

TOWN OF WINDHAM, MAINE

Annual Financial Report

June 30, 2006

TOWN OF WINDHAM, MAINE
Annual Financial Report
Year ended June 30, 2006

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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, 2006, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Windham, Maine as of and for the year ended June 30, 2006, and the respective changes in financial position 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 11, 2006, on our consideration of the Town of Windham, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Windham, Maine's basic financial statements. The combining and individual fund 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 stated, in all material respects in relation to the basic financial statements taken as a whole.

Romyon Kersteen Ouellette

August 11, 2006
South Portland, Maine

TOWN OF WINDHAM
Management's Discussion and Analysis
June 30, 2006

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, Maine for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented in conjunction with the basic financial statements and the accompanying notes to those financial statements.

THE FINANCIAL STATEMENTS

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

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

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

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. 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 2006 and comparative information for 2005.

TOWN OF WINDHAM
Management's Discussion and Analysis, Continued

Statement of Net Assets

	2006 Primary Government Activities	2006 Component Unit Activities (WEDC)	2005 Primary Government Activities	2005 Component Unit Activities (WEDC)
Assets:				
Current and other assets	\$ 11,028,966	92,997	11,143,796	70,463
Capital assets(net)	56,997,787	-	58,030,342	3,577
Total assets	68,026,753	92,997	69,174,138	74,040
Liabilities:				
Long-term debt outstanding	37,810,095	-	40,637,225	
Other liabilities	4,768,948	-	4,750,818	1,574
Total liabilities	42,579,043	-	45,388,043	1,574
Net assets:				
Invested in capital assets	19,187,692	-	15,059,103	-
Restricted	41,874	-	41,874	-
Unrestricted	6,218,144	92,997	8,685,118	72,466
Total net assets	\$ 25,447,710	92,997	23,786,095	72,466

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

Statement of Activities

	Government Activities	Component Unit (WEDC)	2006 Primary Government	2005 Primary Government
Revenues:				
Program Revenues:				
Charges for service	\$ 2,970,080	-	2,970,080	2,612,380
Operating grants and contributions	17,520,396	25,000	17,545,396	13,520,967
Capital grants and contributions	271,513	-	271,513	90,204
General Revenues:				
Property taxes	19,520,040	-	19,520,040	20,569,379
Motor vehicle excise tax	2,772,400	-	2,772,400	2,716,235
Franchise fees	79,250	-	79,250	73,977
Homestead exemption	391,436	-	391,436	352,030
Other state aid	57	-	57	21,950
State revenue sharing	1,434,344	-	1,434,344	1,232,396
Investment earnings	335,914	797	336,711	206,293
Miscellaneous revenues	642,911	715	643,626	1,182,698
Total Revenues	45,938,341	26,512	45,964,853	42,578,509
Expenses:				
Program Expenses:				
Administrative services	2,512,840	5,981	2,518,821	2,339,492
Public safety	1,886,577	-	1,886,577	1,859,536
Fire/rescue services	996,428	-	996,428	1,243,407
Public works	2,823,954	-	2,823,954	2,822,154
Recreation services	402,652	-	402,652	348,078
County tax	799,193	-	799,193	795,099
Other	1,445,370	-	1,445,370	1,278,329
Education	30,186,721	-	30,186,721	28,328,083
Interest on debt	1,448,273	-	1,448,273	1,520,711
Capital improvements	1,774,718	-	1,774,718	2,185,329
Total Expenses	44,276,726	5,981	44,282,707	42,720,218
Net assets – beginning	23,786,095	72,466	23,858,561	24,000,270
Change in net assets	1,661,615	20,531	1,652,507	(141,709)
Net assets – ending	\$ 25,447,710	92,997	25,511,068	23,858,561

TOWN OF WINDHAM
Management's Discussion and Analysis, Continued

GOVERNMENTAL ACTIVITIES

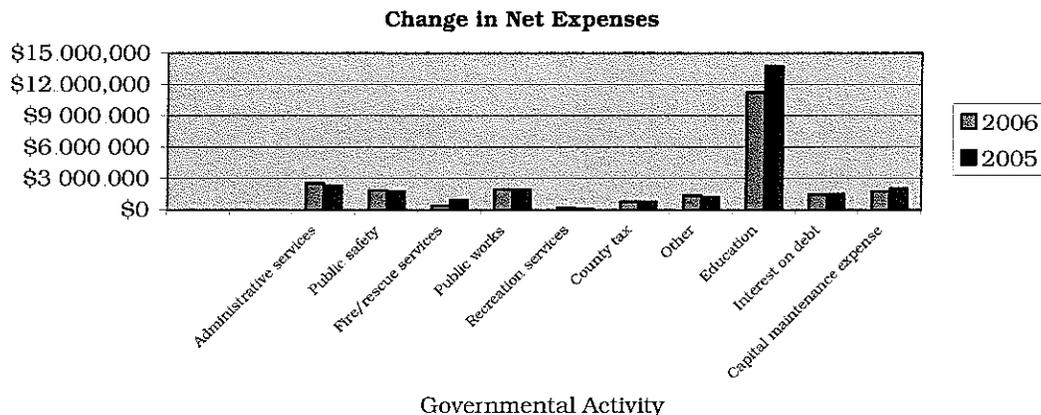
The cost of all governmental activities for 2006 was \$44,276,726. However, as shown in the statement of activities, the amount paid by taxpayers through local property taxes for these activities was \$19,520,040 because some of the cost was paid by those who directly benefited from the programs \$2,970,080. The Town paid for the remaining "public benefit" portion of governmental activities with \$21,786,606 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 2006.

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

	2006 <u>Expense</u>	2006 <u>Program revenue</u>	2006 <u>Net expense</u>	2005 <u>Net Expense</u>
Governmental activities:				
Administrative services	\$ (2,512,840)	-	(2,512,840)	(2,328,119)
Public safety	(1,886,577)	29,868	(1,856,709)	(1,797,293)
Fire/rescue services	(996,428)	344,133	(652,295)	(939,351)
Public works	(2,823,954)	860,819	(1,963,135)	(1,938,010)
Recreation services	(402,652)	213,556	(189,096)	(114,710)
County tax	(799,193)	-	(799,193)	(795,099)
Other	(1,445,370)	89,216	(1,356,154)	(1,233,401)
Education	(30,186,721)	18,937,884	(11,248,837)	(13,769,275)
Interest on debt	(1,448,273)	-	(1,448,273)	(1,520,711)
<u>Capital maintenance expense</u>	<u>(1,774,718)</u>	<u>286,513</u>	<u>(1,488,205)</u>	<u>(2,074,325)</u>
Total Governmental Activities	\$ (44,276,726)	20,761,989	(23,514,737)	(26,510,294)



Total resources of \$69,724,436 were available during the year to finance governmental activities, consisting of net assets of \$23,786,095 at July 1, 2005, program revenues amounting to \$20,761,989, and general revenues of \$25,176,352.

TOWN OF WINDHAM
Management's Discussion and Analysis, Continued

Total governmental activities expenses were \$44,276,726, resulting in an increase in net assets of \$1,661,615 from \$23,786,095 to \$25,447,710.

Total governmental activities expenses rose by \$1,567,881, or 3.7%, while net expenses for governmental activities *decreased* by \$2,995,557, or 11.3% from 2005 to 2006. The decrease in net expenses is a result of additional state funding for public education.

THE TOWN'S FUNDS

The following is an analysis of balances in the Town and School's general fund for 2006. Comparative information is presented for fiscal years 2006, 2005 and 2004

Statement of Revenues

	2006	2005	2004
Revenues by source			
Taxes	\$ 22,153,204	23,031,877	20,591,442
Licenses and permits	402,185	485,452	473,089
Intergovernmental revenue	17,652,836	13,579,114	12,555,114
Charges for service	1,475,895	1,241,378	1,036,216
Interest earned	324,418	187,516	135,264
Other revenues	631,707	894,720	661,317
	<u>\$ 42,640,245</u>	<u>39,420,057</u>	<u>35,452,442</u>

The following information compares general fund expenditures for 2006, 2005, and 2004.

	2006	2005	2004
Expenditures by function			
Administrative services	\$ 2,445,269	2,302,991	2,207,687
Public safety	1,881,215	1,724,516	1,612,473
Fire/rescue services	1,273,471	1,190,112	1,187,745
Public works	2,828,052	2,772,626	2,530,688
Recreation services	221,818	193,792	187,805
County tax	799,193	795,099	780,524
Other	1,282,342	1,093,473	969,377
Education	25,725,506	24,056,224	22,231,858
Debt service	3,907,243	2,682,711	2,488,556
Capital outlay	1,869,965	826,565	716,789
	<u>\$ 42,234,074</u>	<u>37,638,109</u>	<u>34,913,502</u>

DEBT ADMINISTRATION

Debt, considered a liability of governmental activities, had a net decrease in 2006 of \$2,827,131 through a combination of new capital leases for equipment (\$178,281) and the retirement of debt principal (\$3,005,412).

TOWN OF WINDHAM
Management's Discussion and Analysis, Continued

Statement of Governmental Activities Debt

Debt payable at June 30, 2005	\$ 40,637,225
Add: new capital lease purchases	<u>178,281</u>
Total debt before retirement of principal	40,815,506
Less: debt retired	<u>(3,005,412)</u>
Debt payable at June 30, 2006	\$ 37,810,094

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, 2006, net capital assets of governmental activities totaled \$56,997,787, a decrease of \$1,032,555 over the year ending June 30, 2005. School construction has been completed, and as a result, asset additions have been more than offset by increases in accumulated depreciation. Depreciation on capital assets is recognized in the government-wide financial statements.

	30-Jun-05	Increases	Decreases	30-Jun-06
Governmental assets				
Land, buildings and improvements	64,397,202	475,645	164,797	64,708,050
Vehicles	4,952,492	152,452	274,439	4,830,505
Machinery and equipment	5,793,420	705,883	32,700	6,466,603
Construction in progress	-	337,684	-	337,684
Total capital assets	75,143,114	1,671,664	471,936	76,342,842
Accumulated depreciation	(17,112,772)	(2,506,863)	274,580	(19,345,055)
Governmental assets, net	58,030,342	(835,199)	197,356	56,997,787

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 \$1,010,547 on road and street maintenance and improvements for the fiscal year ended June 30, 2006 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 2005, 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.

TOWN OF WINDHAM
Management's Discussion and Analysis, Continued

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 2007 to be at least \$1,000,000, or \$500,000 per year. Significant increases in the cost of asphalt have put pressure on this estimate, and will likely lead to the need for a substantial increase in paving expenditures to maintain quality. It should be noted, however, that this estimate relates only to the maintenance of current pavement infrastructure and does not contemplate more extensive improvements as might be required in the future for storm water management, improved safety, added capacity, or additional amenities such as sidewalks.

Drainage structures (culverts, catch basins, etc.) are the subject of a condition assessment underway at the time this report was issued, and which should be part of management's discussion and analysis for fiscal 2006-2007.

BUDGETS AND BUDGETARY ACCOUNTING

General Fund Budget Variances

The 2005-2006 general fund budget *decreased* 2.1% to \$25,352,844 from 2005-2006, due largely to increases in state school construction assistance.

There were no supplemental appropriations during the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Historical Trend

As the Town enters fiscal 2007 it does so with solid financials. The Town continues to experience significant tax base growth (approximately 1.5% for 2006), and has achieved significant improvement in the quality of its roads, which represent the bulk of its public infrastructure. The Town has already experienced the peak of debt service costs related to the renovation and expansion of Windham High School and is receiving anticipated construction funding assistance from the state.

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 2007 is \$42,500,861 and represents an increase of \$ 2,733,370 or 6.9% over the budget for fiscal 2006. Since fiscal 1999, the annual budget has increased by an average of 7.3% 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.

TOWN OF WINDHAM
Management's Discussion and Analysis, Continued

Revenues/Surplus

Amounts budgeted as *revenue other than property taxes* have increased from \$12,565,663 in 1999 to \$22,858,825 in the approved budget for 2007, an average annual increase of 10.2%. Over this period, these revenues have hovered around 50% of total revenues at the same time that the Town has become more accurate in its revenue forecasting and projection. This 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. Revenues other than property taxes also fluctuate (i.e. interests earnings, permit fees, etc.) as a result of other factors in the economy which significantly affects the Town's underlying financial condition.

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 municipal budget for 2007 reflects an 8.2% increase over last year. Most of this increase stems from significant increases in the cost of municipal insurance coverages combined with considerable jumps in employee benefit costs, primarily health insurance and workers compensation. We are projecting increases ranging from 10-12% in these areas. The school budget reflects a more moderate 6.2% increase. The increase is mitigated by an additional \$1.4 million in state subsidy payments for education. County taxes, which are not included in the budget figures discussed above, increased \$18,023, or 2.26% to \$817,216 for fiscal 2006-07. 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.

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. In recent years the Town has implemented a mail-in motor vehicle re-registration service as well as participating in the state's online "Rapid Renewal" program, and has expanded the range of information available to the public on its website. 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 inter-municipal cooperatives for joint purchasing and resource-sharing. These include the Greater Portland Council of Governments and its collective bid process, fire chiefs in Cumberland County jointly bidding supplies and equipment, and participating in the Interlocal Storm Water Working Group to share costs of complying with federal storm water management rules.

Like many communities which have experienced, and continue to experience rapid rates of growth, Windham has sought to balance the need to provide services in response to growth, and growing expectations with a reasonable level of local property taxation. Capital equipment replacement and facilities funding have been increasing 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.

TOWN OF WINDHAM
Management's Discussion and Analysis, Continued

The Future

The Town is in good financial condition. Undesignated fund balance, which represents potential supplemental financial resources to the Town, currently equals 10.1% of the 2006-07 budget; that compares favorably to the Town's fund balance policy which strives to maintain a ratio of at least 8.34%. In order to maintain its fiscal health it will be necessary to evaluate the sustainability of any expansion in programs and services relative to the ability to generate revenue other than taxes and keep local property taxes from rising beyond what has been Windham's typically lower rates than many surrounding full-service communities.

In order to achieve stability in its local property tax rates and sustainability in its programs and services, the Town will need to work diligently to implement its comprehensive master plan and develop associated multi-year strategic and financial plans under the policy guidance and direction of the Town Council with appropriate and substantial input and involvement from citizens and other stakeholders. This becomes particularly important when considering future tax base growth potential, the cost of providing services to this growth, and providing infrastructure to enable and support growth in designated areas and not others. In addition, the Town will have to continue to demonstrate compliance with statutes governing increases in the property tax levy from one year to the next. The School Department will also be required to demonstrate compliance with new school funding laws. Both of these laws, enacted by the Maine Legislature in early 2005 and in effect for the 2005-2006 fiscal year, contain provisions for voter approval of expenditures or increases in property tax levies over a certain amount.

Summary

The fiscal year 2007 budget will reflect a significant *decrease* in the tax rate of \$6.50, from \$17.80 per thousand dollars of assessed value to \$11.30, a decrease of 36.5%. This reduction is attributable mainly to a complete tax revaluation that was undertaken in the spring of 2006, which had the effect of increasing property values significantly to more closely track local real estate appreciation. In addition, state school funding and other non-tax school revenues are expected to increase nearly 12% over 2006, further reducing the tax rate.

The high school renovation and expansion project, the largest and most important capital facilities project the Town had undertaken to date, was completed at about the start of the fiscal year for which these reports were issued. In fiscal 2007 the Town will see the full effect of 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. The timing of the high school project and its debt repayment schedule are important because of the growth-related infrastructure, facilities, and operational needs, and other investments needed to realize the goals in its comprehensive master plan that the Town will face in the future.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

TOWN OF WINDHAM, MAINE
Statement of Net Assets
June 30, 2006

	Primary Government Governmental Activities	Component Unit WEDC
ASSETS		
Cash and cash equivalents	\$ 9,496,402	11,764
Investments	144,381	81,233
Receivables:		
Accounts	420,105	-
Taxes receivable - prior years	147,985	-
Taxes receivable - current year	628,130	-
Tax liens	168,191	-
Inventory	23,772	-
Capital assets, not being depreciated	9,931,732	-
Capital assets, being depreciated	47,066,055	-
Total assets	68,026,753	92,997
LIABILITIES		
Accounts payable and other current liabilities	1,072,485	-
Accrued payroll	2,048,087	-
Compensated absences payable	1,329,125	-
Accrued interest	232,236	-
Taxes paid in advance	54,533	-
Deferred revenue	32,482	-
Noncurrent liabilities:		
Due within one year	2,700,325	-
Due in more than one year	35,109,770	-
Total liabilities	42,579,043	-
NET ASSETS		
Invested in capital assets, net of related debt	19,187,692	-
Restricted for:		
Nonexpendable trust principal	41,874	-
Unrestricted	6,218,144	92,997
Total net assets	\$ 25,447,710	92,997

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Activities
For the year ended June 30, 2006

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government	Component Unit
					Governmental activities	WEDC
Primary government:						
Governmental activities:						
Administrative services	\$ 2,512,840	-	-	-	(2,512,840)	-
Public safety	1,886,577	4,059	25,809	-	(1,856,709)	-
Fire/rescue services	996,428	344,133	-	-	(652,295)	-
Public works	2,823,954	648,854	211,965	-	(1,963,135)	-
Recreation services	402,652	213,556	-	-	(189,096)	-
County tax	799,193	-	-	-	(799,193)	-
Other	1,445,370	-	89,216	-	(1,356,154)	-
Education	30,186,721	1,759,478	17,178,406	-	(11,248,837)	-
Interest on debt service	1,448,273	-	-	-	(1,448,273)	-
Capital maintenance expenses	1,774,718	-	15,000	271,513	(1,488,205)	-
Total governmental activities	44,276,726	2,970,080	17,520,396	271,513	(23,514,737)	-
Total primary government	\$ 44,276,726	2,970,080	17,520,396	271,513	(23,514,737)	-
Component unit:						
WEDC	5,981	-	25,000	-	-	19,019

General revenues:		
Property taxes, levied for general purposes	19,520,040	-
Excise taxes	2,772,400	-
Supplemental taxes and lien fees	37,600	-
Motor vehicle registration fees	58,978	-
Franchise fees	79,250	-
Licenses and permits	343,207	-
Grants and contributions not restricted to specific programs:		
Homestead exemption	391,436	-
Other State aid	57	-
State Revenue Sharing	1,434,344	-
Unrestricted investment earnings	335,914	797
Loss on disposal of property	(197,356)	-
Miscellaneous	400,482	715
Total general revenues	25,176,352	1,512
Change in net assets	1,661,615	20,531
Net assets - beginning	23,786,095	72,466
Net assets - ending	\$ 25,447,710	92,997

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Balance Sheet
Governmental Funds
June 30, 2006

	General	School Operations	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,278,719	-	217,683	9,496,402
Investments	10,454	-	133,927	144,381
Receivables:				
Accounts	196,914	53,936	169,255	420,105
Taxes receivable - prior years	147,985	-	-	147,985
Taxes receivable - current year	628,130	-	-	628,130
Tax liens	168,191	-	-	168,191
Interfund loans receivable	-	3,214,913	2,317,609	5,532,522
Inventory	-	-	23,772	23,772
Total assets	\$ 10,430,393	3,268,849	2,862,246	16,561,488
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	578,117	71,964	12,378	662,459
Accrued payroll	252,953	1,732,790	62,344	2,048,087
Interfund loans payable	4,792,993	573,771	165,758	5,532,522
Taxes paid in advance	54,533	-	-	54,533
Deferred revenue	673,000	32,482	-	705,482
Unearned income - impact fees	78,602	-	-	78,602
Inspection deposits and miscellaneous liabilities	275,257	56,167	-	331,424
Total liabilities	6,705,455	2,467,174	240,480	9,413,109
Fund balances:				
Reserved for:				
Inventory	-	-	23,772	23,772
Nonexpendable trust principal	-	-	41,874	41,874
Unreserved:				
Designated - subsequent year	409,390	274,469	-	683,859
Unreserved, reported in:				
General fund	3,315,548	-	-	3,315,548
Special revenue funds	-	527,206	2,028,623	2,555,829
Capital projects funds	-	-	391,944	391,944
Permanent funds	-	-	135,553	135,553
Total fund balances	3,724,938	801,675	2,621,766	7,148,379
Total liabilities and fund balances	\$ 10,430,393	3,268,849	2,862,246	

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.	56,997,787
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	673,000
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	(1,329,125)
Accrued interest	(232,236)
Capital leases	(1,026,470)
Bonds payable	(36,783,625)

Net assets of governmental activities **\$ 25,447,710**

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, 2006

	General	School Operations (Schedule B)	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 22,153,204	-	117,836	22,271,040
Licenses and permits	402,185	-	-	402,185
Intergovernmental	2,152,827	12,891,009	1,964,910	17,008,746
Intergovernmental - on-behalf payments	-	2,609,000	-	2,609,000
Charges for services	663,294	812,601	1,150,052	2,625,947
Interest earned	324,418	-	11,496	335,914
Other	505,364	126,343	192,170	823,877
Total revenues	26,201,292	16,438,953	3,436,464	46,076,709
Expenditures:				
Current:				
Administrative services	2,445,269	-	-	2,445,269
Public safety	1,881,215	-	-	1,881,215
Fire/rescue services	1,273,471	-	-	1,273,471
Public works	2,828,052	-	-	2,828,052
Recreation services	221,818	-	162,819	384,637
County tax	799,193	-	-	799,193
Other	1,282,342	-	91,297	1,373,639
Education	-	23,116,506	2,925,863	26,042,369
Education - Maine State Retirement on-behalf payments	-	2,609,000	-	2,609,000
Debt service	356,335	3,550,908	-	3,907,243
Capital outlay	1,691,684	178,281	933,277	2,803,242
Total expenditures	12,779,379	29,454,695	4,113,256	46,347,330
Excess (deficiency) of revenues over (under) expenditures	13,421,913	(13,015,742)	(676,792)	(270,621)
Other financing sources (uses):				
Capital lease proceeds	-	178,281	-	178,281
Operating transfers - in	121,391	12,928,760	1,394,460	14,444,611
Operating transfers - out	(14,126,179)	(315,632)	(2,800)	(14,444,611)
Total other financing sources (uses)	(14,004,788)	12,791,409	1,391,660	178,281
Net change in fund balances	(582,875)	(224,333)	714,868	(92,340)
Fund balances, beginning of year	4,307,813	1,026,008	1,906,898	7,240,719
Fund balances, end of year	\$ 3,724,938	801,675	2,621,766	7,148,379

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, 2006

Net change in fund balances - total governmental funds (from Statement 4)	\$	(92,340)
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$2,506,863) and loss on disposal of property (\$197,356) exceeded capital outlays (\$1,671,664) in the current period.</p>		
		(1,032,555)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		59,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(99,620)
<p>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. This is the amount by which repayments (\$555,415) exceed proceeds (\$178,282).</p>		
		377,133
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of the repayments.</p>		
		2,449,997
Change in net assets of governmental activities (see Statement 2)		\$ 1,661,615

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2006

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 21,858,455	21,858,455	22,153,204	294,749
Licenses and permits	390,920	390,920	402,185	11,265
Intergovernmental	1,845,800	1,845,800	2,152,827	307,027
Charges for services	641,900	641,900	663,294	21,394
Interest earned	135,000	135,000	324,418	189,418
Other	480,769	480,769	505,364	24,595
Total revenues	25,352,844	25,352,844	26,201,292	848,448
Expenditures:				
Current:				
Administrative services	2,724,666	2,617,857	2,445,269	172,588
Public safety	2,064,779	2,080,606	1,881,215	199,391
Fire/rescue services	1,385,165	1,389,257	1,273,471	115,786
Public works	2,964,098	3,010,609	2,828,052	182,557
Recreation services	216,036	219,984	221,818	(1,834)
County tax	799,193	799,193	799,193	-
Other	1,393,290	1,429,721	1,282,342	147,379
Debt service	356,335	356,335	356,335	-
Capital outlay	2,181,679	2,181,679	1,691,684	489,995
Total expenditures	14,085,241	14,085,241	12,779,379	1,305,862
Excess of revenues over expenditures	11,267,603	11,267,603	13,421,913	2,154,310
Other financing sources (uses):				
Use of undesignated fund balance	2,558,190	2,558,190	-	(2,558,190)
Operating transfers from other funds	256,119	256,119	121,391	(134,728)
Operating transfers to other funds	(14,081,912)	(14,081,912)	(14,126,179)	(44,267)
Total other financing sources (uses)	(11,267,603)	(11,267,603)	(14,004,788)	(2,737,185)
Net change in fund balance	-	-	(582,875)	(582,875)
Fund balance, beginning of year			4,307,813	
Fund balance, end of year	\$		3,724,938	

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private-purpose Trust Fund (Scholarships)	Agency Fund (School Activity)
ASSETS		
Cash and cash equivalents	\$ 61,442	213,204
Total assets	\$ 61,442	213,204
LIABILITIES		
Due to student groups	-	213,204
NET ASSETS		
Held in trust	\$ 61,442	-

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2006

	Private-purpose Trust Fund (Scholarships)
Additions:	
Donations	\$ 81
Investment income	1,749
Total additions	1,830
Deductions:	
Scholarships awarded	1,000
Total deductions	1,000
Change in net assets	830
Net assets, beginning of year	60,612
Net assets, end of year	\$ 61,442

See accompanying notes to financial statements.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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 types:

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.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 3 to 40 years.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 2005-2006 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, 2006, 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 performs internal updates annually.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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. Sick time is not paid unless an employee is ill, or retires in good standing. Amounts of accumulated leave that are not paid by year-end are reported in the government-wide financial statements, unless matured or due and payable.

I. Long-term Obligations

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

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

J. Fund Equity

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

K. Interfund Transactions

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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.

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 \$2,609,000. These amounts have been included as an intergovernmental revenue and an education expenditure on Statement 2 (GAAP basis) and Statement 4. There is no effect on the fund balance at the end of the year.

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>
2006 budget as originally adopted	\$ 40,772,982	(40,772,982)	-
Designated carryforward balance	-	(1,606,442)	1,606,442
Budgeted use of surplus	(951,748)	-	951,748
Transfer to Sewer Fund	-	54,720	(54,720)
Transfer to Equipment Replacement Fund	-	460,000	(460,000)
Transfer to School	(14,212,271)	27,310,558	(13,098,287)
Transfer from Cemetery	(2,800)	-	2,800
Transfer from Pipeline TIF	(253,319)	-	253,319
Transfer to Development District North TIF	-	468,905	(468,905)
Totals	\$ 25,352,844	14,085,241	(11,267,603)

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

REVISED BUDGET, CONTINUED

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2006, expenditures exceeded appropriations in the following department:

Recreation	\$ 1,834
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C. Deficit Fund Balance

For the year ended June 30, 2006, the following funds had deficit fund balances:

Equipment replacement	\$ 77,858
CCWSD	1,410

DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town currently does not have a deposit policy for custodial credit risk. As of June 30, 2006, the Town reported deposits of \$9,771,048 with a bank balance of \$10,424,918. \$7,024 of the Town's bank balances were exposed to custodial credit risk as they were not covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions. The Town's component unit, WEDC, reported deposits of \$11,764 which were fully covered by F.D.I.C.

Deposits have been reported as follows:

Reported in governmental funds	\$ 9,496,402
Reported in fiduciary funds	274,646
<u>Total Town deposits</u>	<u>\$ 9,771,048</u>
Reported in component unit (WEDC)	11,764
<u>Total deposits</u>	<u>\$ 9,782,812</u>

B. Investments

At June 30, 2006, the Town had the following investments:

	<u>Fair</u> <u>Value</u>
Certificates of deposit	\$ 144,381
Money market	81,233
<u>Total investments</u>	<u>\$ 225,614</u>

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

DEPOSITS AND INVESTMENTS, CONTINUED

Investments have been reported as follows:

Reported in governmental funds	\$ 144,381
Reported in component unit (WEDC)	81,233
Total deposits	\$ 225,614

Custodial credit risk- investments – For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town currently does not have an investment policy for custodial credit risk

Of the Town and component unit's \$225,614 investment in money markets and certificates of deposit, 100% was collateralized by underlying securities held by the related bank, which were not in the Town's name.

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

PROPERTY TAX

Property taxes for the current year were committed on July 15, 2005 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 7.75% on all tax bills unpaid as of October 1, 2005 and April 1, 2006. 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 \$102,968 for the year ended June 30, 2006

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 2006 and 2005 levies:

	<u>2006</u>	<u>2005</u>
Assessed value	\$ 1,089,829,900	1,073,409,600
Tax rate (per \$1,000)	17.80	19.00
Commitment	19,398,972	20,394,782
Supplemental taxes assessed	27,970	13,784
	19,426,942	20,408,566
Less:		
Abatements	27,916	17,352
Collections	18,770,896	19,749,315
Receivable at June 30	\$ 628,130	641,899

Due date(s)	(1/2) October 1, 2005 (1/2) April 1, 2006
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Interest rate on delinquent taxes	7.75%
Collection rate	96.76%

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

INTERFUND BALANCES

Individual interfund receivable and payable balances at June 30, 2006, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	4,792,993
Special revenue funds:		
Town special revenue funds	1,682,940	88,391
School operations	3,214,913	573,771
School special revenue funds	43,138	-
R.E.A.L. school	55,507	-
Adult education	144,080	-
School lunch program	-	77,367
Capital project funds:		
Locally funded school projects	391,944	-
Totals	\$ 5,532,522	5,532,522

INTERFUND TRANSFERS

Individual fund transfers for the year ended June 30, 2006 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General fund	\$ 121,391	14,126,179
School operations fund	12,928,760	315,632
Nonmajor special revenue funds:		
Pipeline Development T.I.F.	-	117,836
B I D E. grant	-	755
Equipment replacement fund	460,000	-
Little Falls sewer operations fund	86,297	-
Development District North T.I.F.	481,595	-
Adult education program	169,527	-
School lunch program	15,632	-
Total nonmajor special revenue funds	1,213,051	118,591
Nonmajor capital project funds:		
School capital projects fund	300,000	-
Total nonmajor capital project funds	300,000	-
Nonmajor permanent funds:		
Perpetual care trust fund	-	2,800
Total nonmajor permanent funds	-	2,800
Totals	\$ 14,563,202	14,563,202

These operating transfers were budgeted transfers to fund certain activities.

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance June 30, <u>2005</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2006</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,741,734	402,045	146,167	1,997,612
School land	592,280	-	-	592,280
Infrastructure	7,004,156	-	-	7,004,156
<u>Construction in progress</u>	-	337,684	-	337,684
Total capital assets, not being depreciated	9,338,170	739,729	146,167	9,931,732
Capital assets, being depreciated:				
Land improvements	-	114,782	-	114,782
Buildings	4,233,555	-	59,812	4,173,743
Equipment	3,082,432	543,579	-	3,626,011
Vehicles	3,387,771	99,435	118,039	3,369,167
School vehicles	1,564,721	53,017	156,400	1,461,338
School equipment	2,112,681	147,304	32,700	2,227,285
School buildings	49,397,748	-	-	49,397,748
School furniture	598,307	15,000	-	613,307
<u>Infrastructure</u>	1,427,729	-	-	1,427,729
Total capital assets, being depreciated	65,804,944	973,117	366,951	66,411,110
Less accumulated depreciation for:				
Land improvements	-	28,792	-	28,792
Buildings	1,740,935	101,288	18,854	1,823,369
Equipment	2,050,489	293,214	-	2,343,703
Vehicles	1,517,286	256,570	104,814	1,669,042
School vehicles	952,853	117,911	18,257	1,052,507
School equipment	1,227,959	171,610	147,060	1,252,509
School buildings	9,015,922	1,410,365	-	10,426,287
School furniture	93,794	105,824	-	199,618
<u>Infrastructure</u>	513,534	35,694	-	549,228
Total accumulated depreciation	17,112,772	2,521,268	288,985	19,345,055
<u>Total capital assets being depreciated, net</u>	48,692,172	(1,548,151)	77,966	47,066,055
<u>Governmental capital assets, net</u>	\$ 58,030,342	(808,422)	224,133	56,997,787

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

CAPITAL ASSETS, CONTINUED

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

Governmental activities:

Administrative services	\$ 54,688
Public safety	143,613
Fire/rescue services	176,191
Public works	230,232
Recreation	18,015
Other (Town Clerk, Library, and Cemetery)	78,414
Education	<u>1,805,710</u>

Total depreciation expense – governmental activities \$ 2,506,863

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, 2006, accrued wages amounted to \$2,048,087, of which \$1,795,134 applies to the School Funds and the remaining \$252,953 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, 2006, the Town has not exceeded these percentages

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds	\$ 39,233,622	-	2,449,997	36,783,625	2,452,072
Capital leases	1,403,603	178,281	555,415	1,026,470	248,253
Accrued compensated absences	1,220,532	108,593	-	1,329,125	-
Totals	<u>\$ 41,857,757</u>	<u>286,874</u>	<u>3,005,412</u>	<u>39,139,219</u>	<u>2,700,325</u>

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

LONG-TERM DEBT

General obligation bonds, notes, and capital leases payable at June 30, 2006 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	770,000
1989 Public safety building construction	1,600,000	Var.	2009	240,000
1999 Windham School	2,820,000	Var.	2015	1,906,530
2001 Windham School	710,475	Var.	2007	142,095
2003 General Obligation Bonds	35,787,000	Var.	2025	33,725,000
Total general obligation bonds and promissory notes				36,783,625
<u>Capital leases</u>				
Town:				
2002 Loader and sweeper		3.49%	2007	49,146
2003 Dump Truck		3.585%	2008	44,117
2004 Aerial Platform & Ladder Truck		3.55%	2014	608,445
School:				
2003 Passenger Freightliner bus (1)		4.50%	2007	11,033
2004 Passenger Freightliner bus (1)		4.78%	2008	22,168
2001 Copiers		3.50%	2009	105,745
2005 Passenger Freightliner bus		3.90%	2009	33,391
2005 Passenger Freightliner bus		3.90%	2009	33,391
2005 Passenger Freightliner bus		3.90%	2009	33,391
2006 Technology		4.48%	2008	33,912
2006 Network storage - technology		4.41%	2008	8,437
2006 REAL School vans (3)		4.75%	2008	31,707
2006 Network printer/copier		4.85%	2010	11,587
Total capital leases				1,026,470
Total primary government general obligation bonds, promissory notes and capital leases				\$ 37,810,095

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, 2006 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>
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	2,009,177	1,209,686	3,218,863
2011	2,018,778	1,144,573	3,163,351
2012-2016	10,000,374	4,536,333	14,536,707
2017-2021	9,050,000	2,568,338	11,648,338
2022-2025	6,710,000	626,725	7,336,725
Totals	\$ 36,783,625	14,132,516	50,916,141

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2006:

<u>Fiscal year ending</u>	<u>Town</u>	<u>School</u>	<u>Total capital leases</u>
2007	\$ 162,812	121,942	284,754
2008	111,951	145,844	257,795
2009	88,699	77,034	165,733
2010	88,699	3,257	91,956
2011	88,699	-	88,699
2012-2014	266,099	-	266,099
Total minimum lease payments	806,959	348,077	1,155,036
Less amount representing interest	105,251	23,314	128,565
Present value of future minimum lease payments	\$ 701,708	324,763	1,026,471

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	\$ 36,783,625	100.00%	36,783,625
Cumberland County	10,560,000	4.23%	446,847
Portland Water District	21,325,000	6.33%	1,349,073
Town of Gorham - Little Falls sewer project	84,491	93.73%	79,193

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

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association 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, 2006.

CONTINGENT OBLIGATIONS

ecomaine (formally Regional Waste Systems) - ecomaine, a Maine corporation with twenty one participating municipalities including the Town of Windham, has issued bonds to fund the design, construction and start-up of a resource recovery system. The bonds are special revenue obligations of ecomaine, payable from and secured by a pledge of ecomaine revenues. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of the State of Maine, or a pledge of the full faith and credit of any political subdivision of the State of Maine. ecomaine has no taxing power. Notwithstanding the foregoing, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to ecomaine for processing, to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service of the bonds. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations. On June 30, 2006, outstanding "Incinerator Debt" of ecomaine totaled \$48,105,000 of which the Windham share, based on estimated tonnage to be delivered, amounted to 4.67% or \$2,245,934.

Additionally, ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure costs approximate \$20,737,626 at June 30, 2005, the most recent date available. The Town's proportionate share of these estimated landfill closure and postclosure costs is 4.76% or \$987,994.

DESIGNATED FUND BALANCE

At June 30, 2006 and 2005, portions of the General Fund and special revenue fund balance were appropriated to future periods as follows:

	<u>2006</u>	<u>2005</u>
General Fund:		
Expenditure control budgeting - department carryovers	\$ 177,214	71,412
Other:		
Road improvements	82,576	337,748
Cemetery	2,554	2,554
300th anniversary	10,454	10,276
Town land/building improvements	136,592	670,646
Town management	-	27,945
Assessor's office	-	16,956
Unappropriated TIF	-	468,905
Total General Fund	\$ 409,390	1,606,442
Special revenue fund:		
Carry over for future years - education	274,469	150,000
Total special revenue fund	\$ 274,469	150,000

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

STATE REIMBURSEMENT FOR DEBT SERVICE EXPENDITURES

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

EMPLOYEE'S RETIREMENT SYSTEM

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.

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 \$2,609,000 (19.15%) for the fiscal year 2006. 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 19.15% of their compensation. This cost is charged to the applicable grant.

EMPLOYEE'S RETIREMENT SYSTEM, CONTINUED

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.

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

ARBITRAGE REBATE

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.

LANDFILL CLOSURE COSTS AND POSTCLOSURE CARE COSTS

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

TAX INCREMENT FINANCING DISTRICT

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

The creation of a Pipeline Development District is to address specific concerns and issues that have been identified by the Town's staff, elected leaders, and citizenry over the past year during forums and other forms of direct communication. Public comments have been directed towards a reactionary environment, lack of capital expenditures and the continuing need to ration resources and proactively seek out economic opportunity before crisis and concern are established. The development within this District will produce approximately \$16,352,800 of new tax base for the Town. The District will produce new taxable revenues, beginning with 80% and declining by 5% annually, over a ten year period. These revenues will be used to make payments into the Pipeline Development Fund specifically for: the purchase of a Geographic Information System (GIS) that would integrate automated data and provide a tool for planning economic and community development, a formal study and long range plan to mitigate environmental issues related to pollutants within the northern section of Town, the development of a business and tourism center within the commercial hub, a mechanism to leverage private funding for rehabilitation and new construction of desirable commercial facilities throughout the community and the continuance of the Town's economic development program. For the year ended June 30, 2006, \$117,836 of tax revenues were captured and reported as TIF district revenues.

TOWN OF WINDHAM, MAINE
Required Supplementary Information
June 30, 2006

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

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 \$5,500,000 for roadway maintenance and improvements other than routine maintenance. The Town expended \$1,010,547 on road and street maintenance and improvements for the fiscal year ended June 30, 2006 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 2007 to be at least \$1,000,000, or \$500,000 per year.

Drainage structures (culverts, catch basins, etc.) will be subject to a condition assessment during fiscal 2006-2007.

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, 2006 and 2005

	2006	2005
ASSETS		
Cash and cash equivalents	\$ 9,278,719	9,691,592
Investments	10,454	10,276
Receivables:		
Taxes receivable - current year	628,130	641,899
Taxes receivable - prior years	147,985	119,500
Tax liens - prior years	168,191	129,946
Accounts receivable	196,914	56,951
Total assets	\$ 10,430,393	10,650,164
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	578,117	436,148
Accrued wages	252,953	195,428
Interfund loans payable	4,792,993	4,644,198
Taxes paid in advance	54,533	64,501
Deferred tax revenue	673,000	614,000
Unearned income - impact fees	78,602	81,461
Inspection deposits and miscellaneous liabilities	275,257	306,615
Total liabilities	6,705,455	6,342,351
Fund balance:		
Unreserved:		
Designated	409,390	1,606,442
Undesignated - Town	3,315,548	2,701,371
Total fund balance	3,724,938	4,307,813
Total liabilities and fund balance	\$ 10,430,393	10,650,164

TOWN OF WINDHAM, MAINE
General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

Year ended June 30, 2006

(with comparative actual amounts for the year ended June 30, 2005)

	2006			Variance positive (negative)	2005 Actual
	2005 carryforward	Budget	Total available		
Revenues:					
Taxes:					
Property taxes	\$ -	19,263,955	19,263,955	138,249	20,189,479
Change in deferred property tax revenue	-	-	-	(59,000)	102,000
Excise taxes	-	2,580,000	2,580,000	192,400	2,716,235
Supplemental taxes and lien fees	-	14,500	14,500	23,100	24,163
Total taxes	-	21,858,455	21,858,455	294,749	23,031,877
Licenses and permits:					
Plumbing fees	-	27,500	27,500	976	35,047
Town Clerk fees	-	40,000	40,000	32,568	57,507
Building permits	-	150,000	150,000	14,793	196,224
Planning fees	-	19,500	19,500	13,815	87,782
License and other fees	-	98,920	98,920	(54,865)	48,988
Motor vehicle registration fees	-	55,000	55,000	3,978	59,904
Total licenses and permits	-	390,920	390,920	11,265	485,452
Intergovernmental:					
State Revenue Sharing	-	1,150,000	1,150,000	284,344	1,232,396
State highway block grant	-	240,864	240,864	(28,899)	240,864
Homestead exemption	-	391,436	391,436	-	352,030
General assistance reimbursement	-	50,000	50,000	39,216	44,928
Cops in school grant	-	-	-	25,809	-
FEMA assistance	-	-	-	-	122,832
Other state assistance	-	13,500	13,500	(13,443)	21,950
Total intergovernmental	-	1,845,800	1,845,800	307,027	2,015,000
Charges for services:					
Solid waste disposal fees	-	606,500	606,500	23,074	499,845
False alarm fees/police fines and fees	-	5,000	5,000	(941)	7,107
Park fees	-	30,400	30,400	(739)	30,802
Total charges for services	-	641,900	641,900	21,394	537,754

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

2006

	2005	2006	Total	Variance	2005
	carryforward	Budget	available	positive	Actual
				(negative)	Actual
Revenues, continued:					
Interest earned:					
Interest on delinquent taxes	-	65,000	65,000	(2,364)	64,334
Interest earned on investments	-	70,000	70,000	191,782	123,182
Total interest earned	-	135,000	135,000	189,418	187,516
Other revenues:					
Cable television franchise	-	70,000	70,000	9,250	73,977
Court fees	-	5,000	5,000	(4,169)	2,062
Rent	-	20,466	20,466	(3,850)	20,516
Rescue reimbursement	-	350,375	350,375	(6,242)	304,056
Miscellaneous	-	23,928	23,928	29,613	109,993
Library fines and state funds	-	11,000	11,000	(7)	11,769
Total other revenues	-	480,769	480,769	24,595	522,373
Total revenues	-	25,352,844	25,352,844	848,448	26,779,972
Expenditures:					
Current:					
Administrative services:					
Town Council	-	114,462	114,462	(9,724)	93,984
Town planning	-	120,371	120,371	4,634	109,551
Community participation	-	31,878	31,878	7,717	8,506
Windham Community Cable Group	-	32,028	32,028	8,340	16,443
Human service agencies	-	-	-	-	40,309
Municipal insurance	-	146,100	146,100	929	135,909
Employee benefits	-	1,446,532	1,446,532	67,926	1,325,479
Money management fees	-	10,500	10,500	10,111	183
Program management	27,945	324,949	352,894	37,055	271,011
Collect/account Town funds	-	221,970	221,970	4,499	196,630
Data processing	-	141,122	141,122	41,101	104,986
Total administrative services	27,945	2,589,912	2,617,857	172,588	2,302,991

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

	2006				2005 carryforward	Budget	Total available	Actual	Variance positive (negative)	2005 Actual
Expenditures, continued										
Current, continued:										
Public safety:										
Police safety	\$	1,555,935	1,555,935	1,420,918				135,017		1,332,340
Animal control		56,332	56,332	52,633				3,699		42,965
Public safety dispatching		380,323	380,323	323,076				57,247		271,985
Police vehicle maintenance		88,016	88,016	84,588				3,428		77,226
Total public safety		2,080,606	2,080,606	1,881,215				199,391		1,724,516
Fire/rescue services:										
Fire safety		666,317	666,317	608,147				58,170		556,384
Emergency safety (rescue)		256,886	256,886	243,616				13,270		237,279
Paramedics		290,564	290,564	242,689				47,875		237,347
Civil emergency preparedness		500	500	-				500		-
Water main charges		71,484	71,484	71,339				145		70,684
Fire and rescue vehicle maintenance		103,506	103,506	107,680				(4,174)		88,418
Total fire/rescue services		1,389,257	1,389,257	1,273,471				115,786		1,190,112
Public works:										
Public works administration		121,082	121,082	113,969				7,113		101,262
Road maintenance/patching		578,528	578,528	542,511				36,017		449,214
Traffic signals, road markings/drainage		113,135	113,135	103,294				9,841		60,292
Snow plowing		250,563	250,563	228,532				22,031		271,007
Highway vehicle maintenance		379,009	379,009	365,141				13,868		340,414
Street lighting		-	-	-				-		52,159
Solid waste disposal		1,096,285	1,096,285	971,986				124,299		1,058,967
Building maintenance		414,475	414,475	449,537				(35,062)		395,628
Grounds maintenance		57,532	57,532	53,082				4,450		43,683
Total public works		3,010,609	3,010,609	2,828,052				182,557		2,772,626

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

	2005			2006		Variance positive (negative)	2005 Actual
	2005 carryforward	Budget	Total available	Actual	Actual		
Expenditures, continued							
Current, continued:							
Recreation services:							
Recreation	-	167,029	167,029	157,249	9,780	145,606	
Dundee Park	-	52,955	52,955	64,569	(11,614)	48,186	
Total recreation services	-	219,984	219,984	221,818	(1,834)	193,792	
County tax	-	799,193	799,193	799,193	-	795,099	
Other:							
Social services	-	172,214	172,214	202,602	(30,388)	174,549	
Social services agency funding	-	42,704	42,704	44,066	(1,362)	-	
Assessing	16,956	251,446	268,402	261,305	7,097	193,906	
Contingency	-	100,000	100,000	7,205	92,795	-	
Town Clerk/elections	-	119,907	119,907	117,601	2,306	100,917	
Community development	-	425,593	425,593	333,432	92,161	346,532	
Library services	-	290,625	290,625	288,215	2,410	260,451	
300th anniversary	10,276	-	10,276	-	10,276	-	
Abatements	-	-	-	27,916	(27,916)	17,118	
Total other	27,232	1,402,489	1,429,721	1,282,342	147,379	1,093,473	
Debt service (excluding education):							
Principal	-	230,000	230,000	230,000	-	230,000	
Interest	-	126,335	126,335	126,335	-	135,443	
Total debt service (excluding education)	-	356,335	356,335	356,335	-	365,443	

TOWN OF WINDHAM, MAINE
General Fund

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

2006

	2005	2006	Variance
	carryforward	Budget	positive (negative)
		Total available	2005 Actual
Expenditures, continued:			
Capital outlay:			
Town road resurfacing	\$ 337,748	500,000	837,748
ECB capital expenditures	71,412	-	71,412
Town building/land improvements	673,200	599,319	1,272,519
Total capital outlay	1,082,360	1,099,319	2,181,679
Total expenditures	1,137,537	12,947,704	14,085,241
Excess (deficiency) of revenues over (under) expenditures	(1,137,537)	12,405,140	11,267,603
Other financing sources (uses):			
Operating transfers - in	-	256,119	256,119
Operating transfers - out - Development District North T.I.F.	(468,905)	-	(468,905)
Operating transfers - out - Sewer	-	(54,720)	(54,720)
Operating transfers - out - Equipment replacement	-	(460,000)	(460,000)
Operating transfers - out - School appropriation	-	(13,098,287)	(13,098,287)
Operating transfers - out - Road Projects	-	-	-
Utilization of prior year surplus and carried forward balances	1,606,442	951,748	2,558,190
Total other financing sources (uses)	1,137,537	(12,405,140)	(11,267,603)
Net change in fund balance	-	-	(582,875)
Fund balance, beginning of year	-	-	4,307,813
Fund balance, end of year	\$	\$	\$
		3,724,938	4,307,813
			4,307,813

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF WINDHAM
Combining Balance Sheet
All Other Governmental Funds
June 30, 2006

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 40,256	-	177,427	217,683
Investments	133,927	-	-	133,927
Accounts receivable	169,255	-	-	169,255
Interfund loans receivable	1,925,665	391,944	-	2,317,609
Inventory	23,772	-	-	23,772
Total assets	\$ 2,292,875	391,944	177,427	2,862,246
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	12,378	-	-	12,378
Accrued wages and related liabilities	62,344	-	-	62,344
Interfund loans payable	165,758	-	-	165,758
Total liabilities	240,480	-	-	240,480
Fund balances:				
Reserved for inventory	23,772	-	-	23,772
Nonexpendable trust principal	-	-	41,874	41,874
Unreserved:				
Undesignated	2,028,623	391,944	135,553	2,556,120
Total fund balances	2,052,395	391,944	177,427	2,621,766
Total liabilities and fund balances	\$ 2,292,875	391,944	177,427	2,862,246

TOWN OF WINDHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2006

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Property taxes revenue	\$ 117,836	-	-	117,836
Intergovernmental	1,964,910	-	-	1,964,910
Charges for services	1,150,052	-	-	1,150,052
Other revenue	181,904	1,266	9,000	192,170
Interest revenue	7,135	-	4,361	11,496
Total revenues	3,421,837	1,266	13,361	3,436,464
Expenditures:				
Current:				
Education	2,925,863	-	-	2,925,863
Recreation	162,819	-	-	162,819
Capital outlay	933,277	-	-	933,277
Fees	91,297	-	-	91,297
Total expenditures	4,113,256	-	-	4,113,256
Excess (deficiency) of revenues over (under) expenditures	(691,419)	1,266	13,361	(676,792)
Other financing sources (uses):				
Transfer from other funds	1,094,460	300,000	-	1,394,460
Transfer to other funds	-	-	(2,800)	(2,800)
Total other financing sources (uses)	1,094,460	300,000	(2,800)	1,391,660
Net change in fund balances	403,041	301,266	10,561	714,868
Fund balances, beginning of year	1,649,354	90,678	166,866	1,906,898
Fund balances, end of year	\$ 2,052,395	391,944	177,427	2,621,766

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.

CCSWCD - Cumberland County Soil and Water Conservation District

To account for payroll costs for the Youth Conservation Corps of Little Sebago Lake and Presumpscot River.

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.

Cooperative Services

To account for revenues and expenditures relating to the cooperative program

Homeland Security

To account for a federal grant to assist with Homeland Security.

CDBG Agricultural

To account for a federal grant.

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.

School Lunch Program

To account for the activity of the School lunch operations.

Thomas Varney School Fund

Annie Akers Bremon Scholarship Trust Fund

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

TOWN OF WINDHAM, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2006

	Town Special Revenue Funds	School Special Revenue Funds	Adult Education	R.E.A.L. School	School Lunch Program	Thomas Varney School Fund	Annie Akers Bremon Fund	Total
ASSETS								
Cash and cash equivalents	\$ -	-	50	-	500	39,706	-	40,256
Investments	-	-	-	-	-	-	133,927	133,927
Receivables:								
Accounts receivable	1,903	43,897	3,532	23,006	6,103	-	-	78,441
Due from State of Maine	-	18,815	-	-	71,999	-	-	90,814
Interfund loans receivable	1,682,940	43,138	144,080	55,507	-	-	-	1,925,665
Inventory	-	-	-	-	23,772	-	-	23,772
Total assets	\$ 1,684,843	105,850	147,662	78,513	102,374	39,706	133,927	2,292,875
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	-	9,822	573	1,420	563	-	-	12,378
Accrued wages and related liabilities	-	8,995	7,759	45,590	-	-	-	62,344
Interfund loans payable	88,391	-	-	-	77,367	-	-	165,758
Total liabilities	88,391	18,817	8,332	47,010	77,930	-	-	240,480
Fund balances:								
Reserved for inventory	-	-	-	-	23,772	-	-	23,772
Unreserved:								
Undesignated	1,596,452	87,033	139,330	31,503	672	39,706	133,927	2,028,623
Total fund balances	1,596,452	87,033	139,330	31,503	24,444	39,706	133,927	2,052,395
Total liabilities and fund balances	\$ 1,684,843	105,850	147,662	78,513	102,374	39,706	133,927	2,292,875

TOWN OF WINDHAM, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2006

	Town Special Revenue Funds	School Special Revenue Funds	Adult Education Program	R.E.A.L. School Fund	School Lunch Program	Thomas Varney School Fund	Annie Akers Bremont Fund	Total
	(Schedule A)	(Schedule C)	(Schedule D)	(Schedule E)	(Schedule F)			(Schedule F)
Revenues:								
Property taxes revenue	\$ 117,836	-	-	-	-	-	-	117,836
Intergovernmental revenues:								
Federal subsidies	-	1,133,823	31,308	-	198,879	-	-	1,364,010
State subsidies	286,513	147,194	83,215	75,697	8,281	-	-	600,900
Total intergovernmental revenues	286,513	1,281,017	114,523	75,697	207,160	-	-	1,964,910
Charges for services:								
Tuition and fees	-	-	45,091	232,445	-	-	-	277,536
Recreation revenues	183,895	-	-	-	-	-	-	183,895
Sale of school lunches	-	-	-	-	669,341	-	-	669,341
Sewer user fees	19,280	-	-	-	-	-	-	19,280
Total charges for services	203,175	-	45,091	232,445	669,341	-	-	1,150,052
Interest and dividends	3,852	-	-	-	-	1,011	2,272	7,135
Other revenues	3,300	173,065	5,039	500	-	-	-	181,904
Total revenues	614,676	1,454,082	164,653	308,642	876,501	1,011	2,272	3,421,837

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

	Town Special Revenue Funds (Schedule A)	School Special Revenue Funds (Schedule C)	Adult Education Program (Schedule D)	R.E.A.L. School Fund (Schedule E)	School Lunch Program (Schedule F)	Thomas Varney School Fund	Annie Bremont Fund	Total
Expenditures:								
Education:								
Adult education	\$ -	-	322,909	-	-	-	-	322,909
Education	-	1,433,423	-	277,398	-	-	-	1,710,821
School lunch	-	-	-	-	892,133	-	-	892,133
Total education	-	1,433,423	322,909	277,398	892,133	-	-	2,925,863
Recreation	162,819	-	-	-	-	-	-	162,819
Capital expenditures	933,277	-	-	-	-	-	-	933,277
Scholarships	86,297	-	-	-	-	-	5,000	91,297
Total expenditures	1,182,393	1,433,423	322,909	277,398	892,133	-	5,000	4,113,256
Excess (deficiency) of revenues over (under) expenditures	(567,717)	20,659	(158,256)	31,244	(15,632)	1,011	(2,728)	(691,419)
Other financing sources:								
Operating transfers - in (out)	909,301	-	169,527	-	15,632	-	-	1,094,460
Total other financing sources	909,301	-	169,527	-	15,632	-	-	1,094,460
Net change in fund balance	341,584	20,659	11,271	31,244	-	1,011	(2,728)	403,041
Fund balances, beginning of year	1,254,868	66,374	128,059	259	24,444	38,695	136,655	1,649,354
Fund balances, end of year	\$ 1,596,452	87,033	139,330	31,503	24,444	39,706	133,927	2,052,395

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 fund was established for the following purpose:

School Capital Projects

To account for various School renovation projects.

TOWN OF WINDHAM, MAINE
Nonmajor Capital Project Funds
Balance Sheet
June 30, 2006

		School Capital Projects
ASSETS		
Interfund loans receivable	\$	391,944
Total assets	\$	391,944
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable		-
Total liabilities		-
Fund balance:		
Unreserved:		
Undesignated		391,944
Total fund balance		391,944
Total liabilities and fund balance	\$	391,944

TOWN OF WINDHAM, MAINE
Nonmajor Capital Project Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2006

	School Capital Projects
Revenues:	
Other revenues	\$ 1,266
Total revenues	1,266
Expenditures:	
Construction costs	-
Total expenditures	-
Excess of revenues over expenditures	1,266
Other financing sources:	
Transfers from other funds	300,000
Total other financing sources	300,000
Net change in fund balance	301,266
Fund balance, beginning of year	90,678
Fund balance, end of year	\$ 391,944

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, 2006

	Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
ASSETS				
Cash	\$ 124,585	46,737	6,105	177,427
Total assets	\$ 124,585	46,737	6,105	177,427
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund loans payable	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Nonexpendable trust principal	-	41,074	800	41,874
Unexpended income	124,585	5,663	5,305	135,553
Total fund balances	124,585	46,737	6,105	177,427
Total liabilities and fund balances	\$ 124,585	46,737	6,105	177,427

TOWN OF WINDHAM, MAINE
Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2006

	Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
Revenues:				
Interest and dividends	\$ 2,944	1,262	155	4,361
Lot sales	9,000	-	-	9,000
Total revenues	11,944	1,262	155	13,361
Expenditures:				
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	11,944	(1,538)	155	10,561
Fund balances, beginning of year	112,641	48,275	5,950	166,866
Fund balances, end of year	\$ 124,585	46,737	6,105	177,427

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, 2006

	School Student Activity			Totals
	High School	Middle School	Other Schools	
ASSETS				
Cash	\$ 143,791	34,857	34,556	213,204
Total assets	\$ 143,791	34,857	34,556	213,204
LIABILITIES				
Due to student groups	143,791	34,857	34,556	213,204
Total liabilities	\$ 143,791	34,857	34,556	213,204

TOWN OF WINDHAM, MAINE
Fiduciary Funds - Agency Funds
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
ASSETS				
Cash				
High School	\$ 160,222	284,175	300,606	143,791
Middle School	40,248	109,350	114,741	34,857
Other Schools	27,515	134,397	127,356	34,556
Total assets	227,985	527,922	542,703	213,204
LIABILITIES				
Funds held for student activities				
High School	160,222	284,175	300,606	143,791
Middle School	40,248	109,350	114,741	34,857
Other Schools	27,515	134,397	127,356	34,556
Total liabilities	\$ 227,985	527,922	542,703	213,204

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
- 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
For the year ended June 30, 2006
 (with comparative actual amounts for the year ended June 30, 2005)

	Little		Development		Pipeline		Cooperative		Homeland		CDBG		Highland Lake		Totals	
	Equipment Replacement	Falls Sewer Operations	BIDE Grant	Recreation Program	CCSWCD	District North T.I.F.	Development T.I.F.	Development T.I.F.	Services	Security	Agricultural	Youth Conservation	Corp	2006	2005	
Revenues:																
Property tax revenues																
State/Federal grants																
Sewer user fees		19,280														
Recreation				183,895												
Interest	3,852															
Miscellaneous																
Total revenues	3,852	19,280		183,895			117,836		3,300					117,836	175,900	175,900
Expenditures:																
Public safety																
Sewer assessments																
Recreation		86,297		156,219												
Capital expenditures	869,191					1,410	38,612		6,600							
Total expenditures	869,191	86,297		156,219		1,410	38,612		6,600	50				18,018	162,819	150,667
Other financing sources (uses):																
Transfers (to) from General Fund	460,000	86,297	(755)			481,595	(117,836)									
Total other financing sources (uses)	460,000	86,297	(755)			481,595	(117,836)									
Net change in fund balance	(405,339)	19,280	(755)	27,676	(1,410)	442,983	(4,298)		(3,300)	269,576	189		(3,018)	341,584	(401,091)	
Fund balances, beginning of year	327,481	97,741	755	242,742		75,526	489,871		3,300	50			17,402	1,254,868	1,655,959	
Fund balances (deficit), end of year	(77,858)	117,021		270,418	(1,410)	518,509	485,573			269,626	189		14,384	1,596,452	1,254,868	

TOWN OF WINDHAM, MAINE
School Operations Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
For the year ended June 30, 2006
(with comparative actual amounts for the year ended June 30, 2005)

	2006		Variance positive (negative)	2005 Actual
	Adjusted Budget	Actual		
Revenues:				
State subsidies	\$ 9,491,246	9,491,246	-	7,706,414
State reimbursement - debt service	2,634,845	2,634,845	-	903,320
State agency client and other special education funds	345,817	423,784	77,967	323,861
Tuition and fees	828,326	791,165	(37,161)	697,844
Rental income	-	21,436	21,436	5,780
Medicaid reimbursements	280,000	341,134	61,134	340,519
Other revenues	30,000	126,343	96,343	372,347
Total revenues	13,610,234	13,829,953	219,719	10,350,085
Expenditures:				
Instruction	14,170,697	13,900,640	270,057	13,477,057
Student support	1,541,058	1,525,323	15,735	1,407,717
Staff support	1,296,788	1,184,149	112,639	1,164,413
General administration	1,068,045	1,227,513	(159,468)	958,190
School administration	1,012,644	1,089,217	(76,573)	968,817
Operation and maintenance	2,668,868	2,807,747	(138,879)	2,447,281
Student transportation	1,364,354	1,381,917	(17,563)	1,342,749
Debt service	3,550,908	3,550,908	-	2,317,268
Total expenditures	26,673,362	26,667,414	5,948	24,083,492
Other financing sources (uses):				
Budgeted utilization of surplus	450,000	-	(450,000)	-
Transfers from other funds	-	-	-	103,585
Transfers to other funds				
Transfer to Capital Project - Other local projects	(300,000)	(300,000)	-	-
Transfer to School lunch fund	(15,632)	(15,632)	-	(67,100)
General Fund transfer - property taxes	12,928,760	12,928,760	-	14,274,324
Total other financing sources	13,063,128	12,613,128	(450,000)	14,310,809
Net change in fund balance	-	(224,333)	(224,333)	577,402
Fund balance, beginning of year		1,026,008		448,606
Fund balance, end of year	\$	801,675		1,026,008

TOWN OF WINDHAM, MAINE
School Special Revenue Funds - Federal, State, and Local Programs
Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2006

	June 30, 2005	Federal subsidies	State subsidies	Other revenues	Total revenues	Expenditures	June 30, 2006
Federal Programs:							
Local Entitlement	\$ 12,073	521,382	-	-	521,382	498,204	35,251
Local Entitlement Preschool Grant	256	6,157	-	-	6,157	6,223	190
Teamwork for Kids	271	2,000	-	-	2,000	2,000	271
Title IVA Reconnecting Youth (Drug Free)	3,219	13,372	-	-	13,372	16,591	-
Title I, Part A	-	215,561	-	-	215,561	215,561	-
Title V/Reap	2,873	15,818	-	-	15,818	17,981	710
Title II - Teacher Quality	1,309	82,582	-	-	82,582	82,635	1,256
Title II - Technology	3,310	5,319	-	-	5,319	8,201	428
SMARRRT	-	271,632	-	-	271,632	271,632	-
State Programs:							
Distinguished Educator	860	-	121,607	-	121,607	122,467	-
Learning Results	353	-	25,587	-	25,587	25,136	804
Maine Arts Commission	4,533	-	-	-	-	4,533	-
Local Programs:							
J Jag Grant - Maine Dept. of Corrections	-	-	-	22,156	22,156	22,156	-
Title III	2,095	-	-	2,438	2,438	1,591	2,942
HR Block contribution	-	-	-	521	521	-	521
State Farm Insurance grant	-	-	-	500	500	-	500
PTA Grants	2,268	-	-	2,450	2,450	634	4,084
Primary School Media Fund	2,594	-	-	4,200	4,200	3,678	3,116
Administrative Certification	8,703	-	-	1,700	1,700	7,094	3,309
National Semiconductor Grant	1,612	-	-	50	50	534	1,128
Manchester National Semiconductor Gift	210	-	-	200	200	-	410
Direct Billings, Special Education	6,719	-	-	114,058	114,058	99,237	21,540
Maine Community Foundation	7,522	-	-	-	-	3,200	4,322
Wellness	107	-	-	-	-	106	1
Wal-Mart Grant	500	-	-	-	-	-	500
Maine Youth Voices	1,783	-	-	1,217	1,217	894	2,106
Ski Team	-	-	-	7,817	7,817	7,817	-
Windham Football Boosters	2,166	-	-	8,000	8,000	8,000	2,166
Windham Swim Team	-	-	-	2,798	2,798	2,798	-
Windham Lacrosse Team	-	-	-	3,560	3,560	3,560	-
Cumberland County Superintendents Association	1,038	-	-	1,400	1,400	960	1,478
Total	\$ 66,374	1,133,823	147,194	173,065	1,454,082	1,433,423	87,033

TOWN OF WINDHAM, MAINE
Adult Education Program
Schedules of Revenues, Expenditures, and Changes in Fund Balance
Years ended June 30, 2006 and 2005

	2006			2005
	Adjusted Budget	Actual	Variance positive (negative)	
Revenues:				
State subsidies	\$ 67,337	79,215	11,878	67,337
Tuition and fees	49,142	45,091	(4,051)	40,577
Federal - Carl Perkins	11,556	12,631	1,075	13,990
Entrepreneur program	3,090	4,791	1,701	3,525
Federal - ABE	18,677	18,677	-	18,677
MELMAC grant	-	4,000	4,000	-
Other	-	248	248	826
Total revenues	149,802	164,653	14,851	144,932
Expenditures:				
Current:				
General adult education	187,636	191,323	(3,687)	171,487
High school completion	19,762	18,104	1,658	19,406
Literacy	37,120	41,715	(4,595)	37,010
Entrepreneur program	3,090	4,681	(1,591)	2,295
Vocational courses	20,757	7,010	13,747	9,491
Adult basic education	20,731	28,063	(7,332)	24,924
Carl Perkins project	1,726	4,825	(3,099)	6,391
Carl Perkins prevocational	9,830	7,368	2,462	7,922
MELMAC grant	-	2,445	(2,445)	-
AEFLA grant	18,677	17,375	1,302	21,128
Total expenditures	319,329	322,909	(3,580)	300,054
Other financing sources:				
Transfers from General Fund	169,527	169,527	-	159,899
Net change in fund balance	-	11,271	11,271	4,777
Fund balance, beginning of year		128,059		123,282
Fund balance, end of year	\$	139,330		128,059

TOWN OF WINDHAM, MAINE
R.E.A.L. School Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balance
Years ended June 30, 2006 and 2005

	2006	2005
Revenues:		
State agency client subsidies	\$ 75,697	48,825
Tuitions/transportation charges	232,445	171,543
Other	500	-
Total revenues	308,642	220,368
Expenditures:		
Instruction	202,840	189,400
Student support	705	745
Operations and maintenance of plant and equipment	18,183	28,659
General administration	1,205	951
Technology program	1,163	614
Student transportation	53,302	-
Total expenditures	277,398	220,369
Net change in fund balance	31,244	(1)
Fund balance, beginning of year	259	260
Fund balance, end of year	\$ 31,503	259

Note: Student transportation costs funded by general fund in 2005.

TOWN OF WINDHAM, MAINE
School Lunch Program
Schedules of Revenues, Expenditures, and Changes in Fund Balance
Years ended June 30, 2006 and 2005

	2006	2005
Revenues:		
Sales	\$ 669,341	631,657
U.S. Department of Agriculture:		
Food and milk subsidy	184,609	155,428
Contributed commodities	22,551	11,249
Total revenues	876,501	798,334
Expenditures:		
Food	476,776	477,077
Payroll - staff	369,706	349,216
Supplies and other expenses	45,651	39,038
Total expenditures	892,133	865,331
Deficiency of revenues under expenditures	(15,632)	(66,997)
Transfers from other funds:		
Transfer from school operations fund	15,632	67,100
Net change in fund balance	-	103
Fund balance, beginning of year	24,444	24,341
Fund balance, end of year	\$ 24,444	24,444

TOWN OF WINDHAM, MAINE
School Capital Project Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2006
 (with comparative totals for year ended June 30, 2005)

	High School Construction (State)	High School Construction (Local)	Other Locally Funded School Projects	Totals
				2006
				2005
Revenues:				
Other revenues	\$ 498	768	-	1,266
Total revenues	498	768	-	1,266
Expenditures:				
State repayment	-	-	-	110,401
Construction costs	-	-	-	2,412,680
Total expenditures	-	-	-	2,523,081
Excess (deficiency) of revenues over (under) expenditures	498	768	-	1,266
Other financing sources (uses):				
Transfer from school operations fund	-	-	300,000	300,000
Total other financing sources (uses)	-	-	300,000	300,000
Net change in fund balance	498	768	300,000	(2,512,557)
Fund balances, beginning of year	-	-	90,678	2,603,235
Fund balances, end of year	\$ 498	768	390,678	391,944
				90,678

TOWN OF WINDHAM, MAINE
High School Student Activity Funds
Schedule of Cash Receipts, Disbursements, and Changes in Balances
For the year ended June 30, 2006

	June 30, 2005	Cash receipts	Cash disbursements	June 30, 2006
Checking Account				
Art Club	\$ 441	363	623	181
Athletic Association	3,425	9,567	12,470	522
Baseball	15	2,080	400	1,695
Boys Soccer	295	1,567	908	954
Boys Tennis	4,116	4,092	6,916	1,292
Boys Basketball	5,054	8,759	11,495	2,318
Boys Lacrosse	-	500	-	500
Band	250	530	739	41
Business	1,041	-	6	1,035
BUSSIM	387	16,318	15,979	726
Caps and Gowns	-	6,232	6,232	-
Chamber Singers	1,977	23,226	21,804	3,399
Cheerleaders	1,039	1,680	2,296	423
Civil rights team	587	926	1,161	352
Class of 1997	1,256	-	-	1,256
Class of 1998	2,303	-	-	2,303
Class of 2000	1,024	-	-	1,024
Class of 2001	806	-	-	806
Class of 2004	7,376	-	-	7,376
Class of 2005	226	1,602	1,828	-
Class of 2006	3,495	7,977	8,847	2,625
Class of 2007	2,377	10,499	5,022	7,854
Class of 2008	124	1,681	1,276	529
Class of 2009	-	1,513	1,322	191
Class of 77 scholarship	100	-	-	100
Coffee account	95	134	218	11
Co-op student	42	-	-	42
Cross-Country	280	745	392	633
Diane Webber Mem Scholarship	400	2,100	2,500	-
Eagle Eyes	15	-	-	15
Eagle Pride	341	-	-	341
English Club	3,314	6,736	8,436	1,614
Football	1,342	826	2,168	-
Foreign language	225	-	11	214
Field Hockey	792	1,370	1,688	474
French Club	1,113	6,699	6,200	1,612
Gate receipts	5	20,078	20,083	-
General Fund	515	10,496	10,991	20
Girls Basketball	-	4,126	3,845	281
Girls Lacrosse	220	6,333	6,553	-
Girls tennis	781	1,840	1,905	716
Girls Soccer	2,057	3,560	1,017	4,600
Golf	1,958	500	514	1,944
Gordan Scholarship	2,745	100	500	2,345
Health	235	880	880	235
Hodgdon Memorial Scholarship	-	2,000	-	2,000
Indoor Track	-	1,776	929	847
Incentive Scholarship Fund	351	-	-	351
Instrument rental	215	-	-	215
Interact/Youthland	322	4,570	3,300	1,592
Key Club	623	3,292	3,285	630
Key Replacements	-	5	-	5
Latin Club	600	659	1,259	-
Leo Club	122	-	-	122
Library	200	65	92	173
Lost books	2,981	5,022	4,247	3,756
Maine Studies	-	100	-	100
Math Club	1,780	40	1,482	338
MS Swim Team	-	3,725	3,088	637
Mu Alpha Theta	16	-	-	16
National Honor Society	1,424	1,077	1,180	1,321
Subtotals	62,823	187,966	186,087	64,702

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

	June 30, 2005	Cash receipts	Cash disbursements	June 30, 2006
Orchestra	\$ 306	-	-	306
Outdoor track	394	2,230	1,518	1,106
Outing Club	-	751	751	-
Parking	1,204	1,589	2,242	551
Photography	-	953	953	-
Rock Wall	11,229	5,025	16,000	254
Scholarship Fund	2,940	4,562	5,400	2,102
School Pop	423	143	566	-
School Store	-	193	-	193
Science Club	334	2,993	2,811	516
Science Scholarship	465	706	500	671
Ski Club	3,681	9,764	12,033	1,412
Social studies	-	1,628	1,620	8
Softball	215	969	747	437
Sound - Auditorium	-	500	189	311
Spanish Club	272	8,012	7,812	472
Speech & Debate	55	-	-	55
Sportsmanship foundation	602	-	-	602
Student Outreach	1,762	2,775	3,190	1,347
Student Council	4,520	10,661	12,188	2,993
Student services	1,855	7,378	6,987	2,246
Sunshine Club	25	1,372	1,397	-
Technology Club	239	-	-	239
Theatre Club	248	925	823	350
Theatre/musical	4,175	15,016	13,063	6,128
United Nation class	746	-	-	746
Video	160	-	-	160
Windham Comm Scholarship	4,500	3,300	4,500	3,300
Wrestling	573	617	1,190	-
Yearbook	5,697	12,821	13,869	4,649
Subtotals	46,620	94,883	110,349	31,154
Total checking account	109,443	282,849	296,436	95,856
Savings and CD's				
Co-op Education Scholarship (Savings)	2,359	8	-	2,367
Project Graduation/Molly Call (CD)	1,612	42	43	1,611
Governor Andrew Prize (Savings)	449	2	-	451
Edith Pride Elliot Award (Savings)	302	1	-	303
Merribeth Gaudet Mem. School (Savings)	178	1	-	179
Johnna C. Bell Mem Music (CD)	1,588	39	1,627	-
Crane Scholarship Fund (CD)	19,625	526	2,000	18,151
Paul Folan Scholarship Fund (CD)	4,136	137	-	4,273
Student Council (CD)	8,408	235	-	8,643
WHS Scho. (Manchester) - (CD)	12,122	335	500	11,957
Total savings and CD's	50,779	1,326	4,170	47,935
Activity fund totals	\$ 160,222	284,175	300,606	143,791

TOWN OF WINDHAM, MAINE
Middle School Student Activity Funds
Schedule of Cash Receipts, Disbursements, and Changes in Balances
For the year ended June 30, 2006

	June 30, 2005	Cash receipts	Cash disbursements	June 30, 2006
Art Department	\$ 877	-	-	877
Bates Team	2,316	4,915	6,075	1,156
Bentley Team	520	4,950	4,318	1,152
Bowdoin Team	186	4,039	4,034	191
Brown Team	-	7,081	6,627	454
Civil Rights	249	-	-	249
Coffee Fund	270	895	965	200
Colby Team	-	3,826	3,607	219
DARE	170	-	-	170
Dartmouth Team	1,214	4,668	3,857	2,025
Emerson (SAIL)	1,156	1,145	958	1,343
Emerson (School Store)	-	881	681	200
General Fund	1,723	5,096	5,719	1,100
Grants	349	-	-	349
Harvard Team	893	1,206	1,598	501
Helping hands	1,538	2,870	3,682	726
Industrial arts	75	-	-	75
Ithaca	53	1,627	1,651	29
Library	1,390	4,629	4,938	1,081
Life skills	1,730	18	1,206	542
Maine	(1)	3,818	3,475	342
Middle school athletics	500	-	-	500
MIT	9	-	-	9
Music Department	1,754	20,850	22,189	415
Norwich Team	2,412	2,893	4,912	393
Physical Education	41	1,159	1,159	41
Recycling	1,758	1,224	683	2,299
Sharing Closet	364	-	-	364
St. Joe's	-	1,945	1,935	10
Student activity	2,208	725	2,687	246
Student Council	8,183	2,770	5,181	5,772
Sunshine Fund	110	-	110	-
Swim Team	5,276	3,483	1,135	7,624
Technology	439	638	-	1,077
U N E.	-	3,912	3,902	10
U S M.	96	1,273	1,359	10
Unity	242	1,253	1,400	95
Yale	1,693	3,852	4,173	1,372
Yearbook	455	11,709	10,525	1,639
Total	\$ 40,248	109,350	114,741	34,857

TOWN OF WINDHAM, MAINE
Primary and Other School Activity Accounts
Schedule of Cash Receipts, Disbursements, and Changes in Balances
For the year ended June 30, 2006

	June 30, 2005	Cash receipts	Cash disbursements	June 30, 2006
Manchester	\$ 17,931	71,316	68,709	20,538
Primary	3,655	38,988	37,827	4,816
Primary - Administrators	1,067	1,094	550	1,611
Primary - Main E Vent	1,025	1	-	1,026
Real School	3,837	22,998	20,270	6,565
Total	\$ 27,515	134,397	127,356	34,556

