

**TOWN OF WINDHAM, MAINE**

**Annual Financial Report**

**For the year ended June 30, 2016**

**TOWN OF WINDHAM, MAINE**  
**Annual Financial Report**  
**Year ended June 30, 2016**

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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, 2016, 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, 2016, 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 December 2, 2016 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.



December 2, 2016  
South Portland, Maine

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2016**

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As management of the Town of Windham, Maine we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2016. 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, without regard for the timing of the actual receipt and disbursement of cash.

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

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

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2016**

**REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

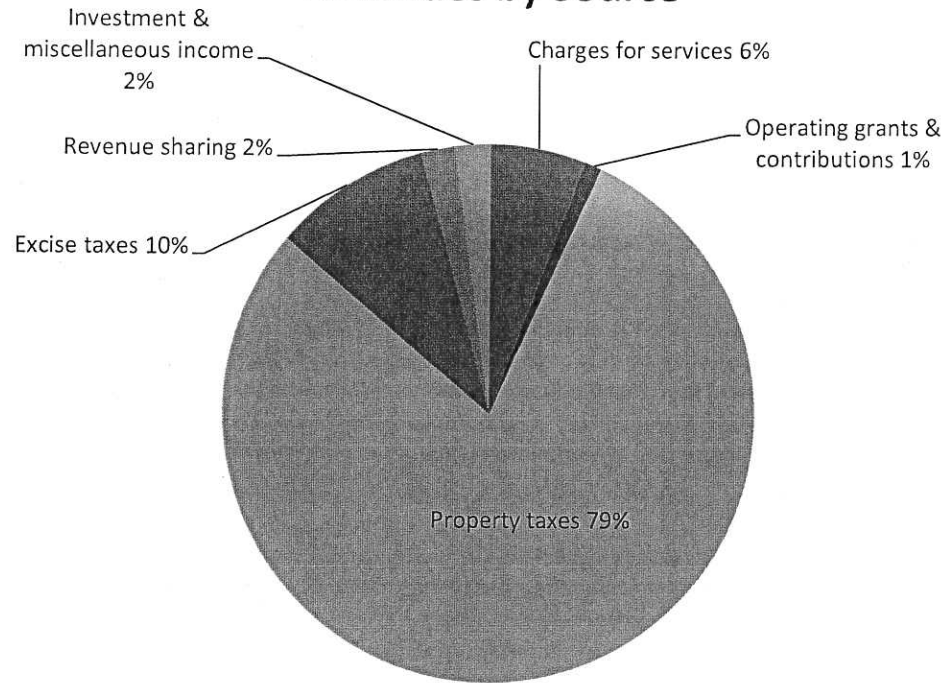
The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by law and by bond covenants. Other funds are established to help control and manage funds for particular purposes, or to demonstrate that the 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**

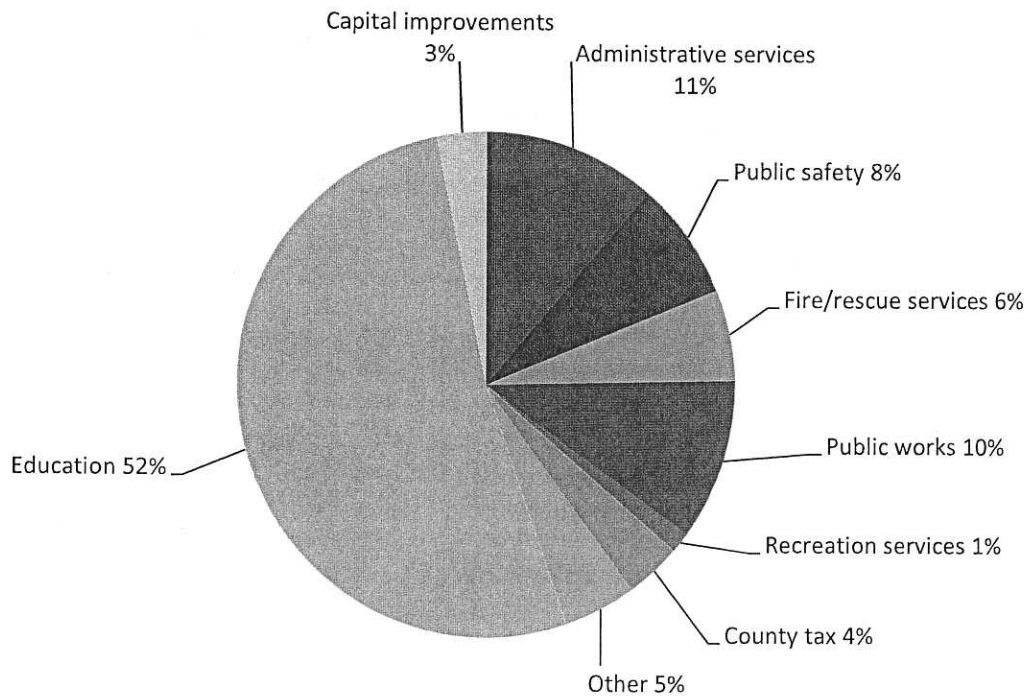
The Town is providing condensed financial information for the year 2016 and comparative information for 2015.

|   | <b>2016</b>                        |                                  | <b>2015</b>                        |                                  |
|---|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Component Unit<br/>(WEDC)</b> | <b>Governmental<br/>Activities</b> | <b>Component Unit<br/>(WEDC)</b> |
| <b>Assets:</b>                              |                                    |                                  |                                    |                                  |
| Current and other assets                    | \$ 28,080,495                      | 66,658                           | 27,682,908                         | 85,314                           |
| Capital assets (net)                        | 27,169,933                         | 409,183                          | 25,985,254                         | 402,073                          |
| <b>Total assets</b>                         | <b>55,250,428</b>                  | <b>475,841</b>                   | <b>53,668,162</b>                  | <b>487,387</b>                   |
| <b>Deferred outflows of resources:</b>      |                                    |                                  |                                    |                                  |
| Deferred charges on refunding               | 1,381,122                          | -                                | 1,544,408                          | -                                |
| Related to pensions                         | 272,714                            | -                                | 216,704                            | -                                |
| <b>Total deferred outflows of resources</b> | <b>1,653,836</b>                   | <b>-</b>                         | <b>1,761,112</b>                   | <b>-</b>                         |
| <b>Liabilities:</b>                         |                                    |                                  |                                    |                                  |
| Other liabilities                           | 2,212,563                          | 53,637                           | 1,768,027                          | 50,273                           |
| Long-term debt outstanding                  | 22,212,667                         | 355,500                          | 21,973,411                         | 355,500                          |
| <b>Total liabilities</b>                    | <b>24,425,230</b>                  | <b>409,137</b>                   | <b>23,741,438</b>                  | <b>405,773</b>                   |
| <b>Deferred inflows of resources:</b>       |                                    |                                  |                                    |                                  |
| Related to pensions                         | 283,348                            | -                                | 578,586                            | -                                |
| <b>Total deferred inflows of resources</b>  | <b>283,348</b>                     | <b>-</b>                         | <b>578,586</b>                     | <b>-</b>                         |
| <b>Net Position:</b>                        |                                    |                                  |                                    |                                  |
| Net investment in capital assets            | 24,252,621                         | 16,803                           | 23,622,280                         | 16,803                           |
| Restricted                                  | 347,404                            | -                                | 342,301                            | -                                |
| Unrestricted                                | 7,595,661                          | 49,901                           | 7,144,669                          | 64,811                           |
| <b>Total net position</b>                   | <b>\$ 32,195,686</b>               | <b>66,704</b>                    | <b>31,109,250</b>                  | <b>81,614</b>                    |

### Revenues by Source



### Expenditures by Type



**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2016**

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**GOVERNMENTAL ACTIVITIES**

The cost of all governmental activities for 2016 was \$33,994,065. Most of this amount, \$18,916,095, 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 \$27,816,840 because some of the cost (\$2,075,447) was borne by those who directly benefited from the programs.

The Town paid for the remaining "public benefit" portion of governmental activities with \$5,188,214 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 \$66,189,751 were available during the year to finance governmental activities, consisting of net position of \$31,109,250 at July 1, 2015, program revenues of \$2,414,826 and general revenues of \$32,665,675.

Total governmental activities expenses were \$33,994,065. Net position increased by \$1,086,436 from a balance of \$31,109,250 to \$32,195,686, or 3.5%.

Total governmental activities expenses rose by \$1,647,357, or 5.1%; net expenses for governmental activities increased by \$1,423,128, or 4.7% from 2015 to 2016.

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2016**

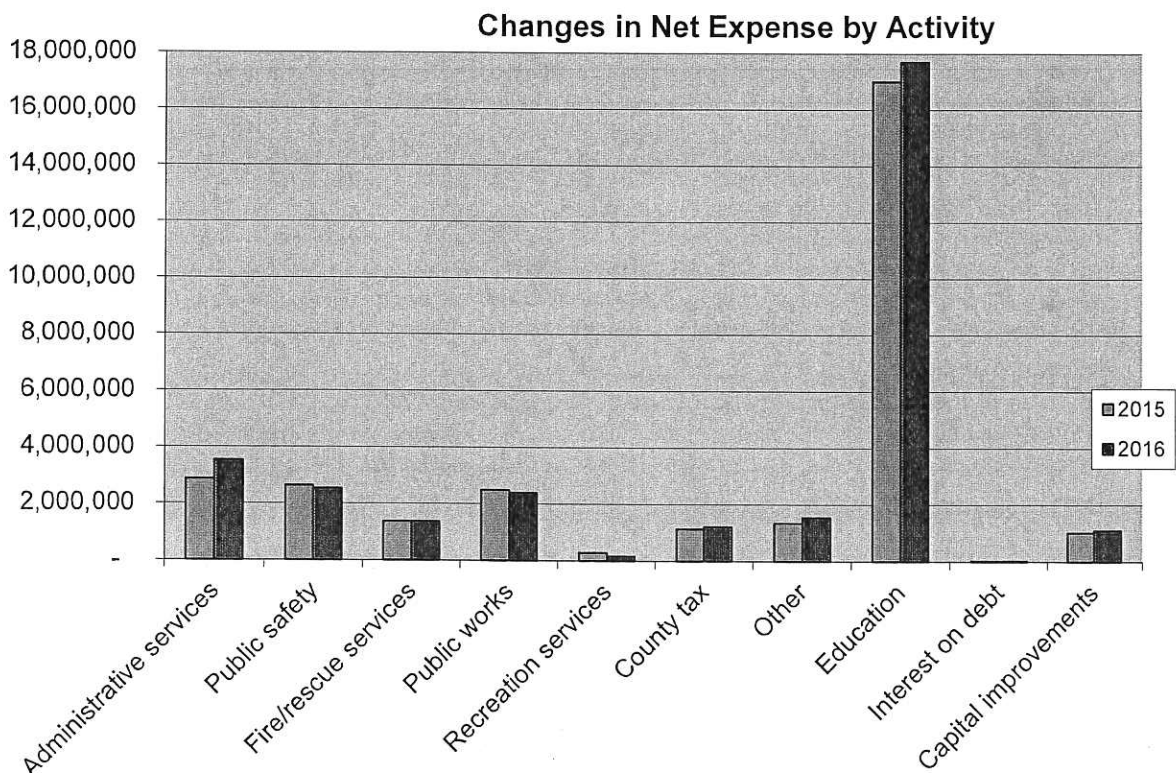
**Statement of Activities**

|                                    | Primary<br>Government<br>Governmental<br>Activities | Component<br>Unit<br>(WEDC) | 2016 Primary<br>Government<br>and Component<br>Unit | 2015 Primary<br>Government<br>and Component<br>Unit |
|------------------------------------|---|-----------------------------|---|---|
| Revenues:                          |   |                             |   |   |
| Program Revenues:                  |   |                             |   |   |
| Charges for service                | \$ 2,075,447  | -                           | 2,075,447   | 1,913,091   |
| Operating grants and contributions | 339,379   | 160,893                     | 500,272   | 406,335   |
| Capital grants and contributions   | -   | -                           | -   | 21,171  |
| General Revenues:                  |   |                             |   |   |
| Property taxes                     | 27,816,840  | -                           | 27,816,840  | 26,388,229  |
| Excise tax                         | 3,364,943   | -                           | 3,364,943   | 3,037,966   |
| Franchise fees                     | 118,909   | -                           | 118,909   | 120,084   |
| Homestead exemption                | 335,175   | -                           | 335,175   | 331,367   |
| Other State aid                    | 20,671  | -                           | 20,671  | 21,272  |
| State revenue sharing              | 721,722   | -                           | 721,722   | 718,983   |
| Unrestricted investment earnings   | 37,596  | 125                         | 37,721  | 28,218  |
| Miscellaneous revenues             | 249,819   | 11,645                      | 261,464   | 204,276   |
| Total Revenues                     | 35,080,501  | 172,663                     | 35,253,164  | 33,190,992  |
| Expenses:                          |   |                             |   |   |
| Program Expenses:                  |   |                             |   |   |
| Administrative services            | 3,833,143   | -                           | 3,833,143   | 3,087,794   |
| Public safety                      | 2,571,713   | -                           | 2,571,713   | 2,639,330   |
| Fire/rescue services               | 1,991,889   | -                           | 1,991,889   | 1,996,126   |
| Public works                       | 3,489,967   | -                           | 3,489,967   | 3,540,256   |
| Recreation services                | 460,283   | -                           | 460,283   | 513,786   |
| County tax                         | 1,216,178   | -                           | 1,216,178   | 1,132,911   |
| Other                              | 1,604,999   | 187,573                     | 1,792,572   | 1,573,770   |
| Education                          | 17,699,917  | -                           | 17,699,917  | 16,993,174  |
| Interest on debt service           | 26,678  | -                           | 26,678  | 22,252  |
| Capital maintenance expenses       | 1,099,298   | -                           | 1,099,298   | 1,020,200   |
| Total Expenses                     | 33,994,065  | 187,573                     | 34,181,638  | 32,519,599  |
| Net position – beginning           | 31,109,250  | 81,614                      | 31,190,864  | 30,519,471  |
| Change in net position             | 1,086,436   | (14,910)                    | 1,071,526   | 671,393   |
| Net position – ending              | \$ 32,195,686                                       | 66,704                      | 32,262,390  | 31,190,864  |

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 2016.

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2016**

|                                      | 2016<br>Expense      | 2016 Program<br>Revenue | 2016 Net<br>Expense | 2015 Net<br>Expense |
|--------------------------------------|----------------------|-------------------------|---------------------|---------------------|
| Governmental activities:             |                      |                         |                     |                     |
| Administrative services              | \$ 3,833,143         | 305,689                 | 3,527,454           | 2,861,747           |
| Public safety                        | 2,571,713            | 36,296                  | 2,535,417           | 2,634,650           |
| Fire/rescue services                 | 1,991,889            | 610,765                 | 1,381,124           | 1,377,917           |
| Public works                         | 3,489,967            | 1,103,852               | 2,386,115           | 2,487,389           |
| Recreation services                  | 460,283              | 290,741                 | 169,542             | 285,811             |
| County tax                           | 1,216,178            | -                       | 1,216,178           | 1,132,911           |
| Other                                | 1,604,999            | 67,483                  | 1,537,516           | 1,340,060           |
| Education                            | 17,699,917           | -                       | 17,699,917          | 16,993,174          |
| Interest on debt service             | 26,678               | -                       | 26,678              | 22,252              |
| Capital maintenance expenses         | 1,099,298            | -                       | 1,099,298           | 1,020,200           |
| <b>Total governmental activities</b> | <b>\$ 33,994,065</b> | <b>2,414,826</b>        | <b>31,579,239</b>   | <b>30,156,111</b>   |



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.



**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2016**

**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, and the Town realized \$66,500 in reduced interest costs. Debt decreased by \$458,658 in fiscal year 2016, despite the issuance of \$1.668 million in new bonds; changes are illustrated below.

**Statement of Governmental Activities Debt**

|                                     |               |
|-------------------------------------|---------------|
| Debt payable at June 30, 2015       | \$ 19,997,739 |
| New capital leases                  | 339,461       |
| Capital lease reductions            | (500,613)     |
| Premium reduction on refunded bonds | (180,506)     |
| New general obligation bonds        | 1,668,000     |
| Payment of general obligation debt  | (1,785,000)   |

|                                      |                     |
|--------------------------------------|---------------------|
| <u>Debt payable at June 30, 2016</u> | <u>\$19,539,081</u> |
|--------------------------------------|---------------------|

**THE TOWN'S FUNDS**

The following is an analysis of account balances in the Town's general fund for 2016. Comparative information is presented for fiscal years 2015 and 2014.

|                           | <u>2016</u>          | <u>2015</u>       | <u>2014</u>       |
|---------------------------|----------------------|-------------------|-------------------|
| Revenues by source:       |                      |                   |                   |
| Taxes                     | \$ 30,764,107        | 28,962,956        | 28,135,599        |
| Licenses and permits      | 370,173              | 322,991           | 302,619           |
| Intergovernmental         | 1,332,429            | 1,327,957         | 1,378,601         |
| Charges for service       | 580,893              | 487,278           | 491,885           |
| Interest earned           | 152,063              | 138,187           | 134,985           |
| Other                     | 910,053              | 891,440           | 765,241           |
|                           | <u>\$ 34,109,718</u> | <u>32,130,809</u> | <u>31,208,930</u> |
|                           | <u>2016</u>          | <u>2015</u>       | <u>2014</u>       |
| Expenditures by function: |                      |                   |                   |
| Administrative services   | \$ 3,278,432         | 3,082,099         | 2,839,069         |
| Public safety             | 2,324,180            | 2,452,906         | 2,243,350         |
| Fire/rescue services      | 1,764,163            | 1,818,824         | 1,580,340         |
| Public works              | 2,879,284            | 2,907,957         | 3,069,171         |
| Recreation services       | 269,370              | 243,818           | 236,413           |
| County tax                | 1,216,178            | 1,132,911         | 1,103,620         |
| Other                     | 1,597,436            | 1,401,299         | 1,241,448         |
| Education                 | 17,699,917           | 16,993,174        | 16,756,826        |
| Debt service              | 200,625              | 205,125           | 210,375           |
| Capital outlay            | 2,726,633            | 2,287,163         | 2,415,527         |
|                           | <u>\$ 33,956,218</u> | <u>32,525,276</u> | <u>31,696,139</u> |



**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2016**

**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, 2016, net capital assets of governmental activities totaled \$27,169,933 an increase of \$1,184,679 from the year ending June 30, 2015. A detailed breakdown of the activity by asset type is shown below.

|                                  | Balance<br>6/30/2015 | Increases | Decreases | Balance<br>6/30/16 |
|----------------------------------|----------------------|-----------|-----------|--------------------|
| Governmental assets              |                      |           |           |                    |
| Land, buildings and improvements | \$ 7,548,739         | 94,758    | -         | 7,643,497          |
| Infrastructure                   | 19,440,286           | 217,321   | -         | 19,657,607         |
| Vehicles                         | 4,657,013            | 383,968   | (47,993)  | 4,992,988          |
| Equipment                        | 4,212,407            | 184,191   | (377,105) | 4,019,493          |
| Construction in progress         | -                    | 1,176,969 | -         | 1,176,969          |
| Total capital assets             | 35,858,445           | 2,057,207 | (425,098) | 37,490,554         |
| Accumulated depreciation         | (9,873,191)          | (833,508) | 386,078   | (10,320,621)       |
| Governmental assets, net         | \$ 25,985,254        | 1,223,699 | (39,020)  | 27,169,933         |

**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 \$897,364 on road improvements for the fiscal year ended June 30, 2016. The most recent pavement condition rating survey, conducted in the fall of 2016, showed the average rating for Town roads to be 4.05 on a scale of 0 to 5. This is slightly lower than the previous assessment in 2013 (4.15), 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 2026-2027, the estimated cost for town roads is \$10,507,998, or about \$1,050,000 per year. Including those portions of state highways for which the Town is responsible for maintenance would add \$6,677,779, or about \$668,000 per year, slightly lower than in 2013 because of work done by the state even though costs may have increased. 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.

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2016**

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Any 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, \$750,000 for 2014 and 2015, and \$1,080,000 for 2016. The 2016 figure included a portion of the Anglers Road intersection improvement project, in addition to maintenance paving. For 2017, the Town has budgeted \$850,000, continuing to close the gap. 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 2016-2017 general fund budget decreased by \$445,809, or about 2.6% from the previous year. This change was the result of a reduction in the capital budget which, in 2015-2016, included \$1,668,000 for the replacement of the aging and inadequate South Windham fire station, and increases in the operating budget relating to overall cost increases and new initiatives to accomplish goals in the town's strategic plan. There were no supplemental appropriations during the fiscal year.

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2016**

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## **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.

The largest source of non-property tax revenues is excise taxes, comprising over 40% of non-property tax revenue. For the last five years, the Town has enjoyed steady growth in excise tax collections, due to increases in car and truck sales as folks replace aging vehicles. Excise tax collections for 2016 rose 10.8% over 2015. For fiscal 2017, revenues are estimated conservatively at \$3.275 million, slightly less than actual collections this year.

State revenue sharing, another significant source of revenues, exceeded the budget by \$58,379 in 2016. Due to the high degree of uncertainty about the future of revenue sharing, the Town has gradually phased out its reliance on this revenue source. That explains why revenues were so much higher than the estimate. Town officials are very concerned that revenue sharing may be eventually eliminated, shifting costs to taxpayers through increased taxes or reductions in services. *In the fiscal 2017 budget, the Town has completely removed revenue sharing from the budget.* Any funds received will be available to reduce the tax levy, or meet some of the Town's growing capital needs.

### **Budget Overview**

The Council adopted a novel approach to the budget last year. 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. This service-oriented approach continues into 2017.

The Town budget for fiscal 2017 is \$16,802,027, a decrease of \$445,809, or 2.6% from 2016, which included funding to replace the outdated South Windham fire station. The following account for other significant changes in the 2016-2017 budget:

- ✓ Added two paramedic positions to improve service and response capacity.
- ✓ Added a staff engineer's position in the Planning department to assist with plan review, inspections, and other projects.
- ✓ Restored the circulation supervisor at the library.
- ✓ Funded a twenty-seventh police officer for the second half of the year.
- ✓ Added a full-time storm water compliance officer, to be shared equally with the Town of Gorham.
- ✓ Added a second appraiser's position in the Assessing department to address capacity issues and to assist with value updates or revaluations.
- ✓ Estimated municipal revenue sharing is reduced to \$0 this year (see more discussion above).
- ✓ Fund balance of \$763,927 is included as a revenue source, earmarked as follows:  
\$300,000 to offset the two contingency funds, \$163,927 for the South Windham fire station project, \$100,000 to offset the contribution to the capital equipment replacement fund, \$100,000 for road improvements, and \$100,000 towards space reconfiguration at the public library.

All but two of the added positions were identified as needs in the Town's strategic plan, which was adopted in October, 2015. The added capacity will increase productivity and allow for more timely response to the growing needs of the community.

### **Budget Variances**

See footnote B on page 33 of the footnotes for an explanation of the unfavorable variance in Administrative Services.

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2016**

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### **Revenues/Fund Balance**

*Unassigned* fund balance has grown each year since FY'09. At June 30, 2016, it stands at nearly \$6.9 million. This is an increase of \$407,456 over last year, or roughly 6%. Bond rating agencies consider a growing unassigned 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 is a contributing factor to the increasing 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, 2016, unrestricted fund balance as a percentage of budget stands at 23.4%, 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. Based on a recent space needs analysis and pavement condition rating survey, capital investment is likely to increase in the future. The Town uses capital lease purchase agreements as a means to replace major equipment with a relatively small impact on cash flows and the tax rate. The Town likely will be faced with significant infrastructure costs in the coming years, again the result of continued growth and efforts to achieve goals expressed in its various adopted plans, especially the 21<sup>st</sup> Century Downtown plan and the updated Comprehensive Master Plan, expected to be adopted in early 2017.

### **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 2017 budget is 23.4%. 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 into the future.

Performance measurement and management continue to play an increasing role. Many of the departments' budget narratives include performance indicators to illustrate how they are delivering on their mission.

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.

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2016**

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**Summary**

Fiscal year 2016-2017 will reflect a tax rate of \$15.70 per thousand dollars of assessed value. For every tax dollar raised, 33 cents goes to the Town to support municipal services, 63 cents to the school district for public education, and 4 cents to county government. The overall rate increased 3.6% over 2016.

The Town continues to reduce its debt obligations, despite adding debt of \$1,668,000 for the South Windham fire station project. Overall debt decreased nearly \$459,000 in 2016. 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 \$1,060 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.

Windham has significant capacity to take on additional debt based on the measures above. Windham voters approved a \$1.668 million bond in June 2015 to purchase and renovate a building to serve as the South Windham fire station. In November 2015, Windham voters defeated a proposal for 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, please 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, 2016

|  | Primary<br>Government<br>Governmental<br>Activities | Component<br>Unit<br>WEDC |
|--|---|---------------------------|
| <b>ASSETS</b>                                      |   |                           |
| Cash and cash equivalents                          | \$ 4,686,239  | 65,158                    |
| Investments  | 5,952,343   | -                         |
| Receivables:                                       |   |                           |
| Accounts, net of allowance of \$27,662             | 873,933   | 1,500                     |
| Taxes receivable - current year                    | 806,488   | -                         |
| Taxes receivable - prior years                     | 309,389   | -                         |
| Tax liens  | 746,351   | -                         |
| Notes receivable                                   | 392,380   | -                         |
| Inventory  | 13,372  | -                         |
| Receivable - RSU #14 debt service payments         | 14,300,000  | -                         |
| Capital assets, not being depreciated              | 21,383,591  | 409,183                   |
| Capital assets, being depreciated                  | 5,786,342   | -                         |
| Total assets                                       | 55,250,428  | 475,841                   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |   |                           |
| Deferred charge on refunding                       | 1,381,122   | -                         |
| Deferred outflows of resources related to pensions | 272,714   | -                         |
| Total deferred outflows of resources               | 1,653,836   | -                         |
| <b>LIABILITIES</b>                                 |   |                           |
| Accounts payable and other current liabilities     | 1,699,721   | 16,757                    |
| Accrued wages                                      | 328,085   | -                         |
| Accrued interest                                   | 121,342   | 36,880                    |
| Taxes paid in advance                              | 63,415  | -                         |
| Noncurrent liabilities:                            |   |                           |
| Due within one year                                | 2,397,777   | -                         |
| Due in more than one year                          | 19,814,890  | 355,500                   |
| Total liabilities                                  | 24,425,230  | 409,137                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |   |                           |
| Deferred inflows of resources related to pensions  | 283,348   | -                         |
| Total deferred inflows of resources                | 283,348   | -                         |
| <b>NET POSITION</b>                                |   |                           |
| Net investment in capital assets                   | 24,252,621  | 16,803                    |
| Restricted:  |   |                           |
| Special revenue programs and grants                | 305,530   | -                         |
| Nonexpendable trust principal                      | 41,874  | -                         |
| Unrestricted                                       | 7,595,661   | 49,901                    |
| Total net position                                 | \$ 32,195,686                                       | 66,704                    |

*See accompanying notes to basic financial statements.*

TOWN OF WINDHAM, MAINE  
Statement of Activities  
For the year ended June 30, 2016

|                               |               | Program Revenues        |  |  | Net (expense)<br>revenue and changes<br>in net position |                            |
|-------------------------------|---------------|-------------------------|--|--|---|----------------------------|
| Functions/programs            | Expenses      | Charges for<br>services | Operating<br>grants and<br>contributions | Capital<br>grants and<br>contributions | Primary Government<br>Governmental<br>activities        | Component Unit<br><br>WEDC |
| Primary government:           |               |                         |  |  |   |                            |
| Governmental activities:      |               |                         |  |  |   |                            |
| Administrative services       | \$ 3,833,143  | 262,109                 | 43,580                                   | -                                      | (3,527,454)   | -                          |
| Public safety                 | 2,571,713     | 4,918                   | 31,378                                   | -                                      | (2,535,417)   | -                          |
| Fire/rescue services          | 1,991,889     | 610,765                 | -  | -                                      | (1,381,124)   | -                          |
| Public works                  | 3,489,967     | 852,976                 | 250,876                                  | -                                      | (2,386,115)   | -                          |
| Recreation services           | 460,283       | 281,181                 | 9,560                                    | -                                      | (169,542)   | -                          |
| Education                     | 17,699,917    | -                       | -  | -                                      | (17,699,917)  | -                          |
| County tax                    | 1,216,178     | -                       | -  | -                                      | (1,216,178)   | -                          |
| Other                         | 1,604,999     | 63,498                  | 3,985                                    | -                                      | (1,537,516)   | -                          |
| Interest on debt service      | 26,678        | -                       | -  | -                                      | (26,678)  | -                          |
| Capital maintenance expenses  | 1,099,298     | -                       | -  | -                                      | (1,099,298)   | -                          |
| Total governmental activities | 33,994,065    | 2,075,447               | 339,379                                  | -                                      | (31,579,239)  | -                          |
| Total primary government      | \$ 33,994,065 | 2,075,447               | 339,379                                  | -                                      | (31,579,239)  | -                          |
| Component unit:               |               |                         |  |  |   |                            |
| WEDC                          | \$ 187,573    | -                       | 160,893                                  | -                                      | -   | (26,680)                   |

|   |    |            |          |   |   |   |
|---|----|------------|----------|---|---|---|
| General revenues:   |    |            |          |   |   |   |
| Property taxes, levied for general purposes                   | \$ | 27,816,840 | -        | - | - | - |
| Excise taxes  |    | 3,364,943  | -        | - | - | - |
| Supplemental taxes and lien fees                              |    | 56,278     | -        | - | - | - |
| Motor vehicle registration fees                               |    | 53,000     | -        | - | - | - |
| Franchise fees  |    | 118,909    | -        | - | - | - |
| Grants and contributions not restricted to specific programs: |    |            |          |   |   |   |
| Homestead exemption   |    | 335,175    | -        | - | - | - |
| Other State aid   |    | 20,671     | -        | - | - | - |
| State Revenue Sharing   |    | 721,722    | -        | - | - | - |
| Unrestricted investment earnings                              |    | 37,596     | 125      | - | - | - |
| Miscellaneous   |    | 179,561    | 11,645   | - | - | - |
| Loss on disposal  |    | (39,020)   | -        | - | - | - |
| Total general revenues and loss on disposal                   |    | 32,665,675 | 11,770   | - | - | - |
| Change in net position  |    | 1,086,436  | (14,910) | - | - | - |
| Net position - beginning                                      |    | 31,109,250 | 81,614   | - | - | - |
| Net position - ending   | \$ | 32,195,686 | 66,704   | - | - | - |

See accompanying notes to basic financial statements.



TOWN OF WINDHAM, MAINE  
Balance Sheet  
Governmental Funds  
June 30, 2016

|  | General              | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                      |                                |                                |
| Cash and cash equivalents  | \$ 4,686,239         | -                              | 4,686,239                      |
| Investments  | 4,015,495            | 1,936,848                      | 5,952,343                      |
| Receivables:   |                      |                                |                                |
| Accounts, net of allowance of \$27,662   | 819,817              | 54,116                         | 873,933                        |
| Taxes receivable - current year  | 806,488              | -                              | 806,488                        |
| Taxes receivable - prior years   | 309,389              | -                              | 309,389                        |
| Tax liens  | 746,351              | -                              | 746,351                        |
| Notes receivable   | 392,380              | -                              | 392,380                        |
| Interfund loans receivable   | 560,683              | 400,479                        | 961,162                        |
| Inventory  | 13,372               | -                              | 13,372                         |
| Receivable - RSU #14 debt service payments                                     | 14,300,000           | -                              | 14,300,000                     |
| <b>Total assets</b>  | <b>\$ 26,650,214</b> | <b>2,391,443</b>               | <b>29,041,657</b>              |
| <b>LIABILITIES</b>   |                      |                                |                                |
| Accounts payable   | 789,350              | 27,553                         | 816,903                        |
| Accrued wages  | 328,085              | -                              | 328,085                        |
| Interfund loans payable  | -                    | 961,160                        | 961,160                        |
| Taxes paid in advance  | 63,415               | -                              | 63,415                         |
| Unearned income - impact fees  | 188,978              | -                              | 188,978                        |
| Inspection deposits and miscellaneous liabilities                              | 693,842              | -                              | 693,842                        |
| <b>Total liabilities</b>   | <b>2,063,670</b>     | <b>988,713</b>                 | <b>3,052,383</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                      |                                |                                |
| Unavailable revenue - property taxes   | 1,472,000            | -                              | 1,472,000                      |
| Unavailable revenue - RSU #14 debt service payments                            | 14,300,000           | -                              | 14,300,000                     |
| <b>Total deferred inflows of resources</b>                                     | <b>15,772,000</b>    | <b>-</b>                       | <b>15,772,000</b>              |
| <b>FUND BALANCES</b>   |                      |                                |                                |
| Nonspendable   | 405,752              | 41,874                         | 447,626                        |
| Restricted   | 25,000               | 1,083,040                      | 1,108,040                      |
| Committed  | -                    | 302,837                        | 302,837                        |
| Assigned   | 1,493,558            | -                              | 1,493,558                      |
| Unassigned   | 6,890,234            | (25,021)                       | 6,865,213                      |
| <b>Total fund balances</b>   | <b>8,814,544</b>     | <b>1,402,730</b>               | <b>10,217,274</b>              |
| <b>Total liabilities, deferred inflows of resources,<br/>and fund balances</b> | <b>\$ 26,650,214</b> | <b>2,391,443</b>               |                                |

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.  | 1,381,122    |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                   | 27,169,933   |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:                  |              |
| Unavailable revenue - property taxes  | 1,472,000    |
| Unavailable revenue - RSU #14 debt service payments   | 14,300,000   |
| 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  | (719,396)    |
| Accrued interest  | (121,342)    |
| Other postemployment benefits liability   | (709,426)    |
| Net pension liability, including related deferred outflows and inflows of resources   | (1,255,398)  |
| Capital leases  | (876,822)    |
| Premium on refunding bonds  | (1,519,259)  |
| Bonds payable   | (17,143,000) |

|  |                      |
|--|----------------------|
| <b>Net position of governmental activities</b> | <b>\$ 32,195,686</b> |
|--|----------------------|

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, 2016

|  | General             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>   |                     |                                |                                |
| Taxes  | \$ 30,764,107       | 445,487                        | 31,209,594                     |
| Licenses and permits   | 370,173             | -                              | 370,173                        |
| Intergovernmental  | 1,332,429           | 84,518                         | 1,416,947                      |
| Charges for services   | 580,893             | 558,182                        | 1,139,075                      |
| Interest earned  | 152,063             | 816                            | 152,879                        |
| Other  | 910,053             | 6,800                          | 916,853                        |
| <b>Total revenues</b>  | <b>34,109,718</b>   | <b>1,095,803</b>               | <b>35,205,521</b>              |
| <b>Expenditures:</b>   |                     |                                |                                |
| <b>Current:</b>  |                     |                                |                                |
| Administrative services                                      | 3,278,432           | 109,425                        | 3,387,857                      |
| Public safety  | 2,324,180           | 22,004                         | 2,346,184                      |
| Fire/rescue services   | 1,764,163           | -                              | 1,764,163                      |
| Public works   | 2,879,284           | 351,756                        | 3,231,040                      |
| Recreation services  | 269,370             | 175,770                        | 445,140                        |
| Education  | 17,699,917          | -                              | 17,699,917                     |
| County tax   | 1,216,178           | -                              | 1,216,178                      |
| Other  | 1,597,436           | -                              | 1,597,436                      |
| Debt service   | 200,625             | -                              | 200,625                        |
| Capital outlay   | 2,726,633           | 930,485                        | 3,657,118                      |
| <b>Total expenditures</b>                                    | <b>33,956,218</b>   | <b>1,589,440</b>               | <b>35,545,658</b>              |
| Excess (deficiency) of revenues over<br>(under) expenditures | 153,500             | (493,637)                      | (340,137)                      |
| <b>Other financing sources (uses):</b>                       |                     |                                |                                |
| Capital lease proceeds                                       | 339,461             | -                              | 339,461                        |
| Bond proceeds  | -                   | 1,668,000                      | 1,668,000                      |
| Transfers - in   | 331,110             | 2,390                          | 333,500                        |
| Transfers - out  | -                   | (333,500)                      | (333,500)                      |
| <b>Total other financing sources (uses)</b>                  | <b>670,571</b>      | <b>1,336,890</b>               | <b>2,007,461</b>               |
| <b>Net change in fund balances</b>                           | <b>824,071</b>      | <b>843,253</b>                 | <b>1,667,324</b>               |
| Fund balances, beginning of year                             | 7,990,473           | 559,477                        | 8,549,950                      |
| <b>Fund balances, end of year</b>                            | <b>\$ 8,814,544</b> | <b>1,402,730</b>               | <b>10,217,274</b>              |

*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, 2016**

|  |                     |
|--|---------------------|
| Net change in fund balances - total governmental funds (from Statement 4)  | \$ 1,667,324        |
| 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 capital outlay (\$2,057,207) exceeded depreciation expense (\$833,508) and net book value of disposed assets (\$39,020).  | 1,184,679           |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   | (86,000)            |
| 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 (\$6,727) and accrued compensated absences (\$4,508) and the increase in other postemployment benefits liability (\$85,027).  | (73,792)            |
| 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 (\$500,613) exceeded proceeds (\$339,461). | 161,152             |
| 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 by which bond repayments (\$1,785,000) exceeded bond proceeds (\$1,668,000).   | 117,000             |
| 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 increase in the net pension liability with the related changes in deferred inflows and outflows of resources.  | (266,147)           |
| 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 \$14,300,000 with principal amounts paid off during the year totaling \$1,635,000.   | (1,635,000)         |
| <b>Change in net position of governmental activities (see Statement 2)</b>   | <b>\$ 1,086,436</b> |

*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, 2016**

|  | Budgeted amounts |             | Actual     | Variance with<br>final budget<br>positive<br>(negative) |
|--|------------------|-------------|------------|---|
|  | Original         | Final       |            |   |
| Revenues:  |                  |             |            |   |
| Taxes  | \$ 30,076,764    | 30,076,764  | 30,764,107 | 687,343   |
| Licenses and permits   | 324,568          | 324,568     | 370,173    | 45,605  |
| Intergovernmental  | 1,297,703        | 1,297,703   | 1,332,429  | 34,726  |
| Charges for services   | 539,000          | 539,000     | 580,893    | 41,893  |
| Interest earned  | 120,000          | 120,000     | 152,063    | 32,063  |
| Other  | 848,766          | 848,766     | 910,053    | 61,287  |
| Total revenues   | 33,206,801       | 33,206,801  | 34,109,718 | 902,917   |
| Expenditures:  |                  |             |            |   |
| Current:   |                  |             |            |   |
| Administrative services                                      | 3,238,235        | 3,240,434   | 3,278,432  | (37,998)  |
| Public safety  | 2,439,738        | 2,439,738   | 2,324,180  | 115,558   |
| Fire/rescue services   | 1,817,683        | 1,817,683   | 1,764,163  | 53,520  |
| Public works   | 3,074,929        | 3,142,229   | 2,879,284  | 262,945   |
| Recreation services  | 281,071          | 281,071     | 269,370    | 11,701  |
| Education  | 17,699,917       | 17,699,917  | 17,699,917 | -   |
| County tax   | 1,216,178        | 1,216,178   | 1,216,178  | -   |
| Other  | 1,687,928        | 1,779,771   | 1,597,436  | 182,335   |
| Debt service   | 200,625          | 200,625     | 200,625    | -   |
| Capital outlay   | 2,355,650        | 2,690,650   | 2,387,172  | 303,478   |
| Total expenditures   | 34,011,954       | 34,508,296  | 33,616,757 | 891,539   |
| Excess (deficiency) of revenues<br>over (under) expenditures | (805,153)        | (1,301,495) | 492,961    | 1,794,456   |
| Other financing sources:                                     |                  |             |            |   |
| Use of assigned fund balance                                 | 480,000          | 976,342     | -          | (976,342)   |
| Transfers from other funds                                   | 325,153          | 325,153     | 331,110    | 5,957   |
| Total other financing sources                                | 805,153          | 1,301,495   | 331,110    | (970,385)   |
| Net change in fund balance                                   | -                | -           | 824,071    | 824,071   |
| Fund balance, beginning of year                              |                  |             | 7,990,473  |   |
| Fund balance, end of year                                    | \$               |             | 8,814,544  |   |

*See accompanying notes to basic financial statements.*

TOWN OF WINDHAM, MAINE  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

|                          |    | Private-purpose<br>Trust Fund<br>(Scholarships) |
|--------------------------|----|---|
| <b>ASSETS</b>            |    |   |
| Investments              | \$ | 67,185  |
| <b>Total assets</b>      |    | <b>67,185</b>                                   |
| <b>LIABILITIES</b>       |    |   |
| Due to Town              |    | 2   |
| <b>Total liabilities</b> |    | <b>2</b>  |
| <b>NET POSITION</b>      |    |   |
| Restricted               | \$ | 67,183  |

*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, 2016

|                                 | Private-purpose<br>Trust Fund<br>(Scholarships) |
|---------------------------------|---|
| Additions:                      |   |
| Investment income               | \$ 395  |
| Donation                        | 1,532   |
| Total additions                 | 1,927   |
| Deductions:                     |   |
| Scholarships awarded            | 1,000   |
| Total deductions                | 1,000   |
| Change in net position          | 927   |
| Net position, beginning of year | 66,256  |
| Net position, end of year       | \$ 67,183                                       |

*See accompanying notes to basic financial statements.*

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**A. Reporting Entity**

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

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

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

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

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

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

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

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

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

The Town reports the following major governmental funds:

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

Additionally, the Town reports the following fund type:

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

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

**D. Cash and Investments**

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

**E. Interfund Loans Receivable/Payable**

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

**F. Inventories**

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



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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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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.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental activities have deferred outflows and inflows that 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 include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between Town 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 include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period. Deferred outflows of resources also include deferred charges on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**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.
- *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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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- *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.

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**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

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

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**DEPOSITS AND INVESTMENTS, CONTINUED**

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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, 2016, the Town reported deposits of \$4,686,239 with a bank balance of \$4,994,342. None of the Town's bank balances were exposed to custodial credit risk as they were covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions. The Town's component unit, WEDC, reported deposits of \$65,158 which were fully covered by F.D.I.C.

Deposits have been reported as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Reported in governmental funds    | \$ 4,686,239        |
| Reported in component unit (WEDC) | 65,158              |
| <b>Total deposits</b>             | <b>\$ 4,751,397</b> |

**B. Investments**

At June 30, 2016, the Town had the following investments:

|                          |                       |
|--------------------------|-----------------------|
|                          | <u>Fair<br/>Value</u> |
| Certificates of deposit  | \$ 3,992,000          |
| Sweep accounts           | 5,861                 |
| Money market             | 284,850               |
| Savings                  | 1,736,817             |
| <b>Total investments</b> | <b>\$ 6,019,528</b>   |

Investments have been reported as follows:

|                                |                     |
|--------------------------------|---------------------|
| Reported in governmental funds | \$ 5,952,343        |
| Reported in fiduciary funds    | 67,185              |
| <b>Total investments</b>       | <b>\$ 6,019,528</b> |

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

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



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

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**DEPOSITS AND INVESTMENTS, CONTINUED**

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Of the Town's \$6,019,528 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.

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**PROPERTY TAXES**

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Property taxes for the current year were committed on August 11, 2015 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, 2015 and April 1, 2016. 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 \$44,080 for the year ended June 30, 2016.

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 2016 and 2015 levies:

|                                   | <u>2016</u>                          | <u>2015</u>                          |
|-----------------------------------|--------------------------------------|--------------------------------------|
| Assessed value                    | \$ 1,794,182,800                     | 1,768,153,500                        |
| Tax rate (per \$1,000)            | 15.15                                | 14.67                                |
| Commitment                        | 27,181,869                           | 25,938,812                           |
| Supplemental taxes assessed       | 35,390                               | 1,015                                |
|                                   | 27,217,259                           | 25,939,827                           |
| Less:                             |                                      |                                      |
| Abatements                        | 35,859                               | 16,816                               |
| Collections                       | 26,374,912                           | 25,090,009                           |
| <b>Receivable at June 30</b>      | <b>\$ 806,488</b>                    | <b>833,002</b>                       |
| Due date(s)                       | ½ October 1, 2015<br>½ April 1, 2016 | ½ October 1, 2014<br>½ April 1, 2015 |
| Interest rate on delinquent taxes | 7.00%                                | 7.00%                                |
| Collection rate                   | 97.03%                               | 96.79%                               |

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

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**INTERFUND BALANCES**

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Individual interfund receivable and payable balances at June 30, 2016 were as follows:

|   | <u>Interfund<br/>receivables</u> | <u>Interfund<br/>payables</u> |
|---|----------------------------------|-------------------------------|
| <u>General Fund</u>                           | <u>\$ 560,683</u>                | <u>-</u>                      |
| Other Governmental Funds:                     |                                  |                               |
| Little Falls Sewer Operations                 | -                                | 57,720                        |
| Recreation Program                            | 105,851                          | -                             |
| Be the Influence Grant                        | -                                | 2,385                         |
| Pipeline Development T.I.F.                   | 78,828                           | -                             |
| Roosevelt Promenade T.I.F.                    | 163,333                          | -                             |
| Gateway North T.I.F.                          | 52,467                           | -                             |
| JAG Grant                                     | -                                | 1,665                         |
| Thomas Varney School Fund                     | -                                | 44,204                        |
| South Windham Fire Station (Capital Projects) | -                                | 855,186                       |
| <u>Total other governmental funds</u>         | <u>400,479</u>                   | <u>961,160</u>                |
| <u>Fiduciary Fund</u>                         | <u>-</u>                         | <u>2</u>                      |
| <b><u>Totals</u></b>                          | <b><u>\$ 961,162</u></b>         | <b><u>961,162</u></b>         |

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

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**INTERFUND TRANSFERS**

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Individual fund transfers for the year ended June 30, 2016 were as follows:

|                                       | <u>Transfers<br/>in</u>  | <u>Transfers<br/>out</u> |
|---------------------------------------|--------------------------|--------------------------|
| <u>General Fund</u>                   | <u>\$ 331,110</u>        | <u>-</u>                 |
| Other Governmental Funds:             |                          |                          |
| Recreation Program                    | -                        | 2,390                    |
| Recreation Trail Program              | 2,390                    | 442                      |
| Development District North T.I.F.     | -                        | 9,215                    |
| Pipeline Development T.I.F.           | -                        | 90,442                   |
| Roosevelt Promenade T.I.F.            | -                        | 228,211                  |
| Perpetual Care Trust Funds            | -                        | 2,800                    |
| <u>Total other governmental funds</u> | <u>2,390</u>             | <u>333,500</u>           |
| <b><u>Totals</u></b>                  | <b><u>\$ 333,500</u></b> | <b><u>333,500</u></b>    |



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

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

|  | Balance<br>July 1,<br>2015 | Increases        | Decreases        | Balance<br>June 30,<br>2016 |
|--|----------------------------|------------------|------------------|-----------------------------|
| <b>Governmental activities:</b>                    |                            |                  |                  |                             |
| Capital assets, not being depreciated:             |                            |                  |                  |                             |
| Land   | \$ 1,997,612               | 80,226           | -                | 2,077,838                   |
| Construction in progress                           | -                          | 1,176,969        | -                | 1,176,969                   |
| Infrastructure                                     | 17,911,463                 | 217,321          | -                | 18,128,784                  |
| <b>Total capital assets, not being depreciated</b> | <b>19,909,075</b>          | <b>1,474,516</b> | <b>-</b>         | <b>21,383,591</b>           |
| Capital assets, being depreciated:                 |                            |                  |                  |                             |
| Land improvements                                  | 301,739                    | -                | -                | 301,739                     |
| Buildings  | 5,249,388                  | 14,532           | -                | 5,263,920                   |
| Equipment  | 4,212,407                  | 184,191          | (377,105)        | 4,019,493                   |
| Vehicles   | 4,657,013                  | 383,968          | (47,993)         | 4,992,988                   |
| Infrastructure                                     | 1,528,823                  | -                | -                | 1,528,823                   |
| <b>Total capital assets, being depreciated</b>     | <b>15,949,370</b>          | <b>582,691</b>   | <b>(425,098)</b> | <b>16,106,963</b>           |
| Less accumulated depreciation for:                 |                            |                  |                  |                             |
| Land improvements                                  | (71,084)                   | (12,013)         | -                | (83,097)                    |
| Buildings  | (2,945,200)                | (137,290)        | -                | (3,082,490)                 |
| Equipment  | (3,099,578)                | (214,232)        | 338,085          | (2,975,725)                 |
| Vehicles   | (2,822,034)                | (433,188)        | 47,993           | (3,207,229)                 |
| Infrastructure                                     | (935,295)                  | (36,785)         | -                | (972,080)                   |
| <b>Total accumulated depreciation</b>              | <b>(9,873,191)</b>         | <b>(833,508)</b> | <b>386,078</b>   | <b>(10,320,621)</b>         |
| <b>Total capital assets being depreciated, net</b> | <b>6,076,179</b>           | <b>(250,817)</b> | <b>(39,020)</b>  | <b>5,786,342</b>            |
| <b>Governmental capital assets, net</b>            | <b>\$ 25,985,254</b>       | <b>1,223,699</b> | <b>(39,020)</b>  | <b>27,169,933</b>           |

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

|   |                   |
|---|-------------------|
| <b>Governmental activities:</b>                             |                   |
| Administrative services                                     | \$ 80,449         |
| Public safety   | 213,976           |
| Fire/rescue services  | 217,836           |
| Public works  | 298,420           |
| Recreation services   | 21,922            |
| Other (Town Clerk and Library)                              | 905               |
| <b>Total depreciation expense – governmental activities</b> | <b>\$ 833,508</b> |

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

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**CAPITAL ASSETS, CONTINUED**

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**Discretely Presented Component Unit:**

Activity for the Windham Economic Development Corporation (WEDC):

|   | Balance<br>July 1,<br><u>2015</u> | <u>Increases</u> | <u>Decreases</u> | Balance<br>June 30,<br><u>2016</u> |
|---|-----------------------------------|------------------|------------------|------------------------------------|
| Capital assets, not being depreciated:            |                                   |                  |                  |                                    |
| Land  | \$ 402,073                        | 7,110            | -                | 409,183                            |
| <b>Total capital assets not being depreciated</b> | <b>\$ 402,073</b>                 | <b>7,110</b>     | <b>-</b>         | <b>409,183</b>                     |

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**CHANGES IN LONG-TERM LIABILITIES**

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Long-term liability activity for the year ended June 30, 2016 was as follows:

|                                 | Beginning<br><u>balance</u> | <u>Additions</u> | <u>Reductions</u> | Ending<br><u>balance</u> | Due within<br><u>one year</u> |
|---------------------------------|-----------------------------|------------------|-------------------|--------------------------|-------------------------------|
| <b>Governmental activities:</b> |                             |                  |                   |                          |                               |
| General obligation bonds        | \$ 17,260,000               | 1,668,000        | 1,785,000         | 17,143,000               | 1,785,000                     |
| Premium on refunding bonds      | 1,699,765                   | -                | 180,506           | 1,519,259                | 180,506                       |
| Capital leases                  | 1,037,974                   | 339,461          | 500,613           | 876,822                  | 427,271                       |
| Accrued compensated absences    | 723,904                     | -                | 4,508             | 719,396                  | 5,000                         |
| Net pension liability           | 627,369                     | 617,395          | -                 | 1,244,764                | -                             |
| Other postemployment benefits   | 624,399                     | 103,719          | 18,692            | 709,426                  | -                             |
| <b>Totals</b>                   | <b>\$ 21,973,411</b>        | <b>2,728,575</b> | <b>2,489,319</b>  | <b>22,212,667</b>        | <b>2,397,777</b>              |

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

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**LONG-TERM DEBT**

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General obligation bonds, notes, and capital leases payable at June 30, 2016 are comprised of the following:

Primary government:

|   | <u>Original<br/>amount</u> | <u>Interest<br/>rate</u> | <u>Final<br/>maturity<br/>date</u> | <u>Balance<br/>end of<br/>year</u> |
|---|----------------------------|--------------------------|------------------------------------|------------------------------------|
| <b>General Obligation Bonds</b>   |                            |                          |                                    |                                    |
| 2011 General Obligation Refunding Bonds   | \$ 19,045,000              | 2.50-5.00%               | 2025                               | 15,475,000 (1)                     |
| 2016 General Obligation Bonds – Series A  | 1,668,000                  | 0.25-3.50%               | 2037                               | 1,668,000                          |
| <b>Total general obligation bonds</b>   |                            |                          |                                    | <b>17,143,000</b>                  |
| <b>Capital Leases</b>   |                            |                          |                                    |                                    |
| Ten-wheel dump truck  |                            | 2.57%                    | 2017                               | 36,618                             |
| Self-contained breathing apparatus  |                            | 1.69%                    | 2017                               | 97,855                             |
| Elgin street sweeper  |                            | 2.01%                    | 2017                               | 57,458                             |
| Three dump trucks   |                            | 2.48%                    | 2018                               | 189,015                            |
| Dump truck, plow gear, and cardiac monitors                                     |                            | 2.25%                    | 2018                               | 156,415                            |
| Loader and dump truck   |                            | 2.44%                    | 2021                               | 339,461                            |
| <b>Total capital leases</b>   |                            |                          |                                    | <b>876,822</b>                     |
| <b>Total primary government general obligation<br/>bonds and capital leases</b> |                            |                          |                                    | <b>\$ 18,019,822</b>               |

(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 \$14,300,000, 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, 2016 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.

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

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**LONG-TERM DEBT, CONTINUED**

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The annual requirements to amortize all debt outstanding as of June 30, 2016 on primary government general obligation bonds with interest ranging from 2.00% to 5.00% are as follows:

|                  | <u>Principal</u>     | <u>Interest</u>  | <u>Total</u>      |
|------------------|----------------------|------------------|-------------------|
| 2017             | \$ 1,785,000         | 663,253          | 2,448,253         |
| 2018             | 1,868,400            | 607,586          | 2,475,986         |
| 2019             | 1,868,400            | 535,373          | 2,403,773         |
| 2020             | 1,858,400            | 467,676          | 2,326,076         |
| 2021             | 1,858,400            | 391,175          | 2,249,575         |
| 2022-2026        | 6,987,000            | 768,890          | 7,755,890         |
| 2027-2031        | 417,000              | 113,210          | 530,210           |
| 2032-2036        | 417,000              | 49,656           | 466,656           |
| <u>2037-2041</u> | <u>83,400</u>        | <u>1,460</u>     | <u>84,860</u>     |
| <b>Totals</b>    | <b>\$ 17,143,000</b> | <b>3,598,279</b> | <b>20,741,279</b> |

The following is a schedule of future minimum lease payments under the capital lease and the present value of the minimum lease payment at June 30, 2016:

| <u>Fiscal year<br/>ending</u>                             | <u>Total<br/>capital<br/>leases</u> |
|---|-------------------------------------|
| 2017  | \$ 447,523                          |
| 2018  | 251,843                             |
| 2019  | 72,942                              |
| 2020  | 72,942                              |
| <u>2021</u>   | <u>72,941</u>                       |
| Total minimum lease payments                              | 918,191                             |
| Less amount representing interest                         | 41,369                              |
| <b>Present value of future minimum<br/>lease payments</b> | <b>\$ 876,822</b>                   |

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**STATUTORY DEBT LIMIT**

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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, 2016, the Town has not exceeded these percentages.

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

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**DIRECT AND OVERLAPPING DEBT**

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

| <u>Units</u>                         | <u>Net<br/>debt<br/>outstanding</u> | <u>Percentage<br/>applicable<br/>to the Town</u> | <u>Town's<br/>proportionate<br/>share of debt</u> |
|--------------------------------------|-------------------------------------|--|---|
| Town of Windham                      | \$ 18,019,639                       | 100.00%  | 18,019,639  |
| Cumberland County                    | 35,735,000                          | 4.58%  | 1,634,998   |
| Portland Water District - Water      | 47,391,288                          | 6.91%  | 3,274,737   |
| Portland Water District - Wastewater | 40,247,101                          | 3.66%  | 1,472,735   |

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**JOINTLY GOVERNED ORGANIZATION**

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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, 2016 includes total assets of \$62,510,802, total liabilities of \$18,994,187 and unrestricted net position of \$14,477,555. The liabilities include an accrual for landfill closure and postclosure care amounting to \$16,746,994. 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.

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**RISK MANAGEMENT**

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The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association 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, 2016.

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

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**NET POSITION**

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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, 2016:

|  |                  |
|--|------------------|
| Capital assets                           | \$ 37,490,554    |
| Accumulated depreciation                 | (10,320,621)     |
| Bonds payable                            | (17,143,000)     |
| Less RSU No. 14 portion of bonds payable | 14,300,000       |
| Unspent bond proceeds                    | 802,510          |
| <u>Capital leases</u>                    | <u>(876,822)</u> |

|  |                             |
|--|-----------------------------|
| <u><b>Net investment in capital assets</b></u> | <u><b>\$ 24,252,621</b></u> |
|--|-----------------------------|

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**DEFERRED COMPENSATION PLAN**

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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.

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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***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.mainebers.org](http://www.mainebers.org).

**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.

TOWN OF WINDHAM, MAINE  
Notes to Basic Financial Statements

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MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

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**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 8.5% and 9.0% of their annual pay, respectively. The Town's contractually required contribution rate for the year ended June 30, 2016, was 7.6% and 11.4% 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 \$162,710 for the year ended June 30, 2016.

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

At June 30, 2016, the Town reported a liability of \$1,244,764 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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, 2015, the Town's proportion was 0.3902%.

For the year ended June 30, 2016, the Town recognized pension expense of \$428,858. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ -                              | 109,610                          |
| Changes of assumption   | 110,004                           | -                                |
| Net difference between projected and actual earnings on pension plan investments                          | -                                 | 94,043                           |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | -                                 | 79,695                           |
| Town contributions subsequent to the measurement date   | 162,710                           | -                                |
| <b>Total</b>  | <b>\$ 272,714</b>                 | <b>\$ 283,348</b>                |



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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

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\$162,710 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, 2017. 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:

|      |             |
|------|-------------|
| 2017 | \$ (88,167) |
| 2018 | (88,167)    |
| 2019 | (93,055)    |
| 2020 | 96,045      |

**Actuarial Assumptions** - The total pension liability in the June 30, 2015 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                | 7.125% per annum, compounded annually |
| Cost of living benefit increases | 2.55% 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, 2015 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, 2015 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected<br/>Real Rate of Return</u> |
|--------------------|--------------------------|---|
| US equities        | 20%                      | 5.2%  |
| 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%                      | 0.7%  |
| <b>Total</b>       | <b>100%</b>              |   |

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

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**Discount Rate** - The discount rate used to measure the total pension liability was 7.125%. 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 7.125%, 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 (6.125%) or 1 percentage-point higher (8.125%) than the current rate:

|  | 1%<br>Decrease<br>(6.125%) | Current<br>Discount Rate<br>(7.125%) | 1%<br>Increase<br>(8.125%) |
|--|----------------------------|--------------------------------------|----------------------------|
| Town's proportionate share of<br>the net pension liability | \$ 2,479,938               | \$ 1,244,764                         | \$ 73,742                  |

**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, 2016.

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**TAX INCREMENT FINANCING DISTRICT**

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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. A 15-year term extension was granted in 2015, with increased assessed value capture of up to 100% of real property improvements. The new agreement expires June 30, 2030. For the year ended June 30, 2016, \$173,237 of tax revenues were captured and reported as TIF district revenues.

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

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**TAX INCREMENT FINANCING DISTRICT, CONTINUED**

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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, 2016, \$210,000 of tax revenues were captured and reported as TIF district revenues.

On January 13, 2015, the Town Council approved the designation of the Gateway North A Infrastructure tax increment financing district, along with a development plan for the district. It is intended to provide funding dedicated to furthering improvements to Windham's Downtown district and the North Route 302 corridor called for in the 21<sup>st</sup> Century Downtown Plan and the 2010 Route 302 Corridor Study. In addition, funding would be used to maintain a level of effort in economic development including program funding and loan capitalization. While credit enhancement agreements will be enabled within the TIF, any request for a credit enhancement agreement would be subject to Town Council approval. The district term is for 20 years, beginning July 1, 2015 and ending June 30, 2035. The agreement allows for increased assessed value capture of up to 100% of real property improvements. In addition to those mentioned above, other program components include roadway and intersection improvements; wastewater facilities engineering and construction; utility extensions & relocations; corridor planning studies; and sidewalk and streetscape improvements. For the year ended June 30, 2016, \$52,467 of tax revenues were captured and reported as TIF revenues; no property tax abatements were granted under this agreement.

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. Avesta Housing agrees that all payments made by the Town will be used either to pay debt-service on indebtedness incurred to finance the project, or to pay operating and maintenance costs of the rehab project, including administrative costs, utilities, routine repairs, insurance, and to fund a replacement reserve account. For the year ended June 30, 2016, \$9,783 of tax revenues were captured and reported as TIF revenues; property taxes abated and remitted under this agreement amounted to \$19,256 this year.

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**LANDFILL CLOSURE COSTS AND POSTCLOSURE CARE COSTS**

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

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

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**FUND BALANCE**

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The General Fund unassigned fund balance total of \$6,890,234 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 (\$17,367) is also reported for the Perpetual Care Trust Fund and (\$7,654) for nonmajor special revenue funds as of June 30, 2016 as shown on Exhibit D-1 and Exhibit C-1, respectively.

As of June 30, 2016, other fund balance components consisted of the following:

|                             | <u>Nonspendable</u> | <u>Restricted</u> | <u>Committed</u> | <u>Assigned</u>  |
|-----------------------------|---------------------|-------------------|------------------|------------------|
| General Fund:               |                     |                   |                  |                  |
| Inventory                   | \$ 13,372           | -                 | -                | -                |
| Note receivable             | 392,380             | -                 | -                | -                |
| Subsequent year budget      | -                   | -                 | -                | 300,000          |
| Public safety               | -                   | -                 | -                | 81,570           |
| Library                     | -                   | 25,000            | -                | 62,700           |
| Recreation                  | -                   | -                 | -                | 30,104           |
| Public works                | -                   | -                 | -                | 63,800           |
| Human Services              | -                   | -                 | -                | 112,935          |
| Other                       | -                   | -                 | -                | 64,100           |
| Capital outlay              | -                   | -                 | -                | 778,349          |
| Special Revenue Funds:      |                     |                   |                  |                  |
| Recreation program          | -                   | -                 | 103,106          | -                |
| Pipeline Development T.I.F. | -                   | 64,730            | -                | -                |
| Roosevelt Promenade T.I.F.  | -                   | 163,333           | -                | -                |
| Gateway North T.I.F.        | -                   | 52,467            | -                | -                |
| Capital Projects Fund       | -                   | 802,510           | -                | -                |
| Permanent Funds:            |                     |                   |                  |                  |
| Cemetery Acquisition Fund   | -                   | -                 | 193,723          | -                |
| Perpetual Care Trust Funds  | 41,074              | -                 | -                | -                |
| Library Trust Fund          | 800                 | -                 | 6,008            | -                |
| <b>Totals</b>               | <b>\$ 447,626</b>   | <b>1,108,040</b>  | <b>302,837</b>   | <b>1,493,558</b> |

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

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**COMMITMENTS**

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The Town has entered into a contract in connection with construction of the South Windham Fire Station. The following is a summary of the commitment at June 30, 2016:

|                            | <u>Contract<br/>Total</u> | <u>Percentage<br/>Complete</u> | <u>Billed<br/>to Date</u> | <u>Retainage</u> | <u>Balance<br/>Remaining</u> |
|----------------------------|---------------------------|--------------------------------|---------------------------|------------------|------------------------------|
| South Windham Fire Station | \$ 1,005,816              | 10.65%                         | 96,390                    | 10,710           | 898,716                      |

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**OTHER POSTEMPLOYMENT BENEFITS**

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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, 2016, 2015, and 2014 and the annual required contribution:

|                              | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   |
|------------------------------|---------------|---------------|---------------|
| Normal cost                  | \$ 54,091     | 54,091        | 54,091        |
| Amortization of Unfunded     | 58,531        | 58,531        | 58,531        |
| Adjustment to ARC            | (36,109)      | (30,509)      | (24,952)      |
| <u>Interest</u>              | <u>27,206</u> | <u>23,332</u> | <u>19,489</u> |
| Annual required contribution | \$ 103,719    | 105,445       | 107,159       |

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

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**OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

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

|                              | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|------------------------------|-------------|-------------|-------------|
| OPEB liability, July 1       | \$ 624,399  | 527,571     | 431,463     |
| Annual required contribution | 103,719     | 105,445     | 107,159     |
| Less: Actual contributions   | (18,692)    | (8,617)     | (11,051)    |
| OPEB liability, June 30      | \$ 709,426  | 624,399     | 527,571     |

**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, 2016, 2015 and 2014 were as follows:

|  | <u>2016</u>  | <u>2015</u> | <u>2014</u> |
|--|--------------|-------------|-------------|
| Annual required contribution   | \$ 103,719   | 105,445     | 107,159     |
| Actual contribution  | 18,692       | 8,617       | 11,051      |
| Percent contributed  | 18.02%       | 8.17%       | 10.31%      |
| Actuarial accrued liability  | 1,052,606    | 1,052,606   | 1,052,606   |
| Plan assets  | -            | -           | -           |
| Unfunded actuarial accrued liability                                       | \$ 1,052,606 | 1,052,606   | 1,052,606   |
| Covered payroll  | \$ 5,367,431 | 5,116,647   | 4,864,904   |
| Unfunded actuarial accrued liability<br>as a percentage of covered payroll | 19.6%        | 20.6%       | 21.6%       |

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.

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

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**OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

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**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%  |



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

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**MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS**

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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.

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

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**MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS, CONTINUED**

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A description of the PCR scale is as follows:

**Pavement Condition Rating Scale**

| PCR Range   | Condition   |
|-------------|-------------|
| 0.00 – 1.60 | Very Poor   |
| 1.61 – 2.00 | Poor        |
| 2.01 – 2.40 | 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 \$585,992 on road and street maintenance and \$897,364 for improvements for the fiscal year ended June 30, 2016. Both types of activities may contribute to improvements in the overall condition of roads.

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

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MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS, CONTINUED

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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.

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

**SCHEDULE OF FUNDING PROGRESS**  
**Retiree Healthcare Plan**

| Fiscal<br>Year<br>End | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL) –<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>[(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%   |
| 2016                  | 1/1/14                         | -                                      | 1,052,606   | 1,052,606                          | 0.00%                    | 5,367,431                 | 19.6%   |

TOWN OF WINDHAM, MAINE  
Required Supplementary Information, Continued

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

Last 10 Fiscal Years\*

|   | <u>2016</u> ** | <u>2015</u> ** |
|---|----------------|----------------|
| Town's proportion of the net pension liability  | 0.3902%        | 0.4077%        |
| Town's proportionate share of the<br>net pension liability  | \$ 1,244,764   | 627,369        |
| Town's covered-employee payroll   | 1,908,722      | 2,043,137      |
| Town's proportion share of the net pension<br>liability as a percentage of its covered-employee payroll | 65.21%         | 30.71%         |
| Plan fiduciary net position as a percentage of<br>of the total pension liability                        | 88.27%         | 94.10%         |

\* Only two years of information available

\*\* The amounts presented for each fiscal year were determined as of the prior fiscal year.

TOWN OF WINDHAM, MAINE  
Required Supplementary Information, Continued

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Schedule of Town Contributions  
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years\*

|   | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|
| Contractually required contribution                                     | \$ 162,710  | 157,620     | 140,823     |
| Contributions in relation to the<br>contractually required contribution | (162,710)   | (157,620)   | (140,823)   |
| <b><u>Contribution deficiency (excess)</u></b>                          | <b>-</b>    | <b>-</b>    | <b>-</b>    |
| Town's covered-employee payroll   | 1,908,722   | 2,043,137   | 1,896,934   |
| Contributions as a percentage of covered-<br>Employee payroll           | 8.52%       | 7.71%       | 7.42%       |

*\*Only three years of information was available.*

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

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**Changes of Benefit Terms - None**

**Changes of Assumptions** - The PLD Plan changed the discount rate from 7.25% in the 2014 valuation to 7.125% in the 2015 valuation. The PLD Plan also changed the cost of living benefits increase from 3.12% in the 2014 valuation to 2.55% in the 2015 valuation.



## **GENERAL FUND**

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid through other funds.

TOWN OF WINDHAM, MAINE  
General Fund  
Comparative Balance Sheets  
June 30, 2016 and 2015

|   | 2016                 | 2015              |
|---|----------------------|-------------------|
| <b>ASSETS</b>   |                      |                   |
| Cash and cash equivalents   | \$ 4,686,239         | 1,792,243         |
| Investments   | 4,015,495            | 7,041,865         |
| Receivables:  |                      |                   |
| Accounts receivable, net of allowance of \$27,662<br>and \$44,455, respectively | 819,817              | 294,905           |
| Taxes receivable - current year   | 806,488              | 833,002           |
| Taxes receivable - prior years  | 309,389              | 282,883           |
| Tax liens - prior years   | 746,351              | 804,451           |
| Notes receivable  | 392,380              | 385,270           |
| Interfund loans receivable  | 560,683              | -                 |
| Inventory   | 13,372               | 18,421            |
| Receivable - RSU #14 debt service payments                                      | 14,300,000           | 15,935,000        |
| <b>Total assets</b>   | <b>\$ 26,650,214</b> | <b>27,388,040</b> |
| <b>LIABILITIES</b>  |                      |                   |
| Accounts payable  | 789,350              | 936,333           |
| Accrued wages   | 328,085              | 283,184           |
| Interfund loans payable   | -                    | 280,503           |
| Taxes paid in advance   | 63,415               | 54,821            |
| Unearned income - impact fees   | 188,978              | 108,860           |
| Inspection deposits and miscellaneous liabilities                               | 693,842              | 240,866           |
| <b>Total liabilities</b>  | <b>2,063,670</b>     | <b>1,904,567</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                      |                   |
| Unavailable revenue - property taxes  | 1,472,000            | 1,558,000         |
| Unavailable revenue - RSU #14 debt service payments                             | 14,300,000           | 15,935,000        |
| <b>Total deferred inflows of resources</b>                                      | <b>15,772,000</b>    | <b>17,493,000</b> |
| <b>FUND BALANCE</b>   |                      |                   |
| Nonspendable  | 405,752              | 403,691           |
| Restricted  | 25,000               | -                 |
| Committed   | -                    | 145,441           |
| Assigned  | 1,493,558            | 948,843           |
| Unassigned  | 6,890,234            | 6,492,498         |
| <b>Total fund balance</b>   | <b>8,814,544</b>     | <b>7,990,473</b>  |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balance</b>   | <b>\$ 26,650,214</b> | <b>27,388,040</b> |

TOWN OF WINDHAM, MAINE  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the year ended June 30, 2016  
(with comparative actual amounts for the year ended June 30, 2015)

|   |    | 2016                 |            |                    |            | 2015<br>Actual                     |
|---|----|----------------------|------------|--------------------|------------|------------------------------------|
|   |    | 2015<br>carryforward | Budget     | Total<br>available | Actual     | Variance<br>positive<br>(negative) |
| Revenues:                               |    |                      |            |                    |            |                                    |
| Taxes:                                  |    |                      |            |                    |            |                                    |
| Property taxes                          | \$ | -                    | 27,189,764 | 27,189,764         | 27,256,886 | 67,122                             |
| Change in deferred property tax revenue |    | -                    | -          | -                  | 86,000     | 86,000                             |
| Excise taxes                            |    | -                    | 2,875,000  | 2,875,000          | 3,364,943  | 489,943                            |
| Supplemental taxes and lien fees        |    | -                    | 12,000     | 12,000             | 56,278     | 44,278                             |
| Total taxes                             |    | -                    | 30,076,764 | 30,076,764         | 30,764,107 | 687,343                            |
| Licenses and permits:                   |    |                      |            |                    |            |                                    |
| Plumbing fees                           |    | -                    | 35,000     | 35,000             | 48,651     | 13,651                             |
| Town Clerk fees                         |    | -                    | 45,000     | 45,000             | 36,651     | (8,349)                            |
| Building permits                        |    | -                    | 100,000    | 100,000            | 140,882    | 40,882                             |
| Planning fees                           |    | -                    | 9,000      | 9,000              | 35,925     | 26,925                             |
| License and other fees                  |    | -                    | 85,568     | 85,568             | 55,064     | (30,504)                           |
| Motor vehicle registration fees         |    | -                    | 50,000     | 50,000             | 53,000     | 3,000                              |
| Total licenses and permits              |    | -                    | 324,568    | 324,568            | 370,173    | 45,605                             |
| Intergovernmental:                      |    |                      |            |                    |            |                                    |
| State Revenue Sharing                   |    | -                    | 663,343    | 663,343            | 721,722    | 58,379                             |
| State highway block grant               |    | -                    | 250,000    | 250,000            | 250,876    | 876                                |
| Homestead exemption                     |    | -                    | 339,360    | 339,360            | 335,175    | (4,185)                            |
| General assistance reimbursement        |    | -                    | 20,000     | 20,000             | 3,985      | (16,015)                           |
| State Tree Growth                       |    | -                    | 25,000     | 25,000             | 20,671     | (4,329)                            |
| Total intergovernmental                 |    | -                    | 1,297,703  | 1,297,703          | 1,332,429  | 34,726                             |
| Charges for services:                   |    |                      |            |                    |            |                                    |
| Solid waste disposal fees               |    | -                    | 500,000    | 500,000            | 526,741    | 26,741                             |
| False alarm fees/police fines and fees  |    | -                    | 2,000      | 2,000              | 4,918      | 2,918                              |
| Park fees                               |    | -                    | 37,000     | 37,000             | 49,234     | 12,234                             |
| Total charges for services              |    | -                    | 539,000    | 539,000            | 580,893    | 41,893                             |

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

|                                |       | 2016                 |            |                    |            |                                    |                |
|--------------------------------|-------|----------------------|------------|--------------------|------------|------------------------------------|----------------|
|                                |       | 2015<br>carryforward | Budget     | Total<br>available | Actual     | Variance<br>positive<br>(negative) | 2015<br>Actual |
| Revenues, continued:           |       |                      |            |                    |            |                                    |                |
| Interest earned:               |       |                      |            |                    |            |                                    |                |
| Interest on delinquent taxes   | \$    | -                    | 100,000    | 100,000            | 114,467    | 14,467                             | 110,116        |
| Interest earned on investments |       | -                    | 20,000     | 20,000             | 37,596     | 17,596                             | 28,071         |
| Total interest earned          |       | -                    | 120,000    | 120,000            | 152,063    | 32,063                             | 138,187        |
| Other revenues:                |       |                      |            |                    |            |                                    |                |
| Cable television franchise     |       | -                    | 120,000    | 120,000            | 118,909    | (1,091)                            | 120,084        |
| Court fees                     |       | -                    | -          | -                  | 307        | 307                                | 850            |
| Rent                           |       | -                    | 9,416      | 9,416              | 9,416      | -                                  | 9,416          |
| Rescue reimbursement           |       | -                    | 590,000    | 590,000            | 610,765    | 20,765                             | 618,209        |
| Miscellaneous                  |       | -                    | 121,850    | 121,850            | 162,222    | 40,372                             | 135,852        |
| Library fines and fees         |       | -                    | 7,500      | 7,500              | 8,434      | 934                                | 7,029          |
| Total other revenues           |       | -                    | 848,766    | 848,766            | 910,053    | 61,287                             | 891,440        |
| Total revenues                 |       | -                    | 33,206,801 | 33,206,801         | 34,109,718 | 902,917                            | 32,130,809     |
| Expenditures:                  |       |                      |            |                    |            |                                    |                |
| Current:                       |       |                      |            |                    |            |                                    |                |
| Administrative services:       |       |                      |            |                    |            |                                    |                |
| Town Council                   |       | -                    | 111,283    | 111,283            | 181,316    | (70,033)                           | 113,763        |
| Economic Development           |       | -                    | 160,893    | 160,893            | 164,487    | (3,594)                            | 150,000        |
| Community participation        |       | -                    | 67,672     | 67,672             | 58,649     | 9,023                              | 65,144         |
| Community TV and E-Government  |       | -                    | 55,824     | 55,824             | 50,710     | 5,114                              | 45,089         |
| Municipal insurance            | 2,199 | 129,362              | 131,561    | 121,453            | 121,453    | 10,108                             | 111,451        |
| Employee benefits              |       | -                    | 1,866,373  | 1,866,373          | 1,858,352  | 8,021                              | 1,786,900      |
| Money management fees          |       | -                    | -          | -                  | -          | -                                  | 242            |
| Town management                |       | -                    | 445,981    | 445,981            | 455,807    | (9,826)                            | 446,632        |
| Collect/account Town funds     |       | -                    | 237,467    | 237,467            | 227,136    | 10,331                             | 212,591        |
| Information services           |       | -                    | 163,380    | 163,380            | 160,522    | 2,858                              | 150,287        |
| Total administrative services  | 2,199 | 3,238,235            | 3,240,434  | 3,278,432          | 3,278,432  | (37,998)                           | 3,082,099      |

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

|   | 2015<br>carryforward | 2016      |                    |           |                                    | 2015<br>Actual |
|---|----------------------|-----------|--------------------|-----------|------------------------------------|----------------|
|   |                      | Budget    | Total<br>available | Actual    | Variance<br>positive<br>(negative) |                |
| Expenditures, continued                 |                      |           |                    |           |                                    |                |
| Current, continued:                     |                      |           |                    |           |                                    |                |
| Public safety:                          |                      |           |                    |           |                                    |                |
| Police safety                           | \$ -                 | 1,890,029 | 1,890,029          | 1,812,508 | 77,521                             | 1,938,526      |
| Animal control                          | -                    | 62,976    | 62,976             | 55,955    | 7,021                              | 44,264         |
| Public safety dispatching               | -                    | 377,204   | 377,204            | 362,236   | 14,968                             | 356,105        |
| Police vehicle maintenance              | -                    | 109,529   | 109,529            | 93,481    | 16,048                             | 114,011        |
| Total public safety                     | -                    | 2,439,738 | 2,439,738          | 2,324,180 | 115,558                            | 2,452,906      |
| Fire/rescue services:                   |                      |           |                    |           |                                    |                |
| Fire safety                             | -                    | 1,494,624 | 1,494,624          | 1,473,265 | 21,359                             | 1,452,748      |
| Civil emergency preparedness            | -                    | 1,480     | 1,480              | 382       | 1,098                              | 419            |
| Water main charges                      | -                    | 93,849    | 93,849             | 98,963    | (5,114)                            | 95,252         |
| Fire and rescue vehicle maintenance     | -                    | 142,730   | 142,730            | 134,053   | 8,677                              | 166,405        |
| Rescue bad debt expense                 | -                    | 85,000    | 85,000             | 57,500    | 27,500                             | 104,000        |
| Total fire/rescue services              | -                    | 1,817,683 | 1,817,683          | 1,764,163 | 53,520                             | 1,818,824      |
| Public works:                           |                      |           |                    |           |                                    |                |
| Public works administration             | -                    | 171,365   | 171,365            | 187,695   | (16,330)                           | 165,962        |
| Road maintenance/patching               | 5,200                | 640,066   | 645,266            | 585,992   | 59,274                             | 610,129        |
| Traffic signals, road markings/drainage | 38,000               | 123,000   | 161,000            | 110,101   | 50,899                             | 91,463         |
| Snow plowing                            | -                    | 385,332   | 385,332            | 340,673   | 44,659                             | 380,839        |
| Highway vehicle maintenance             | 5,600                | 395,074   | 400,674            | 346,307   | 54,367                             | 366,805        |
| Solid waste disposal                    | -                    | 827,935   | 827,935            | 789,593   | 38,342                             | 762,126        |
| Building maintenance                    | 18,500               | 518,557   | 537,057            | 508,187   | 28,870                             | 514,957        |
| Grounds maintenance                     | -                    | 13,600    | 13,600             | 10,736    | 2,864                              | 15,676         |
| Total public works                      | 67,300               | 3,074,929 | 3,142,229          | 2,879,284 | 262,945                            | 2,907,957      |

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

|  |                      | 2016       |                    |            |                                    |                |  |
|--|----------------------|------------|--------------------|------------|------------------------------------|----------------|--|
|  | 2015<br>carryforward | Budget     | Total<br>available | Actual     | Variance<br>positive<br>(negative) | 2015<br>Actual |  |
| Expenditures, continued                    |                      |            |                    |            |                                    |                |  |
| Current, continued:                        |                      |            |                    |            |                                    |                |  |
| Recreation services:                       |                      |            |                    |            |                                    |                |  |
| Recreation                                 | \$ -                 | 174,587    | 174,587            | 181,481    | (6,894)                            | 160,867        |  |
| Skate park                                 | -                    | 14,502     | 14,502             | 2,299      | 12,203                             | 2,308          |  |
| Dundee Park                                | -                    | 91,982     | 91,982             | 85,590     | 6,392                              | 80,643         |  |
| Total recreation services                  | -                    | 281,071    | 281,071            | 269,370    | 11,701                             | 243,818        |  |
| Education                                  | -                    | 17,699,917 | 17,699,917         | 17,699,917 | -                                  | 16,993,174     |  |
| County tax                                 | -                    | 1,216,178  | 1,216,178          | 1,216,178  | -                                  | 1,132,911      |  |
| Other:                                     |                      |            |                    |            |                                    |                |  |
| Social services                            | -                    | 142,219    | 142,219            | 107,403    | 34,816                             | 109,433        |  |
| Social services agency funding             | -                    | 23,200     | 23,200             | 23,050     | 150                                | 21,400         |  |
| Assessing                                  | 10,300               | 258,207    | 268,507            | 244,271    | 24,236                             | 257,293        |  |
| Geographic information systems             | -                    | 11,446     | 11,446             | 5,575      | 5,871                              | 5,930          |  |
| Contingency                                | -                    | 100,000    | 100,000            | 89,289     | 10,711                             | 46,072         |  |
| Energy and weather emergency fund          | -                    | 100,000    | 100,000            | 100,000    | -                                  | -              |  |
| Town Clerk/elections                       | -                    | 159,070    | 159,070            | 158,489    | 581                                | 156,216        |  |
| Code Enforcement and zoning administration | -                    | 237,269    | 237,269            | 251,727    | (14,458)                           | 195,451        |  |
| Planning services                          | 11,029               | 230,608    | 241,637            | 199,216    | 42,421                             | 229,016        |  |
| Library services                           | 70,514               | 381,829    | 452,343            | 382,557    | 69,786                             | 363,672        |  |
| Abatements                                 | -                    | 44,080     | 44,080             | 35,859     | 8,221                              | 16,816         |  |
| Total other                                | 91,843               | 1,687,928  | 1,779,771          | 1,597,436  | 182,335                            | 1,401,299      |  |
| Debt service:                              |                      |            |                    |            |                                    |                |  |
| Principal                                  | -                    | 150,000    | 150,000            | 150,000    | -                                  | 150,000        |  |
| Interest                                   | -                    | 50,625     | 50,625             | 50,625     | -                                  | 55,125         |  |
| Total debt service                         | -                    | 200,625    | 200,625            | 200,625    | -                                  | 205,125        |  |

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

|  | 2015<br>carryforward | Budget     | 2016               |            | Variance<br>positive<br>(negative) | 2015<br>Actual |
|--|----------------------|------------|--------------------|------------|------------------------------------|----------------|
|  |                      |            | Total<br>available | Actual     |                                    |                |
| Expenditures, continued:                                       |                      |            |                    |            |                                    |                |
| Capital outlay:  |                      |            |                    |            |                                    |                |
| Town road resurfacing  | \$ 16,498            | 1,080,000  | 1,096,498          | 897,364    | 199,134                            | 868,013        |
| Equipment replacement  | -                    | 625,000    | 625,000            | 958,775    | (333,775)                          | 897,284        |
| Buildings and facilities improvements                          | 218,502              | 600,650    | 819,152            | 450,807    | 368,345                            | 518,760        |
| Land and facilities improvements                               | 100,000              | 50,000     | 150,000            | 80,226     | 69,774                             | 3,106          |
| Total capital outlay   | 335,000              | 2,355,650  | 2,690,650          | 2,387,172  | 303,478                            | 2,287,163      |
| Total expenditures   | 496,342              | 34,011,954 | 34,508,296         | 33,616,757 | 891,539                            | 32,525,276     |
| Excess (deficiency) of revenues over<br>(under) expenditures   | (496,342)            | (805,153)  | (1,301,495)        | 492,961    | 1,794,456                          | (394,467)      |
| Other financing sources (uses):                                |                      |            |                    |            |                                    |                |
| Capital lease proceeds   | -                    | -          | -                  | -          | -                                  | 232,051        |
| Transfers from other funds                                     | -                    | 325,153    | 325,153            | 331,110    | 5,957                              | 285,635        |
| Utilization of prior year surplus and carried forward balances | 496,342              | 480,000    | 976,342            | -          | (976,342)                          | -              |
| Total other financing sources (uses)                           | 496,342              | 805,153    | 1,301,495          | 331,110    | (970,385)                          | 517,686        |
| Net change in fund balance                                     | -                    | -          | -                  | 824,071    | 824,071                            | 123,219        |
| Fund balance, beginning of year                                |                      |            |                    | 7,990,473  |                                    | 7,867,254      |
| Fund balance, end of year                                      | \$                   |            |                    | 8,814,544  |                                    | 7,990,473      |



**ALL OTHER GOVERNMENTAL FUNDS**

TOWN OF WINDHAM  
Combining Balance Sheet  
All Other Governmental Funds  
June 30, 2016

|  | Special<br>Revenue<br>Funds | Capital<br>Projects | Permanent<br>Funds | Total Other<br>Governmental<br>Funds |
|--|-----------------------------|---------------------|--------------------|--------------------------------------|
| <b>ASSETS</b>                              |                             |                     |                    |                                      |
| Investments                                | \$ 44,204                   | 1,668,406           | 224,238            | 1,936,848                            |
| Accounts receivable                        | 54,116                      | -                   | -                  | 54,116                               |
| Interfund loans receivable                 | 400,479                     | -                   | -                  | 400,479                              |
| <b>Total assets</b>                        | <b>\$ 498,799</b>           | <b>1,668,406</b>    | <b>224,238</b>     | <b>2,391,443</b>                     |
| <b>LIABILITIES</b>                         |                             |                     |                    |                                      |
| Accounts payable                           | 16,843                      | 10,710              | -                  | 27,553                               |
| Interfund loans payable                    | 105,974                     | 855,186             | -                  | 961,160                              |
| <b>Total liabilities</b>                   | <b>122,817</b>              | <b>865,896</b>      | <b>-</b>           | <b>988,713</b>                       |
| <b>FUND BALANCES</b>                       |                             |                     |                    |                                      |
| Nonspendable                               | -                           | -                   | 41,874             | 41,874                               |
| Restricted                                 | 280,530                     | 802,510             | -                  | 1,083,040                            |
| Committed                                  | 103,106                     | -                   | 199,731            | 302,837                              |
| Unassigned                                 | (7,654)                     | -                   | (17,367)           | (25,021)                             |
| <b>Total fund balances</b>                 | <b>375,982</b>              | <b>802,510</b>      | <b>224,238</b>     | <b>1,402,730</b>                     |
| <b>Total liabilities and fund balances</b> | <b>\$ 498,799</b>           | <b>1,668,406</b>    | <b>224,238</b>     | <b>2,391,443</b>                     |

**TOWN OF WINDHAM, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the year ended June 30, 2016**

|  | Special<br>Revenue<br>Funds | Capital<br>Projects | Permanent<br>Funds | Total Other<br>Governmental<br>Funds |
|--|-----------------------------|---------------------|--------------------|--------------------------------------|
| <b>Revenues:</b>   |                             |                     |                    |                                      |
| Property taxes revenue                                       | \$ 445,487                  | -                   | -                  | 445,487                              |
| Intergovernmental  | 84,518                      | -                   | -                  | 84,518                               |
| Charges for services   | 558,182                     | -                   | -                  | 558,182                              |
| Interest revenue   | -                           | 406                 | 410                | 816                                  |
| Other revenue  | -                           | -                   | 6,800              | 6,800                                |
| Total revenues   | 1,088,187                   | 406                 | 7,210              | 1,095,803                            |
| <b>Expenditures:</b>   |                             |                     |                    |                                      |
| Current:   |                             |                     |                    |                                      |
| Administrative services                                      | 109,425                     | -                   | -                  | 109,425                              |
| Public safety  | 22,004                      | -                   | -                  | 22,004                               |
| Public works   | 351,756                     | -                   | -                  | 351,756                              |
| Recreation services  | 175,770                     | -                   | -                  | 175,770                              |
| Scholarships   | -                           | -                   | -                  | -                                    |
| Other  | -                           | -                   | -                  | -                                    |
| Capital outlay   | 73,614                      | 856,871             | -                  | 930,485                              |
| Total expenditures   | 732,569                     | 856,871             | -                  | 1,589,440                            |
| Excess (deficiency) of revenues<br>over (under) expenditures | 355,618                     | (856,465)           | 7,210              | (493,637)                            |
| <b>Other financing sources (uses):</b>                       |                             |                     |                    |                                      |
| Bond proceeds  | -                           | 1,668,000           | -                  | 1,668,000                            |
| Transfer from other funds                                    | 2,390                       | -                   | -                  | 2,390                                |
| Transfer to other funds                                      | (330,700)                   | -                   | (2,800)            | (333,500)                            |
| Total other financing sources (uses)                         | (328,310)                   | 1,668,000           | (2,800)            | 1,336,890                            |
| Net change in fund balances                                  | 27,308                      | 811,535             | 4,410              | 843,253                              |
| Fund balances (deficit), beginning of year                   | 348,674                     | (9,025)             | 219,828            | 559,477                              |
| Fund balances, end of year                                   | \$ 375,982                  | 802,510             | 224,238            | 1,402,730                            |

## **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, Be the Influence, 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., Gateway North T.I.F., and the Marblehead Manor T.I.F.

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

To account for funds restricted to assist students.

### **CAPITAL PROJECT FUNDS**

#### **South Windham Fire Station**

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

TOWN OF WINDHAM, MAINE  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
June 30, 2016

|  | Little<br>Falls Sewer<br>Operations | Recreation<br>Program | Recreation<br>Trail Program | Be The<br>Influence<br>Grant | Development<br>District North<br>T.I.F. | Pipeline<br>Development<br>T.I.F. | Roosevelt<br>Promenade<br>T.I.F. | Gateway<br>North<br>T.I.F. | Marblehead<br>Manor<br>T.I.F. | JAG Grant      | Thomas<br>Varney<br>School<br>Fund | Total          |
|--|-------------------------------------|-----------------------|-----------------------------|------------------------------|---|-----------------------------------|----------------------------------|----------------------------|-------------------------------|----------------|------------------------------------|----------------|
| <b>ASSETS</b>                              |                                     |                       |                             |                              |   |                                   |                                  |                            |                               |                |                                    |                |
| Investments                                | \$ -                                | -                     | -                           | -                            | -                                       | -                                 | -                                | -                          | -                             | -              | 44,204                             | 44,204         |
| Accounts receivable                        | 54,116                              | -                     | -                           | -                            | -                                       | -                                 | -                                | -                          | -                             | -              | -                                  | 54,116         |
| Interfund loans receivable                 | -                                   | 105,851               | -                           | -                            | -                                       | 78,828                            | 163,333                          | 52,467                     | -                             | -              | -                                  | 400,479        |
| <b>Total assets</b>                        | <b>\$ 54,116</b>                    | <b>105,851</b>        | <b>-</b>                    | <b>-</b>                     | <b>-</b>                                | <b>78,828</b>                     | <b>163,333</b>                   | <b>52,467</b>              | <b>-</b>                      | <b>-</b>       | <b>44,204</b>                      | <b>498,799</b> |
| <b>LIABILITIES</b>                         |                                     |                       |                             |                              |   |                                   |                                  |                            |                               |                |                                    |                |
| Accounts payable                           | -                                   | 2,745                 | -                           | -                            | -                                       | 14,098                            | -                                | -                          | -                             | -              | -                                  | 16,843         |
| Interfund loans payable                    | 57,720                              | -                     | -                           | 2,385                        | -                                       | -                                 | -                                | -                          | -                             | 1,665          | 44,204                             | 105,974        |
| <b>Total liabilities</b>                   | <b>57,720</b>                       | <b>2,745</b>          | <b>-</b>                    | <b>2,385</b>                 | <b>-</b>                                | <b>14,098</b>                     | <b>-</b>                         | <b>-</b>                   | <b>-</b>                      | <b>1,665</b>   | <b>44,204</b>                      | <b>122,817</b> |
| <b>FUND BALANCES (DEFICITS)</b>            |                                     |                       |                             |                              |   |                                   |                                  |                            |                               |                |                                    |                |
| Restricted                                 | -                                   | -                     | -                           | -                            | -                                       | 64,730                            | 163,333                          | 52,467                     | -                             | -              | -                                  | 280,530        |
| Committed                                  | -                                   | 103,106               | -                           | -                            | -                                       | -                                 | -                                | -                          | -                             | -              | -                                  | 103,106        |
| Unassigned                                 | (3,604)                             | -                     | -                           | (2,385)                      | -                                       | -                                 | -                                | -                          | -                             | (1,665)        | -                                  | (7,654)        |
| <b>Total fund balances (deficit)</b>       | <b>(3,604)</b>                      | <b>103,106</b>        | <b>-</b>                    | <b>(2,385)</b>               | <b>-</b>                                | <b>64,730</b>                     | <b>163,333</b>                   | <b>52,467</b>              | <b>-</b>                      | <b>(1,665)</b> | <b>-</b>                           | <b>375,982</b> |
| <b>Total liabilities and fund balances</b> | <b>\$ 54,116</b>                    | <b>105,851</b>        | <b>-</b>                    | <b>-</b>                     | <b>-</b>                                | <b>78,828</b>                     | <b>163,333</b>                   | <b>52,467</b>              | <b>-</b>                      | <b>-</b>       | <b>44,204</b>                      | <b>498,799</b> |

TOWN OF WINDHAM, MAINE  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the year ended June 30, 2016

|  | Little<br>Falls Sewer<br>Operations | Recreation<br>Program | Recreation<br>Trail Program | Be The<br>Influence<br>Grant | Development<br>District North<br>T.I.F. | Pipeline<br>Development<br>T.I.F. | Roosevelt<br>Promenade<br>T.I.F. | Gateway<br>North<br>T.I.F. | Marblehead<br>Manor<br>T.I.F. | JAG Grant | Thomas<br>Varney<br>School<br>Fund | Total     |
|--|-------------------------------------|-----------------------|-----------------------------|------------------------------|---|-----------------------------------|----------------------------------|----------------------------|-------------------------------|-----------|------------------------------------|-----------|
| Revenues:  |                                     |                       |                             |                              |   |                                   |                                  |                            |                               |           |                                    |           |
| Property tax revenues  | \$ -                                | -                     | -                           | -                            | -                                       | 173,237                           | 210,000                          | 52,467                     | 9,783                         | -         | -                                  | 445,487   |
| Intergovernmental revenues                                   | -                                   | -                     | 9,560                       | 43,580                       | -                                       | -                                 | -                                | -                          | -                             | 31,378    | -                                  | 84,518    |
| Charges for services   | 326,235                             | 231,947               | -                           | -                            | -                                       | -                                 | -                                | -                          | -                             | -         | -                                  | 558,182   |
| Total revenues   | 326,235                             | 231,947               | 9,560                       | 43,580                       | -                                       | 173,237                           | 210,000                          | 52,467                     | 9,783                         | 31,378    | -                                  | 1,088,187 |
| Expenditures:  |                                     |                       |                             |                              |   |                                   |                                  |                            |                               |           |                                    |           |
| Current:   |                                     |                       |                             |                              |   |                                   |                                  |                            |                               |           |                                    |           |
| Administrative services                                      | -                                   | -                     | -                           | 45,965                       | -                                       | -                                 | -                                | -                          | 19,256                        | -         | 44,204                             | 109,425   |
| Public safety  | -                                   | -                     | -                           | -                            | -                                       | -                                 | -                                | -                          | -                             | 22,004    | -                                  | 22,004    |
| Public works   | 351,756                             | -                     | -                           | -                            | -                                       | -                                 | -                                | -                          | -                             | -         | -                                  | 351,756   |
| Recreation services  | -                                   | 163,820               | 11,950                      | -                            | -                                       | -                                 | -                                | -                          | -                             | -         | -                                  | 175,770   |
| Capital expenditures   | -                                   | -                     | -                           | -                            | -                                       | 73,614                            | -                                | -                          | -                             | -         | -                                  | 73,614    |
| Total expenditures   | 351,756                             | 163,820               | 11,950                      | 45,965                       | -                                       | 73,614                            | -                                | -                          | 19,256                        | 22,004    | 44,204                             | 732,569   |
| Excess (deficiency) of revenues<br>over (under) expenditures | (25,521)                            | 68,127                | (2,390)                     | (2,385)                      | -                                       | 99,623                            | 210,000                          | 52,467                     | (9,473)                       | 9,374     | (44,204)                           | 355,618   |
| Other financing sources (uses):                              |                                     |                       |                             |                              |   |                                   |                                  |                            |                               |           |                                    |           |
| Transfer from other funds                                    | -                                   | -                     | 2,390                       | -                            | -                                       | -                                 | -                                | -                          | -                             | -         | -                                  | 2,390     |
| Transfer to other funds                                      | -                                   | (2,390)               | (442)                       | -                            | (9,215)                                 | (90,442)                          | (228,211)                        | -                          | -                             | -         | -                                  | (330,700) |
| Total other financing sources (uses)                         | -                                   | (2,390)               | 1,948                       | -                            | (9,215)                                 | (90,442)                          | (228,211)                        | -                          | -                             | -         | -                                  | (328,310) |
| Net change in fund balances                                  | (25,521)                            | 65,737                | (442)                       | (2,385)                      | (9,215)                                 | 9,181                             | (18,211)                         | 52,467                     | (9,473)                       | 9,374     | (44,204)                           | 27,308    |
| Fund balances, beginning of year                             | 21,917                              | 37,369                | 442                         | -                            | 9,215                                   | 55,549                            | 181,544                          | -                          | 9,473                         | (11,039)  | 44,204                             | 348,674   |
| Fund balances (deficit), end of year                         | \$ (3,604)                          | 103,106               | -                           | (2,385)                      | -                                       | 64,730                            | 163,333                          | 52,467                     | -                             | (1,665)   | -                                  | 375,982   |

## **NONMAJOR GOVERNMENTAL FUNDS**

### **PERMANENT FUNDS**

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

#### **Cemetery Acquisition Fund**

Funds restricted for the acquisition of a Town cemetery.

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

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

#### **Library Trust Fund**

Consisting of a single fund established to assist the library.

TOWN OF WINDHAM, MAINE  
 Permanent Funds  
 Combining Balance Sheet  
 June 30, 2016

|  |           | Cemetery<br>Acquisition<br>Fund | Perpetual<br>Care<br>Trust<br>Funds | Library<br>Trust<br>Fund | Total          |
|--|-----------|---------------------------------|-------------------------------------|--------------------------|----------------|
| <b>ASSETS</b>                              |           |                                 |                                     |                          |                |
| Investments                                | \$        | 193,723                         | 23,707                              | 6,808                    | 224,238        |
| <b>Total assets</b>                        | <b>\$</b> | <b>193,723</b>                  | <b>23,707</b>                       | <b>6,808</b>             | <b>224,238</b> |
| <b>FUND BALANCES</b>                       |           |                                 |                                     |                          |                |
| Nonspendable                               |           | -                               | 41,074                              | 800                      | 41,874         |
| Committed                                  |           | 193,723                         | -                                   | 6,008                    | 199,731        |
| Unassigned                                 |           | -                               | (17,367)                            | -                        | (17,367)       |
| <b>Total fund balances</b>                 |           | <b>193,723</b>                  | <b>23,707</b>                       | <b>6,808</b>             | <b>224,238</b> |
| <b>Total liabilities and fund balances</b> | <b>\$</b> | <b>193,723</b>                  | <b>23,707</b>                       | <b>6,808</b>             | <b>224,238</b> |



TOWN OF WINDHAM, MAINE  
 Permanent Funds  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the year ended June 30, 2016

|                                  | Cemetery<br>Acquisition<br>Fund | Perpetual<br>Care<br>Trust<br>Funds | Library<br>Trust<br>Fund | Total   |
|----------------------------------|---------------------------------|-------------------------------------|--------------------------|---------|
| Revenues:                        |                                 |                                     |                          |         |
| Interest and dividends           | \$ 290                          | 110                                 | 10                       | 410     |
| Lot sales                        | 6,800                           | -                                   | -                        | 6,800   |
| Total revenues                   | 7,090                           | 110                                 | 10                       | 7,210   |
| 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      | 7,090                           | (2,690)                             | 10                       | 4,410   |
| Fund balances, beginning of year | 186,633                         | 26,397                              | 6,798                    | 219,828 |
| Fund balances, end of year       | \$ 193,723                      | 23,707                              | 6,808                    | 224,238 |