APPENDIX E

TOWN OF WINDHAM, MAINE

Annual Financial Report

For the year ended June 30, 2015

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Independent Auditor's Report

Town Council
Town of Windham, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Windham, Maine, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Windham, Maine, as of June 30, 2015, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015 on our consideration of the Town of Windham, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Windham, Maine's internal control over financial reporting and compliance.

November 20, 2015
South Portland, Maine

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, 2015. We encourage readers to consider the information presented in conjunction with the basic financial statements and the accompanying notes to those financial statements.

THE FINANCIAL STATEMENTS

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

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

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

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

REPORTING THE TOWN AS A WHOLE

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the Town as a whole and its activities. The statements include all assets and liabilities of the Town using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Under accrual accounting, revenues are recognized when earned and expenses are recorded when incurred, irrespective of the timing of the receipt and disbursement of cash.

The Statement of Net Position reports the Town's net position. Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources and is one way to measure the Town's financial health or financial position. Viewed another way, it is what is left over after assets are used to satisfy liabilities. Over time, increases and decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the Town's property tax base and the condition of the Town's infrastructure.

The Statement of Activities illustrates what it costs to provide public services such as administrative services, public works, police, fire and rescue, recreation and libraries, planning and code enforcement, assessing, town clerk, social services, education, debt and capital expenses. It also identifies the resources necessary to finance those services such as property taxes, other taxes and user fees, license and permit fees, intergovernmental revenue, investments and other miscellaneous revenues.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

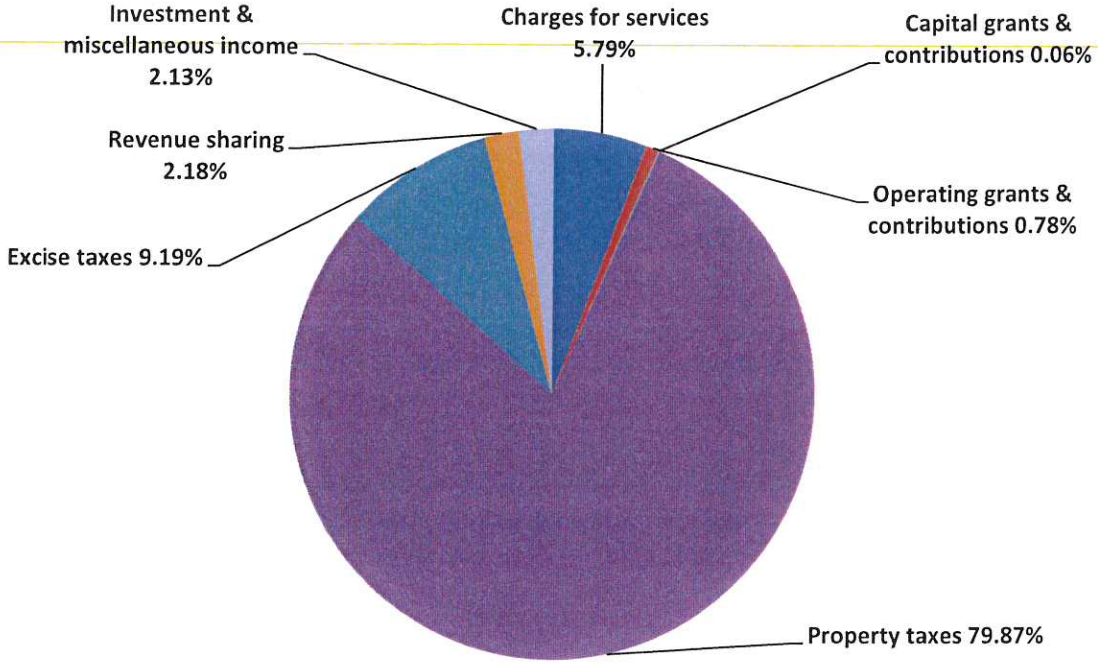
The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by law and by bond covenants. However, other funds are established to help control and manage funds for particular purposes, or to demonstrate that the Town is in compliance with legal requirements regarding the use of certain taxes, grants, or other monies. The Town's basic activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances that remain at year-end. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a short-term view (approximately one year) of the Town's most readily available assets and current liabilities, along with the resources that flow in and out during the year or shortly thereafter. These statements help to assess the Town's ability to meet its financial obligations over the next twelve months. The difference between the governmental funds financial statement and the government-wide financial statement of activities is reconciled in Statement #5.

THE TOWN AS A WHOLE

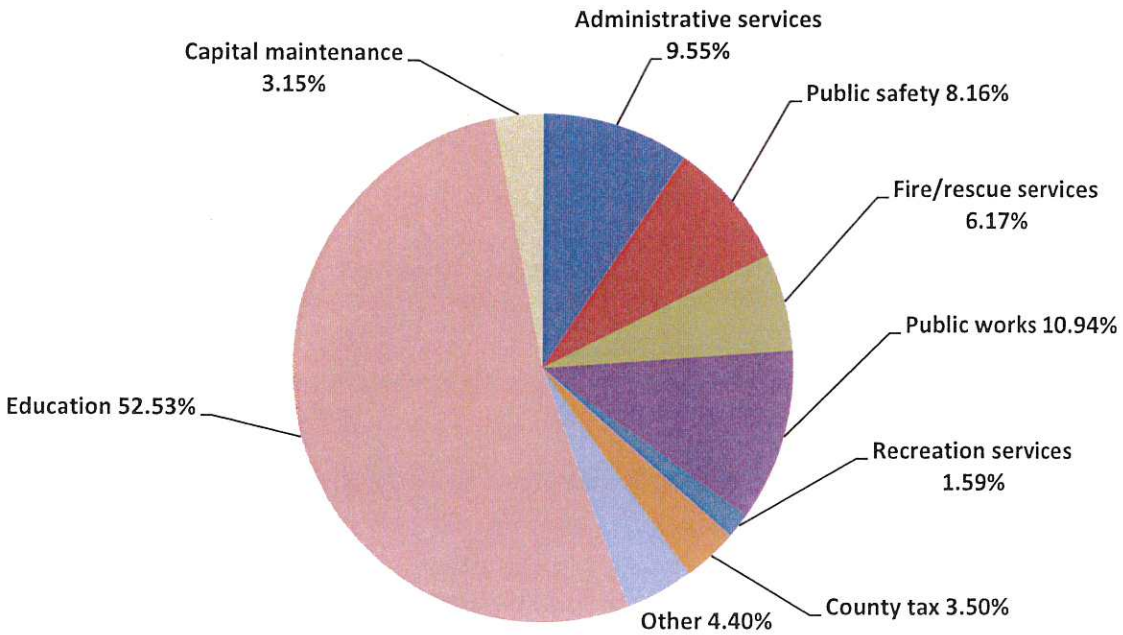
The Town is providing condensed financial information for the year 2015 and comparative information for 2014.

	2015		2014 (Restated)	
	Governmental Activities	Component Unit (WEDC)	Governmental Activities	Component Unit (WEDC)
Assets:				
Current and other assets	$ 27,682,908	85,314	29,063,509	85,503
Capital assets (net)	25,985,254	402,073	26,019,158	418,250
Total assets	53,668,162	487,387	55,082,667	503,753
Deferred outflows of resources:				
Deferred charges on refunding	1,544,408	-	1,707,694	-
Related to pensions	216,704	-	140,823	-
Total deferred outflows of resources	1,761,112	-	1,848,517	-
Liabilities:				
Other liabilities	1,768,027	50,273	1,356,609	43,908
Long-term debt outstanding	21,973,411	355,500	25,159,449	355,500
Total liabilities	23,741,438	405,773	26,516,058	399,408
Deferred Inflows of resources:				
Related to pensions	578,586	-	-	-
Total deferred inflows of resources	578,586	-	-	-
Net Position:				
Net investment in capital assets	23,622,280	16,803	23,235,799	62,750
Restricted	342,301	-	400,416	-
Unrestricted	7,144,669	64,811	6,778,911	41,595
Total net position	**$ 31,109,250**	**81,614**	**30,415,126**	**104,345**

Revenues by Source



Expenditures by Type



GOVERNMENTAL ACTIVITIES

The cost of all governmental activities for 2015 was $32,346,708. Most of this amount, $18,126,085, was paid as "pass through" assessments to the school district or county government. As shown in the statement of activities, the amount paid by taxpayers through local property taxes for all governmental activities was $26,388,229 because some of the cost ($1,913,091) was borne by those who directly benefited from the programs.

The Town paid for the remaining "public benefit" portion of governmental activities with $4,462,006 in non-property taxes and other revenues, such as interest earnings, state revenue sharing, excise taxes, homestead exemption reimbursement, grants, and other miscellaneous revenues.

Statement of Activities

Total resources of $63,455,958 were available during the year to finance governmental activities, consisting of restated net position of $30,415,126 at July 1, 2014, program revenues of $2,190,597 and general revenues of $30,850,235.

Total governmental activities expenses were $32,346,708. Net position increased by $694,124 from a restated balance of $30,415,126 to $31,109,250, or 2.3%. The Town implemented a new standard, "Accounting and Financial Reporting for Pensions" this year, requiring a restatement of beginning net position. Please see page 50 in the notes to the financial statements for further explanation.

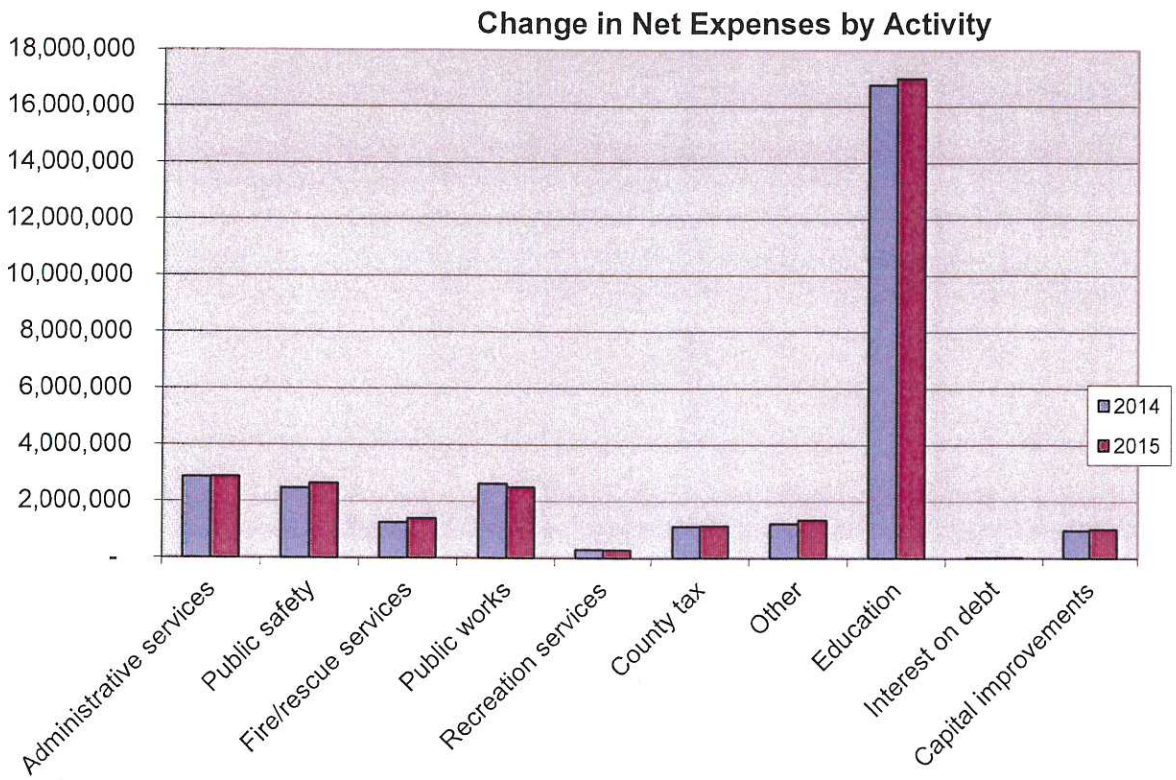
Total governmental activities expenses rose by $647,836, or 2.1%; net expenses for governmental activities increased by $609,936, or 2.1% from 2014 to 2015.

Statement of Activities

		Primary Government Governmental Activities	Component Unit (WEDC)	2015 Primary Government and Component Unit	2014 Primary Government and Component Unit
Revenues:					
Program Revenues:					
Charges for service	$	1,913,091	-	1,913,091	1,795,323
Operating grants and contributions		256,335	150,000	406,335	376,633
Capital grants and contributions		21,171	-	21,171	66,870
General Revenues:					
Property taxes		26,388,229	-	26,388,229	25,679,867
Excise tax		3,037,966	-	3,037,966	2,863,000
Franchise fees		120,084	-	120,084	121,431
Homestead exemption		331,367	-	331,367	330,458
Other State aid		21,272	-	21,272	24,811
State revenue sharing		718,983	-	718,983	732,828
Unrestricted investment earnings		28,071	147	28,218	30,024
Miscellaneous revenues		204,263	13	204,276	162,338
Total Revenues		33,040,832	150,160	33,190,992	32,183,583
Expenses:					
Program Expenses:					
Administrative services		3,087,794	-	3,087,794	3,061,377
Public safety		2,639,330	-	2,639,330	2,459,199
Fire/rescue services		1,996,126	-	1,996,126	1,810,950
Public works		3,540,256	-	3,540,256	3,336,457
Recreation services		513,786	-	513,786	503,614
County tax		1,132,911	-	1,132,911	1,103,620
Other		1,400,879	172,891	1,573,770	1,673,566
Education		16,993,174	-	16,993,174	16,756,826
Interest on debt service		22,252	-	22,252	23,199
Capital maintenance expenses		1,020,200	-	1,020,200	1,041,883
Total Expenses		32,346,708	172,891	32,519,599	31,770,691
Net position – beginning restated		30,415,126	104,345	30,519,471	31,303,481
Change in net position		694,124	(22,731)	671,393	412,892
Net position – ending	$	**31,109,250**	**81,614**	**31,190,864**	**31,716,373**

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 as follows for 2015.

	2015 Expense	2015 Program Revenue	2015 Net Expense	2014 Net Expense
Governmental activities:				
Administrative services	$ 3,087,794	226,047	2,861,747	2,855,760
Public safety	2,639,330	4,680	2,634,650	2,453,898
Fire/rescue services	1,996,126	618,209	1,377,917	1,254,427
Public works	3,540,256	1,052,867	2,487,389	2,621,645
Recreation services	513,786	227,975	285,811	289,908
County tax	1,132,911	-	1,132,911	1,103,620
Other	1,400,879	60,819	1,340,060	1,211,879
Education	16,993,174	-	16,993,174	16,756,826
Interest on debt service	22,252	-	22,252	23,199
Capital maintenance expenses	1,020,200	-	1,020,200	975,013
Total governmental activities	**$ 32,346,708**	**2,190,597**	**30,156,111**	**29,546,175**



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

To take advantage of historically low interest rates, the Town advance refunded its callable bonds in November 2011. The original bonds were issued in 2003 to finance the construction of the high school and to make road improvements. The refunding/refinancing resulted in interest savings of nearly $860,000. Since the State of Maine subsidizes most of this debt, much of the savings accrued to the State ($626,000). Still, Regional School Unit #14 enjoyed $166,800 in savings; the Town realized $66,500 in reduced interest costs. Please see the "Advance Refunding" section of the notes to the financial statements on page 40 for more detailed information.

Debt decreased by $2,492,125 in fiscal year 2015; changes are illustrated below.

Statement of Governmental Activities Debt

Debt payable at June 30, 2014	$ 22,489,864
New capital leases	232,051
Capital lease reductions	(502,436)
Premium reduction on refunded bonds	(180,506)
Payment of general obligation debt	(2,041,234)
Debt payable at June 30, 2015	**$19,997,739**

THE TOWN'S FUNDS

The following is an analysis of account balances in the Town's general fund for 2015. Comparative information is presented for fiscal years 2014 and 2013.

		2015	2014	2013
Revenues by source:				
Taxes	$	28,962,956	28,135,599	27,430,467
Licenses and permits		322,991	302,619	295,202
Intergovernmental		1,327,957	1,378,601	1,578,314
Charges for service		487,278	491,885	542,387
Interest earned		138,187	134,985	145,734
Other		891,440	765,241	731,343
	$	32,130,809	31,208,930	30,723,447

		2015	2014	2013
Expenditures by function:				
Administrative services	$	3,082,099	2,839,069	2,824,344
Public safety		2,452,906	2,243,350	2,256,520
Fire/rescue services		1,818,824	1,580,340	1,393,251
Public works		2,907,957	3,069,171	2,842,866
Recreation services		243,818	236,413	234,430
County tax		1,132,911	1,103,620	1,045,687
Other		1,401,299	1,241,448	1,379,155
Education		16,993,174	16,756,826	16,099,615
Debt service		205,125	210,375	216,375
Capital outlay		2,287,163	2,415,527	2,610,360
	$	32,525,276	31,696,139	30,902,603

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, 2015, net capital assets of governmental activities totaled $25,985,254 a decrease of $33,904 from the year ending June 30, 2014. A detailed breakdown of the activity by asset type is shown below.

		6/30/14	Increases	Decreases	6/30/15
Governmental assets					
Land, buildings and improvements	$	7,500,941	47,798	-	7,548,739
Infrastructure		19,062,604	377,682	-	19,440,286
Vehicles		4,401,783	276,022	20,793	4,657,012
Equipment		4,403,390	88,050	279,033	4,212,407
Total capital assets		35,368,718	789,552	299,826	35,858,444
Accumulated depreciation		(9,349,560)	(805,091)	281,461	(9,873,190)
Governmental assets, net	$	26,019,158	(15,539)	18,365	25,985,254

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 $868,013 on road improvements for the fiscal year ended June 30, 2015. The most recent pavement condition rating survey, conducted in the fall of 2013, showed the average rating for Town roads to be 4.15 on a scale of 0 to 5. This is virtually the same as the previous assessment in 2010 (4.14), both in the "very good" range. This compares to an average rating of 3.21, the lower limit of the "good" range, when the Town's first pavement condition rating survey done in 2001.

The pavement condition rating survey report estimates the cost of treatments required to improve and maintain the Town's roads and streets at an average PCR score of 3.21 (see Required Supplemental Information). Through fiscal year 2023-2024, the estimated cost for town roads is $10,279,094, or about $1,028,000 per year. Including those portions of state highways for which the Town is responsible for maintenance would add $6,877,374, or about $688,000 per year. These estimates, however, are based on unit pricing that is often higher than the Town's cost for materials or paving services. Actual figures also will depend on the extent of work done at the time.

Continued increases in the cost of asphalt will put pressure on the Town's estimates, leading to the need for increases in paving expenditures to maintain quality. From 2001 to 2010, the Town appropriated $500,000 annually for road improvement activities. This was reduced to $394,550 in 2011 but increased to $542,500 in 2012, $650,000 for 2013, and $750,000 for 2014 and 2015. It should be noted that this amount relates mainly to the maintenance of current pavement infrastructure and does not contemplate more extensive improvements as might be required in the future for storm water management, improved safety, added capacity, or additional amenities such as sidewalks.

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

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

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

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

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

In 2013, the Town assessed the condition of its 831 storm water structures. The Town's database and reports previously included 18 private structures that the Town does not assess or maintain. All (100%) of the structures were in good (93.6%) or fair (6.4%) condition, compared to 99.9% of structures in 2007. No structures were reported in poor condition or in need of immediate repair. The Town conducts inspection and cleaning of drainage structures annually in the fall and expects to continue its program of maintenance, and regular cleaning along with inspection and condition assessment required for compliance with both GASB 34 and NPDES Phase II stormwater management rules.

BUDGETS AND BUDGETARY ACCOUNTING

The 2014-2015 general fund budget increased approximately $206,000, or 1.44% from the previous year.

There were no supplemental appropriations during the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Trends

The largest source of non-property tax revenues is excise taxes, comprising nearly one-half (49.2%) of non-property tax revenue. For the last four years, the Town has enjoyed steady growth in excise tax collections, due to increases in car and truck sales as people replace aging vehicles. Excise tax collections for 2015 rose 6.1% over 2014. For fiscal 2016, revenues are estimated conservatively at $2.875 million, approximately $163,000 less than collections this year.

State revenue sharing, another significant source of revenues, exceeded the budget by 7% in 2015. Due to the high degree of uncertainty about the future of revenue sharing, the Town has begun the process of phasing out its reliance on this revenue source. Town officials are very concerned that revenue sharing may be eventually eliminated, shifting costs to taxpayers through increased taxes or reductions in services. Future budgets will need to address the Town's exposure to such a sizable revenue loss; for fiscal 2016, the Town continues the process of reducing its reliance on revenue sharing. Any funds received in excess of the budget will be available to reduce the tax levy, or meet some of the Town's capital needs.

Budget Overview

The Council adopted a different approach with the budget for 2015-2016. Rather than initially focusing on the numbers, they began by asking what level of service does the Town wish to provide. Once that level of service was agreed upon, the discussion moved to what it would take to fund it.

The Town budget for fiscal 2016 is $17,247,836, an increase of $2,695,100 or 18.5% over 2015. The significant increase includes funding of $1,668,000 to replace the outdated South Windham fire station. This project will be financed through the issuance of tax-exempt bonds, as approved by voters at a special town meeting held in June 2015. The budget also includes an increase of $330,000 in funding for road improvements. The most recent pavement condition rating survey suggests that the cost to maintain town roads at the current level amounts to $1,028,000 per year. When adding the portions of state highways for which the Town is responsible, that adds another $688,000 per year. $1,080,000 is allocated for road improvements in the 2016 budget.

The following are some highlights from budget deliberations:

- ✓ Annual road improvements budget increased by $330,000, or 44%. The increase includes an additional $100,000 for road improvements, plus $230,000 for engineering costs for projects along Route 302. Some of the costs will be reimbursed by roadway impact fees.
- ✓ $1,668,000 is included to purchase and renovate a building in South Windham to replace the old fire station. This will be funded through a bond issue which was approved by voters in June.
- ✓ Increased financial administrative assistants' hours in the tax collection office from 37.5 to 40 hours per week.
- ✓ Increased part-time staffing at the Library, which allows for the resumption of Saturday hours.
- ✓ Funding to provide staffing at the skate park. This had been eliminated in the 2013-2014 budget.
- ✓ Added a third code enforcement officer.
- ✓ Estimated municipal revenue sharing is reduced to $325,000 this year; the plan is to completely eliminate it as a source of funding in FY '17.
- ✓ Fund balance of $480,000 is included as a revenue source, earmarked as follows:
  $200,000 to offset contingency, $150,000 for Angler's Road realignment, $80,000 for Route 302 improvements, and $50,000 for the South Windham Fire Station replacement. All expenditures are in consonance with the Town's fund balance policy regarding the use of funds in excess of a target balance.

Budget Variances

See footnote B on page 33 of the footnotes for explanations of variances.

Revenues/Fund Balance

Unassigned fund balance has grown each year since FY'09. At June 30, 2015, it stands at nearly $6.5 million. This is an increase of $493,401 over last year, or roughly 8%. Bond rating agencies consider a growing fund balance to be a positive sign, speaking to the credit strength of a municipality.

The Town seeks to maximize use of non-property tax revenues in its budgeting, although it remains conservative in its approach. This is done to maintain an appropriate "safety margin," guarding against revenues failing to meet estimates. This contributes to maintaining an adequate level of fund balance.

The Town has a fund balance policy stating that it maintains an *unrestricted* fund balance at 16.67% of the ensuing year's budget. As of June 30, 2015, unrestricted fund balance as a percentage of budget stands at 21.1%, considerably exceeding the target.

Increasing Demands

Similar to many growing communities, Windham has sought to balance the need to provide services in response to growth while maintaining a reasonable level of local property taxation. Roads and facilities funding were increased substantially this year. Based on a recent space needs analysis and pavement condition rating survey, capital investment is likely to increase in the near future. The Town uses capital lease purchase agreements as a means to replace major equipment with a relatively small impact on cash flows.

The Future

The Town maintains its strong financial position as the practice of conservative budgeting continues to pay dividends. Department managers do a fine job managing their budgets.

As noted above, unrestricted fund balance as a percentage of the FY 2016 budget is 21.1%. Viewed another way, the Town has nearly three months of funds available in the event of a liquidity crunch. Town policy recommends a target of 16.67%, equaling two months of expenses. We fully expect to maintain this strong financial position in future years.

Performance measurement and management continue to play an increasing role. We have taken steps to refine performance measures in the FY 2016 budget while incorporating discussions of mission, success, and measurement.

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

In order to achieve stability in its local property tax rates and sustainability in its programs and services, the Town is working diligently to implement its comprehensive master plan and develop associated multi-year strategic and financial plans under the policy guidance and direction of the Town Council, with appropriate and substantial input and involvement from citizens and other stakeholders. This becomes particularly important when considering future tax base growth potential, the cost of providing services to this growth, and providing infrastructure to enable and support growth in designated areas and not others. The Town will have to decide whether it can continue to comply with the statute governing increases in the property tax levy and still provide the level of services it desires. This law, enacted by the Maine Legislature in early 2005, contains provisions for voter approval of expenditures or increases in property tax levies over a certain amount.

Summary

Fiscal year 2015-2016 will reflect a tax rate of $15.15 per thousand dollars of assessed value. For every tax dollar raised, 31 cents goes to the Town to support municipal services, 64 cents to the school district for public education, and 5 cents to county government. The overall rate increased 3.3% over 2015.

The Town continues to reduce its debt obligations, making payments of $2.7 million in 2015. As a measure of debt burden, bond rating agencies prefer to see per capita debt of $2,000 or less. Windham's per capita debt of $1,076 is considerably below this benchmark. Another debt measure is debt service as a percentage of total expenditures. Rating agencies desire a range of 8-10%. Windham's ratio is *less than 1%*, well below the acceptable range.

What this boils down to is that Windham has significant capacity to take on additional debt. Windham voters approved a $1.7 million bond in June to purchase and renovate a building to serve as the South Windham fire station. In November, voters will be asked to approve a $7.7 million bond issue for a new Public Works/School District transportation maintenance facility.

Windham has a long-term bond rating of AA from Standard & Poor's rating services. In S&P's words, "The stable outlook reflects our opinion of Windham's strong local economy and participation in the Portland MSA (Metropolitan Statistical Area), which we believe lends stability to the town's tax base. As a result, we believe Windham will maintain its strong budgetary performance and very strong budgetary flexibility."

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report intends 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, do not hesitate to contact the Office of the Finance Director, 8 School Road, Windham, Maine, 04062, telephone 207-892-1907.

BASIC FINANCIAL STATEMENTS

TOWN OF WINDHAM, MAINE
Statement of Net Position
June 30, 2015

		Primary Government Governmental Activities	Component Unit WEDC
ASSETS			
Cash and cash equivalents	$	1,792,243	85,314
Investments		7,305,897	-
Receivables:			
Accounts, net of allowance of $44,455		325,741	-
Taxes receivable - current year		833,002	-
Taxes receivable - prior years		282,883	-
Tax liens		804,451	-
Notes receivable		385,270	-
Inventory		18,421	-
Receivable - RSU #14 debt service payments		15,935,000	-
Capital assets, not being depreciated		19,909,075	402,073
Capital assets, being depreciated		6,076,179	-
Total assets		53,668,162	487,387
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding		1,544,408	-
Deferred outflows of resources related to pensions		216,704	-
Total deferred outflows of resources		1,761,112	-
LIABILITIES			
Accounts payable and other current liabilities		1,301,953	20,503
Accrued wages		283,184	-
Accrued interest		128,069	29,770
Taxes paid in advance		54,821	-
Noncurrent liabilities:			
Due within one year		2,516,118	-
Due in more than one year		19,457,293	355,500
Total liabilities		23,741,438	405,773
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions		578,586	-
Total deferred inflows of resources		578,586	-
NET POSITION			
Net investment in capital assets		23,622,280	16,803
Restricted:			
Special revenue programs and grants		297,765	-
Nonexpendable trust principal		44,536	-
Unrestricted		7,144,669	64,811
Total net position	**$**	**31,109,250**	**81,614**

See accompanying notes to basic financial statements.

TOWN OF WINDHAM, MAINE
Statement of Activities
For the year ended June 30, 2015

Functions/programs		Expenses	Program Revenues: Charges for services	Program Revenues: Operating grants and contributions	Program Revenues: Capital grants and contributions	Net (expense) revenue and changes in net position: Primary Government: Governmental activities	Net (expense) revenue and changes in net position: Component Unit: WEDC
Primary government:							
Governmental activities:							
Administrative services	$	3,087,794	226,047	-	-	(2,861,747)	-
Public safety		2,639,330	4,680	-	-	(2,634,650)	-
Fire/rescue services		1,996,126	618,209	-	-	(1,377,917)	-
Public works		3,540,256	804,547	248,320	-	(2,487,389)	-
Recreation services		513,786	206,804	-	21,171	(285,811)	-
Education		16,993,174	-	-	-	(16,993,174)	-
County tax		1,132,911	-	-	-	(1,132,911)	-
Other		1,400,879	52,804	8,015	-	(1,340,060)	-
Interest on debt service		22,252	-	-	-	(22,252)	-
Capital maintenance expenses		1,020,200	-	-	-	(1,020,200)	-
Total governmental activities		32,346,708	1,913,091	256,335	21,171	(30,156,111)	-
Total primary government	**$**	**32,346,708**	**1,913,091**	**256,335**	**21,171**	**(30,156,111)**	**-**
Component unit:							
WEDC	**$**	**172,891**	**-**	**150,000**	**-**	**-**	**(22,891)**

General revenues:			
Property taxes, levied for general purposes	$	26,388,229	-
Excise taxes		3,037,966	-
Supplemental taxes and lien fees		20,823	-
Motor vehicle registration fees		51,169	-
Franchise fees		120,084	-
Grants and contributions not restricted to specific programs:			
Homestead exemption		331,367	-
Other State aid		21,272	-
State Revenue Sharing		718,983	-
Unrestricted investment earnings		28,071	147
Miscellaneous		150,636	13
Loss on disposal		(18,365)	-
Total general revenues and loss on disposal		30,850,235	160
Change in net position		694,124	(22,731)
Net position - beginning, restated		30,415,126	104,345
Net position - ending	**$**	**31,109,250**	**81,614**

See accompanying notes to basic financial statements.

TOWN OF WINDHAM, MAINE
Balance Sheet
Governmental Funds
June 30, 2015

		General	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$	1,792,243	-	1,792,243
Investments		7,041,865	264,032	7,305,897
Receivables:				
Accounts, net of allowance of $44,455		294,905	30,302	325,207
Taxes receivable - current year		833,002	-	833,002
Taxes receivable - prior years		282,883	-	282,883
Tax liens		804,451	-	804,451
Notes receivable		385,270	-	385,270
Interfund loans receivable		-	308,786	308,786
Inventory		18,421	-	18,421
Receivable - RSU #14 debt service payments		15,935,000	-	15,935,000
Total assets	**$**	**27,388,040**	**603,120**	**27,991,160**
LIABILITIES				
Accounts payable		936,333	15,894	952,227
Accrued wages		283,184	-	283,184
Interfund loans payable		280,503	27,749	308,252
Taxes paid in advance		54,821	-	54,821
Unearned income - impact fees		108,860	-	108,860
Inspection deposits and miscellaneous liabilities		240,866	-	240,866
Total liabilities		1,904,567	43,643	1,948,210
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes		1,558,000	-	1,558,000
Unavailable revenue - RSU #14 debt service payments		15,935,000	-	15,935,000
Total deferred inflows of resources		17,493,000	-	17,493,000
FUND BALANCES				
Nonspendable		403,691	44,536	448,227
Restricted		-	297,765	297,765
Committed		145,441	251,917	397,358
Assigned		948,843	-	948,843
Unassigned		6,492,498	(34,741)	6,457,757
Total fund balances		7,990,473	559,477	8,549,950
Total liabilities, deferred inflows of resources, and fund balances	**$**	**27,388,040**	**603,120**	

Amounts reported for governmental activities in the statement of net position are different because:	
The deferred charge on the refunding bond in governmental activities is not reported in the funds.	1,544,408
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	25,985,254
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable revenue - property taxes	1,558,000
Unavailable revenue - RSU #14 debt service payments	15,935,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds:	
Accrued compensated absences	(723,904)
Accrued interest	(128,069)
Other postemployment benefits liability	(624,399)
Net pension liability, including related deferred outflows and inflows of resources	(989,251)
Capital leases	(1,037,974)
Premium on refunding bonds	(1,699,765)
Bonds payable	(17,260,000)
Net position of governmental activities	**$ 31,109,250**

See accompanying notes to basic financial statements.

TOWN OF WINDHAM, MAINE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2015

		General	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$	28,962,956	278,946	29,241,902
Licenses and permits		322,991	-	322,991
Intergovernmental		1,327,957	21,171	1,349,128
Charges for services		487,278	528,753	1,016,031
Interest earned		138,187	368	138,555
Other		891,440	4,150	895,590
Total revenues		32,130,809	833,388	32,964,197
Expenditures:				
Current:				
Administrative services		3,082,099	9,473	3,091,572
Public safety		2,452,906	43,496	2,496,402
Fire/rescue services		1,818,824	-	1,818,824
Public works		2,907,957	352,818	3,260,775
Recreation services		243,818	251,598	495,416
Education		16,993,174	-	16,993,174
County tax		1,132,911	-	1,132,911
Other		1,401,299	-	1,401,299
Debt service		205,125	-	205,125
Capital outlay		2,287,163	25,025	2,312,188
Total expenditures		32,525,276	682,410	33,207,686
Excess (deficiency) of revenues over (under) expenditures		(394,467)	150,978	(243,489)
Other financing sources (uses):				
Capital lease proceeds		232,051	-	232,051
Transfers - in		285,635	5,048	290,683
Transfers - out		-	(290,683)	(290,683)
Total other financing sources (uses)		517,686	(285,635)	232,051
Net change in fund balances		123,219	(134,657)	(11,438)
Fund balances, beginning of year		7,867,254	694,134	8,561,388
Fund balances, end of year	**$**	**7,990,473**	**559,477**	**8,549,950**

See accompanying notes to basic 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, 2015

Net change in fund balances - total governmental funds (from Statement 4)	$ (11,438)
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets estimated useful lives as depreciation expense. This is the amount by which depreciation expense ($805,091) and net book value of disposed assets ($18,365) exceeded capital outlay ($789,552).	(33,904)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	95,000
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. This is the decrease in accrued interest ($15,653) and accrued compensated absences ($80,385) and the increase in other postemployment benefits liability ($96,828).	(790)
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which lease repayments ($502,436) exceeded proceeds ($232,051).	270,385
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments.	2,041,234
The Town is amortizing the deferred charge on refunding and the issuance premium over the life of the refunding bond. This is the amount by which the amortization of the premium ($180,506) exceeded the amortization of the deferred charge on refunding ($163,286).	17,220
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 the governmental funds. This is the decrease in the net pension liability with the related changes in deferred inflows and outflows of resources.	207,651
The Town has bonds that were originally issued for School purposes. These amounts will be funded by Regional School Unit #14 when the debt service payments are due. The Town has recorded a long-term receivable for the amount that will be paid by the School Unit for these bonds. The amount of the receivable at year end was $15,935,000 with principal amounts paid off during the year totaling $1,891,234.	(1,891,234)
Change in net position of governmental activities (see Statement 2)	**$ 694,124**

See accompanying notes to basic 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, 2015

		Budgeted amounts			Variance with final budget positive
		Original	Final	Actual	(negative)
Revenues:					
Taxes	$	28,634,850	28,634,850	28,962,956	328,106
Licenses and permits		268,900	268,900	322,991	54,091
Intergovernmental		1,319,002	1,319,002	1,327,957	8,955
Charges for services		554,000	554,000	487,278	(66,722)
Interest earned		110,000	110,000	138,187	28,187
Other		789,752	789,752	891,440	101,688
Total revenues		31,676,504	31,676,504	32,130,809	454,305
Expenditures:					
Current:					
Administrative services		3,062,707	3,062,707	3,082,099	(19,392)
Public safety		2,399,690	2,478,840	2,452,906	25,934
Fire/rescue services		1,816,369	1,872,067	1,818,824	53,243
Public works		2,965,302	2,965,302	2,907,957	57,345
Recreation services		262,566	262,566	243,818	18,748
Education		16,993,174	16,993,174	16,993,174	-
County tax		1,132,911	1,132,911	1,132,911	-
Other		1,537,421	1,628,054	1,401,299	226,755
Debt service		205,125	205,125	205,125	-
Capital outlay		1,785,000	2,313,627	2,287,163	26,464
Total expenditures		32,160,265	32,914,373	32,525,276	389,097
Excess (deficiency) of revenues over (under) expenditures		(483,761)	(1,237,869)	(394,467)	843,402
Other financing sources:					
Capital lease proceeds		-	-	232,051	232,051
Use of assigned fund balance		200,000	954,108	-	(954,108)
Transfers from other funds		283,761	283,761	285,635	1,874
Total other financing sources		483,761	1,237,869	517,686	(720,183)
Net change in fund balance		-	-	123,219	123,219
Fund balance, beginning of year				7,867,254	
Fund balance, end of year	**$**			**7,990,473**	

See accompanying notes to basic financial statements.

Statement 7

TOWN OF WINDHAM, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

		Private-purpose Trust Fund (Scholarships)
ASSETS		
Investments	$	66,790
Total assets		**66,790**
LIABILITIES		
Due to Town		534
Total liabilities		**534**
NET POSITION		
Restricted	$	**66,256**

See accompanying notes to basic financial statements.

TOWN OF WINDHAM, MAINE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2015

		Private-purpose Trust Fund (Scholarships)
Additions:		
Investment income	$	2
Donation		466
Total additions		468
Deductions:		
Scholarships awarded		1,000
Total deductions		1,000
Change in net position		(532)
Net position, beginning of year		66,788
Net position, end of year	**$**	**66,256**

See accompanying notes to basic financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

The Town reports the following major governmental funds:

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

Additionally, the Town reports the following fund type:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include the following fund type:

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

D. Cash and Investments

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

E. Interfund Loans Receivable/Payable

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

F. Inventories

Inventories are valued at the lower of cost (first-in, first-out basis) or market. Inventory consists of fuel.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

G. Capital Assets

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

Land and land improvements	$ 25,000
Buildings	25,000
Equipment and vehicles	5,000
Infrastructure	100,000

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

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

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

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

The Town elected to use the Modified Approach as defined by GASB Statement No. 34 for roads, storm drainage, catch basins and manholes. The Town performed a physical assessment for all major infrastructure conditions in 2013. This condition assessment is performed every 3 years.

The Town commissioned a triennial physical condition assessment of the streets and roads in 2013. These streets, primarily pavement, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of right of way. This condition assessment will be performed every 3 years. Each street was assigned a physical condition based on several potential defects. A pavement condition rating (PCR), a nationally recognized rating, was assigned to each street and expressed in a continuous scale from 0 to 5, where 0 is impassable and 5 is perfect. The following conditions were defined: very good condition was assigned to those segments with a rating between 3.61 – 5.00, good condition was assigned to those segments with a rating between 3.21 – 3.60, Fair - good condition was assigned to those segments with a rating between 2.81 – 3.20, fair condition was assigned to those segments with a rating between 2.41 – 2.80, poor - fair condition was assigned to those segments with a rating between 2.01 – 2.40, poor condition was assigned to those segments with a rating between 1.61 – 2.00, and very poor condition was assigned to those segments with a rating between 0.00 – 1.60. The Town's policy relative to maintaining the street assets is to achieve a minimum rating of 2.81 for all street segments. This acceptable rating allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at the posted speeds.

In accordance with GASB Statement No. 34, the Town utilized the Public Works Department to inventory and perform a condition assessment on all other infrastructure assets in 2013. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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

H. Compensated Absences

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

I. Long-term Obligations

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

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

J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

K. Deferred Inflows and Outflows of Resources – Government-wide

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. Certain deferred outflows relate to the net pension liability, which include the Town's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include differences between expected and actual experience, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. Additionally the Town reports a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows relate to the net pension liability, which include changes in proportion and differences between the Town's contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

L. Deferred Inflows of Resources – Governmental Funds

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

M. Fund Balance

Governmental Fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is used during the year by the Town. All encumbrances lapse at year end except those authorized to be carried forward. These amounts are reported as assigned fund balance. Additionally, the Town Council has the authority to assign amounts for specific purposes. The voters at the Town budget meeting have the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments.

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

N. 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.

O. 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.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are formally adopted for the General Fund each year through the passage of a Town warrant, and are prepared on a basis consistent with accounting principles generally accepted in the United States of America as noted below. The Town's other funds do not have legally adopted budgets but have adopted budgets through formal authorizations by the Town Council and through grant agreements. In the General Fund, the level of control (level at which expenditures may not exceed budget) is the Department. Once adopted, the budget can only be amended by the Town Council, and then only to the extent that excess revenues over estimated amounts can be used to increase appropriation accounts.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2015, the following expenditures exceeded appropriations:

Administrative services	$ 19,392

Employee benefits were higher than anticipated; savings in other account lines were not large enough to offset the additional expenditures.

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:

	Revenues	Expenditures	Other financing sources (uses)
2015 budget as originally adopted	$ 31,676,504	(32,160,265)	483,761
Assigned carryforward balance	-	(754,108)	754,108
Totals	**$ 31,676,504**	**(32,914,373)**	**1,237,869**

Other financing sources adopted as part of the original budget are as follows:

Budgeted use of surplus	$ 200,000
Transfer from Development District North TIF	10,391
Transfer from Pipeline Development District TIF	62,642
Transfer from Roosevelt Promenade TIF	204,728
Transfer from Recreation	3,200
Transfer from Cemetery	2,800
Total other financing sources	**$ 483,761**

D. Deficit Fund Balances

At June 30, 2015, the following funds had deficit balances:

JAG Grant	$ 11,039
South Windham Fire Station	9,025

These deficits will be funded with future revenues or transfers.

DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town minimizes custodial credit risk by obtaining collateral for all uninsured amounts on deposit. Time deposits are insured up to $250,000 by the F.D.I.C.

DEPOSITS AND INVESTMENTS, CONTINUED

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, 2015, the Town reported deposits of $1,792,243 with a bank balance of $1,675,044. $1,205 of the Town's bank balances were exposed to custodial credit risk; the remaining $1,673,839 was not exposed to custodial credit risk as it was 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 $85,314 which were fully covered by F.D.I.C.

Deposits have been reported as follows:

Reported in governmental funds	$ 1,792,243
Reported in component unit (WEDC)	85,314
Total deposits	**$ 1,877,557**

B. Investments

At June 30, 2015, the Town had the following investments:

	Fair Value
Certificates of deposit	$ 3,488,072
Sweep accounts	3,611,615
Money market	271,184
Savings	1,816
Total investments	**$ 7,372,687**

Investments have been reported as follows:

Reported in governmental funds	$ 7,305,897
Reported in fiduciary funds	66,790
Total investments	**$ 7,372,687**

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

Certificates of deposit which exceed the F.D.I.C. insured amount are collateralized in accordance with Title 30-A, Section 5706 of the Maine Revised Statutes.

DEPOSITS AND INVESTMENTS, CONTINUED

Of the Town's $7,372,687 investments as noted above, 100% was either covered by F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

Interest rate risk – The Town does not have a deposit policy for interest rate risk. This exposure would come into play only if the Town held debt securities as investments, which it does not.

PROPERTY TAXES

Property taxes for the current year were committed on August 12, 2014 on the assessed value listed as of the prior April 1, for all real and personal property located in the Town. Payment of taxes was due in two equal installments. Interest was charged at 7% on all tax bills unpaid as of October 1, 2014 and April 1, 2015. 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 $56,706 for the year ended June 30, 2015.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

The following summarizes the 2015 and 2014 levies:

	2015	2014
Assessed value	$ 1,768,153,500	1,748,070,900
Tax rate (per $1,000)	14.67	14.45
Commitment	25,938,812	25,259,625
Supplemental taxes assessed	1,015	17,925
	25,939,827	25,277,550
Less:		
Abatements	16,816	39,245
Collections	25,090,009	24,366,033
Receivable at June 30	**$ 833,002**	**872,272**
Due date(s)	½ October 1, 2014 ½ April 1, 2015	½ October 1, 2013 ½ April 1, 2014
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	96.79%	96.54%

INTERFUND BALANCES

Individual interfund receivable and payable balances at June 30, 2015 were as follows:

	Interfund receivables	Interfund payables
General Fund	$ -	280,503
Nonmajor Special Revenue Funds		
Little Falls Sewer Operations	-	8,385
Recreation Program	43,090	-
Recreation Trail Program	442	-
Development District North T.I.F.	9,215	-
Pipeline Development T.I.F.	55,549	-
Roosevelt Promenade T.I.F.	181,544	-
JAG Grant	-	11,039
Marblehead Manor T.I.F.	18,946	-
South Windham Fire Station	-	8,325
Total nonmajor special revenue funds	308,786	27,749
Fiduciary Fund	-	534
Totals	**$ 308,786**	**308,786**

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

INTERFUND TRANSFERS

Individual fund transfers for the year ended June 30, 2015 were as follows:

	Transfers in	Transfers out
General Fund	$ 285,635	-
Nonmajor Special Revenue Funds:		
Recreation Program	-	8,248
Recreation Trail Program	5,048	-
Efficiency Maine	-	1,411
Development District North T.I.F.	-	10,391
Pipeline Development T.I.F.	-	62,642
Roosevelt Promenade T.I.F.	-	204,728
Brownfields grant	-	213
Annie Akers Bremon Fund	-	250
Total nonmajor special revenue funds	5,048	287,883

INTERFUND TRANSFERS, CONTINUED

Nonmajor permanent funds:		
Perpetual Care Trust Funds	$ -	2,800
Total nonmajor permanent funds	-	2,800
Totals	**$ 290,683**	**290,683**

Some transfers were budgeted transfers to fund certain activities.

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,997,612	-	-	1,997,612
Infrastructure	17,533,781	377,682	-	17,911,463
Total capital assets, not being depreciated	19,531,393	377,682	-	19,909,075
Capital assets, being depreciated:				
Land improvements	263,836	37,903	-	301,739
Buildings	5,239,493	9,895	-	5,249,388
Equipment	4,403,390	88,050	(279,033)	4,212,407
Vehicles	4,401,783	276,022	(20,793)	4,657,013
Infrastructure	1,528,823	-	-	1,528,823
Total capital assets, being depreciated	15,837,325	411,870	(299,826)	15,949,370
Less accumulated depreciation for:				
Land improvements	(59,518)	(11,565)	-	(71,084)
Buildings	(2,806,993)	(138,207)	-	(2,945,200)
Equipment	(3,134,479)	(225,767)	260,668	(3,099,578)
Vehicles	(2,450,060)	(392,767)	20,793	(2,822,034)
Infrastructure	(898,510)	(36,785)	-	(935,295)
Total accumulated depreciation	(9,349,560)	(805,091)	281,461	(9,873,191)
Total capital assets being depreciated, net	6,487,765	(393,221)	18,365	6,076,179
Governmental capital assets, net	**$ 26,019,158**	**(15,539)**	**18,365**	**25,985,254**

CAPITAL ASSETS, CONTINUED

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

Governmental activities:	
Administrative services	$ 86,896
Public safety	202,228
Fire/rescue services	215,132
Public works	273,931
Recreation services	23,182
Other (Town Clerk and Library)	3,722
Total depreciation expense – governmental activities	**$ 805,091**

Discretely Presented Component Unit:

Activity for the Windham Economic Development Corporation (WEDC):

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	$ 418,250	7,122	23,299	402,073
Total capital assets not being depreciated	**$ 418,250**	**7,122**	**23,299**	**402,073**

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
General obligation bonds	$ 19,301,234	-	2,041,234	17,260,000	1,785,000
Premium on refunding bonds	1,880,271	-	180,506	1,699,765	180,506
Capital leases	1,308,359	232,051	502,436	1,037,974	500,612
Accrued compensated absences	804,289	-	80,385	723,904	50,000
Net pension liability	1,337,725	-	710,356	627,369	-
Other postemployment benefits	527,571	105,445	8,617	624,399	-
Totals	**$ 25,159,449**	**337,496**	**3,523,534**	**21,973,411**	**2,516,118**

LONG-TERM DEBT

General obligation bonds, notes, and capital leases payable at June 30, 2015 are comprised of the following:

Primary government:

	Original amount	Interest rate	Final maturity date	Balance end of year
General Obligation Bonds				
2011 General Obligation Refunding Bonds	$ 19,045,000	2.50-5.00%	2025	17,260,000
Total general obligation bonds				17,260,000 (1)
Capital Leases				
Greenwood emergency vehicles		3.23%	2016	84,346
Radio system		1.81%	2016	61,283
Ten-wheel dump truck		2.57%	2017	72,314
Self-contained breathing apparatus		1.69%	2017	194,083
Elgin street sweeper		2.01%	2017	113,784
Three dump trucks		2.48%	2018	280,113
Dump truck, plow gear, and cardiac monitors		2.25%	2018	232,051
Total capital leases				1,037,974
Total primary government general obligation bonds and capital leases				**$ 18,297,974**

(1) As of July 1, 2009, the Windham School Department joined Regional School Unit (RSU) #14. RSU #14 will reimburse the Town of Windham for all Windham School Department bonds payable when the debt service payments are due. The Town has recorded a receivable for $15,935,000, which is the outstanding amount of bonds payable related to the School Department.

Discretely Presented Component Unit:

Note Payable

During the year ended June 30, 2010, WEDC purchased land with a promissory note of $455,500 from the Town of Windham. WEDC sold a portion of this land and paid the Town $100,000 in 2014, which was applied against the principal balance. The remaining principal balance at June 30, 2015 was $355,500. The note is due on demand, on or after December 30, 2016, and accrues interest at 2%, until all remaining principal is paid.

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize all debt outstanding as of June 30, 2015 on primary government general obligation bonds with interest ranging from 2.00% to 5.00% are as follows:

	Principal	Interest	Total
2016	$ 1,785,000	675,825	2,460,825
2017	1,785,000	626,738	2,411,738
2018	1,785,000	568,725	2,353,725
2019	1,785,000	497,325	2,282,325
2020	1,775,000	430,563	2,205,563
2021-2025	8,345,000	964,250	9,309,250
Totals	**$ 17,260,000**	**3,763,426**	**21,023,426**

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, 2015:

Fiscal year ending	Total capital leases
2016	$ 524,045
2017	374,582
2018	178,901
Total minimum lease payments	1,077,528
Less amount representing interest	39,554
Present value of future minimum lease payments	**$ 1,037,974**

Advance Refunding

During the year ended June 30, 2012, the Town issued $19,045,000 in general obligation bonds with an interest rate ranging from 2.5% to 5%. The proceeds were used to partially advance refund $19,380,000 of outstanding 2003 Series A, Series B and Series C general obligation bonds which had interest rates ranging from 2.0% to 5%. The net proceeds of $21,192,713 (including a $2,346,582 premium and after payment of $198,869 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2003 Series A, Series B, and Series C general obligation bonds are considered partially defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $2,122,712. This amount is being amortized over the remaining life of the refunded debt. The Town advance refunded the 2003 Series A, Series B, and Series C general obligation bonds to reduce its total debt service payments over 12 years by $955,581 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $859,622.

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, 2015, the Town has not exceeded these percentages.

DIRECT AND OVERLAPPING DEBT

The Town's proportionate share of debt of all local government units which provide services within the Town's boundaries, and which must be borne by properties in the Town, is summarized as follows:

Units	Net debt outstanding	Percentage applicable to the Town	Town's proportionate share of debt
Town of Windham	$ 18,297,974	100.00%	18,297,974
Cumberland County	37,125,000	4.54%	1,686,386
Portland Water District - Water	45,698,839	6.89%	3,148,003
Portland Water District - Wastewater	27,383,321	5.79%	1,586,860

JOINTLY GOVERNED ORGANIZATION

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

ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 member communities, ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The Town is a member community in ecomaine. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to ecomaine for processing and to make service payments and pay tipping fees for such processing. The Town has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in ecomaine. Selected balance sheet information for ecomaine for the year ended June 30, 2015 includes total assets of $63,710,335, total liabilities of $19,069,573 and unrestricted net position of $13,562,006. The liabilities include an accrual for landfill closure and postclosure care amounting to $16,451,511. ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2011 and a projected closing date. The separate audited financial statements of ecomaine may be obtained at their administrative office: ecomaine, 64 Blueberry Rd., Portland, Maine 04102.

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for workers' compensation coverage. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2015.

NET POSITION

Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net investment in capital assets was calculated as follows at June 30, 2015:

Capital assets	$ 35,858,445
Accumulated depreciation	(9,873,191)
Bonds payable	(17,260,000)
Less RSU No. 14 portion of bonds payable	15,935,000
Capital leases	(1,037,974)
Net investment in capital assets	**$ 23,622,280**

DEFERRED COMPENSATION 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.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description - Employees of the Town are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan), a cost-sharing multiple-employer defined benefit pension plan, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute; in the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Maine State Legislature to amend the terms. MPERS issues a publicly available financial report that can be obtained at www.mainepers.org.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Benefits Provided - The PLD Plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions.

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. Police and paramedic employees are required to contribute 8.0% and 8.5% of their annual pay, respectively. The Town's contractually required contribution rate for the year ended June 30, 2015, was 7.2% and 11.0% of annual payroll for police and paramedics, respectively. These employer contribution rates are actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were $157,620 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a liability of $627,369 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, actuarially determined. At June 30, 2014, the Town's proportion was 0.4077%.

For the year ended June 30, 2015, the Town recognized pension gain of $50,032. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 59,084	-
Net difference between projected and actual earnings on pension plan investments	-	533,045
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	45,541
Town contributions subsequent to the measurement date	157,620	-
Total	**$ 216,704**	**$ 578,586**

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

$157,620 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ (128,747)
2017	(128,747)
2018	(128,747)
2019	(133,261)

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary Increases	3.5% to 9.5% per year
Investment return	7.25% per annum, compounded annually
Cost of living benefit increases	3.12% per annum

Mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	2.5%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.0%
Total	**100%**	

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability	$ 1,957,206	$ 627,369	$ (484,210)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of June 30, 2015.

TAX INCREMENT FINANCING DISTRICT

The Town has established the Windham Municipal Development District - North tax increment financing district (TIF). The District retains the tax increment on 80% on the new captured assessed value of the property in this TIF District to finance certain eligible projects for a period of five years. The Town accounts for the activity of the TIF in a special revenue fund. Revenues will be used specifically for conducting a multi-year environmental assessment to measure the impact of expanded development on Windham's natural resource base and to undertake the implementation of aspects of Windham's comprehensive plan. The maximum tax revenues collected over the five years were $650,000 and were captured as of June 30, 1999. The Town has reauthorized the District for another ten years, with a physical expansion of approximately one acre, and increased the maximum revenues to $2,000,000 over its ten year life. Funds were appropriated to the District on an annual basis by the Council and budgetary town meeting. The TIF expired on December 28, 2004 and as of June 30, 2005, all of the tax revenues were captured and during 2006, the remaining $481,595 held in the general fund was transferred into the TIF fund. $9,215 remains for use as of June 30, 2015.

TAX INCREMENT FINANCING DISTRICT, CONTINUED

The creation of the Pipeline Development District was to address specific concerns and issues that have been identified by the Town's staff, elected leaders, and citizenry over the past years 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, 2015, $50,000 of tax revenues were captured and reported as TIF district revenues.

The goal of the Roosevelt Promenade TIF is to gain a better understanding of the impact that economic development has had on the North Windham Business District and to prepare for future growth. Increasing traffic volumes on Route 302 necessitate a study of transportation alternatives including the development of local connector roads to alleviate congestion. The Town's economic development program will administer the development program and will continue to be funded by TIF proceeds. Captured assessed value will be calculated for the District based upon the difference between the property's original assessed value as of April 1, 2005 (March 31, 2006) and April 1, 2006. The Town will capture no more than $210,000 in any given year up to a total of $1,050,000 in TIF revenues on assessed value resulting from the development with the District over the five year TIF period. The maximum tax of $1,050,000 was captured as of June 30, 2012. The Town has reauthorized the District for another ten years, expiring June 30, 2021. Allocations from the TIF fund will be by the action of the Town Council as approved by the Town Meeting. For the year ended June 30, 2015, $210,000 of tax revenues were captured and reported as TIF district revenues.

The Town has designated New Marblehead Manor Affordable Housing Development District as an affordable housing development district. Avesta Housing became the owner of a 20 unit apartment complex for low income seniors and the disabled on April 1, 2014; the first tax payment was due October 1, 2014. Avesta Housing plans to substantially rehabilitate the existing apartments, while maintaining existing rental rates for qualified seniors. The Town retains 50% of the increased assessed value of the District, beginning with fiscal year 2015 (July 1, 2014 – June 30, 2015) and continuing through fiscal year 2044. The other 50% is payable to Avesta Housing through a credit enhancement agreement. Tax increment revenues may only be used to pay operating and maintenance costs of the rehab project, including administrative costs, utilities, routine repairs, insurance, and to fund a replacement reserve account.

LANDFILL CLOSURE COSTS AND POSTCLOSURE CARE COSTS

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

FUND BALANCE

The General Fund unassigned fund balance total of $6,492,498 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. Unassigned fund balance of ($14,677) is also reported for the Perpetual Care Trust Fund, ($11,039) for the JAG Grant Fund, and ($9,025) for the South Windham Fire Station Fund as of June 30, 2015 as shown on Exhibit D-1 and Exhibit C-1, respectively.

As of June 30, 2015, other fund balance components consisted of the following:

	Nonspendable	Restricted	Committed	Assigned
General Fund:				
Inventory	$ 18,421	-	-	-
Note receivable	385,270	-	-	-
Equipment replacement	-	-	145,441	-
Subsequent year budget	-	-	-	200,000
Public safety	-	-	-	59,541
Library	-	-	-	71,831
Recreation	-	-	-	15,280
Public works	-	-	-	80,351
Human Services	-	-	-	89,904
Other	-	-	-	25,160
Capital outlay	-	-	-	406,776
Special Revenue Funds:				
Little Falls Sewer Operations	-	-	21,917	-
Recreation program	-	-	37,369	-
Recreation Trail Program	-	442	-	-
Development District North T.I.F.	-	9,215	-	-
Pipeline Development T.I.F.	-	55,549	-	-
Roosevelt Promenade T.I.F.	-	181,544	-	-
Marblehead Manor T.I.F.	-	9,473	-	-
Thomas Varney School Fund	2,662	41,542	-	-
Permanent Funds:				
Cemetery Acquisition Fund	-	-	186,633	-
Perpetual Care Trust Funds	41,074	-	-	-
Library Trust Fund	800	-	5,998	-
Totals	**$ 448,227**	**297,765**	**397,358**	**948,843**

COMMITMENTS

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

OTHER POSTEMPLOYMENT BENEFITS

The Town of Windham is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's other postemployment benefits (OPEB) liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in August 2014 (valuation date January 1, 2014).

Plan Descriptions - The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees. Town employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. For those Town employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

Funding Policy and Annual OPEB Cost - GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The Town currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for years ending June 30, 2015, 2014 and 2013 and the annual required contribution:

	2015	2014	2013
Normal cost	$ 54,091	54,091	49,976
Amortization of Unfunded	58,531	58,531	56,267
Adjustment to ARC	(30,509)	(24,952)	(19,530)
Interest	23,333	19,489	15,612
Annual required contribution	$ 105,445	107,159	102,325

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

	2015	2014	2013
OPEB liability, July 1	$ 527,571	431,463	337,704
Annual required contribution	105,445	107,159	102,325
Less: Actual contributions	(8,617)	(11,051)	(8,566)
OPEB liability, June 30	$ 624,399	527,571	431,463

OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

Funding Status and Funding Progress - The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30, 2015, 2014 and 2013 were as follows:

	2015	2014	2013
Annual required contribution	$ 105,445	107,159	102,325
Actual contribution	8,617	11,051	8,566
Percent contributed	8.17%	10.31%	8.37%
Actuarial accrued liability	1,052,606	1,052,606	1,011,865
Plan assets	-	-	-
Unfunded actuarial accrued liability	$ 1,052,606	1,052,606	1,011,865
Covered payroll	$ 5,116,647	4,864,904	4,726,024
Unfunded actuarial accrued liability as a percentage of covered payroll	20.6%	21.6%	21.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/14
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3%/yr
Healthcare inflation rate	4.6%

NEW PRONOUNCEMENTS AND RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the Town has elected to implement Statement No. 68 of the Governmental Accounting Standards Board – *Accounting and Financial Reporting for Pensions,* an amendment of GASB Statement No. 27. As a result of implementing GASB Statement No. 68, the Town has restated beginning net position in the government-wide statement of net position to account for the addition of the Town's proportionate share of the net pension liability of $1,337,725 and deferred outflows for the District's contributions subsequent to the measurement date of $140,823, which effectively decreased the District's net position as of July 1, 2014 by $1,196,902.

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 2013, the Town completed a physical condition assessment of roads and streets. For the purposes of this assessment, roads and streets were defined as all public roadways within Windham that the Town has some responsibility for maintenance and improvement. The condition assessment is performed every three years.

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

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

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

MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS, CONTINUED

A description of the PCR scale is as follows:

Pavement Condition Rating Scale

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

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

There were approximately 195 streets or street sections resulting in 101.55 miles of rated roads. The overall existing condition rating of Windham's road network was determined by calculating the total roadway length in each of the condition ranges. In 2001, the overall condition rating of the entire roadway network was "good" with an average rating of 3.21. At the time the PCR survey was conducted in 2004, the average condition rating had improved to 4.15 and remained consistent in 2007 with an average of 4.11. As of October 2001, 29.76% of the public roadway mileage in Windham was rated below 2.81, while only 5.17% of all public roads fell into this category in 2004, with 3.08% of town roads and 10.56% of state roads. By October 2007, only 1.6% of all public roads were categorized as "fair," with 1.4% of town roads and 2.1% of state roads. In October 2010, 5.1% of all public roads were categorized as "fair or poor-fair," with 3.4% of town roads and 9% of state roads. In 2013, there were no roads assessed lower than "fair-good". The roads for 2013 were assessed as follows: 10.2% "fair-good", 19.6% "good", and 70.2% "very good".

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

As of 2013, the estimated cost to treat all eligible roadways (with condition ratings of less than 3.21) was estimated at $1,872,587 through 2017. The estimated cost to treat all eligible state highways for which the Town has maintenance responsibility is estimated at $6,877,374 through 2017. The Town expended $610,129 on road and street maintenance and $868,013 for improvements for the fiscal year ended June 30, 2015. Both types of activities may contribute to improvements in the overall condition of roads.

MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS, CONTINUED

Pavement condition rating (PCR) surveys only look at one element of a road's condition, but one which can communicate a great deal about underlying problems. Overlay alone may be enough to improve a road's rating for the short term, but more extensive work may be needed to address other issues. The Town estimates that the amount of annual expenditures required to improve and maintain the Town's roads and streets, and portions of state highways for which the Town is responsible for maintenance, at an average PCR score of 3.21 to be at least $3,188,000. Continued increases in the cost of asphalt could put pressure on this estimate, possibly leading to the need for increases in paving expenditures to maintain quality. Since 2001 the Town has appropriated at least $500,000 annually for road improvement activities. It should be noted, however, that this amount relates mainly to the maintenance of current pavement infrastructure and does not contemplate more extensive improvements as might be required in the future for storm water management, improved safety, added capacity, or additional amenities such as sidewalks.

During 2013, the Town also conducted a condition assessment of its storm water drainage system. The storm water drainage system consists of drainage structures, pipes, and pipe openings. Stormwater drainage structures include catch basins, leaching catch basins, manholes, and dry wells. Pipes and pipe openings are identified as drain inlets, drain outlets, and pipe outfalls. Elements of the storm water drainage system were rated for structural and hydraulic condition according to the following criteria:

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

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

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

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

With regard to structural condition, 100% of drainage structures, pipes, and pipe openings were found to be in good (93.6%) or fair (6.4%) condition. The Town conducted a complete cleaning of drainage structures in 2007, subsequent to the condition assessment, and expects to continue its program of maintenance, and regular cleaning along with inspection and condition assessment required for compliance with both GASB 34 and NPDES Phase II stormwater management rules.

The next required condition assessment is to be performed by 2016.

SCHEDULE OF FUNDING PROGRESS
Retiree Healthcare Plan

Fiscal Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) /c]
2009	1/1/09	$ -	785,331	785,331	0.00%	4,998,035	15.7%
2010	1/1/09	-	785,331	785,331	0.00%	5,009,860	15.7%
2011	1/1/11	-	1,011,865	1,011,865	0.00%	4,495,688	22.5%
2012	1/1/11	-	1,011,865	1,011,865	0.00%	4,513,604	22.4%
2013	1/1/11	-	1,011,865	1,011,865	0.00%	4,726,024	21.4%
2014	1/1/14	-	1,052,606	1,052,606	0.00%	4,864,904	21.6%
2015	1/1/14	-	1,052,606	1,052,606	0.00%	5,116,647	20.6%

Schedule of Town's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years*

	2015**
Town's proportion of the net pension liability	0.4077%
Town's proportionate share of the net pension liability	$ 627,369
Town's covered-employee payroll	2,043,137
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	30.71%
Plan fiduciary net position as a percentage of of the total pension liability	94.10%

**Only one year of information was available.*
*** The amounts presented for each fiscal year were determined as of the prior fiscal year.*

Schedule of Town Contributions
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years*

	2015	2014
Contractually required contribution	$ 157,620	140,823
Contributions in relation to the contractually required contribution	(157,620)	(140,823)
Contribution deficiency (excess)	**$ -**	**-**
Town's covered-employee payroll	$ 2,043,137	1,896,934
Contributions as a percentage of covered-Employee payroll	7.71%	7.42%

**Only two years of information was available.*

Changes of Benefit Terms - None

Changes of Assumptions - None

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.

Exhibit A-1

TOWN OF WINDHAM, MAINE
General Fund
Comparative Balance Sheets
June 30, 2015 and 2014

		2015	2014
ASSETS			
Cash and cash equivalents	$	1,792,243	3,266,780
Investments		7,041,865	5,109,945
Receivables:			
Accounts receivable, net of allowance of $44,455 and $23,401, respectively		294,905	254,527
Taxes receivable - current year		833,002	872,272
Taxes receivable - prior years		282,883	276,986
Tax liens - prior years		804,451	727,118
Notes receivable		385,270	423,520
Inventory		18,421	13,640
Receivable - RSU #14 debt service payments		15,935,000	17,826,234
Total assets	**$**	**27,388,040**	**28,771,022**
LIABILITIES			
Accounts payable		936,333	610,051
Accrued wages		283,184	235,109
Interfund loans payable		280,503	439,033
Taxes paid in advance		54,821	53,669
Unearned income - impact fees		108,860	26,526
Inspection deposits and miscellaneous liabilities		240,866	250,146
Total liabilities		1,904,567	1,614,534
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes		1,558,000	1,463,000
Unavailable revenue - RSU #14 debt service payments		15,935,000	17,826,234
Total deferred inflows of resources		17,493,000	19,289,234
FUND BALANCE			
Nonspendable		403,691	437,160
Committed		145,441	199,874
Assigned		948,843	1,231,123
Unassigned		6,492,498	5,999,097
Total fund balance		7,990,473	7,867,254
Total liabilities, deferred inflows of resources, and fund balance	**$**	**27,388,040**	**28,771,022**

Exhibit A-2

TOWN OF WINDHAM, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2015
(with comparative actual amounts for the year ended June 30, 2014)

		2015				
	2014 carryforward	Budget	Total available	Actual	Variance positive (negative)	2014 Actual
Revenues:						
Taxes:						
Property taxes	$ -	25,932,850	25,932,850	25,999,167	66,317	25,314,809
Change in deferred property tax revenue	-	-	-	(95,000)	(95,000)	(77,000)
Excise taxes	-	2,690,000	2,690,000	3,037,966	347,966	2,863,000
Supplemental taxes and lien fees	-	12,000	12,000	20,823	8,823	34,790
Total taxes	-	28,634,850	28,634,850	28,962,956	328,106	28,135,599
Licenses and permits:						
Plumbing fees	-	30,000	30,000	42,055	12,055	47,474
Town Clerk fees	-	45,000	45,000	46,649	1,649	42,450
Building permits	-	100,000	100,000	109,518	9,518	103,993
Planning fees	-	9,000	9,000	27,825	18,825	11,700
License and other fees	-	34,900	34,900	45,775	10,875	46,981
Motor vehicle registration fees	-	50,000	50,000	51,169	1,169	50,021
Total licenses and permits	-	268,900	268,900	322,991	54,091	302,619
Intergovernmental:						
State Revenue Sharing	-	669,014	669,014	718,983	49,969	732,828
State highway block grant	-	266,612	266,612	248,320	(18,292)	265,944
Homestead exemption	-	333,376	333,376	331,367	(2,009)	330,458
General assistance reimbursement	-	25,000	25,000	8,015	(16,985)	24,560
State Tree Growth	-	25,000	25,000	21,272	(3,728)	24,811
Total intergovernmental	-	1,319,002	1,319,002	1,327,957	8,955	1,378,601
Charges for services:						
Solid waste disposal fees	-	515,000	515,000	450,563	(64,437)	448,868
False alarm fees/police fines and fees	-	2,000	2,000	4,680	2,680	5,301
Park fees	-	37,000	37,000	32,035	(4,965)	37,716
Total charges for services	-	554,000	554,000	487,278	(66,722)	491,885

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

	2014 carryforward	2015 Budget	2015 Total available	2015 Actual	2015 Variance positive (negative)	2014 Actual
Revenues, continued:						
Interest earned:						
Interest on delinquent taxes	$ -	100,000	100,000	110,116	10,116	105,058
Interest earned on investments	-	10,000	10,000	28,071	18,071	29,927
Total interest earned	-	110,000	110,000	138,187	28,187	134,985
Other revenues:						
Cable television franchise	-	120,000	120,000	120,084	84	121,431
Court fees	-	-	-	850	850	1,100
Rent	-	10,402	10,402	9,416	(986)	9,416
Rescue reimbursement	-	575,000	575,000	618,209	43,209	556,523
Miscellaneous	-	76,850	76,850	135,852	59,002	65,336
Library fines and fees	-	7,500	7,500	7,029	(471)	11,435
Total other revenues	-	789,752	789,752	891,440	101,688	765,241
Total revenues	-	31,676,504	31,676,504	32,130,809	454,305	31,208,930
Expenditures:						
Current:						
Administrative services:						
Town Council	-	100,409	100,409	113,763	(13,354)	92,543
Economic Development	-	150,000	150,000	150,000	-	136,387
Community participation	-	77,600	77,600	65,144	12,456	34,489
Community TV and E-Government	-	55,412	55,412	45,089	10,323	47,376
Municipal insurance	-	121,440	121,440	111,451	9,989	111,440
Employee benefits	-	1,751,742	1,751,742	1,786,900	(35,158)	1,671,482
Money management fees	-	375	375	242	133	246
Town management	-	432,329	432,329	446,632	(14,303)	404,705
Collect/account Town funds	-	215,543	215,543	212,591	2,952	197,906
Information services	-	157,857	157,857	150,287	7,570	142,495
Total administrative services	-	3,062,707	3,062,707	3,082,099	(19,392)	2,839,069

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

		2015				
	2014 carryforward	Budget	Total available	Actual	Variance positive (negative)	2014 Actual
Expenditures, continued						
Current, continued:						
Public safety:						
Police safety	$ 79,150	1,851,559	1,930,709	1,938,526	(7,817)	1,753,394
Animal control	-	60,892	60,892	44,264	16,628	44,499
Public safety dispatching	-	367,684	367,684	356,105	11,579	338,263
Police vehicle maintenance	-	119,555	119,555	114,011	5,544	107,194
Total public safety	79,150	2,399,690	2,478,840	2,452,906	25,934	2,243,350
Fire/rescue services:						
Fire safety	41,498	1,487,913	1,529,411	1,452,748	76,663	1,232,839
Civil emergency preparedness	-	1,480	1,480	419	1,061	413
Water main charges	-	92,976	92,976	95,252	(2,276)	92,718
Fire and rescue vehicle maintenance	-	163,200	163,200	166,405	(3,205)	175,408
Rescue bad debt expense	-	85,000	85,000	104,000	(19,000)	78,962
Total fire/rescue services	41,498	1,830,569	1,872,067	1,818,824	53,243	1,580,340
Public works:						
Public works administration	-	158,735	158,735	165,962	(7,227)	149,248
Road maintenance/patching	-	626,396	626,396	610,129	16,267	639,488
Traffic signals, road markings/drainage	-	113,250	113,250	91,463	21,787	129,031
Snow plowing	-	357,315	357,315	380,839	(23,524)	379,835
Highway vehicle maintenance	-	382,664	382,664	366,805	15,859	411,768
Solid waste disposal	-	793,856	793,856	762,126	31,730	853,866
Building maintenance	-	513,986	513,986	514,957	(971)	497,723
Grounds maintenance	-	19,100	19,100	15,676	3,424	8,212
Total public works	-	2,965,302	2,965,302	2,907,957	57,345	3,069,171

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

	2014 carryforward	2015 Budget	2015 Total available	2015 Actual	2015 Variance positive (negative)	2014 Actual
Expenditures, continued						
Current, continued:						
Recreation services:						
Recreation	$ -	176,122	176,122	160,867	15,255	164,934
Skate park	-	5,600	5,600	2,308	3,292	1,357
Dundee Park	-	80,844	80,844	80,643	201	70,122
Total recreation services	-	262,566	262,566	243,818	18,748	236,413
Education	-	16,993,174	16,993,174	16,993,174	-	16,756,826
County tax	-	1,132,911	1,132,911	1,132,911	-	1,103,620
Other:						
Social services	-	149,634	149,634	109,433	40,201	133,608
Social services agency funding	-	21,400	21,400	21,400	-	28,750
Assessing	-	259,551	259,551	257,293	2,258	238,151
Geographic information systems	-	11,347	11,347	5,930	5,417	6,900
Contingency	-	100,000	100,000	46,072	53,928	6,660
Energy and weather emergency fund	-	100,000	100,000	-	100,000	-
Town Clerk/elections	-	157,720	157,720	156,216	1,504	144,742
Code Enforcement and zoning administration	-	184,059	184,059	195,451	(11,392)	169,512
Planning services	55,633	197,145	252,778	229,016	23,762	161,753
Library services	35,000	356,565	391,565	363,672	27,893	312,127
Abatements	-	-	-	16,816	(16,816)	39,245
Total other	90,633	1,537,421	1,628,054	1,401,299	226,755	1,241,448
Debt service:						
Principal	-	150,000	150,000	150,000	-	150,000
Interest	-	55,125	55,125	55,125	-	60,375
Total debt service	-	205,125	205,125	205,125	-	210,375

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

		2015				
	2014 carryforward	Budget	Total available	Actual	Variance positive (negative)	2014 Actual
Expenditures, continued:						
Capital outlay:						
Town road resurfacing	$ 134,511	750,000	884,511	868,013	16,498	898,507
Equipment replacement	-	610,800	610,800	897,284	(286,484)	976,219
Buildings and facilities improvements	308,316	410,000	718,316	518,760	199,556	490,801
Land and facilities improvements	100,000	-	100,000	3,106	96,894	50,000
Total capital outlay	542,827	1,770,800	2,313,627	2,287,163	26,464	2,415,527
Total expenditures	754,108	32,160,265	32,914,373	32,525,276	389,097	31,696,139
Excess (deficiency) of revenues over (under) expenditures	(754,108)	(483,761)	(1,237,869)	(394,467)	843,402	(487,209)
Other financing sources (uses):						
Capital lease proceeds	-	-	-	232,051	232,051	457,712
Transfers from other funds	-	283,761	283,761	285,635	1,874	456,420
Transfers to other funds	-	-	-	-	-	(107,274)
Utilization of prior year surplus and carried forward balances	754,108	200,000	954,108	-	(954,108)	-
Total other financing sources (uses)	754,108	483,761	1,237,869	517,686	(720,183)	806,858
Net change in fund balance	-	-	-	123,219	123,219	319,649
Fund balance, beginning of year				7,867,254		7,547,605
Fund balance, end of year	$			**7,990,473**		**7,867,254**

ALL OTHER GOVERNMENTAL FUNDS

Exhibit B-1

TOWN OF WINDHAM
Combining Balance Sheet
All Other Governmental Funds
June 30, 2015

		Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Investments	$	44,204	219,828	264,032
Accounts receivable		30,302	-	30,302
Interfund loans receivable		308,786	-	308,786
Total assets	**$**	**383,292**	**219,828**	**603,120**
LIABILITIES				
Accounts payable		15,894	-	15,894
Interfund loans payable		27,749	-	27,749
Total liabilities		43,643	-	43,643
FUND BALANCES				
Nonspendable		2,662	41,874	44,536
Restricted		297,765	-	297,765
Committed		59,286	192,631	251,917
Unassigned		(20,064)	(14,677)	(34,741)
Total fund balances		339,649	219,828	559,477
Total liabilities and fund balances	**$**	**383,292**	**219,828**	**603,120**

Exhibit B-2

TOWN OF WINDHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2015

		Special Revenue Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Property taxes revenue	$	278,946	-	278,946
Intergovernmental		21,171	-	21,171
Charges for services		528,753	-	528,753
Interest revenue		62	306	368
Other revenue		-	4,150	4,150
Total revenues		828,932	4,456	833,388
Expenditures:				
Current:				
Administrative services		9,473	-	9,473
Public safety		43,496	-	43,496
Public works		352,818	-	352,818
Recreation		251,598	-	251,598
Capital outlay		25,025	-	25,025
Total expenditures		682,410	-	682,410
Excess (deficiency) of revenues over (under) expenditures		146,522	4,456	150,978
Other financing sources (uses):				
Transfer from other funds		5,048	-	5,048
Transfer to other funds		(287,883)	(2,800)	(290,683)
Total other financing sources (uses)		(282,835)	(2,800)	(285,635)
Net change in fund balances		(136,313)	1,656	(134,657)
Fund balances, beginning of year		475,962	218,172	694,134
Fund balances, end of year	**$**	**339,649**	**219,828**	**559,477**

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:

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.

Recreational Trail Program, Efficiency Maine, Brownfields and JAG Grant
To account for grant activity.

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

South Windham Fire Station
To account for costs associated with the purchase and acquisition of property to house the new South Windham Fire Station.

Thomas Varney School Fund
To account for funds restricted to assist students.

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

Exhibit C-1

TOWN OF WINDHAM, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2015

		Little Falls Sewer Operations	Recreation Program	Recreation Trail Program	Efficiency Maine	Development District North T.I.F.	Pipeline Development T.I.F.	Roosevelt Promenade T.I.F.	Brownfields Grant	JAG Grant	Marblehead Manor T.I.F.	South Windham Fire Station	Thomas Varney School Fund	Annie Akers Bremon Fund	Total
ASSETS															
Investments	$	-	-	-	-	-	-	-	-	-	-	-	44,204	-	44,204
Accounts receivable		30,302	-	-	-	-	-	-	-	-	-	-	-	-	30,302
Interfund loans receivable		-	43,090	442	-	9,215	55,549	181,544	-	-	18,946	-	-	-	308,786
Total assets	$	**30,302**	**43,090**	**442**	**-**	**9,215**	**55,549**	**181,544**	**-**	**-**	**18,946**	**-**	**44,204**	**-**	**383,292**
LIABILITIES															
Accounts payable		-	5,721	-	-	-	-	-	-	-	9,473	700	-	-	15,894
Interfund loans payable		8,385	-	-	-	-	-	-	-	11,039	-	8,325	-	-	27,749
Total liabilities		8,385	5,721	-	-	-	-	-	-	11,039	9,473	9,025	-	-	43,643
FUND BALANCES (DEFICITS)															
Nonspendable		-	-	-	-	-	-	-	-	-	-	-	2,662	-	2,662
Restricted		-	-	442	-	9,215	55,549	181,544	-	-	9,473	-	41,542	-	297,765
Committed		21,917	37,369	-	-	-	-	-	-	-	-	-	-	-	59,286
Unassigned		-	-	-	-	-	-	-	-	(11,039)	-	(9,025)	-	-	(20,064)
Total fund balances (deficit)		21,917	37,369	442	-	9,215	55,549	181,544	-	(11,039)	9,473	(9,025)	44,204	-	339,649
Total liabilities and fund balances	$	**30,302**	**43,090**	**442**	**-**	**9,215**	**55,549**	**181,544**	**-**	**-**	**18,946**	**-**	**44,204**	**-**	**383,292**

TOWN OF WINDHAM, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2015

	Little Falls Sewer Operations	Recreation Program	Recreation Trail Program	Efficiency Maine	Development District North T.I.F.	Pipeline Development T.I.F.	Roosevelt Promenade T.I.F.	Brownfields Grant	JAG Grant	Marblehead Manor T.I.F.	South Windham Fire Station	Thomas Varney School Fund	Annie Akers Bremon Fund	Total
Revenues:														
Property tax revenues	$ -	-	-	-	-	50,000	210,000	-	-	18,946	-	-	-	278,946
Intergovernmental revenues	-	-	21,171	-	-	-	-	-	-	-	-	-	-	21,171
Charges for services	353,984	174,769	-	-	-	-	-	-	-	-	-	-	-	528,753
Interest and dividends	-	-	-	-	-	-	-	-	-	-	-	62	-	62
Total revenues	353,984	174,769	21,171	-	-	50,000	210,000	-	-	18,946	-	62	-	828,932
Expenditures:														
Current:														
Administrative services	-	-	-	-	-	-	-	-	-	9,473	-	-	-	9,473
Public safety	-	-	-	-	-	-	-	-	43,496	-	-	-	-	43,496
Public works	352,818	-	-	-	-	-	-	-	-	-	-	-	-	352,818
Recreation services	-	225,821	25,777	-	-	-	-	-	-	-	-	-	-	251,598
Capital expenditures	-	-	-	-	-	-	16,000	-	-	-	9,025	-	-	25,025
Total expenditures	352,818	225,821	25,777	-	-	-	16,000	-	43,496	9,473	9,025	-	-	682,410
Excess (deficiency) of revenues over (under) expenditures	1,166	(51,052)	(4,606)	-	-	50,000	194,000	-	(43,496)	9,473	(9,025)	62	-	146,522
Other financing sources (uses):														
Transfer from other funds	-	-	5,048	-	-	-	-	-	-	-	-	-	-	5,048
Transfer to other funds	-	(8,248)	-	(1,411)	(10,391)	(62,642)	(204,728)	(213)	-	-	-	-	(250)	(287,883)
Total other financing sources (uses)	-	(8,248)	5,048	(1,411)	(10,391)	(62,642)	(204,728)	(213)	-	-	-	-	(250)	(282,835)
Net change in fund balances	1,166	(59,300)	442	(1,411)	(10,391)	(12,642)	(10,728)	(213)	(43,496)	9,473	(9,025)	62	(250)	(136,313)
Fund balances, beginning of year	20,751	96,669	-	1,411	19,606	68,191	192,272	213	32,457	-	-	44,142	250	475,962
Fund balances (deficit), end of year	**$ 21,917**	**37,369**	**442**	**-**	**9,215**	**55,549**	**181,544**	**-**	**(11,039)**	**9,473**	**(9,025)**	**44,204**	**-**	**339,649**

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.

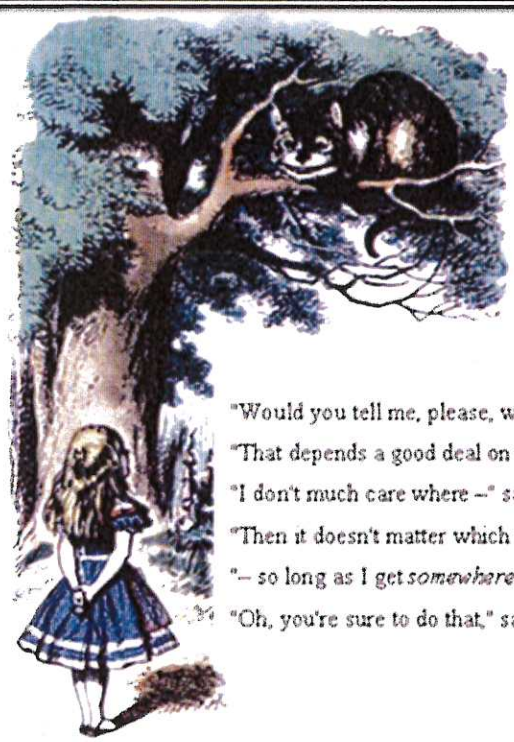
Exhibit D-1

TOWN OF WINDHAM, MAINE
Permanent Funds
Combining Balance Sheet
June 30, 2015

		Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
ASSETS					
Investments	$	186,633	26,397	6,798	219,828
Total assets	**$**	**186,633**	**26,397**	**6,798**	**219,828**
FUND BALANCES					
Nonspendable		-	41,074	800	41,874
Committed		186,633	-	5,998	192,631
Unassigned		-	(14,677)	-	(14,677)
Total fund balances		186,633	26,397	6,798	219,828
Total liabilities and fund balances	**$**	**186,633**	**26,397**	**6,798**	**219,828**

TOWN OF WINDHAM, MAINE
Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2015

		Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
Revenues:					
Interest and dividends	$	255	41	10	306
Lot sales		4,150	-	-	4,150
Total revenues		4,405	41	10	4,456
Expenditures:					
Bank fees		-	-	-	-
Total expenditures		-	-	-	-
Other financing uses:					
Transfers to other funds		-	(2,800)	-	(2,800)
Total other financing uses		-	(2,800)	-	(2,800)
Net change in fund balances		4,405	(2,759)	10	1,656
Fund balances, beginning of year		182,228	29,156	6,788	218,172
Fund balances, end of year	**$**	**186,633**	**26,397**	**6,798**	**219,828**



"Would you tell me, please, which way I ought to go from here?"

"That depends a good deal on where you want to get to," said the Cat.

"I don't much care where –" said Alice.

"Then it doesn't matter which way you go," said the Cat.

"– so long as I get *somewhere*," Alice added as an explanation.

"Oh, you're sure to do that," said the Cat, "if you only walk long enough."