

**TOWN OF WINDHAM, MAINE**

**Annual Financial Report**

**For the year ended June 30, 2008**



**TOWN OF WINDHAM, MAINE**  
**Annual Financial Report**  
**Year ended June 30, 2008**

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## Independent Auditor's Report

Town Council  
Town of Windham, Maine

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Windham, Maine as of and for the year ended June 30, 2008, 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, 2008, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2008 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* important for 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 statements and 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.

A handwritten signature in cursive script that reads "Priscilla Kusteen Ouellette".

September 11, 2008  
South Portland, Maine

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2008**

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As management of the Town of Windham, Maine we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented in conjunction with the basic financial statements and the accompanying notes to those financial statements.

### **THE FINANCIAL STATEMENTS**

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

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

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

We are pleased to report that the Town has received an unqualified opinion from our auditors. This means that the Town of Windham's financial statements are fairly presented in all material respects. Furthermore, there were no reported material weaknesses over internal controls.

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

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

The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and 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, education, 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.

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

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**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.

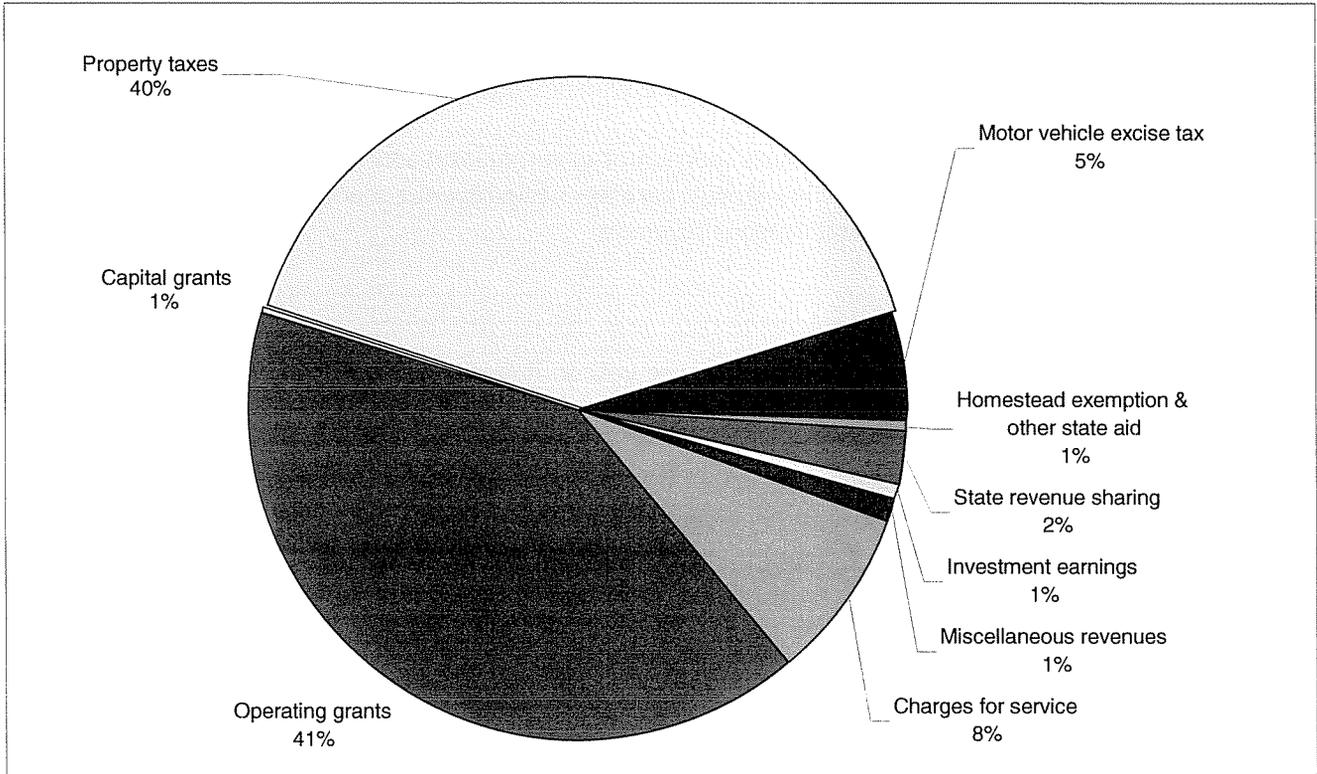
**THE TOWN AS A WHOLE**

The Town is providing condensed financial information for the year 2008 and comparative information for 2007.

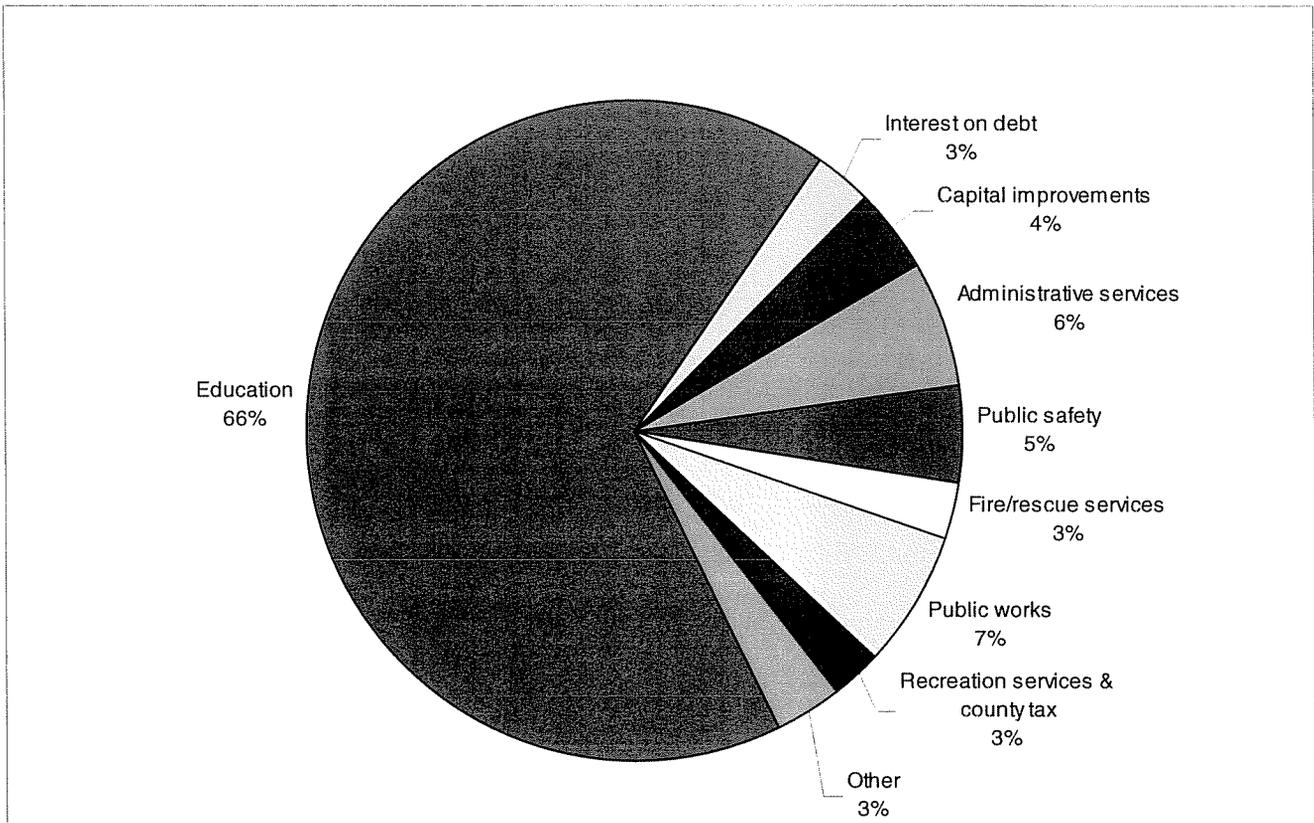
	2008		2007	
	Government Activities	Activities (WEDC)	Government Activities	Activities (WEDC)
<b>Assets:</b>				
Current and other assets	\$ 12,679,052	85,997	12,275,335	86,342
Capital assets (net)	60,560,387	-	61,691,735	-
Total assets	73,239,439	85,997	73,967,070	86,342
<b>Liabilities:</b>				
Long-term debt outstanding	30,597,847	-	33,043,593	-
Other liabilities	7,668,670	-	7,944,702	800
Total liabilities	38,266,517	-	40,988,295	800
<b>Net assets:</b>				
Invested in capital assets	27,641,591	-	25,945,834	-
Restricted	41,874	-	41,874	-
Unrestricted	7,289,457	-	6,991,067	85,542
Total net assets	\$ 34,972,922	85,997	32,978,775	85,542

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

**Governmental Activity Revenues by Source**



**Governmental Activity Expenditures by Type**



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

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**GOVERNMENTAL ACTIVITIES**

The cost of all governmental activities for 2008 was \$49,087,961. However, as shown in the statement of activities, the amount paid by taxpayers through local property taxes for these activities was \$20,631,559 because some of the cost (\$4,219,868) was borne by those who directly benefited from the programs.

The Town paid for the remaining "public benefit" portion of governmental activities with \$26,230,681 in non-property taxes and other revenues, such as investment earnings, state revenue sharing, excise taxes, homestead exemption reimbursement, and other miscellaneous revenues.

**Statement of Activities**

Total resources of \$84,060,883 were available during the year to finance governmental activities, consisting of net assets of \$32,978,775 at July 1, 2007, program revenues of \$25,182,592 and general revenues of \$25,899,516.

Total governmental activities expenses were \$49,087,961 resulting in an increase in net assets of \$1,994,147 from \$32,978,775 to \$34,972,922.

Total governmental activities expenses rose by \$2,165,680 or 4.61% while net expenses for governmental activities increased by \$354,838, or 1.50% from 2007 to 2008.

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

**Statement of Activities**

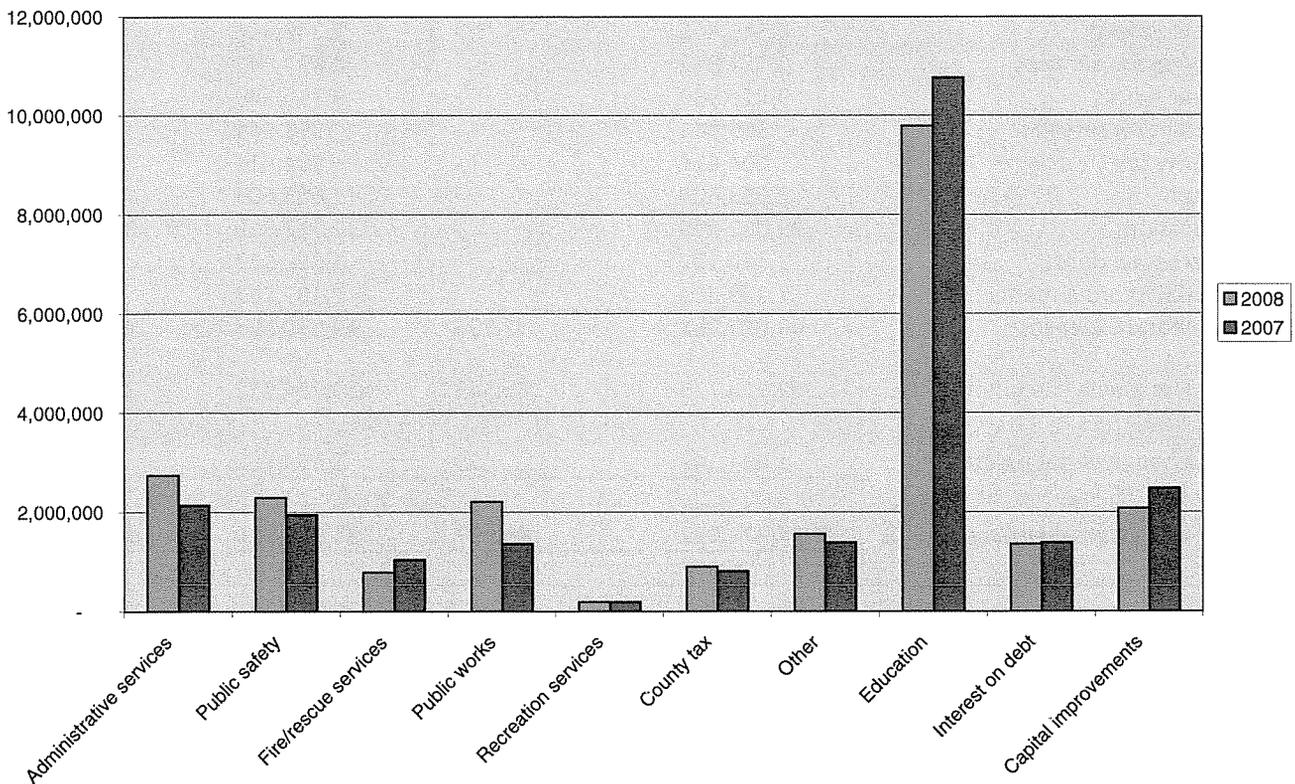
	<b>Primary Government Governmental Activities</b>	<b>Component Unit (WEDC)</b>	<b>2008 Primary Government and Component Unit</b>	<b>2007 Primary Government and Component Unit</b>
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for service	\$ 4,219,868	-	4,219,868	3,684,464
Operating grants and contributions	20,811,375	-	20,811,375	18,944,486
Capital grants and contributions	151,349	-	151,349	742,800
<b>General Revenues:</b>				
Property taxes	20,631,559	-	20,631,559	20,314,484
Motor vehicle excise tax	2,669,372	-	2,669,372	2,726,944
Franchise fees	93,972	-	93,972	85,450
Homestead exemption	321,711	-	321,711	321,417
Other state aid	14,995	-	14,995	23,484
State revenue sharing	1,234,766	-	1,234,766	1,299,992
Investment earnings	442,643	3,051	445,694	484,529
Miscellaneous revenues	490,498	-	490,498	778,025
<b>Total Revenues</b>	<b>51,082,108</b>	<b>3,051</b>	<b>51,085,159</b>	<b>49,406,075</b>
<b>Expenses:</b>				
<b>Program Expenses:</b>				
Administrative services	2,944,670	2,596	2,947,266	2,429,609
Public safety	2,349,466	-	2,349,466	2,009,791
Fire/rescue services	1,427,842	-	1,427,842	1,420,153
Public works	3,216,989	-	3,216,989	2,981,974
Recreation services	398,541	-	398,541	403,648
County tax	904,614	-	904,614	817,216
Other	1,663,603	-	1,663,603	1,504,540
Education	32,712,826	-	32,712,826	31,470,177
Interest on debt	1,360,127	-	1,360,127	1,391,300
Capital improvements	2,109,283	-	2,109,283	2,504,458
<b>Total Expenses</b>	<b>49,087,961</b>	<b>2,596</b>	<b>49,090,557</b>	<b>46,932,866</b>
<b>Net assets – beginning</b>	<b>32,978,775</b>	<b>85,542</b>	<b>33,064,317</b>	<b>30,591,108</b>
<b>Change in net assets</b>	<b>1,994,147</b>	<b>455</b>	<b>1,994,602</b>	<b>2,473,209</b>
<b>Net assets – ending</b>	<b>\$ 34,972,922</b>	<b>85,997</b>	<b>35,058,919</b>	<b>33,064,317</b>

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

The Town's governmental activities include administrative services (including insurance, employee benefits, and other organization-wide expenses), public works, police, fire and rescue, recreation and libraries, planning and code enforcement, assessing, town clerk, social services, education, debt and capital expenses. Each program's net cost (total cost less revenues generated by the activities) is presented below for 2008.

	<u>2008</u> <u>Expense</u>	<u>2008</u> <u>Program</u> <u>revenue</u>	<u>2008</u> <u>Net</u> <u>expense</u>	<u>2007</u> <u>Net</u> <u>expense</u>
<b>Governmental activities:</b>				
Administrative services	\$ 2,944,670	197,569	2,747,101	\$ 2,144,665
Public safety	2,349,466	52,534	2,296,932	1,952,022
Fire/rescue services	1,427,842	641,091	786,751	1,049,158
Public works	3,216,989	1,003,543	2,213,446	1,361,595
Recreation services	398,541	204,224	194,317	191,069
County tax	904,614	-	904,614	817,216
Other	1,663,603	101,374	1,562,229	1,393,859
Education	32,712,826	22,950,577	9,762,249	10,766,389
Interest on debt	1,360,127	-	1,360,127	1,391,300
Capital maintenance	2,109,283	31,680	2,077,603	2,483,258
<b>Total Governmental activities</b>	<b>\$ 49,087,961</b>	<b>25,182,592</b>	<b>23,905,369</b>	<b>23,550,531</b>

**Change in Net Expenses**



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

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

**DEBT ADMINISTRATION**

Debt decreased by \$2,827,105 in fiscal year 2008. There were no new capital leases; principal payments against lease debt were \$364,529, leaving a lease payable at June 30 of \$1,049,819. Principal payments made on general obligation bonds were \$2,462,576, resulting in a year-end bond payable balance of \$31,868,977.

**Statement of Governmental Activities Debt**

Total debt before retirement of principal	\$ 35,745,901
Less: debt retired	<u>2,827,105</u>
Debt payable at June 30, 2008	<u>\$ 32,918,796</u>

**THE TOWN'S FUNDS**

The following is an analysis of account balances in the Town and School's general fund for 2008. Comparative information is presented for fiscal years 2007 and 2006.

**Statement of Revenues**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues by source			
Taxes	\$ 22,892,549	22,788,341	22,153,204
Licenses and permits	288,683	367,460	402,185
Intergovernmental revenue	19,960,696	19,145,632	17,652,836
Charges for service	1,742,137	1,569,935	1,475,895
Interest earned	400,195	467,835	324,418
Other revenues	946,857	584,264	631,707
	<u>\$ 46,231,117</u>	<u>44,923,467</u>	<u>42,640,245</u>

**Statement of Expenditures**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Expenditures by function			
Administrative services	\$ 2,872,421	2,671,354	2,445,269
Public safety	2,285,528	2,119,847	1,881,215
Fire/rescue services	1,331,960	1,281,245	1,273,471
Public works	3,162,484	2,998,923	2,828,052
Recreation services	257,646	269,240	221,818
County tax	904,614	817,216	799,193
Other	1,489,524	1,388,281	1,282,342
Education	28,348,055	27,124,124	25,725,506
Debt service	3,803,475	3,852,444	3,907,243
Capital outlay	844,748	2,279,305	1,869,965
	<u>\$ 45,300,455</u>	<u>44,801,979</u>	<u>42,234,074</u>

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

**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, 2008, net capital assets of governmental activities totaled \$60,560,387; a decrease of \$1,131,348 over the year ending June 30, 2007. A detailed breakdown of the activity by asset type is shown below.

**Statement of Capital Assets**

	<u>Balance 6/30/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/08</u>
Governmental assets				
Land, buildings and improvements	\$ 57,138,931	716,987	33,975	57,821,943
Infrastructure	14,283,846	151,349	-	14,435,195
Vehicles	5,027,123	443,867	246,453	5,224,537
Machinery and equipment	6,984,614	157,862	6,500	7,135,976
Total capital assets	<u>83,434,514</u>	<u>1,470,065</u>	<u>286,928</u>	<u>84,617,651</u>
Accumulated depreciation	<u>(21,742,779)</u>	<u>(2,572,367)</u>	<u>257,882</u>	<u>(24,057,264)</u>
<b>Governmental assets, net</b>	<b>\$ <u>61,691,735</u></b>	<b><u>(1,102,302)</u></b>	<b><u>29,046</u></b>	<b><u>60,560,387</u></b>

**Use of Modified Approach for Certain Infrastructure Assets.**

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

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

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

The Town expended \$520,963 on road and street maintenance and improvements for the fiscal year ended June 30, 2008. Based on a pavement condition rating conducted in 2007, the average rating for *Town roads* remains essentially the same as the previous assessment in 2004 (4.14), compared with an average rating of 3.21 when the Town's first pavement condition rating survey done in 2001.

The Town estimates that the amount of annual expenditures required to improve and maintain the Town's roads and streets, and portions of state highways for which the Town is responsible for maintenance, at an average PCR score of 3.21 (see Required Supplemental Information) through the year 2010 to be at least \$1,316,000, or about \$439,000 per year. Continued increases in the cost of asphalt will put pressure on this estimate, leading to the need for increases in paving expenditures to maintain quality. Since 2001 the Town has

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

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appropriated \$500,000 annually for road improvement activities. It should be noted, however, that this amount relates mainly to the maintenance of current pavement infrastructure and does not contemplate more extensive improvements as might be required in the future for storm water management, improved safety, added capacity, or additional amenities such as sidewalks.

During 2007, the Town conducted its first condition assessment of its storm water drainage system. The storm water drainage system consists of drainage structures, pipes, and pipe openings. Stormwater drainage structures include catch basins, leaching catch basins, manholes, and dry wells. Pipes and pipe openings are identified as drain inlets, drain outlets, and pipe outfalls. Elements of the storm water drainage system were rated for structural and hydraulic condition according to the following criteria:

**Good**

Items examined and found to be "like new" or without apparent defects, is functioning well and reliably per design intent, and without flow restrictions; does not requiring attention, correction, or repair.

**Fair**

Items examined and found to have apparent defects or slight flow restrictions, are minimally functioning and/or may be at or near its useful life; near term replacement or rehabilitation may be necessary, however does not require immediate corrective action.

**Poor/Needs Repair/Cleaning**

Items examined and found to have a deficiency or deficiencies which affect performance, potential for failure exists, or has ceased to function as designed; requires immediate service, repair, or replacement.

**Blocked**

Items examined and found to have flow obstructions that require immediate service, rehabilitation, or replacement.

With regard to structural condition, 98.7% of drainage structures, pipes, and pipe openings were found to be in good (95.6%) or fair (3.1%) condition. The remaining 1.3% assessed as poor/needs repair. 84.4% of structures, pipes, and pipe openings were in good (81.3%) or fair (3.1%) hydraulic condition. Structures, pipes, or pipe openings requiring service or repair to correct flow deficiencies accounted for the remaining 15.6%. The Town conducted a complete cleaning of drainage structures in the fall of 2007, subsequent to the condition assessment, and expects to continue its program of maintenance, and regular cleaning along with inspection and condition assessment required for compliance with both GASB 34 and NPDES Phase II stormwater management rules.

**BUDGETS AND BUDGETARY ACCOUNTING**

**General Fund Budget Variances**

The 2007-2008 general fund budget increased 1.4% to \$14,156,482 from 2006-2007.

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 2009, it does so with solid financials but needs to remain vigilant with respect to the economy and its effects on the Town's continued financial health. Town-issued bonds are considered investment grade, and are subject to low credit risk. They carry a rating of A1 from Moody's Investors Service. Town roads continue to improve based upon a recent study. The Town has 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 fiscal 2009 approved budget, which includes funding for municipal services, public schools, and adult education, is \$44,788,752. This represents an increase of \$1,085,295 or 2.5% over the budget for fiscal 2008. Since fiscal 2003, the annual budget for municipal services, public schools, and adult education has increased by an average of 6.35% per year over the six-year period. For municipal services alone during the same period, the average annual budget increase was 4.89%.

Initial budget requests from department heads for fiscal 2008 and 2009 were based on preservation of the current level of programs and services. Other service or program needs were listed in the department's budget narrative but not included in their requests. The Town Council reviews and adjusts the budget as it sees fit and adopts a budget for recommendation to Town meeting.

### **Revenues/Surplus**

Amounts budgeted as *revenue other than property taxes* have increased from \$15,250,214 in 2003 to \$24,640,414 in the approved budget for 2009, an average annual increase of 8.67%. In recent years, the Town has become more dependent upon non-property tax revenues. In fiscal year 2009, it is anticipated that these revenues will comprise 55% of the budget. In the event of an economic downturn growth in non-property tax revenues will slow, putting more pressure on the budget and municipal services, particularly in the face of slower growth in the property tax levy limit.

As the Town seeks to maximize use of non-property tax revenues in its budgeting, it remains conservative in its approach in order to maintain 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 limit 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.

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

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**Breakdown of Budget Increase**

The municipal budget for 2009 reflects an increase of 2.56% over last year, and is in fact *below* the statutory property tax levy limit by almost \$56,000. While some communities are voting to override the tax levy limit, the Town of Windham demonstrates fiscal restraint by not charging to the allowable limit. The school budget shows a 2.52% increase. Although not included in the budget, county taxes increased \$54,689 to \$959,303 for fiscal 2009. This represents a 6.04% increase over last year. 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.

To remain within the tax levy limit for the ensuing year, town management has taken the following measures:

- ❖ The reduction of one full-time equivalent administrative support position in code enforcement, with that employee being transferred to fill a vacancy in the town manager's office.
- ❖ The reduction of one full-time clerk position in tax collection from 40 hours to 32 hours per week, and the elimination of overtime pay.
- ❖ Reduction in part-time hours in tax collection and town clerk offices.
- ❖ Reducing the seasonal building and grounds maintenance crew from 30 weeks to 28 weeks.
- ❖ Elimination of a vacant part-time clerk's position in the police department.
- ❖ Reduction in overtime pay for the animal control officer.
- ❖ Reduction in overtime pay for the paramedics.
- ❖ Reduction in library part-time hours.
- ❖ The employees' share of health insurance costs will increase. Employees will begin contributing 10% of the premium cost for their coverage, and increase the amount they pay to 25% of dependent premium costs.

None of these changes is expected to compromise the delivery of services to the public.

**Savings/Increasing Demands**

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

During the year, the Town made changes to its purchasing of office supply needs, resulting in savings of approximately 30% for many items.

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.

Through late 2007 and into 2008 the broader economy has showed signs of distress. Financial markets have fluctuated in reaction to the sub-prime mortgage failures and uncertainty about how far exposure to sub-prime risk extends. Prices of petroleum-based commodities such as fuel oil, diesel fuel, and gasoline have risen at record levels. How this will ultimately settle is unknown. The Town continues to monitor the situation closely and will make adjustments as appropriate.

## **The Future**

The Town is in good financial condition, though there is an increasing need for caution. Undesignated fund balance, which represents potential supplemental financial resources to the Town, has decreased over the last year as a percentage of the budget. At June 30, 2007, the undesignated fund balance represented 8.73% of the budget. Twelve months later, at June 30, 2008, the ratio has decreased to 7.87%. The Town's fund balance policy recommends a ratio of *at least* 8.34%, which equates to one month's worth of operating expenses. The Town's auditors go even further, recommending a ratio of 12.5%, or one and one half months of operating expenses. 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 similar statutes relating to expenditures for public education. Both of these laws, enacted by the Maine Legislature in early 2005, contain provisions for voter approval of expenditures or increases in property tax levies over a certain amount.

## **Summary**

The fiscal year 2009 budget will reflect a tax rate increase of about 0.9%, up \$0.10 to \$11.40 per thousand dollars of assessed value, after remaining at \$11.30 for two years. For every tax dollar, \$0.32 goes to the Town, \$0.63 to schools, and the balance of \$0.05 is earmarked for the county. Municipal revenue sharing and state aid to schools totaling \$15.5 million for 2008-2009 will serve to keep taxes about 73% lower than they would be without these funds.

The Town continues to meet its debt obligations, reducing its debt by nearly \$2.5 million in 2008. As debt for the high school and previous capital facilities projects is retired, the Town will be in a position to consider meeting other capital facilities needs as it carefully examines the costs of programs and services relative to the costs they incur. The timing of the Town's debt repayment schedule is important because of the growth-related infrastructure, facilities, and operational needs, and other investments needed to meet the needs of the community and realize the goals in its comprehensive master plan that the Town will face in the future.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF WINDHAM, MAINE**  
**Statement of Net Assets**  
**June 30, 2008**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit WEDC</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,348,765	54,071
Investments	5,602,803	31,926
Receivables:		
Accounts, net of allowance of \$124,000	466,011	-
Taxes receivable - prior years	183,429	-
Taxes receivable - current year	781,617	-
Tax liens	254,701	-
Inventory	41,726	-
Capital assets, not being depreciated	15,597,358	-
Capital assets, being depreciated	44,963,029	-
Total assets	73,239,439	85,997
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	1,185,925	-
Accrued wages	2,443,259	-
Compensated absences payable	1,463,173	-
Accrued interest	213,346	-
Taxes paid in advance	42,018	-
Noncurrent liabilities:		
Due within one year	2,320,949	-
Due in more than one year	30,597,847	-
Total liabilities	38,266,517	-
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	27,641,591	-
Restricted for:		
Nonexpendable trust principal	41,874	-
Unrestricted	7,289,457	85,997
Total net assets	\$ 34,972,922	85,997

*See accompanying notes to financial statements.*

**TOWN OF WINDHAM, MAINE**  
**Statement of Activities**  
**For the year ended June 30, 2008**

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	\$ 2,944,670	197,569	-	-	(2,747,101)	-
Public safety	2,349,466	4,084	48,450	-	(2,296,932)	-
Fire/rescue services	1,427,842	641,091	-	-	(786,751)	-
Public works	3,216,989	546,465	305,729	151,349	(2,213,446)	-
Recreation services	398,541	204,224	-	-	(194,317)	-
County tax	904,614	-	-	-	(904,614)	-
Other	1,663,603	34,142	67,232	-	(1,562,229)	-
Education	32,712,826	2,592,293	20,358,284	-	(9,762,249)	-
Interest on debt service	1,360,127	-	-	-	(1,360,127)	-
Capital maintenance expenses	2,109,283	-	31,680	-	(2,077,603)	-
Total governmental activities	49,087,961	4,219,868	20,811,375	151,349	(23,905,369)	-
<b>Total primary government</b>	<b>\$ 49,087,961</b>	<b>4,219,868</b>	<b>20,811,375</b>	<b>151,349</b>	<b>(23,905,369)</b>	<b>-</b>
Component unit:						
<b>WEDC</b>	<b>\$ 2,596</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,596)</b>
General revenues:						
Property taxes, levied for general purposes				\$ 20,631,559		-
Excise taxes				2,669,372		-
Supplemental taxes and lien fees				23,399		-
Motor vehicle registration fees				56,972		-
Franchise fees				93,972		-
Grants and contributions not restricted to specific programs:						
Homestead exemption				321,711		-
Other State aid				14,995		-
State Revenue Sharing				1,234,766		-
Unrestricted investment earnings				442,643		3,051
Loss on disposal of property				(29,046)		-
Miscellaneous				439,173		-
Total general revenues				25,899,516		3,051
Change in net assets				1,994,147		455
Net assets - beginning				32,978,775		85,542
<b>Net assets - ending</b>				<b>\$ 34,972,922</b>		<b>85,997</b>

*See accompanying notes to financial statements.*

**TOWN OF WINDHAM, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	General	School Operations	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,107,829	44	240,892	5,348,765
Investments	5,465,712	-	137,091	5,602,803
Receivables:				
Accounts, net of allowance of \$124,000	166,926	153,386	145,699	466,011
Taxes receivable - prior years	183,429	-	-	183,429
Taxes receivable - current year	781,617	-	-	781,617
Tax liens	254,701	-	-	254,701
Interfund loans receivable	-	4,038,284	3,271,263	7,309,547
Inventory	16,200	-	25,526	41,726
<b>Total assets</b>	<b>\$ 11,976,414</b>	<b>4,191,714</b>	<b>3,820,471</b>	<b>19,988,599</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	315,268	366,157	47,168	728,593
Accrued wages	369,295	1,889,856	184,108	2,443,259
Interfund loans payable	6,238,325	1,055,820	15,402	7,309,547
Taxes paid in advance	42,018	-	-	42,018
Deferred revenue	834,000	-	-	834,000
Unearned income - impact fees	72,424	-	-	72,424
Inspection deposits and miscellaneous liabilities	226,787	158,121	-	384,908
<b>Total liabilities</b>	<b>8,098,117</b>	<b>3,469,954</b>	<b>246,678</b>	<b>11,814,749</b>
Fund balances:				
Reserved for:				
Inventory	16,200	-	25,526	41,726
Nonexpendable trust principal	-	-	41,874	41,874
Unreserved:				
Designated - subsequent year	473,404	610,000	-	1,083,404
Unreserved, reported in:				
General fund	3,388,693	-	-	3,388,693
Special revenue funds	-	111,760	2,956,043	3,067,803
Capital projects funds	-	-	396,011	396,011
Permanent funds	-	-	154,339	154,339
<b>Total fund balances</b>	<b>3,878,297</b>	<b>721,760</b>	<b>3,573,793</b>	<b>8,173,850</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,976,414</b>	<b>4,191,714</b>	<b>3,820,471</b>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				60,560,387
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				834,000
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				(1,463,173)
Accrued interest				(213,346)
Capital leases				(1,049,819)
Bonds payable				(31,868,977)
<b>Net assets of governmental activities</b>				<b>\$ 34,972,922</b>

*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, 2008**

	General	School Operations (Schedule B)	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 22,892,549	-	276,781	23,169,330
Licenses and permits	288,683	-	-	288,683
Intergovernmental	1,992,883	15,124,000	1,464,171	18,581,054
Intergovernmental - Maine PERS on-behalf payments	-	2,843,813	-	2,843,813
Charges for services	550,569	1,191,568	1,604,929	3,347,066
Interest earned	400,195	-	42,448	442,643
Other	815,268	131,589	1,156,313	2,103,170
Total revenues	26,940,147	19,290,970	4,544,642	50,775,759
<b>Expenditures:</b>				
Current:				
Administrative services	2,872,421	-	-	2,872,421
Public safety	2,285,528	-	-	2,285,528
Fire/rescue services	1,331,960	-	-	1,331,960
Public works	3,162,484	-	-	3,162,484
Recreation services	257,646	-	136,354	394,000
County tax	904,614	-	-	904,614
Other	1,489,524	-	173,875	1,663,399
Education	-	25,504,242	3,728,843	29,233,085
Education - MainePERS on-behalf payments	-	2,843,813	-	2,843,813
Debt service	337,344	3,466,131	-	3,803,475
Capital outlay	844,748	-	1,264,535	2,109,283
Total expenditures	13,486,269	31,814,186	5,303,607	50,604,062
Excess (deficiency) of revenues over (under) expenditures	13,453,878	(12,523,216)	(758,965)	171,697
<b>Other financing sources (uses):</b>				
Transfers - in	269,023	12,928,760	1,057,256	14,255,039
Transfers - out	(13,887,656)	(98,360)	(269,023)	(14,255,039)
Total other financing sources (uses)	(13,618,633)	12,830,400	788,233	-
Net change in fund balances	(164,755)	307,184	29,268	171,697
Fund balances, beginning of year	4,043,052	414,576	3,544,525	8,002,153
<b>Fund balances, end of year</b>	<b>\$ 3,878,297</b>	<b>721,760</b>	<b>3,573,793</b>	<b>8,173,850</b>

*See accompanying notes to financial statements.*

**TOWN OF WINDHAM, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2008**

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Net change in fund balances - total governmental funds (from Statement 4)	\$	171,697
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</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 (\$2,572,367) and loss on disposal of property of (\$29,046) exceeded capital outlays of (\$1,470,065) in the current period.		(1,131,348)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		155,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		(28,307)
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of the repayments.		364,529
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of the repayments.		2,462,576
<b>Change in net assets of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>1,994,147</b>

*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, 2008**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 23,179,651	23,179,651	22,892,549	(287,102)
Licenses and permits	386,163	386,163	288,683	(97,480)
Intergovernmental	2,013,730	2,013,730	1,992,883	(20,847)
Charges for services	585,000	585,000	550,569	(34,431)
Interest earned	365,000	365,000	400,195	35,195
Other	502,648	502,648	815,268	312,620
Total revenues	27,032,192	27,032,192	26,940,147	(92,045)
<b>Expenditures:</b>				
Current:				
Administrative services	2,941,086	2,941,086	2,872,421	68,665
Public safety	2,366,772	2,366,772	2,285,528	81,244
Fire/rescue services	1,435,116	1,435,116	1,331,960	103,156
Public works	3,136,656	3,136,656	3,162,484	(25,828)
Recreation services	282,349	282,349	257,646	24,703
County tax	904,614	904,614	904,614	-
Other	1,565,945	1,565,945	1,489,524	76,421
Debt service	337,344	337,344	337,344	-
Capital outlay	1,414,627	1,414,627	844,748	569,879
Total expenditures	14,384,509	14,384,509	13,486,269	898,240
Excess of revenues over expenditures	12,647,683	12,647,683	13,453,878	806,195
<b>Other financing sources (uses):</b>				
Use of undesignated fund balance	909,427	909,427	-	(909,427)
Transfers from other funds	269,023	269,023	269,023	-
Transfers to other funds	(13,826,133)	(13,826,133)	(13,887,656)	(61,523)
Total other financing sources (uses)	(12,647,683)	(12,647,683)	(13,618,633)	(970,950)
Net change in fund balance	-	-	(164,755)	(164,755)
Fund balance, beginning of year			4,043,052	
<b>Fund balance, end of year</b>	<b>\$</b>		<b>3,878,297</b>	

*See accompanying notes to financial statements.*

**TOWN OF WINDHAM, MAINE**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

	Private-purpose Trust Fund (Scholarships)	Agency Fund (School Activity)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 65,565	254,184
<b>Total assets</b>	<b>\$ 65,565</b>	<b>254,184</b>
<b>LIABILITIES</b>		
Due to student groups	-	254,184
<b>NET ASSETS</b>		
Held in trust	\$ 65,565	-

*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, 2008**

	<b>Private-purpose Trust Fund (Scholarships)</b>
<b>Additions:</b>	
Investment income	2,608
<b>Total additions</b>	<b>2,608</b>
<b>Deductions:</b>	
Scholarships awarded	-
<b>Total deductions</b>	<b>-</b>
Change in net assets	2,608
Net assets, beginning of year	62,957
<b>Net assets, end of year</b>	<b>\$ 65,565</b>

*See accompanying notes to financial statements.*

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**A. Reporting Entity**

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

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

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

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

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

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

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

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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.

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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**D. Cash and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits and time deposits. Investments are stated at fair value.

**E. Interfund Loans Receivable/Payable**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans or as interfund advances (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**F. Inventories**

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

**G. Capital Assets**

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

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

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

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

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

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 40 years.

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 2007-2008 basic financial statements.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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The Town elected to use the Modified Approach as defined by Statement No. 34 for roads, storm drainage, catch basins and manholes. The Town performed a physical assessment for all major infrastructure conditions in 2007. This condition assessment is performed every 3 years.

The Town commissioned a triennial physical condition assessment of the streets and roads in 2001, 2004 and 2007. 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 accordance with GASB Statement No. 34, the Town subcontracted with an independent engineering firm to inventory and perform a condition assessment on all other infrastructure assets in 2007. Other infrastructure assets consist of catch basins, manholes and storm drainage. Per the rating system noted above, each infrastructure asset was assigned a condition assessment based on a visual inspection conducted on each asset.

For all other capital assets: buildings, vehicles, and equipment, the Town elects to use the Depreciation Approach as defined by Statement No. 34 for reporting. The Town conducted an inventory of all other capital assets for fiscal year 2003 and performs internal updates annually.

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

**H. Compensated Absences**

Under terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service and is accrued ratably over the year. Sick time is not paid unless an employee is ill, or retires in good standing. Accrued vacation and sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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 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.

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**A. Budgetary Information**

Budgets are formally adopted for the General Fund, School Operations Fund and Adult Education Fund each year through the passage of a Town warrant, and are prepared on a basis consistent with accounting principles generally accepted in the United States of America as noted below. The Town's other funds do not have legally adopted budgets but have adopted budgets through formal authorizations by the Town Council, School Board and through grant agreements.

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

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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 one half of 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 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 revenues and expenditures for Maine State Public Employees Retirement System (MainePERS) 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 \$2,843,813. 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.

**C. Revised Budget**

The revised budget presented for the General Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Statement 6), includes various adjustments as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses)</u>
2008 budget as originally adopted	\$ 44,444,253	(44,444,253)	-
Designated carryforward balance	-	(228,027)	228,027
Budgeted use of surplus	(681,400)	-	681,400
Transfer to Sewer Fund	-	108,852	(108,852)
Transfer to Equipment Replacement Fund	-	590,820	(590,820)
Transfer to School	(16,461,638)	29,588,099	(13,126,461)
Transfer from Development District North TIF	(83,268)	-	83,268
Transfer from Pipeline Development District TIF	(110,090)	-	110,090
Transfer from Roosevelt Promenade TIF	(72,865)	-	72,865
Transfer from Cemetery	(2,800)	-	2,800
<b>Totals</b>	<b>\$ 27,032,192</b>	<b>(14,384,509)</b>	<b>(12,647,683)</b>

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

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED**

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**D. Deficit Fund Balance**

For the year ended June 30, 2008, the following fund had a deficit fund balance:

CCSWCD	\$ 14,351
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**DEPOSITS AND INVESTMENTS**

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**A. Deposits**

*Custodial Credit Risk-Town Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town minimizes custodial credit risk by obtaining collateral for all uninsured amounts on deposit. Time deposits are insured up to \$100,000 by the F.D.I.C. The school department maintains numerous activity funds, classified as fiduciary or agency funds on the Town's books. These are deposit accounts held in a fiduciary capacity by the School; as such, they each receive insurance coverage up to \$100,000.

The Town's custodian agrees to provide safekeeping services and to hold the securities (in book entry) pledged by a financial institution in a custodial account established for the benefit of the Town of Windham as a secured party. This account shall be kept separate and apart from the general assets of the Custodian, and will not, under any circumstances, be commingled with or become part of, the backing for any other deposit or liability of the Town.

As of June 30, 2008, the Town reported deposits of \$5,667,463 with a bank balance of \$5,534,510. \$27,146 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 \$54,071 which were fully covered by F.D.I.C.

Deposits have been reported as follows:

Reported in governmental funds	\$ 5,348,765
<u>Reported in fiduciary funds</u>	<u>319,749</u>
Total Town deposits	5,668,514
<u>Reported in component unit (WEDC)</u>	<u>54,071</u>
<u><b>Total deposits</b></u>	<u><b>\$ 5,722,585</b></u>

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

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**DEPOSITS AND INVESTMENTS, CONTINUED**

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**B. Investments**

At June 30, 2008, the Town (including the WEDC, component unit) had the following investments:

	<u>Fair Value</u>
Certificates of deposit	\$ 5,577,103
Money market	<u>57,626</u>
<b>Total investments</b>	<b><u>\$ 5,634,729</u></b>

Investments have been reported as follows:

Reported in governmental funds	\$ 5,602,803
Reported in component unit (WEDC)	<u>31,926</u>
<b>Total investments</b>	<b><u>\$ 5,634,729</u></b>

*Custodial credit risk-investments* – For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town minimizes investment custodial credit risk by limiting securities and cash held by a broker to investments protected up to full value by a combination of coverage provided by the Securities Investor Protection Corporation (SIPC) and excess coverage purchased from a private insurer. Certificates of deposit which exceed the FDIC insured amount are collateralized in accordance with Title 30-A, Section 5706 of the Maine Revised Statutes.

Of the Town and component unit's \$5,634,729 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

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**PROPERTY TAX**

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Property taxes for the current year were committed on August 14, 2007 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 12% on all tax bills unpaid as of October 1, 2007 and April 1, 2008. Assessed values are periodically established by the Town's Assessor at 100% of assumed market value.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$48,894 for the year ended June 30, 2008.

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.

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

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**PROPERTY TAX, CONTINUED**

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The following summarizes the 2008 and 2007 levies:

	<u>2008</u>	<u>2007</u>
Assessed value	\$ 1,801,304,900	1,772,320,539
Tax rate (per \$1,000)	11.30	11.30
Commitment	20,354,745	20,027,222
Supplemental taxes assessed	11,813	29,913
	20,366,558	20,057,135
Less:		
Abatements	17,940	82,211
Collections	19,567,001	19,235,285
<b>Receivable at June 30</b>	<b>\$ 781,617</b>	<b>739,639</b>
Due date(s)	(1/2) October 1, 2007 (1/2) April 1, 2008	October 1, 2006 April 1, 2007
Interest rate on delinquent taxes	12.00%	11.00%
Collection rate	96.22%	96.85%

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**INTERFUND BALANCES**

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Individual interfund receivable and payable balances at June 30, 2008, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ -	6,238,325
Special Revenue Funds:		
Town Special Revenue Funds	2,215,400	14,351
School Operations	4,038,284	1,055,820
School Special Revenue Funds	413,165	-
R.E.A.L. School	54,731	-
Adult Education	156,850	-
School Lunch Program	30,414	-
Capital project funds:		
Locally funded school projects	400,703	-
Permanent funds:		
Cemetery Acquisition Fund	-	1,051
<b>Totals</b>	<b>\$ 7,309,547</b>	<b>7,309,547</b>

All receipts and disbursements occur within the General Fund cash account. If the activity pertains to some other fund, the interfund receivable/payable accounts are used to record revenue and expenditure in the proper fund. Actual cash transactions occur in the general fund; the use of interfund accounts ensures that activity is reflected in the proper fund.

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

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**INTERFUND TRANSFERS**

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Individual fund transfers for the year ended June 30, 2008 were as follows:

	Transfers <u>in</u>	Transfers <u>out</u>
<u>General Fund</u>	\$ 269,023	13,887,656
<u>School Operations Fund</u>	12,928,760	98,360
Nonmajor Special Revenue Funds:		
Equipment Replacement Fund	590,820	-
Little Falls Sewer Operations Fund	170,375	-
Development District North T.I.F.	-	83,268
Pipeline Development T.I.F.	-	110,090
Roosevelt Promenade T.I.F.	-	72,865
Adult Education Program	197,701	-
School Lunch Program	50,000	-
<u>Total nonmajor Special Revenue Funds</u>	<u>1,008,896</u>	<u>266,223</u>
Nonmajor permanent funds:		
Perpetual Care Trust Funds	-	2,800
<u>Total nonmajor Permanent Funds</u>	<u>-</u>	<u>2,800</u>
Nonmajor capital projects funds:		
School Capital Projects	48,360	-
<u>Total nonmajor Capital Projects Funds</u>	<u>48,360</u>	<u>-</u>
<b><u>Totals</u></b>	<b><u>\$ 14,255,039</u></b>	<b><u>14,255,039</u></b>

These transfers were budgeted transfers to fund certain activities.

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

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**CAPITAL ASSETS**

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Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance June 30, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2008</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,997,612	-	-	1,997,612
School land	592,280	-	-	592,280
Infrastructure	12,856,117	151,349	-	13,007,466
Total capital assets, not being depreciated	15,446,009	151,349	-	15,597,358
Capital assets, being depreciated:				
Land improvements	114,782	-	-	114,782
Buildings	4,846,828	-	-	4,846,828
Equipment	3,988,875	38,527	-	4,027,402
Vehicles	3,369,034	219,754	16,644	3,572,144
School vehicles	1,658,089	224,113	229,809	1,652,393
School equipment	2,376,432	119,335	6,500	2,489,267
School buildings	49,587,429	716,987	33,975	50,270,441
School furniture	619,307	-	-	619,307
Infrastructure	1,427,729	-	-	1,427,729
Total capital assets, being depreciated	67,988,505	1,318,716	286,928	69,020,293
Less accumulated depreciation for:				
Land improvements	33,220	4,423	-	37,643
Buildings	1,930,926	120,615	-	2,051,541
Equipment	2,600,723	252,778	-	2,853,501
Vehicles	1,913,102	263,815	16,644	2,160,273
School vehicles	1,181,817	148,559	226,301	1,104,075
School equipment	1,353,941	200,531	6,500	1,547,972
School buildings	11,837,787	1,438,429	8,437	13,267,779
School furniture	306,342	107,524	-	413,866
Infrastructure	584,921	35,693	-	620,614
Total accumulated depreciation	21,742,779	2,572,367	257,882	24,057,264
Total capital assets being depreciated, net	46,245,726	(1,253,651)	29,046	44,963,029
<b>Governmental capital assets, net</b>	<b>\$ 61,691,735</b>	<b>(1,102,302)</b>	<b>29,046</b>	<b>60,560,387</b>

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

**CAPITAL ASSETS, CONTINUED**

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

**Governmental activities:**

Administrative services	\$ 66,085
Public safety	170,121
Fire/rescue services	201,550
Public works	230,272
Recreation	6,100
Other (Town Clerk and Library)	3,196
<u>Education</u>	<u>1,895,043</u>

**Total depreciation expense – governmental activities      \$ 2,572,367**

**ACCRUED WAGES**

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, 2008, accrued wages amounted to \$2,443,259, of which \$2,073,964 applies to the School Funds and the remaining \$369,295 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, 2008, the Town has not exceeded these percentages.

**CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 34,331,553	-	2,462,576	31,868,977	2,080,648
Capital leases	1,414,348	-	364,529	1,049,819	240,301
Accrued compensated absences	1,425,048	38,125	-	1,463,173	-
<b>Totals</b>	<b><u>\$ 37,170,949</u></b>	<b><u>38,125</u></b>	<b><u>2,827,105</u></b>	<b><u>34,381,969</u></b>	<b><u>2,320,949</u></b>

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

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**LONG-TERM DEBT**

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General obligation bonds, notes, and capital leases payable at June 30, 2008 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>				
1989 Public safety building construction	\$ 1,600,000	Var.	2009	80,000
1999 Windham School	2,820,000	Var.	2015	1,548,977
2003 General Obligation Bonds	35,787,000	Var.	2025	30,240,000
Total general obligation bonds and promissory notes				<u>31,868,977</u>
 <u>Capital leases</u>				
Town:				
2004 Aerial platform & Ladder truck		3.55%	2014	471,864
2007 Fire truck & Public Works plows (2)		4.17%	2012	355,191
School:				
2005 Passenger Freightliner bus		3.90%	2009	11,556
2005 Passenger Freightliner bus		3.90%	2009	11,556
2005 Passenger Freightliner bus		3.90%	2009	11,556
2007 Passenger Freightliner bus		4.80%	2011	37,896
2007 Passenger Freightliner bus		4.80%	2011	37,896
2007 Passenger Freightliner bus		4.73%	2012	57,267
2007 Passenger Freightliner bus		4.73%	2012	55,037
Total capital leases				<u>1,049,819</u>
<b>Total primary government general obligation bonds, promissory notes and capital leases</b>				<b><u>\$ 32,918,796</u></b>

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

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**LONG-TERM DEBT, CONTINUED**

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The annual requirements to amortize all debt outstanding as of June 30, 2008 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>
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	2,029,626	1,072,555	3,102,181
2013	2,041,177	991,909	3,033,086
2014-2018	9,549,571	3,739,038	13,288,609
2019-2023	9,050,000	1,816,644	10,866,644
2024-2025	3,090,000	141,250	3,231,250
<b>Totals</b>	<b>\$ 31,868,977</b>	<b>11,391,245</b>	<b>43,260,222</b>

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2008:

<u>Fiscal year ending</u>	<u>Town</u>	<u>School</u>	<u>Total capital leases</u>
2009	\$ 186,943	95,234	282,177
2010	186,943	59,202	246,145
2011	186,943	59,202	246,145
2012	186,944	31,472	218,416
2013	88,700	-	88,700
2014	88,700	-	88,700
Total minimum lease payments	925,173	254,110	1,170,283
Less amount representing interest	98,117	22,347	120,464
<b>Present value of future minimum lease payments</b>	<b>\$ 827,056</b>	<b>222,763</b>	<b>1,049,819</b>

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**DIRECT AND OVERLAPPING DEBT**

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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	\$ 31,868,977	100.00%	31,868,977
Cumberland County	6,295,000	4.44%	279,397
Portland Water District	26,840,715	6.78%	1,820,874
Portland Water – Little Falls sewer project	349,906	99.50%	348,140
Portland Water – Route 202 sewer replacement	28,800	100.00%	28,800

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

**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, 2008, outstanding "Incinerator Debt" of ecomaine totaled \$31,900,000 of which the Windham share, based on estimated tonnage to be delivered, amounted to 4.61% or \$1,469,064.

Additionally, ecomaine operates a licensed balefill and ashfill site for which projected landfill closure and postclosure costs approximate \$23,195,375 at June 30, 2007, the most recent date available. The Town's proportionate share of these estimated landfill closure and postclosure costs is 4.68% or \$1,086,075.

**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.

**DESIGNATED FUND BALANCE**

At June 30, 2008 and 2007, portions of the General Fund and Special Revenue Fund balance were appropriated to future periods as follows:

	<u>2008</u>	<u>2007</u>
General Fund:		
Expenditure control budgeting - department carryovers	\$ 263,877	228,027
Other:		
Road improvements	138,665	77,052
Road striping	29,500	-
300th anniversary	11,681	11,002
Open space preservation	21,000	-
Building improvements	3,681	-
Summerfest	5,000	-
Catch basin cleaning	-	18,415
	<u>\$ 473,404</u>	<u>334,496</u>
Special Revenue Fund:		
Carry over for future years - education	610,000	400,000
	<u>\$ 610,000</u>	<u>400,000</u>

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

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**RISK MANAGEMENT**

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The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association and the School Department participates in a public entity risk pool sponsored by the Maine School Management Association for workers' compensation coverage. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2008.

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**NET ASSETS**

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Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net assets invested in capital assets, net of related debt was calculated as follows at June 30, 2008:

Capital assets	\$ 84,617,651
Accumulated depreciation	(24,057,264)
Bonds payable	(31,868,977)
Capital leases	(1,049,819)
<b><u>Total invested in capital assets, net of related debt</u></b>	<b><u>\$ 27,641,591</u></b>

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

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**A. Maine Public Employees Retirement System (MainePERS) - Teachers Group**

**Teacher Group** - All teachers, plus other qualified educators, participate in the Maine Public Employees 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. MainePERS 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. MainePERS 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 Public Employees 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 \$2,843,813 (18.71%) for the fiscal year 2008. 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 18.71% of their compensation. This cost is charged to the applicable grant.

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

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

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**B. Maine Public Employees Retirement System (MainePERS) - Police Officers and Dispatchers**

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

**Funding Policy** - Police Officers who are plan members are required to contribute 7.5% of their compensation to the retirement system. Dispatchers are required to contribute 6.5% of their compensation. The Town matches 3.5% and 2.8% for the Police Officers and Dispatchers, respectively. The total Town contributions for these groups during the fiscal year ended June 30, 2008 were \$49,470.

**C. Deferred Compensation Plan**

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

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

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**SCHOOL ADMINISTRATIVE REORGANIZATION**

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On June 6, 2007, and as amended in April of 2008, the Maine House and Senate enacted the two-year state budget including the school administrative reorganization legislation "School Administrative Reorganization" ("SAR") as Public Law 2007, Chapter 240. The law sets forth state policy to ensure that schools are organized as units in order to provide equitable educational opportunities, rigorous academic programs, uniformity in delivering programs, a greater uniformity in tax rates, more efficient and effective use of limited resources, preservation of school choice and maximum opportunity to deliver services in an efficient manner. All school units and municipal school units (collectively School Administrative Units or "SAU") are directed to work with other units to reorganize into larger, more efficient units; or where expansion of the unit would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs. The legislative intent of the law is to create a maximum of 80 school units or the number of units appropriate to achieve administrative efficiencies.

The Windham School Department submitted a regionalization plan with the Raymond School Department. This plan, which includes a proposed operational date of July 1, 2009, was approved by the Commissioner of Education on September 16, 2008 and is pending approval by voters.

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

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**TAX INCREMENT FINANCING DISTRICT**

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The Town has established the Windham Municipal Development District - North tax increment financing district (TIF). The District retains the tax increment on 80% on the new captured assessed value of the property in this TIF District to finance certain eligible projects for a period of five years. The Town accounts for the activity of the TIF in the special revenue fund. Revenues will be used specifically for conducting a multi-year environmental assessment to measure the impact of expanded development on Windham's natural resource base and to undertake the implementation of aspects of Windham's comprehensive plan. The maximum tax revenues collected over the five years were \$650,000 and were captured as of June 30, 1999. The Town has reauthorized the District for another five years, with a physical expansion of approximately one acre, and increased the maximum revenues to \$2,000,000 over its ten year life. Funds 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, 2008, \$66,781 of tax revenues were captured and reported as TIF district revenues.

The goal of the Roosevelt Promenade TIF is to gain a better understanding of the impact that economic development has had on the North Windham Business District and to prepare for future growth. Increasing traffic volumes on Route 302 necessitate a study of transportation alternatives including the development of local connector roads to alleviate congestion. The Town's economic development program will administer the development program and will continue to be funded by TIF proceeds. Captured assessed value will be calculated for the District based upon the difference between the property's original assessed value as of April 1, 2005 (March 31, 2006) and April 1, 2006. The Town will capture no more than \$210,000 in any given year up to a total of \$1,050,000 in TIF revenues on assessed value resulting from the development with the District over the five year TIF period. Allocations from the TIF fund will be by the action of the Town Council as approved by the Town Meeting. For the year ended June 30, 2008, \$210,000 of tax revenues were captured and reported as TIF district revenues.

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**LANDFILL CLOSURE COSTS AND POSTCLOSURE CARE COSTS**

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

**TOWN OF WINDHAM, MAINE**  
**Required Supplementary Information**

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**MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS**

In accordance with GASB Statement No. 34 the Town is required to account for and report infrastructure capital assets. The Town defines infrastructure as the basic physical assets including streets and roads, storm water conveyance system, parks and recreation land and improvements, buildings and associated amenities such as parking used by the Town in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, streets and roads can be divided into pavement, curbing, sidewalks, streetlights, traffic control devices (signs, signals, and pavement markings), landscaping, and land. Subsystem detail is not presented in these basic financial statements; however, the Town maintains detailed information on these subsystems.

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

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

In 2007 the Town completed a physical condition assessment of roads and streets. For the purposes of this assessment, roads and streets were defined as all public roadways within Windham that the Town has some responsibility for maintenance and improvement. The condition assessment is performed every three years.

The pavement condition rating survey was conducted according to procedures outlined in “Visual Condition Survey for Flexible Pavements, Instruction Manual for Community Level Pavement Management,” Maine Department of Transportation, March 1986. The approach is based on upon systematic sampling to locate each rating site. Each rating site is one hundred feet in length and one travel lane wide, with a maximum travel lane width of twelve feet. The survey records the extent and severity of distresses that commonly occur on Maine roads. The distresses include several types of cracking, distortion, and patching.

A one-quarter mile rating frequency was used, with a minimum of two ratings on each homogeneous road segment. The rating sites were located with a calibrated distance measuring instrument (DMI), a piece of equipment similar to an odometer, but more precise. This allows the same rating sites to be relocated in subsequent distress surveys.

The raw field data was reduced to an individual pavement condition rating (PCR) score for each rating site. The PCR was based upon a 0 to 5 scale, with 0 being impassable and 5 being perfect. The scale reflects the structural integrity of the pavement and, as a result, is useful in determining appropriate treatment strategies for each condition range.

**TOWN OF WINDHAM, MAINE**  
**Required Supplementary Information, Continued**

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A description of the PCR scale is as follows:

**Pavement Condition Rating Scale**

PCR Range	Condition
0.00 – 1.60	Very Poor
1.61 – 2.00	Poor
2.01 – 2.40	Fair – Poor
2.41 – 2.80	Fair
2.81 – 3.20	Fair – Good
3.21 – 3.60	Good
3.61 – 5.00	Very Good

Generally, roads with ratings of 2.40 or lower are considered poor and in obvious need of improvement. Roads with ratings of 3.21 or higher are considered good and are not usually considered eligible for improvement, except for routine maintenance.

Approximately 563 sites were rated on 95.73 miles of roadway, resulting in an average of greater than six rating sites per mile. The overall existing condition rating of Windham's road network was determined by calculating the total roadway length in each of the condition ranges. In 2001 the overall condition rating of the entire roadway network was "good" with an average rating of 3.21. At the time the PCR survey was conducted in 2004 the average condition rating had improved to 4.15. As of October 2001, 29.76% of the public roadway mileage in Windham was rated below 2.81, while only 5.17% of all public roads fell into this category in 2004, with 3.08% of town roads and 10.56% of state roads. By October 2007 only 1.6% of all public roads were categorized as "fair," with 1.4% of town roads and 2.1% of state roads.

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 2007, the estimated cost to treat all eligible Town roadways (with condition ratings of less than 3.21) was estimated (in 2007 dollars) at \$626,000 through 2010. The estimated cost to treat all eligible state highways for which the Town has maintenance responsibility is estimated at \$690,000 through 2010. Since 2001 the Town has appropriated and/or expended \$6,000,000 for roadway maintenance and improvements other than routine maintenance. The Town expended \$520,963 on road and street maintenance and improvements for the fiscal year ended June 30, 2008. Both types of activities may contribute to improvements in the overall condition of roads.

Pavement condition rating (PCR) surveys only look one element of a road's condition, but one which can communicate a great deal about underlying problems. Overlay alone may be enough to improve a road's rating for the short term, but more extensive work may be needed to address other issues. The Town estimates that the amount of annual expenditures required to improve and maintain the Town's roads and streets, and

**TOWN OF WINDHAM, MAINE**  
**Required Supplementary Information, Continued**

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portions of state highways for which the Town is responsible for maintenance, at an average PCR score of 3.21 through the year 2010 to be at least \$1,316,000, or about \$439,000 per year. Continued increases in the cost of asphalt could put pressure on this estimate, possibly leading to the need for increases in paving expenditures to maintain quality. Since 2001 the Town has appropriated \$500,000 annually for road improvement activities. It should be noted, however, that this amount relates mainly to the maintenance of current pavement infrastructure and does not contemplate more extensive improvements as might be required in the future for storm water management, improved safety, added capacity, or additional amenities such as sidewalks.

During 2007 the Town conducted its first condition assessment of its storm water drainage system. The storm water drainage system consists of drainage structures, pipes, and pipe openings. Stormwater drainage structures include catch basins, leaching catch basins, manholes, and dry wells. Pipes and pipe openings are identified as drain inlets, drain outlets, and pipe outfalls. Elements of the storm water drainage system were rated for structural and hydraulic condition according to the following criteria:

**Good**

Items examined and found to be "like new" or without apparent defects, are functioning well and reliably per design intent, and without flow restrictions; do not requiring attention, correction, or repair.

**Fair**

Items examined and found to have apparent defects or slight flow restrictions, are minimally functioning and/or may be at or near its useful life; Near term replacement or rehabilitation may be necessary, however does not require immediate corrective action.

**Poor/Needs Repair/Cleaning**

Items examined and found to have a deficiency or deficiencies which affect performance, potential for failure exists, or has ceased to function as designed; requires immediate service, repair, or replacement.

**Blocked**

Items examined and found to have flow obstructions that require immediate service, rehabilitation, or replacement.

With regard to structural condition, 98.7% of drainage structures, pipes, and pipe openings were found to be in good (95.6%) or fair (3.1%) condition. The remaining 1.3% assessed as poor/needs repair. 84.4% of structures, pipes, and pipe openings were in good (81.3%) or fair (3.1%) hydraulic condition. Structures, pipes, or pipe openings requiring service or repair to correct flow deficiencies accounted for the remaining 15.6%. The Town conducted a complete cleaning of drainage structures in 2007, subsequent to the condition assessment, and expects to continue its program of maintenance, and regular cleaning along with inspection and condition assessment required for compliance with both GASB 34 and NPDES Phase II stormwater management rules.



## **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, 2008 and 2007**

	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,107,829	3,676,012
Investments	5,465,712	6,251,453
Receivables:		
Taxes receivable - current year	781,617	739,639
Taxes receivable - prior years	183,429	169,021
Tax liens - prior years	254,701	161,827
Accounts receivable, net of allowance of \$124,000	166,926	203,983
Inventory	16,200	-
<b>Total assets</b>	<b>\$ 11,976,414</b>	<b>11,201,935</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	315,268	303,315
Accrued wages	369,295	328,076
Interfund loans payable	6,238,325	5,400,585
Taxes paid in advance	42,018	57,776
Deferred tax revenue	834,000	679,000
Unearned income - impact fees	72,424	72,466
Inspection deposits and miscellaneous liabilities	226,787	317,665
<b>Total liabilities</b>	<b>8,098,117</b>	<b>7,158,883</b>
Fund balance:		
Reserved for:		
Inventory	16,200	-
Unreserved:		
Designated	473,404	334,496
Undesignated - Town	3,388,693	3,708,556
<b>Total fund balance</b>	<b>3,878,297</b>	<b>4,043,052</b>
<b>Total liabilities and fund balance</b>	<b>\$ 11,976,414</b>	<b>11,201,935</b>

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

For the year ended June 30, 2008

(with comparative actual amounts for the year ended June 30, 2007

	2008		Total available	2007		Variance positive (negative)	2007 Actual
	Budget	Actual		carryforward	Actual		
Revenues:							
Taxes:							
Property taxes	\$ 20,431,651	20,354,778	20,431,651	-	20,027,349	(76,873)	20,027,349
Change in deferred property tax revenue	-	(155,000)	-	-	(6,000)	(155,000)	(6,000)
Excise taxes	2,731,000	2,669,372	2,731,000	-	2,726,944	(61,628)	2,726,944
Supplemental taxes and lien fees	17,000	23,399	17,000	-	40,048	6,399	40,048
Total taxes	23,179,651	22,892,549	23,179,651	-	22,788,341	(287,102)	22,788,341
Licenses and permits:							
Plumbing fees	27,500	23,391	27,500	-	26,135	(4,109)	26,135
Town Clerk fees	70,000	67,530	70,000	-	79,872	(2,470)	79,872
Building permits	150,000	89,771	150,000	-	120,752	(60,229)	120,752
Planning fees	19,000	16,877	19,000	-	47,600	(2,123)	47,600
License and other fees	60,663	34,142	60,663	-	35,656	(26,521)	35,656
Motor vehicle registration fees	59,000	56,972	59,000	-	57,445	(2,028)	57,445
Total licenses and permits	386,163	288,683	386,163	-	367,460	(97,480)	367,460
Intergovernmental:							
State Revenue Sharing	1,250,047	1,234,766	1,250,047	-	1,299,992	(15,281)	1,299,992
State highway block grant	300,022	305,729	300,022	-	300,020	5,707	300,020
Homestead exemption	321,711	321,711	321,711	-	321,417	-	321,417
General assistance reimbursement	75,000	67,232	75,000	-	75,025	(7,768)	75,025
Cops in school grant	45,000	48,450	45,000	-	50,741	3,450	50,741
FEMA/MEMA assistance	-	-	-	-	77,342	-	77,342
Other state assistance	21,950	14,995	21,950	-	23,484	(6,955)	23,484
Total intergovernmental	2,013,730	1,992,883	2,013,730	-	2,148,021	(20,847)	2,148,021
Charges for services:							
Solid waste disposal fees	552,000	516,600	552,000	-	480,350	(35,400)	480,350
False alarm fees/police fines and fees	3,500	4,084	3,500	-	7,028	584	7,028
Park fees	29,500	29,885	29,500	-	31,422	385	31,422
Total charges for services	585,000	550,569	585,000	-	518,800	(34,431)	518,800

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

	2008				Variance positive (negative)	2007 Actual
	2007 carryforward	Budget	Total available	Actual		
Revenues, continued:						
Interest earned:						
Interest on delinquent taxes	\$ -	62,500	62,500	103,886	41,386	96,127
Interest earned on investments	-	302,500	302,500	296,309	(6,191)	371,708
Total interest earned	-	365,000	365,000	400,195	35,195	467,835
Other revenues:						
Cable television franchise	-	80,000	80,000	93,972	13,972	85,450
Court fees	-	500	500	3,263	2,763	1,555
Rent	-	12,116	12,116	9,416	(2,700)	11,066
Rescue reimbursement	-	375,000	375,000	641,091	266,091	370,995
Miscellaneous	-	24,032	24,032	56,962	32,930	18,114
Library fines and state funds	-	11,000	11,000	10,564	(436)	9,943
Total other revenues	-	502,648	502,648	815,268	312,620	497,123
Total revenues	-	27,032,192	27,032,192	26,940,147	(92,045)	26,787,580
Expenditures:						
Current:						
Administrative services:						
Town Council	-	134,450	134,450	148,858	(14,408)	120,527
Economic Development	-	91,502	91,502	89,077	2,425	92,546
Community participation	-	57,549	57,549	44,374	13,175	28,316
Windham Community Cable Group	-	33,165	33,165	32,160	1,005	23,244
Municipal insurance	-	141,396	141,396	132,075	9,321	125,243
Employee benefits	-	1,767,149	1,767,149	1,744,664	22,485	1,614,713
Money management fees	-	400	400	580	(180)	329
Program management	-	357,610	357,610	335,750	21,860	335,320
Collect/account Town funds	-	244,064	244,064	229,312	14,752	224,472
Data processing	-	113,801	113,801	115,571	(1,770)	106,644
Total administrative services	-	2,941,086	2,941,086	2,872,421	68,665	2,671,354

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

	2008				Variance positive (negative)	2007 Actual
	2007 carryforward	Budget	Total available	Actual		
Expenditures, continued						
Current, continued:						
Public safety:						
Police safety	\$ -	1,777,813	1,777,813	1,693,029	84,784	1,577,832
Animal control	-	64,103	64,103	59,094	5,009	70,819
Public safety dispatching	-	417,524	417,524	430,827	(13,303)	386,171
Police vehicle maintenance	-	107,332	107,332	102,578	4,754	85,025
Total public safety	-	2,366,772	2,366,772	2,285,528	81,244	2,119,847
Fire/rescue services:						
Fire safety	-	729,393	729,393	672,099	57,294	647,372
Emergency safety (rescue)	-	490,307	490,307	462,215	28,092	448,198
Civil emergency preparedness	-	8,784	8,784	-	8,784	171
Water main charges	-	81,780	81,780	83,873	(2,093)	77,534
Fire and rescue vehicle maintenance	-	124,852	124,852	113,773	11,079	107,970
Total fire/rescue services	-	1,435,116	1,435,116	1,331,960	103,156	1,281,245
Public works:						
Public works administration	-	132,467	132,467	124,705	7,762	125,029
Road maintenance/patching	-	608,645	608,645	618,053	(9,408)	583,298
Traffic signals, road markings/drainage	-	120,628	120,628	82,129	38,499	116,758
Snow plowing	-	293,693	293,693	377,042	(83,349)	263,431
Highway vehicle maintenance	-	417,481	417,481	469,174	(51,693)	411,866
Solid waste disposal	-	1,005,810	1,005,810	949,508	56,302	993,296
Building maintenance	-	493,154	493,154	491,482	1,672	449,810
Grounds maintenance	-	64,778	64,778	50,391	14,387	55,435
Total public works	-	3,136,656	3,136,656	3,162,484	(25,828)	2,998,923

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

	2008				Variance positive (negative)	2007 Actual
	2007 carryforward	Budget	Total available	Actual		
Expenditures, continued						
Current, continued:						
Recreation services:						
Recreation	\$ -	212,419	212,419	194,142	18,277	197,887
Skate park	-	16,470	16,470	14,575	1,895	19,261
Dundee Park	-	53,460	53,460	48,929	4,531	52,092
Total recreation services	-	282,349	282,349	257,646	24,703	269,240
County tax	-	904,614	904,614	904,614	-	817,216
Other:						
Social services	-	223,444	223,444	184,563	38,881	219,011
Social services agency funding	-	47,704	47,704	46,657	1,047	47,675
Assessing	-	213,035	213,035	213,800	(765)	214,711
Geographic information systems	-	11,223	11,223	9,210	2,013	36,628
Contingency	-	100,000	100,000	-	100,000	-
Town Clerk/elections	-	145,358	145,358	137,277	8,081	140,136
Community development	-	292,537	292,537	279,194	13,343	331,846
Planning services	-	208,596	208,596	156,002	52,594	-
Library services	-	324,048	324,048	320,881	3,167	316,063
Rescue bad debt expense	-	-	-	124,000	(124,000)	-
Abatements	-	-	-	17,940	(17,940)	82,211
Total other	-	1,565,945	1,565,945	1,489,524	76,421	1,388,281
Debt service (excluding education):						
Principal	-	230,000	230,000	230,000	-	230,000
Interest	-	107,344	107,344	107,344	-	117,000
Total debt service (excluding education)	-	337,344	337,344	337,344	-	347,000

TOWN OF WINDHAM, MAINE  
General Fund

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

	2008				
	2007 carryforward	Budget	Total available	Actual	Variance positive (negative)
				2007 Actual	
Expenditures, continued:					
Capital outlay:					
Town road resurfacing	\$ -	500,000	500,000	520,963	(20,963)
ECB capital expenditures	228,027	-	228,027	34,284	193,743
Town building/land improvements	-	686,600	686,600	289,501	397,099
Total capital outlay	228,027	1,186,600	1,414,627	844,748	569,879
Total expenditures	228,027	14,156,482	14,384,509	13,486,269	898,240
Excess (deficiency) of revenues over (under) expenditures	(228,027)	12,875,710	12,647,683	13,453,878	806,195
Other financing sources (uses):					
Transfers - in	-	269,023	269,023	269,023	-
Transfers - out - Sewer	-	(108,852)	(108,852)	(170,375)	(61,523)
Transfers - out - Equipment replacement	-	(590,820)	(590,820)	(590,820)	-
Transfers - out - School appropriation	-	(13,126,461)	(13,126,461)	(13,126,461)	-
Utilization of prior year surplus and carried forward balances	228,027	681,400	909,427	-	(909,427)
Total other financing sources (uses)	228,027	(12,875,710)	(12,647,683)	(13,618,633)	(970,950)
Net change in fund balance	-	-	-	(164,755)	(164,755)
Fund balance, beginning of year				4,043,052	
<b>Fund balance, end of year</b>	<b>\$</b>			<b>3,878,297</b>	<b>4,043,052</b>

**ALL OTHER GOVERNMENTAL FUNDS**



**TOWN OF WINDHAM**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2008**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 43,628	-	197,264	240,892
Investments	137,091	-	-	137,091
Accounts receivable	145,699	-	-	145,699
Interfund loans receivable	2,870,560	400,703	-	3,271,263
Inventory	25,526	-	-	25,526
<b>Total assets</b>	<b>\$ 3,222,504</b>	<b>400,703</b>	<b>197,264</b>	<b>3,820,471</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	42,476	4,692	-	47,168
Accrued wages and related liabilities	184,108	-	-	184,108
Interfund loans payable	14,351	-	1,051	15,402
<b>Total liabilities</b>	<b>240,935</b>	<b>4,692</b>	<b>1,051</b>	<b>246,678</b>
Fund balances:				
Reserved for inventory	25,526	-	-	25,526
Reserved for nonexpendable trust principal	-	-	41,874	41,874
Unreserved:				
Undesignated	2,956,043	396,011	154,339	3,506,393
<b>Total fund balances</b>	<b>2,981,569</b>	<b>396,011</b>	<b>196,213</b>	<b>3,573,793</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,222,504</b>	<b>400,703</b>	<b>197,264</b>	<b>3,820,471</b>

**TOWN OF WINDHAM, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the year ended June 30, 2008**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Property taxes revenue	\$ 276,781	-	-	276,781
Intergovernmental	1,464,171	-	-	1,464,171
Charges for services	1,604,929	-	-	1,604,929
Other revenue	1,134,863	17,325	4,125	1,156,313
Interest revenue	34,730	-	7,718	42,448
Total revenues	4,515,474	17,325	11,843	4,544,642
Expenditures:				
Current:				
Education	3,728,843	-	-	3,728,843
Recreation	136,354	-	-	136,354
Capital outlay	629,090	635,445	-	1,264,535
Sewer assessment	170,375	-	-	170,375
Scholarships	3,500	-	-	3,500
Total expenditures	4,668,162	635,445	-	5,303,607
Excess (deficiency) of revenues over (under) expenditures	(152,688)	(618,120)	11,843	(758,965)
Other financing sources (uses):				
Transfer to other funds	(266,223)	-	(2,800)	(269,023)
Transfer from other funds	1,008,896	48,360	-	1,057,256
Total other financing sources (uses)	742,673	48,360	(2,800)	788,233
Net change in fund balances	589,985	(569,760)	9,043	29,268
Fund balances, beginning of year	2,391,584	965,771	187,170	3,544,525
<b>Fund balances, end of year</b>	<b>\$ 2,981,569</b>	<b>396,011</b>	<b>196,213</b>	<b>3,573,793</b>

# 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.

#### **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. Funds**

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

#### **Stormwater Grant**

To account for grant activity.

#### **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 Program**

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

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

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, 2008**

	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 Bremon Fund	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	-	50	-	500	43,078	-	43,628
Investments	-	-	-	-	-	-	137,091	137,091
Receivables:								
Accounts receivable	2,764	97,613	-	9,523	5,481	-	-	115,381
Due from State of Maine	-	17,858	-	-	12,460	-	-	30,318
Interfund loans receivable	2,215,400	413,165	156,850	54,731	30,414	-	-	2,870,560
Inventory	-	-	-	-	25,526	-	-	25,526
<b>Total assets</b>	<b>\$ 2,218,164</b>	<b>528,636</b>	<b>156,900</b>	<b>64,254</b>	<b>74,381</b>	<b>43,078</b>	<b>137,091</b>	<b>3,222,504</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	45	35,194	1,787	5,450	-	-	-	42,476
Accrued wages and related liabilities	-	113,598	3,903	58,096	8,511	-	-	184,108
Interfund loans payable	14,351	-	-	-	-	-	-	14,351
Total liabilities	14,396	148,792	5,690	63,546	8,511	-	-	240,935
Fund balances:								
Reserved for inventory	-	-	-	-	25,526	-	-	25,526
Unreserved:								
Undesignated	2,203,768	379,844	151,210	708	40,344	43,078	137,091	2,956,043
Total fund balances	2,203,768	379,844	151,210	708	65,870	43,078	137,091	2,981,569
<b>Total liabilities and fund balances</b>	<b>\$ 2,218,164</b>	<b>528,636</b>	<b>156,900</b>	<b>64,254</b>	<b>74,381</b>	<b>43,078</b>	<b>137,091</b>	<b>3,222,504</b>

**TOWN OF WINDHAM, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2008**

	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)			
Revenues:								
Property taxes revenue	\$ 276,781	-	-	-	-	-	-	276,781
Intergovernmental revenues:								
Federal subsidies	-	883,901	18,475	-	242,120	-	-	1,144,496
State subsidies	31,680	147,461	103,323	37,211	-	-	-	319,675
Total intergovernmental revenues	31,680	1,031,362	121,798	37,211	242,120	-	-	1,464,171
Charges for services:								
Tuition and fees	-	-	56,155	518,693	-	-	-	574,848
Recreation revenues	174,339	-	-	-	-	-	-	174,339
Sale of school lunches	-	-	-	-	825,877	-	-	825,877
Sewer user fees	29,865	-	-	-	-	-	-	29,865
Total charges for services	204,204	-	56,155	518,693	825,877	-	-	1,604,929
Interest and dividends	26,180	-	-	-	-	1,706	6,844	34,730
Other revenues	175,490	957,980	1,393	-	-	-	-	1,134,863
Total revenues	714,335	1,989,342	179,346	555,904	1,067,997	1,706	6,844	4,515,474

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

	Town	School	Thomas	Annie	Total
	Special Revenue Funds (Schedule A)	Special Revenue Funds (Schedule C)	Varney School Fund (Schedule D)	Varney School Fund (Schedule E)	
Expenditures:					
Education:					
Adult education	\$ -	-	366,759	-	366,759
Education	-	1,729,924	-	555,589	2,285,513
School lunch	-	-	-	1,076,571	1,076,571
Total education	-	1,729,924	366,759	555,589	3,728,843
Recreation	136,354	-	-	-	136,354
Capital expenditures	629,090	-	-	-	629,090
Sewer assessments	170,375	-	-	-	170,375
Scholarships	-	-	-	3,500	3,500
Total expenditures	935,819	1,729,924	366,759	555,589	4,668,162
Excess (deficiency) of revenues over (under) expenditures	(221,484)	259,418	(187,413)	315	(152,688)
Other financing sources:					
Transfer to other funds	(266,223)	-	-	-	(266,223)
Transfer from other funds	761,195	-	197,701	50,000	1,008,896
Total other financing sources	494,972	-	197,701	50,000	742,673
Net change in fund balances	273,488	259,418	10,288	315	589,985
Fund balances, beginning of year	1,930,280	120,426	140,922	393	2,391,584
Fund balances, end of year	\$ 2,203,768	379,844	151,210	708	2,981,569



## **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, 2008**

		<b>School Capital Projects</b>
<b>ASSETS</b>		
Interfund loans receivable	\$	400,703
<b>Total assets</b>	<b>\$</b>	<b>400,703</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable		4,692
<b>Total liabilities</b>		<b>4,692</b>
Fund balance:		
Unreserved:		
Undesignated		396,011
<b>Total fund balance</b>		<b>396,011</b>
<b>Total liabilities and fund balance</b>	<b>\$</b>	<b>400,703</b>

**TOWN OF WINDHAM, MAINE**  
**Nonmajor Capital Project Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2008**

	<b>School Capital Projects</b>
<b>Revenues:</b>	
Other revenues	\$ 17,325
Total revenues	17,325
<b>Expenditures:</b>	
Construction costs	635,445
Total expenditures	635,445
<b>Other financing sources:</b>	
Transfers from other funds	48,360
Total other financing sources	48,360
Net change in fund balance	(569,760)
Fund balance, beginning of year	965,771
<b>Fund balance, end of year</b>	<b>\$ 396,011</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

### **PERMANENT FUNDS**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

#### **Cemetery Acquisition Fund**

Funds restricted for the acquisition of a Town cemetery.

#### **Perpetual Care Trust Funds**

Consisting of numerous trust funds restricted for the perpetual care of specific lots or cemeteries.

#### **Library Trust Fund**

Consisting of a single fund established to assist the library.



**TOWN OF WINDHAM, MAINE**  
**Permanent Funds**  
**Combining Balance Sheet**  
**June 30, 2008**

	Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 145,650	44,990	6,624	197,264
<b>Total assets</b>	<b>\$ 145,650</b>	<b>44,990</b>	<b>6,624</b>	<b>197,264</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund loans payable	1,051	-	-	1,051
Total liabilities	1,051	-	-	1,051
Fund balances:				
Reserved for nonexpendable trust principal	-	41,074	800	41,874
Undesignated	144,599	3,916	5,824	154,339
Total fund balances	144,599	44,990	6,624	196,213
<b>Total liabilities and fund balances</b>	<b>\$ 145,650</b>	<b>44,990</b>	<b>6,624</b>	<b>197,264</b>

**TOWN OF WINDHAM, MAINE**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2008**

		Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
Revenues:					
Interest and dividends	\$	5,563	1,892	263	7,718
Lot sales		4,125	-	-	4,125
Total revenues		9,688	1,892	263	11,843
Expenditures:					
Scholarships		-	-	-	-
Total expenditures		-	-	-	-
Other financing uses:					
Transfers		-	(2,800)	-	(2,800)
Total other financing uses		-	(2,800)	-	(2,800)
Net change in fund balances		9,688	(908)	263	9,043
Fund balances, beginning of year		134,911	45,898	6,361	187,170
<b>Fund balances, end of year</b>	<b>\$</b>	<b>144,599</b>	<b>44,990</b>	<b>6,624</b>	<b>196,213</b>

## **FIDUCIARY FUNDS**

### **School Student Activity Funds**

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



TOWN OF WINDHAM, MAINE  
 Fiduciary Funds - Agency Funds  
 Combining Statement of Fiduciary Net Assets  
 June 30, 2008

	School Student Activity			Totals
	High School	Middle School	Other Schools	
<b>ASSETS</b>				
Cash	\$ 190,077	30,335	33,772	254,184
<b>Total assets</b>	<b>\$ 190,077</b>	<b>30,335</b>	<b>33,772</b>	<b>254,184</b>
<b>LIABILITIES</b>				
Due to student groups	190,077	30,335	33,772	254,184
<b>Total liabilities</b>	<b>\$ 190,077</b>	<b>30,335</b>	<b>33,772</b>	<b>254,184</b>

**TOWN OF WINDHAM, MAINE**  
**Fiduciary Funds - Agency Funds**  
**Statement of Changes in Assets and Liabilities**  
**June 30, 2008**

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>ASSETS</b>				
Cash				
High School	\$ 190,972	351,545	352,440	190,077
Middle School	26,476	108,090	104,231	30,335
Other Schools	36,674	166,561	169,463	33,772
<b>Total assets</b>	<b>254,122</b>	<b>626,196</b>	<b>626,134</b>	<b>254,184</b>
<b>LIABILITIES</b>				
Funds held for student activities				
High School	190,972	351,545	352,440	190,077
Middle School	26,476	108,090	104,231	30,335
Other Schools	36,674	166,561	169,463	33,772
<b>Total liabilities</b>	<b>\$ 254,122</b>	<b>626,196</b>	<b>626,134</b>	<b>254,184</b>

## SCHEDULES

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

Special Revenue Funds:

- Town Special Revenue Funds
- School Operations Fund
- School Special Revenue Funds
- Adult Education Program
- R.E.A.L. School Fund
- 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, 2008**  
**(with comparative actual amounts for the year ended June 30, 2007)**

	Equipment Replacement	Little Falls Sewer Operations	Recreation Program	CCSWCD	Development District North T.I.F.	Pipeline Development T.I.F.	Roosevelt Promenade T.I.F.	Stormwater Grant	Highland Lake		Totals
									Youth Conservation	Corp	
Revenues:											
Property tax revenues	\$ -	-	-	-	-	66,781	210,000	-	-	-	276,781
State/Federal grants	-	-	-	-	-	-	-	31,680	-	-	31,680
Sewer user fees	-	29,865	-	-	-	-	-	-	-	-	29,865
Recreation	-	-	174,339	-	-	-	-	-	-	-	174,339
Interest	26,180	-	-	-	-	-	-	-	-	-	26,180
Miscellaneous	120,038	-	-	55,452	-	-	-	-	-	-	175,490
<b>Total revenues</b>	<b>146,218</b>	<b>29,865</b>	<b>174,339</b>	<b>55,452</b>	<b>-</b>	<b>66,781</b>	<b>210,000</b>	<b>31,680</b>	<b>-</b>	<b>-</b>	<b>714,335</b>
Expenditures:											
Sewer assessments	-	170,375	-	-	-	-	-	-	-	-	170,375
Recreation	-	-	136,354	-	-	-	-	-	-	-	136,354
Capital expenditures	534,802	-	-	55,402	14,000	-	4,103	20,783	-	-	629,090
<b>Total expenditures</b>	<b>534,802</b>	<b>170,375</b>	<b>136,354</b>	<b>55,402</b>	<b>14,000</b>	<b>-</b>	<b>4,103</b>	<b>20,783</b>	<b>-</b>	<b>-</b>	<b>935,819</b>
Other financing sources (uses):											
Transfers to General Fund	-	-	-	-	(83,268)	(110,090)	(72,865)	-	-	-	(266,223)
Transfers from General Fund	590,820	170,375	-	-	-	-	-	-	-	-	761,195
<b>Total other financing sources (uses)</b>	<b>590,820</b>	<b>170,375</b>	<b>-</b>	<b>-</b>	<b>(83,268)</b>	<b>(110,090)</b>	<b>(72,865)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>340,451</b>
Net change in fund balances	202,236	29,865	37,985	50	(97,268)	(43,309)	133,032	10,897	-	-	333,828
Fund balances (deficit), beginning of year	505,636	136,888	323,267	(14,401)	395,095	437,076	127,590	-	19,129	1,930,280	1,596,452
<b>Fund balances (deficit), end of year</b>	<b>\$ 707,872</b>	<b>166,753</b>	<b>361,252</b>	<b>(14,351)</b>	<b>297,827</b>	<b>393,767</b>	<b>260,622</b>	<b>10,897</b>	<b>19,129</b>	<b>2,203,768</b>	<b>1,930,280</b>

**TOWN OF WINDHAM, MAINE**  
**School Operations Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the year ended June 30, 2008**  
**(with comparative actual amounts for the year ended June 30, 2007)**

	2008		Variance positive (negative)	2007 Actual
	Adjusted Budget	Actual		
<b>Revenues:</b>				
State subsidies	\$ 11,721,493	11,721,493	-	10,866,633
State reimbursement - debt service	2,568,392	2,568,392	-	2,599,785
State agency client	379,341	468,723	89,382	455,889
Tuition and fees	1,053,284	1,154,190	100,906	1,020,412
Rental income	25,000	37,378	12,378	30,723
Medicaid reimbursements	266,000	365,392	99,392	353,493
Other revenues	64,001	131,589	67,588	87,141
<b>Total revenues</b>	<b>16,077,511</b>	<b>16,447,157</b>	<b>369,646</b>	<b>15,414,076</b>
<b>Expenditures:</b>				
Regular instruction	11,138,261	11,138,261	-	10,549,794
Special education instruction	4,099,735	4,099,735	-	3,733,659
CTE instruction	350,201	350,201	-	297,933
Other instruction	685,612	685,612	-	520,239
Student and staff support	2,308,626	2,308,626	-	2,011,567
System administration	812,987	812,987	-	1,244,437
School administration	1,426,878	1,426,878	-	1,308,269
Transportation	1,459,083	1,459,083	-	1,548,216
Facilities maintenance	3,174,902	3,174,902	-	3,188,000
Debt service	3,466,131	3,466,131	-	3,505,444
Other expenditures	260,495	47,957	212,538	199
<b>Total expenditures</b>	<b>29,182,911</b>	<b>28,970,373</b>	<b>212,538</b>	<b>27,907,757</b>
<b>Other financing sources (uses):</b>				
Budgeted utilization of surplus	275,000	-	(275,000)	-
<b>Transfers to other funds:</b>				
Transfer to school capital projects	(48,360)	(48,360)	-	(763,444)
Transfer to Workers' Compensation Reserve	-	-	-	(22,207)
Transfer to school lunch fund	(50,000)	(50,000)	-	(36,527)
General Fund transfer - property taxes	12,928,760	12,928,760	-	12,928,760
<b>Total other financing sources (uses)</b>	<b>13,105,400</b>	<b>12,830,400</b>	<b>(275,000)</b>	<b>12,106,582</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>307,184</b>	<b>307,184</b>	<b>(387,099)</b>
<b>Fund balance, beginning of year</b>		<b>414,576</b>		<b>801,675</b>
<b>Fund balance, end of year</b>	<b>\$</b>	<b>721,760</b>		<b>414,576</b>

**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, 2008**

	June 30, 2007	Federal subsidies	State subsidies	Other revenues	Total revenues	Expenditures	June 30, 2008
Federal Programs:							
Local Entitlement	\$ 16,784	556,494	-	-	556,494	528,971	44,307
Local Entitlement Preschool Grant	711	3,444	-	-	3,444	4,155	-
Title IVA Reconnecting Youth (Drug Free)	443	10,395	-	-	10,395	8,446	2,392
Title I, Part A	-	194,480	-	-	194,480	194,480	-
Title V/Reap	1,811	4,639	-	-	4,639	6,206	244
Title II - Teacher Quality	599	82,863	-	-	82,863	82,090	1,372
Title II - Technology	529	2,852	-	-	2,852	240	3,141
J Jag Grant - Student Transportation	-	28,734	-	-	28,734	25,519	3,215
State Programs:							
Distinguished Educator	462	-	-	-	-	906	(444)
Learning Results	633	-	-	-	-	632	1
School Health	431	-	69,644	-	69,644	58,592	11,483
Maine Arts Commission	5,193	-	-	-	-	2,721	2,472
Maine Emergency Management	500	-	-	-	-	373	127
J Jag Grant - Maine Dept. of Corrections	-	-	45,317	-	45,317	45,197	120
College Transactions Initiative Grant	-	-	30,000	-	30,000	30,000	-
SAU Reorganization	-	-	2,500	-	2,500	1,342	1,158
Local Programs:							
Title III	2,858	-	-	2,280	2,280	4,416	722
HR Block contribution	521	-	-	-	-	-	521
State Farm Insurance grant	1,000	-	-	-	-	-	1,000
PTA Grants	2,369	-	-	2,590	2,590	4,762	197
Primary School Media Fund	3,986	-	-	5,508	5,508	4,873	4,621
Administrative Certification	756	-	-	3,800	3,800	3,964	592
National Semiconductor Grant	1,003	-	-	200	200	98	1,105
Direct Billings, Special Education	47,910	-	-	110,831	110,831	109,465	49,276
Maine Community Foundation	4,322	-	-	-	-	-	4,322
Wellness	5	-	-	-	-	-	5
Wal-Mart Grant	500	-	-	-	-	-	500
Lowe's Foundation	990	-	-	-	-	-	990
Milken Family Foundation	205	-	-	5,000	5,000	4,972	233
Workers' Compensation Reserve	22,207	-	-	47,914	47,914	70,121	-
Sebago Educational Alliance Program	-	-	-	742,587	742,587	503,873	238,714
Local Mini Grants	-	-	-	500	500	-	500
Physical Education Grant	-	-	-	3,500	3,500	3,217	283
Let's Go - United Way	-	-	-	8,000	8,000	3,451	4,549
Donna Aldirch Music Fund	-	-	-	320	320	-	320
Family Literacy - Barbara Bush Foundation	-	-	-	22,500	22,500	22,500	-
Windham Education Foundation	-	-	-	1,050	1,050	1,050	-
Cumberland County Superintendents Assoc.	3,698	-	-	1,400	1,400	3,292	1,806
<b>Total</b>	<b>\$ 120,426</b>	<b>883,901</b>	<b>147,461</b>	<b>957,980</b>	<b>1,989,342</b>	<b>1,729,924</b>	<b>379,844</b>

**TOWN OF WINDHAM, MAINE**  
**Adult Education Program**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the years ended June 30, 2008 and 2007**

	2008			2007
	Adjusted Budget	Actual	Variance positive (negative)	
<b>Revenues:</b>				
State subsidies	\$ 94,371	94,323	(48)	91,656
Tuition and fees	55,558	56,155	597	51,403
Federal - Carl Perkins	-	-	-	9,350
Entrepreneur program	4,791	1,090	(3,701)	3,565
Federal - ABE	18,475	18,475	-	19,905
MELMAC grant	9,000	9,000	-	4,200
Other	-	303	303	307
<b>Total revenues</b>	<b>182,195</b>	<b>179,346</b>	<b>(2,849)</b>	<b>180,386</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General adult education	224,270	210,982	13,288	200,731
Adult enrichment education	24,206	29,775	(5,569)	30,084
Workforce training and retraining	23,590	19,840	3,750	15,381
High school completion	28,441	32,039	(3,598)	18,199
Literacy	47,123	47,260	(137)	49,125
Entrepreneur program	4,791	642	4,149	5,351
Adult basic education	18,475	18,475	-	21,410
Carl Perkins - SMCC	-	-	-	1,834
Carl Perkins - WRVC	-	-	-	7,197
MELMAC grant	9,000	7,746	1,254	5,616
<b>Total expenditures</b>	<b>379,896</b>	<b>366,759</b>	<b>13,137</b>	<b>354,928</b>
<b>Other financing sources:</b>				
Transfers from General Fund	197,701	197,701	-	176,134
<b>Net change in fund balance</b>	<b>-</b>	<b>10,288</b>	<b>10,288</b>	<b>1,592</b>
<b>Fund balance, beginning of year</b>		<b>140,922</b>		<b>139,330</b>
<b>Fund balance, end of year</b>	<b>\$</b>	<b>151,210</b>		<b>140,922</b>

**TOWN OF WINDHAM, MAINE**  
**R.E.A.L. School Fund**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance**  
**For the years ended June 30, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>Revenues:</b>		
State agency client subsidies	\$ 37,211	52,371
Tuitions/transportation charges	518,693	382,619
Total revenues	555,904	434,990
<b>Expenditures:</b>		
Instruction	279,615	203,973
Operations and maintenance of plant and equipment	15,600	11,565
General administration	111,959	92,992
Technology program	-	2,792
Student transportation	148,415	154,778
Total expenditures	555,589	466,100
Net change in fund balance	315	(31,110)
Fund balance, beginning of year	393	31,503
<b>Fund balance, end of year</b>	<b>\$ 708</b>	<b>393</b>

**TOWN OF WINDHAM, MAINE**  
**School Lunch Program**  
**Schedules of Revenues, Expenditures, and Changes in Fund Balance**  
**For the years ended June 30, 2008 and 2007**

	2008	2007
<b>Revenues:</b>		
Sales	\$ 825,877	798,473
U.S. Department of Agriculture:		
Food and milk subsidy	213,245	193,038
Contributed commodities	28,875	21,720
<b>Total revenues</b>	<b>1,067,997</b>	<b>1,013,231</b>
<b>Expenditures:</b>		
Food	586,390	555,401
Payroll - staff	438,416	435,536
Supplies and other expenses	51,765	58,821
<b>Total expenditures</b>	<b>1,076,571</b>	<b>1,049,758</b>
Deficiency of revenues under expenditures	(8,574)	(36,527)
<b>Transfers from other funds:</b>		
Transfer from School Operations Fund	50,000	36,527
Net change in fund balance	41,426	-
Fund balance, beginning of year	24,444	24,444
<b>Fund balance, end of year</b>	<b>\$ 65,870</b>	<b>24,444</b>

**TOWN OF WINDHAM, MAINE**  
**School Capital Project Funds**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**For the year ended June 30, 2008**  
**(with comparative totals for year ended June 30, 2007)**

	Other Locally Funded School Projects	Central Office Project	Totals	
			2008	2007
Revenues:				
Other revenues	\$ -	17,325	17,325	-
Total revenues	-	17,325	17,325	-
Expenditures:				
Construction costs	257,126	378,319	635,445	189,617
Total expenditures	257,126	378,319	635,445	189,617
Excess (deficiency) of revenues over (under) expenditures	(257,126)	(360,994)	(618,120)	(189,617)
Other financing sources:				
Transfer from school operations fund	48,360	-	48,360	763,444
Total other financing sources	48,360	-	48,360	763,444
Net change in fund balances	(208,766)	(360,994)	(569,760)	573,827
Fund balances, beginning of year	602,327	363,444	965,771	391,944
<b>Fund balances, end of year</b>	<b>\$ 393,561</b>	<b>2,450</b>	<b>396,011</b>	<b>965,771</b>

**TOWN OF WINDHAM, MAINE**  
**High School Student Activity Funds**  
**Schedule of Cash Receipts, Disbursements, and Changes in Balances**  
**For the year ended June 30, 2008**

	June 30, 2007	Cash receipts	Cash disbursements	June 30, 2008
<b>Checking Account</b>				
Art Club	\$ -	130	130	-
Athletic Association	1,158	8,991	8,010	2,139
Baseball	532	5,550	4,370	1,712
Boys Soccer	300	1,469	1,666	103
Boys Tennis	1,083	4,067	3,818	1,332
Boys Basketball	4,134	30,205	28,064	6,275
Boys Lacrosse	993	955	342	1,606
Band	-	648	648	-
Business	1,035	-	66.00	969
BUSSIM	479	28,809	27,724	1,564
Caps and Gowns	-	7,539	7,539	-
Chamber Singers	214	57,400	49,790	7,824
Cheerleaders	711	2,100	2,708	103
Civil rights team	1,173	90	13	1,250
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 2006	914	-	914	-
Class of 2007	3,420	1,911	3,210	2,121
Class of 2008	8,397	5,562	10,375	3,584
Class of 2009	1,165	11,185	6,859	5,491
Class of 2010	331	3,822	2,064	2,089
Class of 2011	-	1,772	666	1,106
Class of '77 scholarship	100	-	-	100
Coffee account	11	-	-	11
Co-op student	41	-	-	41
Cross-Country	553	1,450	639	1,364
Eagle Eyes	15	-	-	15
English Club	1,597	12,558	13,404	751
Entrepreneur recycling	790	1,105	1,859	36
Exemplar	-	100	-	100
Football	2,064	2,450	4,471	43
Foreign language	249	95	95	249
Field Hockey	96	1,778	712	1,162
French Club	1,796	1,898	3,102	592
Gate receipts	1	20,473	20,473	1
General Fund	2,115	20,642	20,462	2,295
Girls Basketball	3,108	4,495	5,389	2,214
Girls Lacrosse	993	1,500	583	1,910
Girls tennis	604	1,135	781	958
Girls Soccer	3,149	5,305	3,327	5,127
Golf	3,354	436	3,598	192
Gordan Scholarship	2,520	385	500	2,405
GSA	25	139	164	-
Health	235	390	407	218
Hodgdon Memorial Scholarship	1,000	2,000	-	3,000
Indoor Track	820	1,477	790	1,507
Incentive Scholarship Fund	351	-	-	351
Instrument rental	215	-	-	215
Interact/Youthland	956	1,571	2,075	452
Key Club	1,750	4,282	3,748	2,284
Key Replacements	5	10	-	15
Latin Club	-	135	119	16
Leo Club	55	-	-	55
Library	515	444	-	959
Life Skills	200	3,172	3,185	187
Lost books	5,489	4,626	1,412	8,703
Maine Studies	50	-	-	50
<b>Subtotals</b>	<b>73,626</b>	<b>266,256</b>	<b>253,830</b>	<b>86,052</b>

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

	June 30, 2007	Cash receipts	Cash disbursements	June 30, 2008
Math Club	\$ 331	-	331	-
Mechanic Savings Scholarship	-	3,000	3,000	-
Milsop Scholarship	-	1,500	500	1,000
MS Swim Team	7,844	2,544	4,709	5,679
Mu Alpha Theta	16	-	-	16
National Honor Society	2,058	1,763	1,379	2,442
Orchestra	306	-	-	306
Outdoor track	190	1,905	526	1,569
Outing Club	963	1,857	1,418	1,402
Parking	743	1,980	2,049	674
PE fundraising	179	-	-	179
Photography	975	827	1,216	586
Physhed Grant	-	66	66	-
Scholarship Fund	4,315	5,968	4,600	5,683
School Pop	-	96	-	96
School Store	193	-	-	193
Science Club	617	7,407	7,899	125
Science Scholarship	1,392	168	529	1,031
Ski Club	709	543	730	522
Social studies	294	1,765	2,059	-
Softball	764	-	535	229
Sound - Auditorium	4,711	-	4,711	-
Spanish Club	1,594	6,499	5,273	2,820
Speech & Debate	55	-	-	55
Sportsmanship foundation	601	-	-	601
Spring Play	-	3,365	2,651	714
Student Outreach	909	2,190	2,427	672
Student Council	7,865	6,032	6,186	7,711
Student services	1,324	6,109	6,386	1,047
Student services scholarship	379	409	600	188
Sunshine Club	79	-	113	(34)
Technology Club	239	-	-	239
Theatre Club	1,403	199	672	930
Theatre/musical	6,117	10,793	16,910	-
Townsend account	309	128	-	437
Walter Johnson Memorial Scholarship	-	500	-	500
Windham Comm. Scholarship	3,000	1,515	4,500	15
Wrestling	19	250	67	202
Yearbook	8,380	13,874	13,571	8,683
<b>Subtotals</b>	<b>58,873</b>	<b>83,252</b>	<b>95,613</b>	<b>46,512</b>
<b>Total checking account</b>	<b>132,499</b>	<b>349,508</b>	<b>349,443</b>	<b>132,564</b>
<b>Savings and CD's</b>				
Co-op Education Scholarship (Savings)	2,190	8	122	2,076
Project Graduation/Molly Call (CD)	1,619	55	37	1,637
Governor Andrew Prize (Savings)	452	2	-	454
Edith Pride Elliot Award (Savings)	304	1	-	305
Merribeth Gaudet Mem. School (Savings)	180	-	-	180
Johanna C. Bell Mem. Music (CD)	1,656	68	68	1,656
Crane Scholarship Fund (CD)	16,841	443	769	16,515
Paul Folan Scholarship Fund (CD)	4,427	174	-	4,601
Langley Scholarship (CD)	4,023	161	-	4,184
Langley Scholarship (CD)	6,373	243	1,000	5,616
Townsend Scholarship (CD)	504	24	-	528
Student Council (CD)	8,998	423	-	9,421
WHS Scho. (Manchester) - (CD)	10,906	435	1,001	10,340
<b>Total savings and CD's</b>	<b>58,473</b>	<b>2,037</b>	<b>2,997</b>	<b>57,513</b>
<b>Activity fund totals</b>	<b>\$ 190,972</b>	<b>351,545</b>	<b>352,440</b>	<b>190,077</b>

**TOWN OF WINDHAM, MAINE**  
**Middle School Student Activity Funds**  
**Schedule of Cash Receipts, Disbursements, and Changes in Balances**  
**For the year ended June 30, 2008**

	June 30, 2007	Cash receipts	Cash disbursements	June 30, 2008
Art Department	\$ 877	-	-	877
Bates Team	269	7,303	7,151	421
Bentley Team	969	3,082	3,250	801
Brown Team	312	4,442	3,766	988
Civil Rights	249	-	-	249
Coffee Fund	343	1,362	1,227	478
Colby	-	2,560	2,383	177
DARE	170	-	-	170
Dartmouth	2,368	3,094	2,556	2,906
Emerson (SAIL)	1,012	273	362	923
Emerson (School Store)	200	-	-	200
Foreign Language	-	421	207	214
General Fund	4,896	6,943	10,209	1,630
Grants	629	2,915	2,817	727
Harvard	281	1,433	1,690	24
Helping hands	606	2,503	2,276	833
Industrial arts	75	154	159	70
Ithaca	3	1,948	1,738	213
Library	1,296	4,461	4,133	1,624
Life skills	358	567	295	630
Maine	362	2,425	2,748	39
Middle school athletics	500	-	-	500
Music Department	1,612	20,759	20,202	2,169
Norwich	638	3,545	3,916	267
Odyssey of the Mind	831	300	546	585
Physical Education	14	-	-	14
Recycling	3,454	1,368	354	4,468
Sharing Closet	364	-	-	364
St. Joe's	-	2,634	2,361	273
Student activity	1,037	267	900	404
Student Council	108	6,987	6,208	887
Technology	720	3,993	333	4,380
U.N.E.	350	2,457	2,289	518
U.S.M.	-	1,053	1,052	1
Unity	48	2,555	2,603	-
Yale	412	5,527	5,154	785
Yearbook	1,113	10,759	11,346	526
<b>Total</b>	<b>\$ 26,476</b>	<b>108,090</b>	<b>104,231</b>	<b>30,335</b>

**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, 2008**

	June 30, 2007	Cash receipts	Cash disbursements	June 30, 2008
Manchester	\$ 20,607	85,839	90,829	15,617
Primary	6,252	44,881	45,368	5,765
Primary - Administrators	1,170	960	1,155	975
Primary - Main E Vent	1,026	1	1,027	-
Real School	7,619	34,880	31,084	11,415
<b>Total</b>	<b>\$ 36,674</b>	<b>166,561</b>	<b>169,463</b>	<b>33,772</b>

