$2,999,613.

RWS operates a licensed balefill and ashfill site for which projected landfill closure and postclosure care costs approximate \$18,895,132 at June 30, 2004, the most recent date available. The Town's proportionate share of these estimated landfill closure and postclosure care costs is 4.92% or \$929,520.

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

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**DESIGNATED FUND BALANCE**

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At June 30, 2004 and 2003, portions of the General Fund and special revenue fund balance were appropriated to future periods as follows:

	<u>2004</u>	<u>2003</u>
General Fund:		
Expenditure control budgeting - department carryovers	\$ 79,332	49,203
Other:		
Road resurfacing	602,108	377,222
Cemetery	2,554	3,607
Contingency	-	1,051
300th anniversary	9,963	9,963
Paramedics	-	28,405
Town land/building improvements	736,334	553,207
Town management	23,976	27,173
Recreation	-	986
Solid waste	-	15,000
Assessor's office	-	5,660
Unappropriated TIF	493,019	-
<b>Total General Fund</b>	<b>\$ 1,947,286</b>	<b>1,071,477</b>
Special revenue fund:		
Carry over for future years - education	\$ 490,606	950,994
<b>Total special revenue fund</b>	<b>\$ 490,606</b>	<b>950,994</b>

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**STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES**

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

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**EMPLOYEE'S RETIREMENT SYSTEM**

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**A. Maine State Retirement - Teachers Group**

**Teacher Group** - All teachers, plus other qualified educators, participate in the Maine State Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State Legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

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

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**EMPLOYEE'S RETIREMENT SYSTEM, CONTINUED**

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**Funding Policy** - Plan members are required to contribute 6.5% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$2,141,000 (17.62%) for the fiscal year 2004. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements (Statements 2 and 4). There is no contribution required by the School except for federally funded teachers, for which the School contributed 17.62% of their compensation. This cost is charged to the applicable grant.

**B. Deferred Compensation Plan**

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

**School Department Plan** - The Windham School Department offers its entire support staff 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.

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**ARBITRAGE REBATE**

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Pursuant to the Tax Reform Act of 1986, municipalities issuing tax-exempt bonds or entering into note or lease obligations are required to perform an arbitrage rebate calculation upon the fifth anniversary of the obligation and to remit such rebate to the federal government, subject to certain exceptions. One such exception applies to small issuers and provides that no arbitrage rebate will be due if the municipality issues less than \$5 million in a calendar year. Since August 15, 1986, the effective date of these rules, the Town has not issued more than \$5 million in any calendar year except for the 1988 elementary school construction issue for which rebatable arbitration has been calculated and reported and the 2003 High School Addition for which a calculation is not yet due.

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**LANDFILL CLOSURE COSTS AND POSTCLOSURE CARE COSTS**

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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, Continued**

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**TAX INCREMENT FINANCING DISTRICT**

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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 five years, with a physical expansion of approximately one acre, and increased the maximum revenues to \$2,000,000 over its ten year life. Funds are anticipated to be appropriated to the district on an annual basis by the Council and budgetary town meeting. For the year ended June 30, 2004, \$215,560 of tax revenues were captured and reported as TIF district revenues.

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, 2004, \$175,900 of tax revenues were captured and reported as TIF district revenues.

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**CONSTRUCTION COMMITMENT**

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At June 30, 2004, the School was committed to contracts for the design and construction of the Windham High School additions and renovation project for \$27,015,127 of which \$1,707,013 remains to be paid.

**TOWN OF WINDHAM, MAINE**  
**Required Supplementary Information**  
**June 30, 2004**

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**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 2004 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 will need to be 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, 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**

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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	Fair – Poor
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.

Approximately 563 sites were rated on 95.73 miles of roadway, resulting in an average of greater than six rating sites per mile. 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. 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.

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 2004, the estimated cost to treat all eligible roadways (with condition ratings of less than 3.21) was estimated (in 2004 dollars) at \$510,000. The estimated cost to treat all eligible roads, allowing for deterioration through 2009, is estimated at \$825,000. Since 2001 the Town has appropriated and/or expended \$5,000,000 for roadway maintenance and improvements other than routine maintenance. The Town expended \$1,032,189 on road and street maintenance and improvements for the fiscal year ended June 30, 2004 through a combination of annual appropriations and bond funds. Both types of activities may contribute to improvements in the overall condition of roads.

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. Including elements of road maintenance and improvement other than pavement condition, such as drainage systems, pedestrian and other amenities, and traffic safety, 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) through the year 2006 to be at least \$1,000,000, or \$500,000 per year.

Drainage structures (culverts, catch basins, etc.) are expected to be the subject of a condition assessment during fiscal 2005-2006.

## **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, 2004 and 2003**

	2004	2003
<b>ASSETS</b>		
Cash	\$ 10,430,540	21,396,498
Investments	581,577	1,891,666
Receivables:		
Taxes receivable - current year	565,993	475,061
Taxes receivable - prior years	90,717	86,422
Tax liens - prior years	119,236	112,947
Accounts receivable	72,937	80,523
<b>Total assets</b>	<b>\$ 11,861,000</b>	<b>24,043,117</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	268,363	402,177
Accrued wages	162,689	141,122
Interfund loans payable	6,823,743	19,348,897
Taxes paid in advance	50,551	35,187
Deferred tax revenue	512,000	530,000
Unearned income - impact fees	77,176	58,476
Inspection deposits and miscellaneous liabilities	132,454	287,984
<b>Total liabilities</b>	<b>8,026,976</b>	<b>20,803,843</b>
Fund balance:		
Unreserved:		
Designated	1,947,286	1,071,477
Undesignated - Town	1,886,738	2,167,797
<b>Total fund balance</b>	<b>3,834,024</b>	<b>3,239,274</b>
<b>Total liabilities and fund balance</b>	<b>\$ 11,861,000</b>	<b>24,043,117</b>

**TOWN OF WINDHAM, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Year ended June 30, 2004**  
**(with comparative actual amounts for the year ended June 30, 2003)**

	2004			Variance positive (negative)	2003 Actual
	2003 carryforward	Budget	Total available		
<b>Revenues:</b>					
<b>Taxes:</b>					
Property taxes	-	17,845,055	17,845,055	128,205	16,122,721
Change in deferred property tax revenue	-	-	-	18,000	(41,000)
Excise taxes	-	2,380,000	2,380,000	188,992	2,414,521
Supplemental taxes and lien fees	-	14,500	14,500	16,690	28,480
Total taxes	-	20,239,555	20,239,555	351,887	18,524,722
<b>Licenses and permits:</b>					
Plumbing fees	-	25,000	25,000	11,791	32,586
Town Clerk fees	-	35,000	35,000	15,260	43,930
Building permits	-	150,000	150,000	21,370	157,478
Planning fees	-	16,500	16,500	98,806	25,501
License and other fees	-	47,200	47,200	(5,926)	35,343
Motor vehicle registration fees	-	57,500	57,500	588	58,818
Total licenses and permits	-	331,200	331,200	141,889	353,656
<b>Intergovernmental:</b>					
State Revenue Sharing	-	1,050,000	1,050,000	102,899	1,081,829
State highway block grant	-	250,000	250,000	(48,700)	183,884
Homestead exemption	-	311,457	311,457	-	424,435
General assistance reimbursement	-	27,000	27,000	17,266	45,124
FEMA assistance	-	-	-	32,133	-
Other state assistance	-	18,500	18,500	(4,131)	13,266
Total intergovernmental	-	1,656,957	1,656,957	99,467	1,748,538
<b>Charges for services:</b>					
Solid waste disposal fees	-	472,500	472,500	(48,668)	451,640
False alarm fees/police fines and fees	-	4,000	4,000	6,618	8,851
Park fees	-	30,400	30,400	(8,413)	28,134
Total charges for services	-	506,900	506,900	(50,463)	488,625

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

	2003			2004		Variance positive (negative)	2003 Actual
	2003 carryforward	Budget	Total available	Actual	2004 Actual		
Revenues, continued:							
Interest earned:							
Interest on delinquent taxes	\$ -	80,000	80,000	67,011	(12,989)	86,459	
Interest earned on investments	-	40,000	40,000	68,253	28,253	57,489	
Total interest earned	-	120,000	120,000	135,264	15,264	143,948	
Other revenues:							
Cable television franchise	-	58,000	58,000	61,980	3,980	61,464	
Court fees	-	7,000	7,000	3,152	(3,848)	3,996	
Rent	-	20,466	20,466	20,466	-	24,916	
Rescue reimbursement	-	326,000	326,000	270,020	(55,980)	262,323	
Miscellaneous	-	40,230	40,230	37,928	(2,302)	17,758	
Library fines and state funds	-	11,000	11,000	9,953	(1,047)	8,761	
Total other revenues	-	462,696	462,696	403,499	(59,197)	379,218	
Total revenues	-	23,317,308	23,317,308	23,816,155	498,847	21,638,707	
Expenditures:							
Current:							
Administrative services:							
Town Council	-	101,248	101,248	92,227	9,021	104,012	
Town planning	-	122,458	122,458	113,340	9,118	86,723	
Community participation	-	19,116	19,116	8,601	10,515	11,432	
Windham Community Cable Group	-	32,804	32,804	27,029	5,775	27,121	
Human service agencies	-	42,954	42,954	41,020	1,934	40,462	
Municipal insurance	-	152,452	152,452	119,302	33,150	123,374	
Employee benefits	-	1,449,737	1,449,737	1,259,049	190,688	1,220,742	
Money management fees	-	8,712	8,712	875	7,837	10,370	
Program management	27,173	275,994	303,167	276,781	26,386	279,277	
Collect/account Town funds	-	196,229	196,229	182,420	13,809	181,767	
Data processing	-	117,942	117,942	87,043	30,899	110,579	
Total administrative services	27,173	2,519,646	2,546,819	2,207,687	339,132	2,195,859	

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

	2004				Variance positive (negative)	2003 Actual
	2003 carryforward	Budget	Total available	Actual		
Expenditures, continued						
Current, continued:						
Public safety:						
Police safety	\$ -	1,289,749	1,289,749	1,249,040	40,709	1,154,161
Canine control	-	49,662	49,662	46,605	3,057	46,218
Public safety dispatching	-	289,293	289,293	259,198	30,095	240,326
Police vehicle maintenance	-	65,569	65,569	57,630	7,939	58,870
<b>Total public safety</b>	-	<b>1,694,273</b>	<b>1,694,273</b>	<b>1,612,473</b>	<b>81,800</b>	<b>1,499,575</b>
Fire/rescue services:						
Fire safety	-	539,602	539,602	548,866	(9,264)	499,910
Emergency safety (rescue)	-	231,558	231,558	215,158	16,400	233,739
Paramedics	28,405	249,939	278,344	273,913	4,431	214,856
Civil emergency preparedness	-	500	500	-	500	-
Water main charges	-	71,750	71,750	71,484	266	69,573
Fire and rescue vehicle maintenance	-	83,029	83,029	78,324	4,705	82,323
<b>Total fire/rescue services</b>	<b>28,405</b>	<b>1,176,378</b>	<b>1,204,783</b>	<b>1,187,745</b>	<b>17,038</b>	<b>1,100,401</b>
Public works:						
Public works administration	-	107,069	107,069	98,304	8,765	113,120
Road maintenance/patching	-	447,851	447,851	425,259	22,592	413,198
Traffic signals, road markings/drainage	-	79,888	79,888	92,729	(12,841)	33,334
Snow plowing	-	190,520	190,520	192,297	(1,777)	193,829
Highway vehicle maintenance	-	289,366	289,366	311,564	(22,198)	331,102
Street lighting	-	54,325	54,325	48,408	5,917	46,990
Solid waste disposal	15,000	912,349	927,349	957,980	(30,631)	871,981
Building maintenance	-	348,352	348,352	367,788	(19,436)	327,865
Grounds maintenance	-	54,720	54,720	36,359	18,361	31,262
<b>Total public works</b>	<b>15,000</b>	<b>2,484,440</b>	<b>2,499,440</b>	<b>2,530,688</b>	<b>(31,248)</b>	<b>2,362,681</b>

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

	2004					
	2003 carryforward	Budget	Total available	Actual	Variance positive (negative)	2003 Actual
Expenditures, continued						
Current, continued:						
Recreation services:						
Recreation	\$ 986	160,044	161,030	151,911	9,119	141,593
Dundee Park	-	42,259	42,259	35,894	6,365	44,358
Total recreation services	986	202,303	203,289	187,805	15,484	185,951
County tax	-	780,524	780,524	780,524	-	742,901
Other:						
Municipal welfare	-	121,520	121,520	135,997	(14,477)	115,917
Assessing	5,660	172,826	178,486	133,519	44,967	154,348
Contingency	1,051	100,000	101,051	815	100,236	88,371
Town Clerk/elections	-	99,179	99,179	95,467	3,712	86,039
Community development	-	328,902	328,902	323,237	5,665	303,342
Library services	-	259,682	259,682	256,556	3,126	242,815
300th anniversary	9,963	-	9,963	-	9,963	-
Abatements	-	-	-	23,786	(23,786)	15,054
Total other	16,674	1,082,109	1,098,783	969,377	129,406	1,005,886
Debt service (excluding education):						
Principal	-	225,000	225,000	225,000	-	225,000
Interest	-	149,006	149,006	146,085	2,921	48,275
Total debt service (excluding education)	-	374,006	374,006	371,085	2,921	273,275

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

	2004				Variance positive (negative)	2003 Actual
	2003 carryforward	Budget	Total available	Actual		
Expenditures, continued:						
Capital outlay:						
Town road resurfacing	\$ 377,222	500,000	877,222	275,114	602,108	585,681
ECB capital expenditures	49,203	-	49,203	12,289	36,914	100,410
Town building/land improvements	556,814	611,460	1,168,274	429,386	738,888	496,868
Total capital outlay	983,239	1,111,460	2,094,699	716,789	1,377,910	1,182,959
Total expenditures	1,071,477	11,425,139	12,496,616	10,564,173	1,932,443	10,549,488
Excess (deficiency) of revenues over (under) expenditures	(1,071,477)	11,892,169	10,820,692	13,251,982	2,431,290	11,089,219
Other financing sources (uses):						
Operating transfers - in	-	229,326	229,326	304,326	75,000	329,021
Operating transfers - out - Development District North T.I.F.	-	-	-	-	-	(28,884)
Operating transfers - out - Sewer	-	(46,000)	(46,000)	(46,000)	-	(46,000)
Operating transfers - out - Equipment replacement	-	(385,000)	(385,000)	(385,000)	-	(385,000)
Operating transfers - out - School appropriation	-	(12,530,558)	(12,530,558)	(12,530,558)	-	(11,060,654)
Utilization of prior year surplus and carried forward balances	1,071,477	840,063	1,911,540	-	(1,911,540)	-
Total other financing sources (uses)	1,071,477	(11,892,169)	(10,820,692)	(12,657,232)	(1,836,540)	(11,191,517)
Net change in fund balance	-	-	-	594,750	594,750	(102,298)
Fund balance, beginning of year				3,239,274		3,341,572
<b>Fund balance, end of year</b>				<b>3,834,024</b>		<b>3,239,274</b>

**ALL OTHER GOVERNMENTAL FUNDS**



**TOWN OF WINDHAM**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2004**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>				
Cash	\$ 417,202	-	31,180	448,382
Investments	169,648	-	131,300	300,948
Accounts receivable	21,196	-	-	21,196
Intergovernmental	116,833	-	-	116,833
Interfund loans	1,564,861	315,734	-	1,880,595
Inventory	23,773	-	-	23,773
<b>Total assets</b>	<b>\$ 2,313,513</b>	<b>315,734</b>	<b>162,480</b>	<b>2,791,727</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	7,343	-	-	7,343
Accrued wages and related liabilities	54,640	-	-	54,640
Interfund loans payable	78,318	-	2,800	81,118
<b>Total liabilities</b>	<b>140,301</b>	<b>-</b>	<b>2,800</b>	<b>143,101</b>
Fund balances:				
Reserved for inventory	23,773	-	-	23,773
Nonexpendable trust principal	-	-	41,874	41,874
Unreserved:				
Undesignated	2,149,439	315,734	117,806	2,582,979
<b>Total fund balances</b>	<b>2,173,212</b>	<b>315,734</b>	<b>159,680</b>	<b>2,648,626</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,313,513</b>	<b>315,734</b>	<b>162,480</b>	<b>2,791,727</b>

**TOWN OF WINDHAM, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the year ended June 30, 2004**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Property taxes revenue	\$ 391,460	-	-	391,460
Intergovernmental	1,464,948	-	-	1,464,948
Charges for services	1,342,354	-	-	1,342,354
Other revenue	119,477	137,370	15,225	272,072
Interest revenue	20,390	-	2,441	22,831
Total revenues	3,338,629	137,370	17,666	3,493,665
Expenditures:				
Current:				
Education	2,781,799	-	-	2,781,799
Public safety	79,634	-	-	79,634
Recreation	155,519	-	-	155,519
Capital outlay	2,016,360	-	-	2,016,360
Scholarships	7,100	-	-	7,100
Total expenditures	5,040,412	-	-	5,040,412
Excess (deficiency) of revenues over (under) expenditures	(1,701,783)	137,370	17,666	(1,546,747)
Other financing sources (uses):				
Capital lease proceeds	735,822	-	-	735,822
Transfer from other funds	309,770	174,331	-	484,101
Transfer to other funds	-	-	(2,800)	(2,800)
Total other financing sources (uses)	1,045,592	174,331	(2,800)	1,217,123
Net change in fund balance	(656,191)	311,701	14,866	(329,624)
Fund balances, beginning of year	2,829,403	4,033	144,814	2,978,250
Fund balances, end of year	\$ 2,173,212	315,734	159,680	2,648,626

# NONMAJOR GOVERNMENTAL FUNDS

## SPECIAL REVENUE FUNDS

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

Special revenue funds are established for the following purposes:

### **Town Special Revenue Funds:**

#### **Equipment Replacement**

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

#### **Little Falls Sewer Operations**

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

#### **BIDE Grant**

To account for monies received specifically to sponsor a drug enforcement program within the Town.

#### **Recreation Program**

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

#### **Road Projects**

To account for revenue and expenditures related to future bonded road projects.

#### **T.I.F**

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

#### **Highland Lake Youth Conservation Corp.**

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

### **School Special Revenue Funds**

To account for various federal and state grants for special programs administered by the School Department.

#### **Adult Education**

To account for the activity of the Town of Windham adult education program.

#### **R.E.A.L. School**

To account for the operations of the Windham School Department's R.E.A.L. School.

#### **Sweetser Day Treatment Program**

To account for the operations of the regional Windham - Sweetser Children's Day Treatment Program.

#### **School Lunch Program**

To account for the activity of the School lunch operations.

#### **Thomas Varney School Fund**

#### **Annie Bremon Trust Fund**

The Town was appointed as successor trustee to administer the trust assets. The income is to be used to award scholarships to worthy students graduating from Windham High School. The trust shall terminate on October 1, 2004 at which time all the remaining principal and undistributed income is to be paid to the Town to help build a public library and fund its operations.



**TOWN OF WINDHAM, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2004**

	Town	School	Sweetser			Thomas		Totals
	Special Revenue Funds	Special Revenue Funds	Adult Education	R.E.A.L. School	Day Treatment Center	School Lunch Program	Varney School Fund	
<b>ASSETS</b>								
Cash	\$ 416,652	-	50	-	-	500	-	417,202
Investments	-	-	-	-	-	-	37,933	169,648
Receivables:								
Accounts receivable	4,177	1,159	-	15,860	-	-	-	21,196
Due from State of Maine	-	73,030	-	-	-	43,803	-	116,833
Interfund loans receivable	1,235,130	67,716	127,081	31,103	103,831	-	-	1,564,861
Inventory	-	-	-	-	-	23,773	-	23,773
<b>Total assets</b>	<b>\$ 1,655,959</b>	<b>141,905</b>	<b>127,131</b>	<b>46,963</b>	<b>103,831</b>	<b>68,076</b>	<b>37,933</b>	<b>2,313,513</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	-	6,121	78	949	86	109	-	7,343
Accrued wages and related liabilities	-	4,955	3,771	45,754	160	-	-	54,640
Interfund loans payable	-	34,692	-	-	-	43,626	-	78,318
Total liabilities	-	45,768	3,849	46,703	246	43,735	-	140,301
Fund balances:								
Reserved for inventory	-	-	-	-	-	23,773	-	23,773
Unreserved:								
Undesignated	1,655,959	96,137	123,282	260	103,585	568	37,933	2,149,439
Total fund balances	1,655,959	96,137	123,282	260	103,585	24,341	37,933	2,173,212
<b>Total liabilities and fund balances</b>	<b>\$ 1,655,959</b>	<b>141,905</b>	<b>127,131</b>	<b>46,963</b>	<b>103,831</b>	<b>68,076</b>	<b>37,933</b>	<b>2,313,513</b>

**TOWN OF WINDHAM, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year ended June 30, 2004**

	Town		School		Sweetser		Thomas		Totals	
	Special Revenue Funds	Special Revenue Funds	Adult Education Program	R.E.A.L. School Fund	Day Treatment Program	School Lunch Program	Varney School Fund	Annie Bremon Fund	2004	2004
Revenues:										
Property taxes revenue	\$ 391,460	-	-	-	-	-	-	-	-	391,460
Intergovernmental revenues:										
Federal subsidies	-	819,815	28,771	-	-	155,559	-	-	-	1,004,145
Medicaid reimbursements	-	-	-	-	160,957	-	-	-	-	160,957
State subsidies	110,979	34,649	64,984	89,234	-	-	-	-	-	299,846
Total intergovernmental revenues	110,979	854,464	93,755	89,234	160,957	155,559	-	-	-	1,464,948
Charges for services:										
Tuition and fees	-	-	36,076	278,034	277,035	-	-	-	-	591,145
Recreation revenues	193,786	-	-	-	-	-	-	-	-	193,786
Sale of school lunches	-	-	-	-	-	537,085	-	-	-	537,085
Sewer user fees	20,338	-	-	-	-	-	-	-	-	20,338
Total charges for services	214,124	-	36,076	278,034	277,035	537,085	-	-	-	1,342,354
Interest and dividends	15,253	-	-	-	-	-	629	4,508	-	20,390
Other revenues	12,248	106,815	414	-	-	-	-	-	-	119,477
Total revenues	744,064	961,279	130,245	367,268	437,992	692,644	629	4,508	-	3,338,629

**TOWN OF WINDHAM, MAINE**  
**No major Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, Continued**

	Town		School		Adult		R.E.A.L.		Sweetser		Thomas		Totals 2004
	Special Revenue Funds	Special Revenue Funds	Special Revenue Funds	Special Revenue Funds	Education Program	Education Program	School Fund	School Fund	Day Treatment Program	School Lunch Program	Varney School Fund	Annie Bremont Fund	
	(Schedule A)		(Schedule C)		(Schedule D)		(Schedule E)		(Schedule F)		(Schedule G)		
Expenditures:													
Education:													
Adult education	-	-	-	-	254,552	-	-	-	-	-	-	-	254,552
Education	-	917,540	-	-	-	367,689	514,095	-	-	-	-	-	1,799,324
School lunch	-	-	-	-	-	-	727,923	-	-	-	-	-	727,923
Total education	-	917,540	-	-	254,552	367,689	514,095	-	-	-	-	-	2,781,799
Recreation	155,519	-	-	-	-	-	-	-	-	-	-	-	155,519
Public safety	79,634	-	-	-	-	-	-	-	-	-	-	-	79,634
Capital expenditures	2,016,360	-	-	-	-	-	-	-	-	-	-	-	2,016,360
Scholarships	-	-	-	-	-	-	-	-	-	-	7,100	-	7,100
Total expenditures	2,251,513	917,540	-	-	254,552	367,689	514,095	727,923	-	-	7,100	-	5,040,412
Excess (deficiency) of revenues over (under) expenditures	(1,507,449)	43,739	-	-	(124,307)	(421)	(76,103)	(35,279)	629	(2,592)	-	-	(1,701,783)
Other financing sources:													
Note proceeds	735,822	-	-	-	-	-	-	-	-	-	-	-	735,822
Operating transfers - in	129,474	-	-	-	143,696	-	-	36,600	-	-	-	-	309,770
Total other financing sources	865,296	-	-	-	143,696	-	-	36,600	-	-	-	-	1,045,592
Net change in fund balance	(642,153)	43,739	-	-	19,389	(421)	(76,103)	1,321	629	(2,592)	-	-	(656,191)
Fund balances, beginning of year	2,298,112	52,398	-	-	103,893	681	179,688	23,020	37,304	134,307	-	-	2,829,403
<b>Fund balances, end of year</b>	<b>\$ 1,655,959</b>	<b>96,137</b>	-	-	<b>123,282</b>	<b>260</b>	<b>103,585</b>	<b>24,341</b>	<b>37,933</b>	<b>131,715</b>	-	-	<b>2,173,212</b>



## **NONMAJOR GOVERNMENTAL FUNDS**

### **CAPITAL PROJECT FUNDS**

Capital project funds are established to account for resources obtained and expended for the acquisition of major capital facilities other than those employed in the delivery of services accounted for in enterprise funds.

The Town's individual capital project funds were established for the following purpose:

#### **Local School Projects**

To account for various School renovation projects.



**TOWN OF WINDHAM, MAINE  
Nonmajor Capital Project Funds  
Balance Sheet  
June 30, 2004**

		<b>Local School Projects</b>
<b>ASSETS</b>		
Interfund loans receivable	\$	315,734
<b>Total assets</b>	<b>\$</b>	<b>315,734</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Interfund loans payable		-
Accounts payable		-
Total liabilities		-
Fund balance:		
Unreserved:		
Undesignated		315,734
Total fund balance		315,734
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>315,734</b>

**TOWN OF WINDHAM, MAINE**  
**Nonmajor Capital Project Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year ended June 30, 2004**

	<b>Local School Projects</b>
Revenues:	
Other revenues	\$ 137,370
Total revenues	137,370
Expenditures:	
Construction costs	-
Total expenditures	-
Excess of revenues over expenditures	137,370
Other financing sources (uses):	
Transfers from other funds	174,331
Proceeds from issuance of long-term debt	-
Total other financing sources (uses)	174,331
Net change in fund balance	311,701
Fund balance, beginning of year	4,033
<b>Fund balance, end of year</b>	<b>\$ 315,734</b>

## **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, 2004**

		Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Totals 2004
<b>ASSETS</b>					
Cash	\$	31,180	-	-	31,180
Investments		72,597	52,870	5,833	131,300
<b>Total assets</b>	<b>\$</b>	<b>103,777</b>	<b>52,870</b>	<b>5,833</b>	<b>162,480</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund loans payable		-	2,800	-	2,800
<b>Total liabilities</b>		<b>-</b>	<b>2,800</b>	<b>-</b>	<b>2,800</b>
<b>Fund balances:</b>					
Nonexpendable trust principal		-	41,074	800	41,874
Unexpended income		103,777	8,996	5,033	117,806
<b>Total fund balances</b>		<b>103,777</b>	<b>50,070</b>	<b>5,833</b>	<b>159,680</b>
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>103,777</b>	<b>52,870</b>	<b>5,833</b>	<b>162,480</b>

**TOWN OF WINDHAM, MAINE**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Year ended June 30, 2004**

	Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Totals 2004
Revenues:				
Interest and dividends	\$ 1,467	877	97	2,441
Lot sales	15,225	-	-	15,225
Total revenues	16,692	877	97	17,666
Expenditures:				
Fees	-	-	-	-
Scholarships	-	-	-	-
Total expenditures	-	-	-	-
Other financing uses:				
Operating transfers	-	(2,800)	-	(2,800)
Total other financing uses	-	(2,800)	-	(2,800)
Net change in fund balance	16,692	(1,923)	97	14,866
Fund balances, beginning of year	87,085	51,993	5,736	144,814
<b>Fund balances, end of year</b>	<b>\$ 103,777</b>	<b>50,070</b>	<b>5,833</b>	<b>159,680</b>

## **FIDUCIARY FUNDS**

### **School Student Activity Funds**

Student activity funds are maintained by the High School, Middle School and other schools. Each School's fund accounts for the financial activity of numerous student clubs and activities, as well as several scholarship funds.



**TOWN OF WINDHAM, MAINE**  
**Fiduciary Funds - Agency Funds**  
**Combining Statement of Fiduciary Net Assets**  
**June 30, 2004**

	School Student Activity			Totals
	High School	Middle School	Other Schools	
<b>ASSETS</b>				
Cash	\$ 142,689	36,873	29,693	209,255
<b>Total assets</b>	<b>\$ 142,689</b>	<b>36,873</b>	<b>29,693</b>	<b>209,255</b>
<b>LIABILITIES</b>				
Due to student groups	142,689	36,873	29,693	209,255
<b>Total liabilities</b>	<b>\$ 142,689</b>	<b>36,873</b>	<b>29,693</b>	<b>209,255</b>



**CAPITAL ASSETS USED IN THE OPERATION OF  
GOVERNMENTAL FUNDS**



**TOWN OF WINDHAM, MAINE**  
**Capital Assets Used in the Operation of Governmental Funds - By Source**  
**June 30, 2004**

General fixed assets:	
Land and buildings	\$ 53,899,447
Equipment	5,315,670
Vehicles	4,625,574
Infrastructure	8,431,885
<hr/>	
<b>Total general fixed assets</b>	<b>\$ 72,272,576</b>
<hr/>	
Investments in general fixed assets by source:	
General Fund	20,676,708
School operations	51,595,868
<hr/>	
<b>Total investments in general fixed assets by source</b>	<b>\$ 72,272,576</b>
<hr/>	

**TOWN OF WINDHAM, MAINE**  
**Schedule of Capital Assets Used in the Operation of Governmental Funds by Function and Activity**  
**June 30, 2004**

Function and Activity	Land and buildings	Equipment	Vehicles	Infrastructure	Total
Administrative services	\$ 1,101,998	84,362	39,400	-	1,225,760
Public safety	1,364,850	345,749	271,130	-	1,981,729
Fire/rescue services	1,755,905	645,980	2,140,026	-	4,541,911
Public works	670,965	1,187,258	728,774	8,431,885	11,018,882
Recreation services	382,616	16,450	33,550	-	432,616
Other	698,955	744,418	32,437	-	1,475,810
Education	47,924,158	2,291,453	1,380,257	-	51,595,868
<b>Total governmental fund capital assets</b>	<b>\$ 53,899,447</b>	<b>5,315,670</b>	<b>4,625,574</b>	<b>8,431,885</b>	<b>72,272,576</b>

## Exhibit G-3

**Schedule of Changes in Governmental Funds Capital Assets - By Function and Activity**  
**For the year ended June 30, 2004**

Function and Activity	Balance 2003	Additions	Deletions	Balance 2004
Administrative services	\$ 1,264,806	66,568	77,104	1,254,270
Public safety	1,914,512	77,909	28,092	1,964,329
Fire/rescue services	4,071,079	765,832	295,000	4,541,911
Public works	10,287,533	749,699	20,159	11,017,073
Recreation services	432,616	-	-	432,616
Other	1,466,509	-	-	1,466,509
Education	22,046,020	31,284,503	1,734,655	51,595,868
Construction in progress	17,579,927	-	17,579,927	-
<b>Totals</b>	<b>\$ 59,063,002</b>	<b>32,944,511</b>	<b>19,734,937</b>	<b>72,272,576</b>

## **SCHEDULES**

The following schedules provide more detailed information on the financial activity of the following Special Revenue, Capital Projects and Fiduciary funds:

**Special Revenue Funds:**

- Town Special Revenue Funds**
- School Operations Fund**
- School Special Revenue Funds**
- Adult Education Program**
- R.E.A.L. School Fund**
- Sweetser Day Treatment Program**
- School Lunch Program**

**School Capital Project Funds**

**Fiduciary Funds:**

- High School Student Activity Funds**
- Middle School Student Activity Funds**
- Primary and Other School Activity Accounts**



**TOWN OF WINDHAM, MAINE**  
**Town Special Revenue Funds**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Year ended June 30, 2004**  
**(with comparative totals for the year ended June 30, 2003)**

	Equipment Replacement	Falls Sewer Operations	BIDE Grant	Recreation Program	Road projects	Development		Pipeline Development T.I.F.	Highland Lake Youth Conservation Corp	Totals	
						District North T.I.F.	District South T.I.F.			2004	2003
<b>Revenues:</b>											
Property tax revenues	\$ -	-	-	-	-	-	215,560	175,900	-	391,460	391,460
State/Federal grants	-	-	79,945	-	-	-	-	-	31,034	110,979	100,140
Sewer user fees	-	20,338	-	-	-	-	-	-	-	20,338	20,872
Recreation	-	-	-	193,786	-	-	-	-	-	193,786	213,671
Interest	4,736	-	-	-	10,517	-	-	-	-	15,253	20,996
Miscellaneous	11,779	-	-	-	-	-	-	469	-	12,248	29,282
<b>Total revenues</b>	<b>16,515</b>	<b>20,338</b>	<b>79,945</b>	<b>193,786</b>	<b>10,517</b>	<b>215,560</b>	<b>176,369</b>	<b>31,034</b>	<b>744,064</b>	<b>776,421</b>	
<b>Expenditures:</b>											
Public safety	-	-	79,634	-	-	-	-	-	-	79,634	77,829
Sewer assessments	-	-	-	-	-	-	-	-	-	-	46,000
Recreation	-	-	-	155,519	-	-	-	-	-	155,519	167,028
Capital expenditures	1,192,328	46,000	-	-	757,075	799	-	-	20,158	2,016,360	2,467,630
<b>Total expenditures</b>	<b>1,192,328</b>	<b>46,000</b>	<b>79,634</b>	<b>155,519</b>	<b>757,075</b>	<b>799</b>	<b>-</b>	<b>20,158</b>	<b>2,251,513</b>	<b>2,758,487</b>	
<b>Other financing sources (uses):</b>											
Bond proceeds	-	-	-	-	-	-	-	-	-	-	3,000,000
Capital lease proceeds	735,822	-	-	-	-	-	-	-	-	735,822	104,729
Transfers (to) from General Fund	331,565	46,000	(21,565)	-	-	(226,526)	-	-	-	129,474	133,663
<b>Total other financing sources (uses)</b>	<b>1,067,387</b>	<b>46,000</b>	<b>(21,565)</b>	<b>-</b>	<b>-</b>	<b>(226,526)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>865,296</b>	<b>3,238,392</b>
<b>Net change in fund balance</b>	<b>(108,426)</b>	<b>20,338</b>	<b>(21,254)</b>	<b>38,267</b>	<b>(746,558)</b>	<b>(11,765)</b>	<b>176,369</b>	<b>10,876</b>	<b>(642,153)</b>	<b>1,256,326</b>	
<b>Fund balances, beginning of year</b>	<b>468,283</b>	<b>60,434</b>	<b>21,566</b>	<b>152,576</b>	<b>1,118,276</b>	<b>97,791</b>	<b>375,753</b>	<b>3,433</b>	<b>2,298,112</b>	<b>1,041,786</b>	
<b>Fund balances, end of year</b>	<b>\$ 359,857</b>	<b>\$ 80,772</b>	<b>\$ 312</b>	<b>\$ 190,843</b>	<b>\$ 371,718</b>	<b>\$ 86,026</b>	<b>\$ 552,122</b>	<b>\$ 14,309</b>	<b>\$ 1,655,959</b>	<b>\$ 2,298,112</b>	

**TOWN OF WINDHAM, MAINE**  
**School Operations Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis**  
**Year ended June 30, 2004**  
**(with comparative actual amounts for the year ended June 30, 2003)**

	2004		Variance positive (negative)	2003 Actual
	Adjusted Budget	Actual		
<b>Revenues:</b>				
State subsidies	\$ 7,872,483	7,913,730	41,247	7,757,885
State reimbursement - debt service	248,046	248,046	-	277,609
State agency client and other special education funds	195,132	276,338	81,206	221,670
Tuition and fees	460,630	539,544	78,914	433,299
Rental income	40,000	40,235	235	40,265
Medicaid reimbursements	300,000	219,576	(80,424)	354,275
Sale of School property	-	178,080	178,080	-
Other revenues	30,729	79,738	49,009	155,021
<b>Total revenues</b>	<b>9,147,020</b>	<b>9,495,287</b>	<b>348,267</b>	<b>9,240,024</b>
<b>Expenditures:</b>				
Instruction	12,561,828	12,541,087	20,741	11,887,695
Student support	1,472,917	1,470,515	2,402	1,442,759
Staff support	863,952	862,943	1,009	866,012
General administration	871,072	897,846	(26,774)	740,353
School administration	908,138	908,641	(503)	889,305
Operation and maintenance	2,190,359	2,187,593	2,766	1,765,580
Student transportation	1,223,155	1,222,233	922	1,241,076
Debt service	2,117,471	2,117,471	-	877,770
<b>Total expenditures</b>	<b>22,208,892</b>	<b>22,208,329</b>	<b>563</b>	<b>19,710,550</b>
<b>Other financing sources (uses):</b>				
Budgeted utilization of surplus	959,218	-	(959,218)	-
Transfers to other funds				
Transfer to Capital Project - High School Construction (state)	(73,277)	(73,277)	-	-
Transfer to Capital Project - High School Construction (local)	(54,331)	(54,331)	-	-
Transfer to Capital Project - Other local projects	(120,000)	(120,000)	-	-
Transfer to School lunch fund	(36,600)	(36,600)	-	-
General Fund transfer - property taxes	12,386,862	12,386,862	-	10,929,500
<b>Total other financing sources (uses)</b>	<b>13,061,872</b>	<b>12,102,654</b>	<b>(959,218)</b>	<b>10,929,500</b>
Net change in fund balance	-	(610,388)	(610,388)	458,974
Fund balance, beginning of year		1,100,994		642,020
<b>Fund balance, end of year</b>	<b>\$</b>	<b>490,606</b>		<b>1,100,994</b>

**TOWN OF WINDHAM, MAINE**  
**School Special Revenue Funds - Federal, State, and Local Programs**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Year ended June 30, 2004**

	June 30, 2003	Federal subsidies	State subsidies	Other revenues	Total revenues	Expenditures	June 30, 2004
<b>Federal Programs:</b>							
PL94 - Local Entitlement	\$ 22,723	415,666	-	-	415,666	428,324	10,065
Local Entitlement Preschool Grant	6,678	4,636	-	-	4,636	8,835	2,479
Teamwork for kids	171	1,000	-	-	1,000	900	271
Title IVA Reconnecting Youth (Drug Free)	4,319	14,042	-	-	14,042	10,524	7,837
Title I, Part A	-	246,311	-	-	246,311	246,311	-
Title V/Reap	-	16,381	-	-	16,381	3,949	12,432
Title II - AARBEC	2,734	-	-	-	-	2,734	-
Title II - Teacher Quality	-	84,120	-	-	84,120	63,257	20,863
Title II - Technology	-	8,119	-	-	8,119	8,119	-
Reducing the risk - HIV	-	500	-	-	500	500	-
J Jag Grant - Maine Dept. of Corrections	-	29,040	-	-	29,040	29,040	-
<b>State Programs:</b>							
Learning Results	-	-	27,400	-	27,400	23,716	3,684
Maine Arts Commission	1,072	-	6,149	-	6,149	1,200	6,021
Maine Math and Science	-	-	1,100	-	1,100	1,100	-
<b>Local Programs:</b>							
PTA Grants	794	-	-	2,020	2,020	1,691	1,123
Primary School Media Fund	824	-	-	4,873	4,873	1,393	4,304
Administrative Certification	6,496	-	-	3,150	3,150	3,543	6,103
National Semiconductor Grant	1,797	-	-	-	-	-	1,797
Manchester National Semiconductor Gift	-	-	-	510	510	-	510
PE Technology Award	-	-	-	1,000	1,000	1,000	-
Unum Volunteer Grant	100	-	-	-	-	100	-
Direct Billings, Special Education	45	-	-	76,279	76,279	67,381	8,943
Maine Community Foundation	2,932	-	-	2,020	2,020	-	4,952
Wellness	713	-	-	608	608	633	688
Wal-Mart Grant	1,000	-	-	-	-	1,000	-
Maine Youth Voices	-	-	-	3,500	3,500	-	3,500
Ski Team	-	-	-	4,255	4,255	4,255	-
Windham Football Boosters	-	-	-	6,825	6,825	6,825	-
Cumberland Cty Supers Association	-	-	-	1,275	1,275	710	565
State Farm Grant	-	-	-	500	500	500	-
<b>Total</b>	<b>\$ 52,398</b>	<b>819,815</b>	<b>34,649</b>	<b>106,815</b>	<b>961,279</b>	<b>917,540</b>	<b>96,137</b>

**TOWN OF WINDHAM, MAINE**  
**Adult Education Program**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance**  
**Years ended June 30, 2004 and 2003**

	2004	2003
<b>Revenues:</b>		
State subsidies	\$ 64,984	62,159
Tuition and fees	36,076	25,729
Federal - Carl Perkins	10,004	7,460
Federal - ABE	18,767	20,737
Other	414	311
<b>Total revenues</b>	<b>130,245</b>	<b>116,396</b>
<b>Expenditures:</b>		
General adult education	146,401	141,709
High school completion	19,967	19,039
Literacy	23,987	20,318
Other	-	3,978
Vocational courses	15,433	13,538
Adult basic education	21,216	21,886
Carl Perkins project	2,095	2,382
Carl Perkins prevocational	7,639	-
AEFLA grant	17,814	-
<b>Total expenditures</b>	<b>254,552</b>	<b>222,850</b>
<b>Other financing sources:</b>		
Transfers from General Fund	143,696	131,154
Net change in fund balance	19,389	24,700
Fund balance, beginning of year	103,893	79,193
<b>Fund balance, end of year</b>	<b>\$ 123,282</b>	<b>103,893</b>

**TOWN OF WINDHAM, MAINE**  
**R.E.A.L. School Fund**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance**  
**Years ended June 30, 2004 and 2003**

	2004	2003
<b>Revenues:</b>		
State agency client subsidies	\$ 89,234	21,258
Maine support network funds	-	50,929
Miscellaneous	-	1,677
Smoking cessation	-	1,000
Tuitions/transportation charges	278,034	293,093
<b>Total revenues</b>	<b>367,268</b>	<b>367,957</b>
<b>Expenditures:</b>		
Instruction	264,098	300,124
Student support	374	505
Operations and maintenance of plant and equipment	32,160	27,502
General administration	1,106	4,892
Technology program	7,885	-
Student transportation	62,066	38,896
<b>Total expenditures</b>	<b>367,689</b>	<b>371,919</b>
Net change in fund balance	(421)	(3,962)
Fund balance, beginning of year	681	4,643
<b>Fund balance, end of year</b>	<b>\$ 260</b>	<b>681</b>

**TOWN OF WINDHAM, MAINE**  
**Sweetser Day Treatment Program**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance**  
**Years ended June 30, 2004 and 2003**

	2004	2003
<b>Revenues:</b>		
Medicaid reimbursements	\$ 160,957	85,585
Tuitions	277,035	370,755
Total revenues	437,992	456,340
<b>Expenditures:</b>		
Salaries and benefits	31,206	29,161
Contracted services	429,862	411,560
Rent	40,000	40,000
Student activities	140	282
Utilities	12,887	10,574
Total expenditures	514,095	491,577
Net change in fund balance	(76,103)	(35,237)
Fund balance, beginning of year	179,688	214,925
<b>Fund balance, end of year</b>	<b>\$ 103,585</b>	<b>179,688</b>

**TOWN OF WINDHAM, MAINE**  
**School Lunch Program**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance**  
**Years ended June 30, 2004 and 2003**

	2004	2003
<b>Revenues:</b>		
Sales	\$ 537,085	528,431
U.S. Department of Agriculture:		
Food and milk subsidy	144,720	139,732
Contributed commodities	10,839	13,456
Total revenues	692,644	681,619
<b>Expenditures:</b>		
Food	385,688	349,571
Payroll - staff	304,821	295,457
Supplies and other expenses	37,414	35,044
Total expenditures	727,923	680,072
Excess (deficiency) of revenues over (under) expenditures	(35,279)	1,547
Transfers from other funds:		
Transfer from general fund	36,600	-
Net change in fund balance	1,321	1,547
Fund balance, beginning of year	23,020	21,473
<b>Fund balance, end of year</b>	<b>\$ 24,341</b>	<b>23,020</b>

**TOWN OF WINDHAM, MAINE**  
**School Capital Project Funds**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Year ended June 30, 2004**  
**(with comparative totals for the year ended June 30, 2003)**

	High School Construction		High School Construction (Local)		Other Locally Funded School Projects		Totals	
	(State)	(Local)	2004	2003	2004	2003	2004	2003
<b>Revenues:</b>								
Other revenues	\$ -	137,370	-	203,115	137,370	-	137,370	203,115
Total revenues	-	137,370	-	203,115	137,370	-	137,370	203,115
<b>Expenditures:</b>								
Construction costs	12,984,048	-	-	16,190,148	12,984,048	-	12,984,048	16,190,148
Total expenditures	12,984,048	-	-	16,190,148	12,984,048	-	12,984,048	16,190,148
Excess (deficiency) of revenues over (under) expenditures	(12,984,048)	137,370	-	(15,987,033)	(12,846,678)	-	(12,846,678)	(15,987,033)
<b>Other financing sources (uses):</b>								
Transfers from other funds	73,277	54,331	120,000	-	247,608	-	247,608	-
Proceeds from issuance of long-term debt	-	-	-	32,787,000	-	-	-	32,787,000
Total other financing sources (uses)	73,277	54,331	120,000	32,787,000	247,608	-	247,608	32,787,000
Net change in fund balance	(12,910,771)	191,701	120,000	16,799,967	(12,599,070)	-	(12,599,070)	16,799,967
Fund balances (deficit), beginning of year	15,198,272	(26,146)	30,179	(1,597,662)	15,202,305	-	15,202,305	(1,597,662)
<b>Fund balances, end of year</b>	<b>\$ 2,287,501</b>	<b>165,555</b>	<b>150,179</b>	<b>15,202,305</b>	<b>2,603,235</b>	<b>-</b>	<b>2,603,235</b>	<b>15,202,305</b>

**TOWN OF WINDHAM, MAINE**  
**High School Student Activity Funds**  
**Schedule of Cash Receipts, Disbursements, and Changes in Balances**  
**Year ended June 30, 2004**

	June 30, 2003	Cash receipts	Cash disbursements	June 30, 2004
<b>Checking Account</b>				
Art Club	\$ 386	55	-	441
Athletic Association	9,249	14,370	16,394	7,225
Baseball	220	35	155	100
Bathroom products	146	-	146	-
Boys Soccer	340	1,607	1,947	-
Boys Tennis	1,427	2,280	2,944	763
Boys Basketball	19	2,560	1,760	819
Band	255	290	-	545
Business	919	122	-	1,041
BUSSIM	-	6,441	6,433	8
Chamber Singers	43	9,278	8,783	538
Cheerleaders	866	3,098	3,439	525
Chorus	37	-	-	37
Civil rights team	597	111	155	553
Class of 1995	968	-	-	968
Class of 1997	1,256	-	-	1,256
Class of 1998	2,303	-	-	2,303
Class of 1999	3,455	-	3,455	-
Class of 2000	1,024	-	-	1,024
Class of 2001	806	-	-	806
Class of 2002	1,520	-	1,520	-
Class of 2003	1,968	-	1,968	-
Class of 2004	2,388	17,544	12,062	7,870
Class of 2005	2,984	11,003	6,695	7,292
Class of 2006	90	1,491	847	734
Class of 2007	1,301	2,115	1,829	1,587
Class of '77 scholarship	100	-	-	100
Coffee account	94	1,193	1,097	190
Co-op student	41	1	-	42
Community donations	1,472	98	1,177	393
Cross-Country	132	628	759	1
Eagle Eyes	15	-	-	15
Eagle Pride	359	1	19	341
English Club	989	2,898	621	3,266
Exemplar	4	436	366	74
Football	1,320	750	1,021	1,049
Foreign language	48	49	-	97
Field Hockey	37	200	35	202
French Club	328	3,789	2,489	1,628
Gate receipts	-	17,381	17,381	-
General Fund	500	8,209	8,704	5
Girls Basketball	1,899	2,005	2,819	1,085
Girls tennis	5,909	4,009	8,849	1,069
Girls Soccer	1,956	125	790	1,291
Golf	2,965	3,230	3,922	2,273
Gordan Scholarship	2,085	710	-	2,795
Health	21	700	480	241
Incentive Scholarship Fund	351	-	-	351
Instrument rental	215	-	-	215
Interact/Youthland	3	6,000	4,709	1,294
Key Club	672	1,556	1,539	689
Latin Club	8	1,292	700	600
Leo Club	228	-	-	228
Library	52	341	70	323
Math Club	2,943	757	478	3,222
Mu Alpha Theta	16	-	-	16
National Honor Society	672	1,272	1,075	869
<b>Subtotals</b>	<b>60,001</b>	<b>130,030</b>	<b>129,632</b>	<b>60,399</b>

**TOWN OF WINDHAM, MAINE**  
**High School Student Activity Funds**  
**Schedule of Cash Receipts, Disbursements, and Changes in Balances, Continued**

	June 30, 2003	Cash receipts	Cash disbursements	June 30, 2004
Orchestra	\$ 391	20	105	306
Outing Club	382	150	380	152
Parking	1,607	2,098	1,693	2,012
Scholarship Fund	4,140	1,100	2,800	2,440
Science Club	520	1,542	1,325	737
Science Scholarship	565	535	500	600
Senior awareness	500	-	-	500
Ski Club	40	4,853	4,482	411
Social studies	266	125	-	391
Social worker	25	-	-	25
Softball	215	35	35	215
Spanish Club	820	8,831	8,755	896
Student Outreach/Peer Fac.	465	2,435	2,859	41
Student Council	8,790	25,303	30,014	4,079
Student services	738	4,201	3,664	1,275
Student services scholarship	-	279	-	279
Sunshine Club	607	-	110	497
Technology Club	239	-	-	239
Theatre/drama	634	2,640	3,068	206
Track	391	1,425	1,264	552
United Nation class	746	-	-	746
Video	160	-	-	160
Windham Comm. Scholarship	2,100	5,671	2,100	5,671
Wrestling	483	90	-	573
Yearbook	425	14,915	10,304	5,036
<b>Subtotals</b>	<b>25,249</b>	<b>76,248</b>	<b>73,458</b>	<b>28,039</b>
<b>Total checking account</b>	<b>85,250</b>	<b>206,278</b>	<b>203,090</b>	<b>88,438</b>
<b>Savings and CD's</b>				
Co-op Education Scholarship (Savings)	100	-	-	100
Project Graduation/Molly Call (CD)	1,592	16	-	1,608
Governor Andrew Prize (Savings)	445	2	-	447
Edith Pride Elliot Award (Savings)	299	2	-	301
Merribeth Gaudet Mem. School (Savings)	172	6	-	178
Billy Winslow Scholarship (Savings)	77	-	77	-
Johnna C. Bell Mem. Music (CD)	1,586	16	15	1,587
Co-op Education Scholarship (CD)	2,521	15	-	2,536
Crane Scholarship Fund (CD)	21,147	214	-	21,361
Paul Folan Scholarship Fund (CD)	4,127	226	-	4,353
Student Council (CD)	8,216	80	-	8,296
H.S. Project Graduation - class of 2004 (Savings)	1,219	2	1,221	-
H.S. Project Graduation - class of 2005 (Savings)	519	2	-	521
WHS Scho. (Manchester) - (CD)	13,826	137	1,000	12,963
<b>Total savings and CD's</b>	<b>55,846</b>	<b>718</b>	<b>2,313</b>	<b>54,251</b>
<b>Activity fund totals</b>	<b>\$ 141,096</b>	<b>206,996</b>	<b>205,403</b>	<b>142,689</b>

**TOWN OF WINDHAM, MAINE**  
**Middle School Student Activity Funds**  
**Schedule of Cash Receipts, Disbursements, and Changes in Balances**  
**Year ended June 30, 2004**

	June 30, 2003	Cash receipts	Cash disbursements	June 30, 2004
Art Department	\$ 877	-	-	877
Bates Team	-	4,655	4,336	319
Bowdoin Team	1,311	3,460	4,040	731
Brown Team	162	1,078	1,176	64
Coffee Fund	-	1,778	1,633	145
Colby Team	1,209	2,130	2,655	684
DARE	170	-	-	170
Dartmouth Team	2,184	3,655	3,350	2,489
General Fund	1,477	9,964	10,008	1,433
Grants	55	500	206	349
Harvard Team	765	5,582	6,305	42
Helping hands	1,283	3,167	2,154	2,296
Industrial arts	311	-	183	128
Library	1,423	5,432	5,447	1,408
Life skills	190	24	-	214
Maine	599	2,788	3,388	(1)
MIT	119	837	947	9
Music Department	1,078	9,289	8,910	1,457
Norwich Team	5,096	5,221	5,856	4,461
Princeton	-	2,453	2,357	96
Recycling	4,643	989	848	4,784
Sharing Closet	397	-	33	364
Student activity	9,738	556	5,891	4,403
Student Council	9,182	11,564	13,182	7,564
Sunshine Fund	483	-	116	367
Tufts	-	1,113	639	474
Yale	1,275	5,471	5,200	1,546
Yearbook	675	10,207	10,882	-
<b>Total</b>	<b>\$ 44,702</b>	<b>91,913</b>	<b>99,742</b>	<b>36,873</b>

**TOWN OF WINDHAM, MAINE**  
**Primary and Other School Activity Accounts**  
**Schedule of Cash Receipts, Disbursements, and Changes in Balances**  
**Year ended June 30, 2004**

	June 30, 2003	Cash receipts	Cash disbursements	June 30, 2004
Manchester	\$ 20,207	55,462	56,542	19,127
Primary	10,076	33,771	39,859	3,988
Primary - Administrators	554	320	-	874
Primary - Main E Vent	1,185	-	101	1,084
Real School	4,934	17,611	17,925	4,620
<b>Total</b>	<b>\$ 36,956</b>	<b>107,164</b>	<b>114,427</b>	<b>29,693</b>