

TOWN OF WINDHAM, MAINE

Annual Financial Report

For the year ended June 30, 2017

TOWN OF WINDHAM, MAINE
Annual Financial Report
Year ended June 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 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.

A handwritten signature in cursive script, reading "Raymond Kurten Ouellette".

November 30, 2017
South Portland, Maine

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis
June 30, 2017

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, 2017. 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2017

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

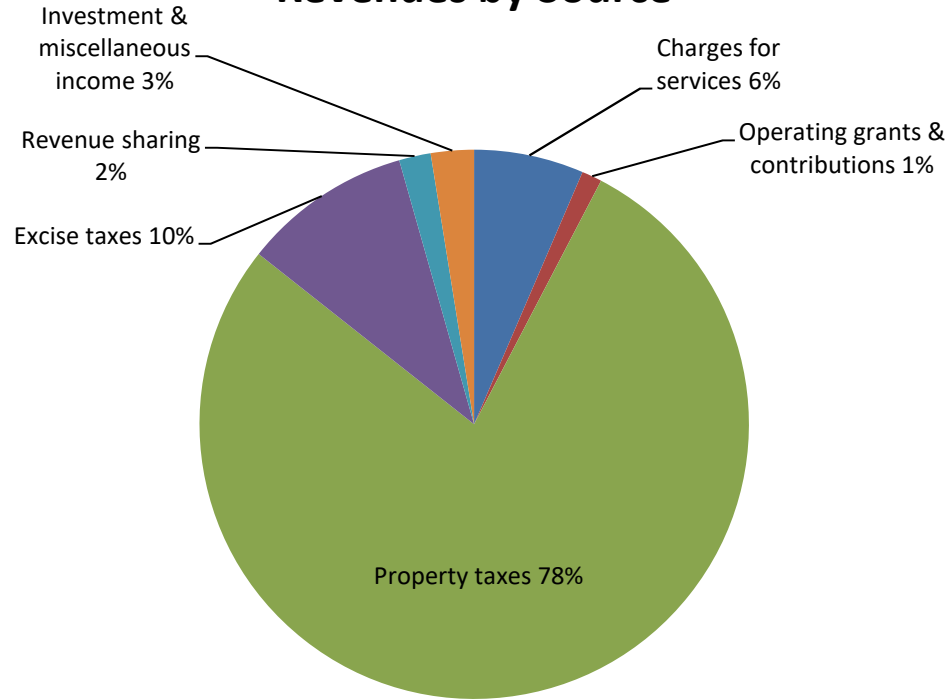
The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by law and by bond covenants. Other funds are established to help control and manage funds for particular purposes, or to demonstrate that the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

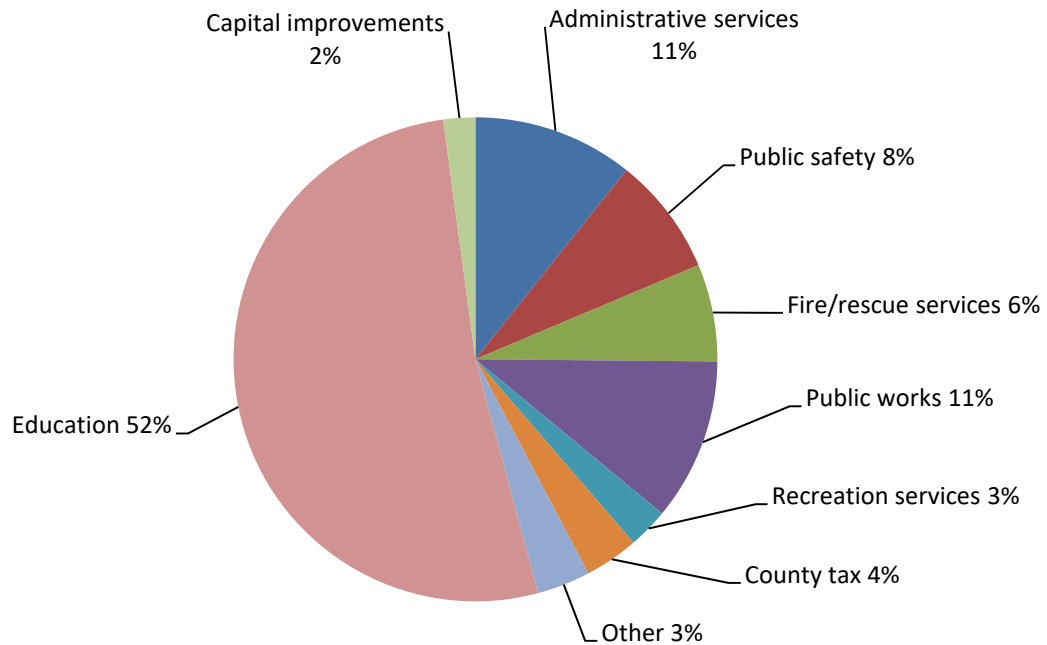
The Town is providing condensed financial information for the year 2017 and comparative information for 2016.

	2017		2016	
	Governmental Activities	Component Unit (WEDC)	Governmental Activities	Component Unit (WEDC)
Assets:				
Current and other assets	\$ 26,863,478	61,578	\$ 28,080,495	66,658
Capital assets (net)	28,413,227	423,115	27,169,933	409,183
Total assets	55,276,705	484,693	55,250,428	475,841
Deferred outflows of resources:				
Deferred charges on refunding	1,217,836	-	1,381,122	-
Related to pensions	771,642	-	272,714	-
Total deferred outflows of resources	1,989,478	-	1,653,836	-
Liabilities:				
Other liabilities	1,786,703	70,618	2,212,563	53,637
Long-term debt outstanding	21,653,939	355,500	22,212,667	355,500
Total liabilities	23,440,642	426,118	24,425,230	409,137
Deferred inflows of resources:				
Related to pensions	255,924	-	283,348	-
Total deferred inflows of resources	255,924	-	283,348	-
Net Position:				
Net investment in capital assets	24,152,101	23,625	24,252,621	16,803
Restricted	340,567	-	347,404	-
Unrestricted	9,076,949	34,950	7,595,661	49,901
Total net position	\$ 33,569,617	58,575	32,195,686	66,704

Revenues by Source



Expenditures by Type



TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2017

GOVERNMENTAL ACTIVITIES

The cost of all governmental activities for 2017 was \$35,105,145. Most of this amount, \$19,528,706, 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 \$28,454,245 because some of the cost (\$2,355,991) was borne by those who directly benefited from the programs.

The Town paid for the remaining "public benefit" portion of governmental activities with \$5,668,840 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 \$68,674,762 were available during the year to finance governmental activities, consisting of net position of \$32,195,686 at July 1, 2016, program revenues of \$2,791,692 and general revenues of \$33,687,384.

Total governmental activities expenses were \$35,105,145. Net position increased by \$1,373,931 from a balance of \$32,195,686 to \$33,569,617, or 4.3%.

Total governmental activities expenses rose by \$1,111,080, or 3.3%; net expenses for governmental activities increased by \$734,214, or 2.3% from 2016 to 2017.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2017

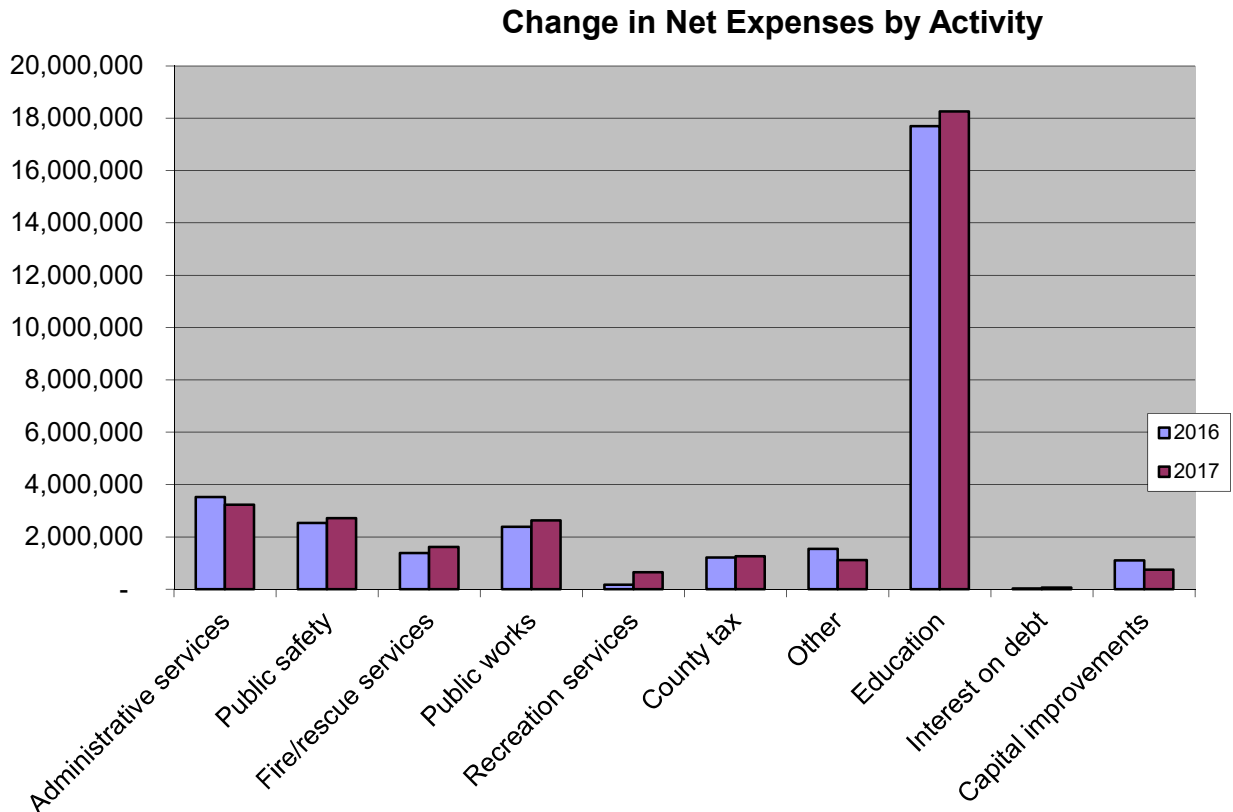
Statement of Activities

	Primary Government Governmental Activities	Component Unit (WEDC)	2017 Primary Government and Component Unit	2016 Primary Government and Component Unit
Revenues:				
Program Revenues:				
Charges for service	\$ 2,355,991	-	2,355,991	2,075,447
Operating grants and contributions	435,701	186,468	622,169	500,272
Capital grants and contributions	-	-	-	-
General Revenues:				
Property taxes	28,454,245	-	28,454,245	27,816,840
Excise tax	3,627,003	-	3,627,003	3,364,943
Franchise fees	146,559	-	146,559	118,909
Homestead and BETE exemptions	529,175	-	529,175	335,175
Other State aid	19,527	-	19,527	20,671
State revenue sharing	677,413	-	677,413	721,722
Unrestricted investment earnings	82,043	147	82,190	37,721
Miscellaneous revenues	151,419	693	152,112	261,464
Total Revenues	36,479,076	187,308	36,666,384	35,253,164
Expenses:				
Program Expenses:				
Administrative services	3,763,708		3,763,708	3,833,143
Public safety	2,781,918	-	2,781,918	2,571,713
Fire/rescue services	2,280,744	-	2,280,744	1,991,889
Public works	3,808,182	-	3,808,182	3,489,967
Recreation services	942,498	-	942,498	460,283
County tax	1,264,831	-	1,264,831	1,216,178
Other	1,186,067	195,437	1,381,504	1,792,572
Education	18,263,875	-	18,263,875	17,699,917
Interest on debt service	65,498	-	65,498	26,678
Capital maintenance expenses	747,824	-	747,824	1,099,298
Total Expenses	35,105,145	195,437	35,300,582	34,181,638
Net position – beginning	32,195,686	66,704	32,262,390	31,190,864
Change in net position	1,373,931	(8,129)	1,365,802	1,071,526
Net position – ending	\$ 33,569,617	58,575	33,628,192	32,262,390

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 2017.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2017

	2017 Expense	2017 Program Revenue	2017 Net Expense	2016 Net Expense
Governmental activities:				
Administrative services	\$ 3,763,708	538,696	3,225,012	3,527,454
Public safety	2,781,918	67,929	2,713,989	2,535,417
Fire/rescue services	2,280,744	665,592	1,615,152	1,381,124
Public works	3,808,182	1,175,414	2,632,768	2,386,115
Recreation services	942,498	299,380	643,118	169,542
County tax	1,264,831	-	1,264,831	1,216,178
Other	1,186,067	44,681	1,141,386	1,537,516
Education	18,263,875	-	18,263,875	17,699,917
Interest on debt service	65,498	-	65,498	26,678
Capital maintenance expenses	747,824	-	747,824	1,099,298
Total governmental activities	\$ 35,105,145	2,791,692	32,313,453	31,579,239



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, 2017

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 \$1,274,202 in fiscal year 2017; changes are illustrated below.

Statement of Governmental Activities Debt

Debt payable at June 30, 2016	\$ 19,539,081
New capital leases	1,118,574
Capital lease reductions	(427,270)
Premium reduction on refunded bonds	(180,506)
<u>Payment of general obligation debt</u>	<u>(1,785,000)</u>

<u>Debt payable at June 30, 2017</u>	<u>\$18,264,879</u>
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THE TOWN'S FUNDS

The following is an analysis of account balances in the Town's general fund for 2017. Comparative information is presented for fiscal years 2016 and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues by source:			
Taxes	\$ 32,220,477	30,764,107	28,962,956
Licenses and permits	422,764	370,173	322,991
Intergovernmental	1,514,965	1,332,429	1,327,957
Charges for service	1,356,991	580,893	487,278
Interest earned	205,124	152,063	138,187
Other	403,469	910,053	891,440
	<u>\$ 36,123,790</u>	<u>34,109,718</u>	<u>32,130,809</u>

Expenditures by function:			
Administrative services	\$ 3,440,419	3,278,432	3,082,099
Public safety	2,533,986	2,324,180	2,452,906
Fire/rescue services	1,929,043	1,764,163	1,818,824
Public works	3,111,681	2,879,284	2,907,957
Recreation services	736,448	269,370	243,818
County tax	1,264,831	1,216,178	1,132,911
Other	1,185,291	1,597,436	1,401,299
Education	18,263,875	17,699,917	16,993,174
Debt service	233,016	200,625	205,125
Capital outlay	2,555,484	2,726,633	2,287,163
	<u>\$ 35,254,074</u>	<u>33,956,218</u>	<u>32,525,276</u>

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2017

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, 2017, net capital assets of governmental activities totaled \$28,413,227 an increase of \$1,243,294 from the year ending June 30, 2016. A detailed breakdown of the activity by asset type is shown below.

Statement of Capital Assets

	Balance 6/30/2016	Increases	Decreases	Balance 6/30/17
Governmental assets				
Land, buildings and improvements	\$ 7,643,497	1,723,005	(80,226)	9,286,276
Infrastructure	19,657,607	452,880	-	20,110,487
Vehicles	4,992,988	1,137,695	(694,649)	5,436,034
Equipment	4,019,493	184,039	(214,552)	3,988,980
Construction in progress	1,176,969	1,428,433	(2,605,402)	-
Total capital assets	37,490,554	4,926,052	(3,594,829)	38,821,777
Accumulated depreciation	<u>(10,320,621)</u>	<u>(858,298)</u>	<u>770,369</u>	<u>(10,408,550)</u>
Governmental assets, net	\$ <u>27,169,933</u>	<u>4,067,754</u>	<u>(2,824,460)</u>	<u>28,413,227</u>

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 \$983,339 on road improvements for the fiscal year ended June 30, 2017. 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

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2017

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.

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 2008 to 2017, the Town budgeted a total of \$6,517,050 for road improvements. During that time, annual amounts rose from \$500,000 to \$850,000, except for 2011, when funding was reduced to \$394,550. For 2018, the Town has budgeted \$1,250,000, continuing to close the gap. The primary focus remains on the maintenance of current pavement infrastructure, but is beginning to include more extensive improvements for stormwater 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 stormwater drainage system consists of drainage structures, pipes, and pipe openings. Stormwater 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 stormwater 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 2017-2018 general fund budget increased by \$1,298,255, or about 7.7% over the previous year. Much of the increase (\$464,667) stems from an added emphasis on capital improvements, in particular road improvements. A new and much improved financial software system is set to go on line July 1, 2017, resulting in higher costs. Other increases accrue from an effort to help narrow the gaps between departmental missions and their current capabilities.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2017

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 41% of non-property tax revenue. For the last six years, the Town has enjoyed steady growth in excise tax collections, stemming from increases in car and truck sales. Excise tax collections for 2017 rose \$262,972, or 7.9% over 2016. For fiscal 2018, receipts are estimated conservatively at \$3.4 million, slightly less than actually collected in 2017.

Historically, state revenue sharing has been a significant source of revenues. Given the uncertain political climate surrounding this program, municipal revenue sharing has been removed from the budget. Any revenue received becomes part of unassigned fund balance, and is available either to lower taxes or to fund capital needs, in keeping with the Town's fund balance policy. \$677,413 was received in 2017. If municipal revenue sharing is reduced or eliminated by the Legislature, costs will be shifted to taxpayers through increased property taxes and/or service reductions.

Budget Overview

The Council continued its service-based approach this year, first determining the level of service to be provided, and then identifying the funding necessary to meet that level.

The budget for fiscal 2018 is \$18,100,282, an increase of \$1,298,255, or 7.7% from 2017, below are some of the highlights:

- ✓ Added two paramedic-firefighter positions to improve service and response capacity.
- ✓ Restored a mechanic's position in public works to help meet maintenance demands and provide better coverage
- ✓ Added 35 hours per week for an additional financial administrative assistant to provide service to the public at the counter and to enhance office coverage
- ✓ Adding a teen assistant to meet library programming needs
- ✓ Funding for a minor reorganization of the police department's command structure
- ✓ Fund balance of \$1,008,901 is included as a revenue source, earmarked as follows: \$300,000 to offset the two contingency funds, \$408,901 to mitigate the tax increase, \$150,000 for road improvements, and \$150,000 towards space reconfiguration at the library.

There is a strong commitment to meeting capital needs in this budget. In particular, the road improvement budget has increased \$400,000 this year: \$150,000 is for additional contract paving and related materials, and \$250,000 is for the 21st Century corridor engineering. The \$250,000 expenditure is contingent upon the sale of WEDC's Anglers road property and the subsequent loan repayment to the Town.

TOWN OF WINDHAM, MAINE
Management's Discussion and Analysis, Continued
June 30, 2017

Revenues/Fund Balance

Unassigned fund balance has grown each year since 2009. At June 30, 2017, it stands at \$8.1 million. This is an increase of \$1,246,525 over last year, or roughly 18%. Bond rating agencies consider a growing unassigned fund balance to be a positive sign, speaking to the credit strength of a municipality. This fall, Town voters will decide whether to approve a \$9.3 million bond issue to build and equip a new shared vehicle maintenance facility for the joint use of RSU #14 and the Town. If approved, Windham's strong financial position should translate into a very competitive interest rate on the bonds.

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 requiring it to maintain an *unrestricted* fund balance at 16.67% of the ensuing year's budget. This mirrors the recommendation of the Government Finance Officers Association (GFOA), which recommends "the general purpose government maintain an unrestricted fund balance of no less than two months of general fund operating expenditures". As of June 30, 2017, unrestricted fund balance as a percentage of budget stands at 27%. This equates to over *three* months of expenses.

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 21st Century Downtown plan and the updated Comprehensive Master Plan.

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.

Since fiscal 2016, the Town has used a strategic plan-based budget process. Following Council policy, the department heads and Town Manager prepare budget proposals based on a three-year strategic plan and other adopted plans such as the comprehensive master plan. Performance measurement and management continue to play a role, tying departmental activity to the strategic plan and other plans. 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 combines its three-year strategic plan with multi-year financial projections as part of its budget process, with opportunities for 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 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, 2017

Summary

Fiscal year 2017-2018 will reflect a tax rate of \$16.43 per thousand dollars of assessed value. For every tax dollar raised, 32 cents goes to the Town to support municipal services, 64 cents to the school district for public education, and 4 cents to county government. The overall rate increased 4.6% over 2017. Although this is a larger increase than experienced in recent years, it still places Windham's rate below many of its peers.

The Town continues to reduce its debt obligations, making payments of \$2.2 million in 2017. 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 \$996 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. As noted above, Windham voters will go to the polls this fall to vote on a \$9.3 million bond issue.

Windham enjoys 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, 2017

	Primary Government Governmental Activities	Component Unit WEDC
ASSETS		
Cash and cash equivalents	\$ 7,263,654	61,578
Investments	4,514,499	-
Receivables:		
Accounts, net of allowance of \$60,000	408,233	
Taxes - current year	638,249	-
Taxes - prior years	328,900	-
Tax liens	636,972	-
Notes	399,490	-
Inventory	8,481	-
Receivable - RSU #14 debt service payments	12,665,000	-
Capital assets, not being depreciated	20,579,276	423,115
Capital assets, being depreciated	7,833,951	-
Total assets	55,276,705	484,693
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	1,217,836	-
Deferred outflows of resources related to pensions	771,642	-
Total deferred outflows of resources	1,989,478	-
LIABILITIES		
Accounts payable and other current liabilities	1,213,432	26,628
Accrued wages	375,581	-
Accrued interest	121,044	43,990
Taxes paid in advance	76,646	-
Noncurrent liabilities:		
Due within one year	2,557,940	-
Due in more than one year	19,095,999	355,500
Total liabilities	23,440,642	426,118
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	255,924	-
Total deferred inflows of resources	255,924	-
NET POSITION		
Net investment in capital assets	24,152,101	23,625
Restricted:		
Special revenue programs and grants	298,693	-
Nonexpendable trust principal	41,874	-
Unrestricted	9,076,949	34,950
Total net position	\$ 33,569,617	58,575

See accompanying notes to basic financial statements.

TOWN OF WINDHAM, MAINE
Statement of Activities
For the year ended June 30, 2017

		Program Revenues			Net (expense) revenue and changes in net position	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government Governmental activities	Component Unit
Functions/programs	Expenses					WEDC
Primary government:						
Governmental activities:						
Administrative services	\$ 3,763,708	473,280	65,416	-	(3,225,012)	-
Public safety	2,781,918	8,644	59,285	-	(2,713,989)	-
Fire/rescue services	2,280,744	665,592	-	-	(1,615,152)	-
Public works	3,808,182	926,778	248,636	-	(2,632,768)	-
Recreation services	942,498	281,697	17,683	-	(643,118)	-
Education	18,263,875	-	-	-	(18,263,875)	-
County tax	1,264,831	-	-	-	(1,264,831)	-
Other	1,186,067	-	44,681	-	(1,141,386)	-
Interest on debt service	65,498	-	-	-	(65,498)	-
Capital maintenance expenses	747,824	-	-	-	(747,824)	-
Total governmental activities	35,105,145	2,355,991	435,701	-	(32,313,453)	-
Total primary government	\$ 35,105,145	2,355,991	435,701	-	(32,313,453)	-
Component unit:						
WEDC	\$ 195,437	-	186,468	-	-	(8,969)
General revenues:						
Property taxes, levied for general purposes				\$ 28,454,245		-
Excise taxes				3,627,003		-
Supplemental taxes and lien fees				43,271		-
Franchise fees				146,559		-
Grants and contributions not restricted to specific programs:						
Homestead and BETE exemptions				529,175		-
Other State aid				19,527		-
State Revenue Sharing				677,413		-
Unrestricted investment earnings				82,043		147
Miscellaneous				108,148		693
Total general revenues				33,687,384		840
Change in net position					1,373,931	(8,129)
Net position - beginning					32,195,686	66,704
Net position - ending					\$ 33,569,617	58,575

See accompanying notes to basic financial statements.

TOWN OF WINDHAM, MAINE
Balance Sheet
Governmental Funds
June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,263,654	-	7,263,654
Investments	4,286,892	227,607	4,514,499
Receivables:			
Accounts, net of allowance of \$60,000	377,526	30,707	408,233
Taxes - current year	638,249	-	638,249
Taxes - prior years	328,900	-	328,900
Tax liens	636,972	-	636,972
Notes	399,490	-	399,490
Interfund loans receivable	-	388,090	388,090
Inventory	8,481	-	8,481
Receivable - RSU #14 debt service payments	12,665,000	-	12,665,000
Total assets	\$ 26,605,164	646,404	27,251,568
LIABILITIES			
Accounts payable	464,249	2,178	466,427
Accrued wages	375,581	-	375,581
Interfund loans payable	267,611	120,614	388,225
Taxes paid in advance	76,646	-	76,646
Unearned income - impact fees	320,318	-	320,318
Inspection deposits and miscellaneous liabilities	426,552	-	426,552
Total liabilities	1,930,957	122,792	2,053,749
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	1,251,000	-	1,251,000
Unavailable revenue - RSU #14 debt service payments	12,665,000	-	12,665,000
Total deferred inflows of resources	13,916,000	-	13,916,000
FUND BALANCES			
Nonspendable	407,971	41,874	449,845
Restricted	55,000	243,693	298,693
Committed	-	348,070	348,070
Assigned	2,158,477	-	2,158,477
Unassigned	8,136,759	(110,025)	8,026,734
Total fund balances	10,758,207	523,612	11,281,819
Total liabilities, deferred inflows of resources, and fund balances	\$ 26,605,164	646,404	

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.	1,217,836
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,413,227
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable revenue - property taxes	1,251,000
Unavailable revenue - RSU #14 debt service payments	12,665,000
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	(755,908)
Accrued interest	(121,044)
Other postemployment benefits liability	(790,773)
Net pension liability, including related deferred outflows and inflows of resources	(1,326,661)
Capital leases	(1,568,126)
Premium on refunding bonds	(1,338,753)
Bonds payable	(15,358,000)

Net position of governmental activities	\$ 33,569,617
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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, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 32,220,477	-	32,220,477
Licenses and permits	422,764	-	422,764
Intergovernmental	1,514,965	87,505	1,602,470
Charges for services	1,356,991	561,120	1,918,111
Interest earned	205,124	1,961	207,085
Other	403,469	5,700	409,169
Total revenues	36,123,790	656,286	36,780,076
Expenditures:			
Current:			
Administrative services	3,440,419	76,169	3,516,588
Public safety	2,533,986	20,437	2,554,423
Fire/rescue services	1,929,043	-	1,929,043
Public works	3,111,681	356,873	3,468,554
Recreation services	736,448	186,292	922,740
Education	18,263,875	-	18,263,875
County tax	1,264,831	-	1,264,831
Other	1,185,291	-	1,185,291
Debt service	233,016	-	233,016
Capital outlay	2,555,484	940,260	3,495,744
Total expenditures	35,254,074	1,580,031	36,834,105
Excess (deficiency) of revenues over (under) expenditures	869,716	(923,745)	(54,029)
Other financing sources (uses):			
Capital lease proceeds	1,118,574	-	1,118,574
Transfers - in	398,402	443,029	841,431
Transfers - out	(443,029)	(398,402)	(841,431)
Total other financing sources (uses)	1,073,947	44,627	1,118,574
Net change in fund balances	1,943,663	(879,118)	1,064,545
Fund balances, beginning of year	8,814,544	1,402,730	10,217,274
Fund balances, end of year	\$ 10,758,207	523,612	11,281,819

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, 2017

Net change in fund balances - total governmental funds (from Statement 4)	\$ 1,064,545
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 (\$2,320,650) exceeded depreciation expense (\$858,298) and net book value of disposed assets (\$219,058).	1,243,294
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(221,000)
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 (\$298) and the increase in accrued compensated absences (\$36,512) and other postemployment benefits liability (\$81,347).	(117,561)
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 proceeds (\$1,118,574) exceeded repayments (\$427,270).	(691,304)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of bond repayments.	1,785,000
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.	(71,263)
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 \$12,665,000 with principal amounts paid off during the year totaling \$1,635,000.	(1,635,000)
Change in net position of governmental activities (see Statement 2)	\$ 1,373,931

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, 2017

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 31,935,128	31,610,128	32,220,477	610,349
Licenses and permits	439,382	439,382	422,764	(16,618)
Intergovernmental	882,077	1,207,077	1,486,000	278,923
Charges for services	1,159,600	1,159,600	1,356,991	197,391
Interest earned	125,000	125,000	205,124	80,124
Other	250,663	250,663	344,123	93,460
Total revenues	34,791,850	34,791,850	36,035,479	1,243,629
Expenditures:				
Current:				
Administrative services	3,488,393	3,488,393	3,440,419	47,974
Public works	3,272,093	3,345,193	3,111,681	233,512
Public safety	2,513,125	2,525,125	2,487,134	37,991
Fire/rescue services	1,971,629	1,977,829	1,929,043	48,786
Recreation services	714,236	776,936	698,859	78,077
Education	18,263,875	18,263,875	18,263,875	-
County tax	1,264,831	1,264,831	1,264,831	-
Other	1,585,994	1,618,094	1,179,214	438,880
Debt service	236,500	236,500	233,016	3,484
Capital outlay (includes TIF transfers)	2,509,592	3,213,665	1,879,939	1,333,726
Total expenditures	35,820,268	36,710,441	34,488,011	2,222,430
Excess (deficiency) of revenues over (under) expenditures	(1,028,418)	(1,918,591)	1,547,468	3,466,059
Other financing sources:				
Use of assigned fund balance	763,927	1,654,100	-	(1,654,100)
Transfers from other funds	400,571	400,571	398,402	(2,169)
Total other financing sources	1,164,498	2,054,671	398,402	(1,656,269)
Net change in fund balance - budgetary basis	136,080	136,080	1,945,870	1,809,790
Reconciliation to GAAP basis:				
Change in assigned funds			(2,207)	
Net change in fund balance - GAAP basis			1,943,663	
Fund balance, beginning of year			8,814,544	
Fund balance, end of year	\$		10,758,207	

See accompanying notes to basic financial statements.

TOWN OF WINDHAM, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

		Private-purpose Trust Fund (Scholarships)
ASSETS		
Investments	\$	67,151
Due from Town		135
Total assets		67,286
LIABILITIES		
Due to Town		-
Total liabilities		-
NET POSITION		
Restricted	\$	67,286

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, 2017

	Private-purpose Trust Fund (Scholarships)
Additions:	
Investment income	\$ 363
Total additions	363
Deductions:	
Scholarships awarded	260
Total deductions	260
Change in net position	103
Net position, beginning of year	67,183
Net position, end of year	\$ 67,286

See accompanying notes to basic financial statements.

TOWN OF WINDHAM, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

The Town reports the following major governmental funds:

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

Additionally, the Town reports the following fund type:

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

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

D. Cash and Investments

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

E. Interfund Loans Receivable/Payable

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

F. Inventories

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

G. Capital Assets

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

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

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

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

The Town commissioned a triennial physical condition assessment of the streets and roads in 2016. 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 other infrastructure assets in 2017. Other infrastructure assets consist of catch basins. 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, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

For all other capital assets: buildings, vehicles, and equipment, the Town elects to use the Depreciation Approach as defined by Statement No. 34 for reporting.

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, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 also 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, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

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

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

N. Interfund Transactions

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

O. Use of Estimates

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2017, no expenditures exceeded appropriations.

C. Revised Budget

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

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources (uses)</u>
2017 budget as originally adopted	\$ 34,791,850	(35,820,268)	1,164,498
Assigned carryforward balance	-	(890,173)	890,173
Totals	\$ 34,791,850	(36,710,441)	2,054,671

The original approved municipal budget for the Town does not include a budgeted amount for State Revenue Sharing. During the process of the assessment of the tax commitment, the Town added \$325,000 for State Revenue Sharing, which reduced the tax commitment by that same amount. This difference is shown between the original and final budget for taxes and intergovernmental revenues as presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Statement 6).

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

Budgeted use of surplus	\$ 763,927
Transfer from Pipeline Development District TIF	121,099
Transfer from Roosevelt Promenade TIF	274,503
Transfer from Recreation	2,169
Transfer from Cemetery	2,800
Total other financing sources	\$ 1,164,498

D. Deficit Fund Balances

At June 30, 2017, the following funds had deficit balances:

Little Falls Sewer Operations	\$ 24,762
Be the Influence Grant	3,000
JAG Grant	13
Capital projects	62,132

These deficits will be funded with future revenues or transfers.

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

DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town minimizes custodial credit risk by obtaining collateral for all uninsured amounts on deposit. Time deposits are insured up to \$250,000 by the F.D.I.C. 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, 2017, the Town reported deposits of \$7,263,654 with a bank balance of \$7,484,888. 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 \$61,578 which were fully covered by F.D.I.C.

Deposits have been reported as follows:

Reported in governmental funds	\$ 7,263,654
Reported in component unit (WEDC)	61,578
Total deposits	<u>\$ 7,325,232</u>

B. Investments

At June 30, 2017, the Town had the following investments:

Certificates of deposit	\$ 4,295,000
Sweep accounts	215,005
Money market	71,508
Savings	137
Total investments	<u>\$ 4,581,650</u>

Investments have been reported as follows:

Reported in governmental funds	\$ 4,514,499
Reported in fiduciary funds	67,151
Total investments	<u>\$ 4,581,650</u>

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.

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

DEPOSITS AND INVESTMENTS, CONTINUED

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.

Of the Town's \$4,581,650 investments as noted above, 100% was either covered by F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

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

PROPERTY TAXES

Property taxes for the current year were committed on August 23, 2016 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, 2016 and April 1, 2017. 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 \$49,787 for the year ended June 30, 2017.

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 2017 and 2016 levies:

	<u>2017</u>	<u>2016</u>
Assessed value	\$ 1,803,829,800	1,794,182,800
Tax rate (per \$1,000)	15.70	15.15
Commitment	28,320,128	27,181,869
Supplemental taxes assessed	19,815	35,390
	28,339,943	27,217,259
Less:		
Abatements	12,216	35,859
Collections	27,689,478	26,374,912
Receivable at June 30	\$ 638,249	806,488
Due date(s)	½ October 3, 2016 ½ April 3, 2017	½ October 1, 2015 ½ April 1, 2016
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	97.75%	97.03%

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

INTERFUND BALANCES

Individual interfund receivable and payable balances at June 30, 2017 were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
<u>General Fund</u>	\$ -	<u>267,611</u>
Other Governmental Funds:		
Little Falls Sewer Operations	-	55,469
Recreation Program	144,397	-
Be the Influence Grant	-	3,000
Pipeline Development T.I.F.	43,599	-
Roosevelt Promenade T.I.F.	98,830	-
Gateway North T.I.F.	101,264	-
JAG Grant	-	13
South Windham Fire Station (Capital Projects)	-	<u>62,132</u>
Total other governmental funds	388,090	120,614
<u>Fiduciary Fund</u>	135	-
<u>Totals</u>	<u>\$ 388,225</u>	<u>388,225</u>

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

INTERFUND TRANSFERS

Individual fund transfers for the year ended June 30, 2017 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
<u>General Fund</u>	<u>\$ 398,402</u>	<u>443,029</u>
Other Governmental Funds:		
Pipeline Development T.I.F.	174,094	121,099
Roosevelt Promenade T.I.F.	210,000	274,503
Gateway North T.I.F.	48,797	-
Marblehead Manor T.I.F.	10,138	-
Perpetual Care Trust Funds	-	<u>2,800</u>
Total other governmental funds	443,029	398,402
<u>Totals</u>	<u>\$ 841,431</u>	<u>841,431</u>

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,077,838	-	(80,226)	1,997,612
Construction in progress	1,176,969	1,428,433	(2,605,402)	-
Infrastructure	18,128,784	452,880	-	18,581,664
<u>Total capital assets, not being depreciated</u>	<u>21,383,591</u>	<u>1,881,313</u>	<u>(2,685,628)</u>	<u>20,579,276</u>
Capital assets, being depreciated:				
Land improvements	301,739	-	-	301,739
Buildings	5,263,920	1,723,005	-	6,986,925
Equipment	4,019,493	184,039	(214,552)	3,988,980
Vehicles	4,992,988	1,137,695	(694,649)	5,436,034
Infrastructure	1,528,823	-	-	1,528,823
<u>Total capital assets, being depreciated</u>	<u>16,106,963</u>	<u>3,044,739</u>	<u>(909,201)</u>	<u>18,242,501</u>
Less accumulated depreciation for:				
Land improvements	(83,097)	(12,013)	-	(95,110)
Buildings	(3,082,490)	(159,432)	-	(3,241,922)
Equipment	(2,975,725)	(197,991)	214,552	(2,959,164)
Vehicles	(3,207,229)	(452,077)	555,817	(3,103,489)
Infrastructure	(972,080)	(36,785)	-	(1,008,865)
<u>Total accumulated depreciation</u>	<u>(10,320,621)</u>	<u>858,298</u>	<u>770,369</u>	<u>(10,408,550)</u>
 Total capital assets being depreciated, net	 5,786,342	 2,186,441	 (138,832)	 7,833,951
 <u>Governmental capital assets, net</u>	 <u>\$ 27,169,933</u>	 <u>4,067,754</u>	 <u>(2,824,460)</u>	 <u>28,413,227</u>

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

Governmental activities:	
Administrative services	\$ 80,495
Public safety	213,876
Fire/rescue services	222,492
Public works	324,401
Recreation services	16,469
Other	565
 <u>Total depreciation expense – governmental activities</u>	 <u>\$ 858,298</u>

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

CAPITAL ASSETS, CONTINUED

Discretely Presented Component Unit:

Activity for the Windham Economic Development Corporation (WEDC):

	Balance July 1, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2017</u>
Capital assets, not being depreciated:				
Land	\$ 409,183	7,110	-	416,293
Other	-	6,822	-	6,822
Total capital assets not being depreciated	\$ 409,183	13,932	-	423,115

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
Governmental activities:					
General obligation bonds	\$ 17,143,000	-	1,785,000	15,358,000	1,868,400
Premium on refunding bonds	1,519,259	-	180,506	1,338,753	180,506
Capital leases	876,822	1,118,574	427,270	1,568,126	459,034
Accrued compensated absences	719,396	36,512	-	755,908	50,000
Net pension liability	1,244,764	597,615	-	1,842,379	-
Other postemployment benefits	709,426	103,739	22,392	790,773	-
Totals	\$ 22,212,667	1,856,440	2,415,168	21,653,939	2,557,940

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

LONG-TERM DEBT

General obligation bonds, notes, and capital leases payable at June 30, 2017 are comprised of the following:

Primary government:

	<u>Original amount</u>	<u>Interest rate</u>	<u>Final maturity date</u>	<u>Balance end of year</u>
General Obligation Bonds				
2011 General Obligation Refunding Bonds	\$ 19,045,000	2.50-5.00%	2025	13,690,000 (1)
2016 General Obligation Bonds – Series A	1,668,000	0.25-3.50%	2037	1,668,000
Total general obligation bonds				15,358,000
Capital Leases				
Fire truck and ambulances		2.22%	2022	751,643
Plow truck, MUNIS, and other equipment		2.48%	2022	366,931
Three dump trucks		2.48%	2018	95,672
Dump truck, plow gear, and cardiac monitors		2.25%	2018	79,078
Loader and dump truck		2.44%	2021	274,802
Total capital leases				1,568,126
Total primary government general obligation bonds and capital leases				\$ 16,926,126

(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 \$12,665,000, 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, 2017 was \$355,500. The note is due on demand, on or after December 30, 2017, and accrues interest at 2%, until all remaining principal is paid.

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

LONG-TERM DEBT, CONTINUED

The annual requirements to amortize all debt outstanding as of June 30, 2017 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>
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	1,858,400	310,108	2,168,508
2023-2027	5,212,000	485,776	5,697,776
2028-2032	417,000	101,610	518,610
2033-2037	417,000	35,722	452,722
Totals	\$ 15,358,000	2,935,026	18,293,026

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, 2017:

<u>Fiscal year ending</u>	<u>Total capital leases</u>
2018	\$ 490,100
2019	311,199
2020	311,199
2021	311,199
2022	238,257
Total minimum lease payments	1,661,954
Less amount representing interest	(93,828)
Present value of future minimum lease payments	\$ 1,568,126

STATUTORY DEBT LIMIT

In accordance with 30 MRSA, Section 5061, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. As of June 30, 2017, the Town has not exceeded these percentages.

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

DIRECT AND OVERLAPPING DEBT

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

<u>Units</u>	<u>Net debt outstanding</u>	<u>Percentage applicable to the Town</u>	<u>Town's proportionate share of debt</u>
Town of Windham	\$ 16,926,126	100.00%	16,926,126
Cumberland County	37,435,000	4.46%	1,667,880
Portland Water District - Water	45,980,073	6.70%	3,080,665
Portland Water District - Wastewater	40,709,282	3.34%	1,358,610

JOINTLY GOVERNED ORGANIZATION

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

ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 member communities, ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The Town is a member community in ecomaine. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to ecomaine for processing and to make service payments and pay tipping fees for such processing. The Town has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in ecomaine. Selected balance sheet information for ecomaine for the year ended June 30, 2017 includes total assets of \$64,040,233, total liabilities of \$17,454,918 and unrestricted net position of \$18,547,554. The liabilities include an accrual for landfill closure and postclosure care amounting to \$14,564,514. ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2011 and a projected closing date. The separate audited financial statements of ecomaine may be obtained at their administrative office: ecomaine, 64 Blueberry Rd., Portland, Maine 04102.

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for workers' compensation coverage. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2017.

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

NET POSITION

Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net investment in capital assets was calculated as follows at June 30, 2017:

Capital assets	\$ 38,821,777
Accumulated depreciation	(10,408,550)
Bonds payable	(15,358,000)
Less RSU No. 14 portion of bonds payable	12,665,000
Capital leases	(1,568,126)

<u>Net investment in capital assets</u>	<u>\$ 24,152,101</u>
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DEFERRED COMPENSATION PLAN

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

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 9.0% and 9.5% of their annual pay, respectively. The Town's contractually required contribution rate for the year ended June 30, 2017, was 7.7% 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 \$176,664 for the year ended June 30, 2017.

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

At June 30, 2017, the Town reported a liability of \$1,842,379 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the Town's proportion was 0.3467%.

For the year ended June 30, 2017, the Town recognized pension expense of \$247,927. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	96,166
Changes of assumption	197,507	-
Net difference between projected and actual earnings on pension plan investments	397,471	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	159,758
Town contributions subsequent to the measurement date	176,664	-
Total	\$ 771,642	255,924

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

\$176,664 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, 2018. 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:

2018	\$ 22,514
2019	20,420
2020	189,937
2021	106,183

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	2.75% to 9.0% per year
Investment return	6.875% per annum, compounded annually
Cost of living benefit increases	2.20% per annum

Mortality rates were based on the RP2014 Total Dataset Healthy Annuity Mortality Table, for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%
Total	100%	

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Discount Rate - The discount rate used to measure the total pension liability was 6.875%. 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 6.875%, 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 (5.875%) or 1 percentage-point higher (7.875%) than the current rate:

	1% Decrease (<u>5.875%</u>)	Current Discount Rate (<u>6.875%</u>)	1% Increase (<u>7.875%</u>)
Town's proportionate share of the net pension liability	\$ 3,058,017	\$ 1,842,379	\$ 697,899

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, 2017.

TAX INCREMENT FINANCING DISTRICT

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, 2017, \$174,094 of tax revenues were captured and reported as TIF district revenues.

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

TAX INCREMENT FINANCING DISTRICT, CONTINUED

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, 2017, \$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 21st 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, 2017, \$48,797 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, 2017, \$10,138 of tax revenues were captured and reported as TIF revenues; property taxes abated and remitted under this agreement amounted to \$10,138 this year.

LANDFILL CLOSURE COSTS AND POSTCLOSURE CARE COSTS

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

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

FUND BALANCE

The General Fund unassigned fund balance total of \$8,136,759 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 (\$20,118) is also reported for the perpetual care trust fund, (\$62,132) for capital projects, and (\$27,775) for nonmajor special revenue funds as of June 30, 2017.

As of June 30, 2017, other fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund:				
Inventory	\$ 8,481	-	-	-
Note receivable	399,490	-	-	-
Subsequent year budget	-	-	-	300,000
Public safety	-	-	-	80,813
Library	-	55,000	-	66,700
Recreation	-	-	-	12,029
Public works	-	-	-	59,275
Human services	-	-	-	140,290
Other	-	-	-	48,431
Capital outlay	-	-	-	1,450,939
Special Revenue Funds:				
Recreation program	-	-	142,219	-
Pipeline Development T.I.F.	-	43,599	-	-
Roosevelt Promenade T.I.F.	-	98,830	-	-
Gateway North T.I.F.	-	101,264	-	-
Permanent Funds:				
Cemetery Acquisition Fund	-	-	199,829	-
Perpetual Care Trust Funds	41,074	-	-	-
Library Trust Fund	800	-	6,022	-
Totals	\$ 449,845	298,693	348,070	2,158,477

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

OTHER POSTEMPLOYMENT BENEFITS

The Town of Windham is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's other postemployment benefits (OPEB) liability under GASB Statement 45. An OPEB liability actuarial valuation was completed by the consultants in August 2017 (valuation date January 1, 2017).

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, 2017, 2016, and 2015 and the annual required contribution:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Normal cost	\$ 39,000	54,091	54,091
Amortization of Unfunded	75,128	58,531	58,531
Adjustment to ARC	(41,026)	(36,109)	(30,509)
Interest	30,637	27,206	23,332
Annual required contribution	\$ 103,739	103,719	105,445

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

OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
OPEB liability, July 1	\$ 709,426	624,399	527,571
Annual required contribution	103,739	103,719	105,445
Less: Actual contributions	(22,392)	(18,692)	(8,617)
OPEB liability, June 30	\$ 790,773	709,426	624,399

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, 2017, 2016 and 2015 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ 103,739	103,719	105,445
Actual contribution	22,392	18,692	8,617
Percent contributed	21.58%	18.02%	8.17%
Actuarial accrued liability	1,351,086	1,052,606	1,052,606
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 1,351,086	1,052,606	1,052,606
Covered payroll	\$ 5,455,441	5,367,431	5,116,647
Unfunded actuarial accrued liability as a percentage of covered payroll	24.8%	19.6%	20.6%

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, Continued

OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

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	1/1/17
Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization period	30 years

Actuarial assumptions:	
Investment rate of return	4.00%
Rate of salary increases	2.75%
Ultimate rate of medical inflation	4.00%

TOWN OF WINDHAM, MAINE
Required Supplementary Information

MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS

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

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

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

In 2016, 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 using the Visual Condition Survey for Flexible Pavements methodology, developed by the Maine Department of Transportation (MaineDOT) Pavement Management Division. The pavement condition data is collected using the MaineDOT Visual Condition Survey (VCS) methodology. This methodology is similar to the ASTM D6433 methodology, except that it only looks at seven types of pavement distresses versus twenty-eight types of distresses. We have found that the Visual Condition Survey method provides similar results as the ASTM methodology, and it reduces the data collection time.

The pavement condition data is collected using a pavement distress survey approach developed by the MaineDOT. Streets that are less than one mile in length are surveyed every ¼ mile. Streets that are greater than a mile in length are surveyed every ½ mile. At each survey location, we evaluate the pavement distresses within a 100 foot long sample area. The distress survey records the extent and the severity of commonly occurring Maine pavement distresses. These distresses include cracking, distortion and patching.

The raw pavement distresses are collected and entered into a spreadsheet that calculates a Pavement Condition Rating (PCR). The PCR is a rating from 0 to 5, with a 5 being a newly paved roadway. The following table describes the pavement condition relative to the PCR ranges:

TOWN OF WINDHAM, MAINE
Required Supplementary Information, Continued

MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS, CONTINUED

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

Roads with ratings of 2.40 or less are considered poor and in obvious need of rehabilitation or reconstruction. Roads rated between 2.40 and 3.20 are candidates for an overlay. Roads with ratings of 3.21 and above are considered good and not in need of improvement beyond routine maintenance.

There were approximately 229 streets or street sections resulting in 103.8 miles of rated roads. The overall roadway condition in Windham was determined by calculating the total miles of roadway within each pavement condition category. Some of the roadways in Windham, within the Urban Compact Area, are maintained by both the State and the Town, depending on the season and type of maintenance. For this reason, the overall road network is separated into two categories, State Roads and Town Roads. The State Roads for 2016 were assessed as follows: 87.5% were very good (3.61-5.00 PCR), 8.6% were good (3.21-3.60 PCR), and 3.9% were fair-good (2.81-3.20 PCR). The Town Roads for 2016 were rated as follows: 78.1% were very good (3.61-5.00 PCR), 13.0% were good (3.21-3.60 PCR), and 8.9% were fair-good (2.81-3.20 PCR). All roads (State and Town Roads) for 2013 were assessed as follows: 70.2% were very good (3.61-5.00 PCR), 19.6% were good (3.21-3.60 PCR), and 10.2% were fair-good (2.81-3.20 PCR).

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 2016, the estimated cost to treat all eligible roadways (with condition ratings of less than 3.21) was estimated at \$1,013,301 through 2020. The estimated cost to treat all eligible state roads for which the Town has maintenance responsibility is estimated at \$6,667,779 through 2026. The Town expended \$586,937 on road and street maintenance and \$983,339 for improvements for the fiscal year ended June 30, 2017. Both types of activities may contribute to improvements in the overall condition of roads.

TOWN OF WINDHAM, MAINE
Required Supplementary Information, Continued

MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS, CONTINUED

Pavement condition rating (PCR) surveys only look at one element of a road's condition, but one which can communicate a great deal about underlying problems. Overlay alone may be enough to improve a road's rating for the short term, but more extensive work may be needed to address other issues. The Town estimates that the amount of annual expenditures required to improve and maintain the Town's roads and streets, and portions of state highways for which the Town is responsible for maintenance, at an average PCR score of 3.21 to be at least \$1,718,000. 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 2017, the Town 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, 97% of catch basins were found to be in good (87.1%) or fair (10.1%) 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 2020.

TOWN OF WINDHAM, MAINE
Required Supplementary Information, Continued

SCHEDULE OF FUNDING PROGRESS
Retiree Healthcare Plan

Fiscal Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
2009	1/1/09	\$ -	785,331	785,331	0.00%	4,998,035	15.7%
2010	1/1/09	-	785,331	785,331	0.00%	5,009,860	15.7%
2011	1/1/11	-	1,011,865	1,011,865	0.00%	4,495,688	22.5%
2012	1/1/11	-	1,011,865	1,011,865	0.00%	4,513,604	22.4%
2013	1/1/11	-	1,011,865	1,011,865	0.00%	4,726,024	21.4%
2014	1/1/14	-	1,052,606	1,052,606	0.00%	4,864,904	21.6%
2015	1/1/14	-	1,052,606	1,052,606	0.00%	5,116,647	20.6%
2016	1/1/14	-	1,052,606	1,052,606	0.00%	5,367,431	19.6%
2017	1/1/17	-	1,351,086	1,351,086	0.00%	5,455,441	24.8%

TOWN OF WINDHAM, MAINE
Required Supplementary Information, Continued

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

Last 10 Fiscal Years*

	<u>2017</u> **	<u>2016</u> **	<u>2015</u> **
Town's proportion of the net pension liability	0.3467%	0.3902%	0.4077%
Town's proportionate share of the net pension liability	1,842,379	1,244,764	627,369
Town's covered payroll	1,908,722	2,043,137	1,896,934
Town's proportion share of the net pension liability as a percentage of its covered payroll	96.52%	60.92%	33.07%
Plan fiduciary net position as a percentage of of the total pension liability	81.61%	88.27%	94.10%

* Only three 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

Schedule of Town Contributions
Maine Public Employees Retirement System Consolidated Plan

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 176,664	162,710	157,620	140,823
Contributions in relation to the contractually required contribution	(176,664)	(162,710)	(157,620)	(140,823)
<u>Contribution deficiency (excess)</u>	-	-	-	-
Town's covered payroll	2,087,654	1,908,722	2,043,137	1,896,934
Contributions as a percentage of covered payroll	8.46%	8.52%	7.71%	7.42%

**Only four years of information was available.*

TOWN OF WINDHAM, MAINE
Notes to Required Supplementary Information

Changes of Benefit Terms - None

Changes of Assumptions - The following are changes in actuarial assumptions used in the most recent valuation:

	<u>2017</u>	<u>2016</u>
Discount rate	6.875%	7.125%
Inflation rate	2.75%	3.5%
Salary increases	2.75% to 9.0%	3.5% to 9.5%
Cost of living increase	2.20%	2.55%
Long-term expected real rate of return on assets:		
US equities	5.7%	5.2%
Real estate	5.2%	3.7%
Infrastructure	5.3%	4.0%
Hard assets	5.0%	4.8%
Fixed income	2.9%	0.7%

In addition, mortality rates were previously based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA, which, in the most recent valuation, changed to mortality rates that were based on the RP2014 Total Data Set Healthy Annuity Mortality Table.

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, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 7,263,654	4,686,239
Investments	4,286,892	4,015,495
Receivables:		
Accounts, net of allowance of \$60,000 and \$27,662, respectively	377,526	819,817
Taxes - current year	638,249	806,488
Taxes - prior years	328,900	309,389
Tax liens - prior years	636,972	746,351
Notes	399,490	392,380
Interfund loans receivable	-	560,683
Inventory	8,481	13,372
Receivable - RSU #14 debt service payments	12,665,000	14,300,000
Total assets	\$ 26,605,164	26,650,214
LIABILITIES		
Accounts payable	464,249	789,350
Accrued wages	375,581	328,085
Interfund loans payable	267,611	-
Taxes paid in advance	76,646	63,415
Unearned income - impact fees	320,318	188,978
Inspection deposits and miscellaneous liabilities	426,552	693,842
Total liabilities	1,930,957	2,063,670
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	1,251,000	1,472,000
Unavailable revenue - RSU #14 debt service payments	12,665,000	14,300,000
Total deferred inflows of resources	13,916,000	15,772,000
FUND BALANCE		
Nonspendable	407,971	405,752
Restricted	55,000	25,000
Assigned	2,158,477	1,493,558
Unassigned	8,136,759	6,890,234
Total fund balance	10,758,207	8,814,544
Total liabilities, deferred inflows of resources, and fund balance	\$ 26,605,164	26,650,214

TOWN OF WINDHAM, MAINE
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the year ended June 30, 2017
(with comparative actual amounts for the year ended June 30, 2016)

		2017					
		2016		Total	Variance	2016	
		carryforward	Budget	available	Actual	positive	Actual
						(negative)	
Revenues:							
Taxes:							
Property taxes	\$	-	28,320,128	28,320,128	28,329,203	9,075	27,256,886
Change in deferred property tax revenue		-	-	-	221,000	221,000	86,000
Excise taxes		-	3,275,000	3,275,000	3,627,003	352,003	3,364,943
Supplemental taxes and lien fees		-	15,000	15,000	43,271	28,271	56,278
Total taxes		-	31,610,128	31,610,128	32,220,477	610,349	30,764,107
Licenses and permits:							
Town Clerk fees		-	45,000	45,000	41,463	(3,537)	36,651
Building permits		-	125,000	125,000	154,805	29,805	140,882
Plumbing fees		-	40,000	40,000	57,800	17,800	48,651
Planning fees		-	66,500	66,500	41,546	(24,954)	35,925
License and other fees		-	112,882	112,882	73,169	(39,713)	55,064
Motor vehicle registration fees		-	50,000	50,000	53,981	3,981	53,000
Total licenses and permits		-	439,382	439,382	422,764	(16,618)	370,173
Intergovernmental:							
State Revenue Sharing *		-	325,000	325,000	677,413	352,413	721,722
State highway block grant		-	250,000	250,000	248,636	(1,364)	250,876
Homestead and BETE exemptions		-	584,077	584,077	529,175	(54,902)	335,175
General assistance reimbursement		-	28,000	28,000	11,249	(16,751)	3,985
State Tree Growth		-	20,000	20,000	19,527	(473)	20,671
Total intergovernmental		-	1,207,077	1,207,077	1,486,000	278,923	1,332,429
Charges for services:							
Solid waste disposal fees		-	450,000	450,000	585,363	135,363	526,741
Rescue reimbursement		-	620,000	620,000	665,592	45,592	610,765
RSU service payment		-	41,100	41,100	41,100	-	45,000
Library fines and fees		-	7,500	7,500	9,267	1,767	8,434
False alarm fees/police fines and fees		-	4,000	4,000	8,644	4,644	5,225
Park fees		-	37,000	37,000	47,025	10,025	49,234
Total charges for services		-	1,159,600	1,159,600	1,356,991	197,391	1,245,399

* See page 33 of the footnotes for explanation of budgeted amount for State Revenue Sharing

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

		2017				Variance positive (negative)	2016 Actual
	2016 carryforward	Budget	Total available	Actual			
Revenues, continued:							
Interest earned:							
Interest on delinquent taxes	\$ -	100,000	100,000	125,042	25,042	114,467	
Interest earned on investments	-	25,000	25,000	80,082	55,082	37,596	
Total interest earned	-	125,000	125,000	205,124	80,124	152,063	
Other revenues:							
Cable television franchise	-	115,000	115,000	146,559	31,559	118,909	
Fee in lieu of taxes	-	29,247	29,247	14,645	(14,602)	-	
Rent	-	9,416	9,416	9,416	-	9,416	
Sale of property	-	-	-	80,000	80,000	500	
Miscellaneous	-	97,000	97,000	93,503	(3,497)	68,856	
Total other revenues	-	250,663	250,663	344,123	93,460	197,681	
Total revenues	-	34,791,850	34,791,850	36,035,479	1,243,629	34,061,852	
Expenditures:							
Current:							
Administrative services:							
Town Council	-	158,280	158,280	153,115	5,165	181,316	
Town management	-	480,686	480,686	499,909	(19,223)	455,807	
Collection and registration	-	246,917	246,917	225,684	21,233	227,136	
Information services	-	171,864	171,864	179,578	(7,714)	160,522	
Community participation	-	69,188	69,188	54,493	14,695	58,649	
Community TV and E-Government	-	56,058	56,058	40,439	15,619	50,710	
Economic Development	-	186,468	186,468	186,845	(377)	164,487	
Municipal insurance	-	131,320	131,320	121,461	9,859	121,453	
Employee benefits	-	1,987,612	1,987,612	1,978,895	8,717	1,858,352	
Total administrative services	-	3,488,393	3,488,393	3,440,419	47,974	3,278,432	

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

		2017				
		2016 carryforward	Budget	Total available	Actual	Variance positive (negative)
						2016 Actual
Expenditures, continued						
Current, continued:						
Public works:						
Public works administration	\$	-	216,618	216,618	208,793	7,825
Road maintenance/patching		-	680,286	680,286	586,937	93,349
Traffic signals, road markings/drainage		43,300	135,500	178,800	139,456	39,344
Snow plowing		-	425,000	425,000	424,526	474
Building maintenance		1,300	570,006	571,306	500,953	70,353
Grounds maintenance		-	13,600	13,600	9,124	4,476
Highway vehicle maintenance		28,500	385,996	414,496	404,249	10,247
Solid waste disposal		-	845,087	845,087	837,643	7,444
Total public works		73,100	3,272,093	3,345,193	3,111,681	233,512
Public safety:						
Police safety		12,000	1,966,946	1,978,946	1,948,832	30,114
Public safety dispatching		-	385,714	385,714	382,284	3,430
Animal control		-	64,910	64,910	61,890	3,020
Police vehicle maintenance		-	95,555	95,555	94,128	1,427
Total public safety		12,000	2,513,125	2,525,125	2,487,134	37,991
Fire/rescue services:						
Fire safety		-	1,655,905	1,655,905	1,589,179	66,726
Rescue bad debt expense		-	85,000	85,000	101,576	(16,576)
Civil emergency preparedness		-	1,480	1,480	392	1,088
Water main charges		-	94,730	94,730	102,172	(7,442)
Fire and rescue vehicle maintenance		6,200	134,514	140,714	135,724	4,990
Total fire/rescue services		6,200	1,971,629	1,977,829	1,929,043	48,786

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

		2017				Variance positive (negative)	2016 Actual
		2016 carryforward	Budget	Total available	Actual		
Expenditures, continued							
Current, continued:							
Recreation services:							
Recreation	\$	-	182,246	182,246	179,631	2,615	181,481
Dundee Park		-	96,354	96,354	112,880	(16,526)	85,590
Skate park		-	20,750	20,750	7,308	13,442	2,299
Library services		62,700	414,886	477,586	399,040	78,546	382,557
Total recreation services		62,700	714,236	776,936	698,859	78,077	651,927
Education		-	18,263,875	18,263,875	18,263,875	-	17,699,917
County tax		-	1,264,831	1,264,831	1,264,831	-	1,216,178
Other:							
Property and inspection services:							
Code enforcement and zoning administration		-	265,551	265,551	257,177	8,374	251,727
Planning services		-	311,190	311,190	287,196	23,994	199,216
Comprehensive master plan		32,100	-	32,100	3,669	28,431	-
Assessing		-	291,544	291,544	281,723	9,821	244,271
Geographic information systems		-	8,950	8,950	8,281	669	5,575
Town clerk services		-	190,308	190,308	186,638	3,670	158,489
Abatements		-	49,787	49,787	12,216	37,571	35,859
Social services:							
Social services		-	145,864	145,864	120,264	25,600	107,403
Social services agency funding		-	22,800	22,800	22,050	750	23,050
Contingency:							
Contingency		-	150,000	150,000	-	150,000	89,289
Energy and weather emergency fund		-	150,000	150,000	-	150,000	100,000
Total other		32,100	1,585,994	1,618,094	1,179,214	438,880	1,214,879
Debt service:							
Principal		-	150,000	150,000	150,000	-	150,000
Interest		-	86,500	86,500	83,016	3,484	50,625
Total debt service		-	236,500	236,500	233,016	3,484	200,625

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

	2016 carryforward	2017		Actual	Variance positive (negative)	2016 Actual
		Budget	Total available			
Expenditures, continued:						
Capital outlay:						
Equipment replacement	\$ -	725,000	725,000	452,175	272,825	958,775
Town road resurfacing	246,116	850,000	1,096,116	983,339	112,777	897,364
Buildings and facilities improvements (includes TIF transfers)	388,183	859,592	1,247,775	428,677	819,098	450,807
Land and facilities improvements	69,774	75,000	144,774	15,748	129,026	80,226
Total capital outlay	704,073	2,509,592	3,213,665	1,879,939	1,333,726	2,387,172
Total expenditures	890,173	35,820,268	36,710,441	34,488,011	2,222,430	33,616,757
Excess (deficiency) of revenues over (under) expenditures	(890,173)	(1,028,418)	(1,918,591)	1,547,468	3,466,059	445,095
Other financing sources (uses):						
Transfers from other funds	-	400,571	400,571	398,402	(2,169)	331,110
Utilization of prior year surplus and carried forward balances	890,173	763,927	1,654,100	-	(1,654,100)	-
Total other financing sources (uses)	890,173	1,164,498	2,054,671	398,402	(1,656,269)	331,110
Net change in fund balance - budgetary basis	-	136,080	136,080	1,945,870	1,809,790	776,205
Reconciliation to GAAP basis:						
Change in assigned funds				(2,207)		47,866
Net change in fund balance - GAAP basis				1,943,663		824,071
Fund balance, beginning of year				8,814,544		7,990,473
Fund balance, end of year	\$			10,758,207		8,814,544

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF WINDHAM
Combining Balance Sheet
All Other Governmental Funds
June 30, 2017

	Special Revenue Funds	Capital Projects	Permanent Funds	Total Other Governmental Funds
ASSETS				
Investments	\$ -	-	227,607	227,607
Accounts receivable	30,707	-	-	30,707
Interfund loans receivable	388,090	-	-	388,090
Total assets	\$ 418,797	-	227,607	646,404
LIABILITIES				
Accounts payable	2,178	-	-	2,178
Interfund loans payable	58,482	62,132	-	120,614
Total liabilities	60,660	62,132	-	122,792
FUND BALANCES				
Nonspendable	-	-	41,874	41,874
Restricted	243,693	-	-	243,693
Committed	142,219	-	205,851	348,070
Unassigned	(27,775)	(62,132)	(20,118)	(110,025)
Total fund balances (deficit)	358,137	(62,132)	227,607	523,612
Total liabilities and fund balances	\$ 418,797	-	227,607	646,404

TOWN OF WINDHAM, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2017

	Special Revenue Funds	Capital Projects	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 87,505	-	-	87,505
Charges for services	561,120	-	-	561,120
Interest revenue	-	1,492	469	1,961
Other revenue	-	-	5,700	5,700
Total revenues	648,625	1,492	6,169	656,286
Expenditures:				
Current:				
Administrative services	76,169	-	-	76,169
Public safety	20,437	-	-	20,437
Public works	356,873	-	-	356,873
Recreation services	186,292	-	-	186,292
Capital outlay	74,126	866,134	-	940,260
Total expenditures	713,897	866,134	-	1,580,031
Excess (deficiency) of revenues over (under) expenditures	(65,272)	(864,642)	6,169	(923,745)
Other financing sources (uses):				
Transfer from other funds	443,029	-	-	443,029
Transfer to other funds	(395,602)	-	(2,800)	(398,402)
Total other financing sources (uses)	47,427	-	(2,800)	44,627
Net change in fund balances	(17,845)	(864,642)	3,369	(879,118)
Fund balances, beginning of year	375,982	802,510	224,238	1,402,730
Fund balances (deficits), end of year	\$ 358,137	(62,132)	227,607	523,612

NONMAJOR 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.

Be the Influence and JAG Grants

To account for grant activity.

T.I.F. Funds

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

TOWN OF WINDHAM, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2017

		Little Falls Sewer Operations	Recreation Program	Be The Influence Grant	Pipeline Development T.I.F.	Roosevelt Promenade T.I.F.	Gateway North T.I.F.	Marblehead Manor T.I.F.	JAG Grant	Total
ASSETS										
Accounts receivable	\$	30,707	-	-	-	-	-	-	-	30,707
Interfund loans receivable		-	144,397	-	43,599	98,830	101,264	-	-	388,090
Total assets	\$	30,707	144,397	-	43,599	98,830	101,264	-	-	418,797
LIABILITIES										
Accounts payable		-	2,178	-	-	-	-	-	-	2,178
Interfund loans payable		55,469	-	3,000	-	-	-	-	13	58,482
Total liabilities		55,469	2,178	3,000	-	-	-	-	13	60,660
FUND BALANCES (DEFICITS)										
Restricted		-	-	-	43,599	98,830	101,264	-	-	243,693
Committed		-	142,219	-	-	-	-	-	-	142,219
Unassigned		(24,762)	-	(3,000)	-	-	-	-	(13)	(27,775)
Total fund balances (deficit)		(24,762)	142,219	(3,000)	43,599	98,830	101,264	-	(13)	358,137
Total liabilities and fund balances	\$	30,707	144,397	-	43,599	98,830	101,264	-	-	418,797

TOWN OF WINDHAM, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2017

	Little Falls Sewer Operations	Recreation Program	Be The Influence Grant	Pipeline Development T.I.F.	Roosevelt Promenade T.I.F.	Gateway North T.I.F.	Marblehead Manor T.I.F.	JAG Grant	Total
Revenues:									
Intergovernmental revenues	\$ -	-	65,416	-	-	-	-	22,089	87,505
Charges for services	335,715	225,405	-	-	-	-	-	-	561,120
Total revenues	335,715	225,405	65,416	-	-	-	-	22,089	648,625
Expenditures:									
Current:									
Administrative services	-	-	66,031	-	-	-	10,138	-	76,169
Public safety	-	-	-	-	-	-	-	20,437	20,437
Public works	356,873	-	-	-	-	-	-	-	356,873
Recreation services	-	186,292	-	-	-	-	-	-	186,292
Capital expenditures	-	-	-	74,126	-	-	-	-	74,126
Total expenditures	356,873	186,292	66,031	74,126	-	-	10,138	20,437	713,897
Excess (deficiency) of revenues over (under) expenditures	(21,158)	39,113	(615)	(74,126)	-	-	(10,138)	1,652	(65,272)
Other financing sources (uses):									
Transfer from other funds	-	-	-	174,094	210,000	48,797	10,138	-	443,029
Transfer to other funds	-	-	-	(121,099)	(274,503)	-	-	-	(395,602)
Total other financing sources (uses)	-	-	-	52,995	(64,503)	48,797	10,138	-	47,427
Net change in fund balances	(21,158)	39,113	(615)	(21,131)	(64,503)	48,797	-	1,652	(17,845)
Fund balances (deficits), beginning of year	(3,604)	103,106	(2,385)	64,730	163,333	52,467	-	(1,665)	375,982
Fund balances (deficits), end of year	\$ (24,762)	142,219	(3,000)	43,599	98,830	101,264	-	(13)	358,137

NONMAJOR 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, 2017

		Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
ASSETS					
Investments	\$	199,829	20,956	6,822	227,607
Total assets	\$	199,829	20,956	6,822	227,607
FUND BALANCES					
Nonspendable		-	41,074	800	41,874
Committed		199,829	-	6,022	205,851
Unassigned		-	(20,118)	-	(20,118)
Total fund balances		199,829	20,956	6,822	227,607
Total liabilities and fund balances	\$	199,829	20,956	6,822	227,607

TOWN OF WINDHAM, MAINE
Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2017

	Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
Revenues:				
Interest and dividends	\$ 406	49	14	469
Lot sales	5,700	-	-	5,700
Total revenues	6,106	49	14	6,169
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	6,106	(2,751)	14	3,369
Fund balances, beginning of year	193,723	23,707	6,808	224,238
Fund balances, end of year	\$ 199,829	20,956	6,822	227,607