

**TOWN OF WINDHAM, MAINE**

**Annual Financial Report**

**For the year ended June 30, 2018**

**TOWN OF WINDHAM, MAINE**  
**Annual Financial Report**  
**Year ended June 30, 2018**

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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, 2018, 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, 2018, 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 changes in the Town's total OPEB liability and related ratios, 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 March 21, 2019 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 black ink, reading "Raymond Kustan Ouellette". The signature is written in a cursive style with a large initial 'R'.

March 21, 2019  
South Portland, Maine

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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As management of the Town of Windham, Maine, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. 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, 2018**

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

**Fund Financial Statements**

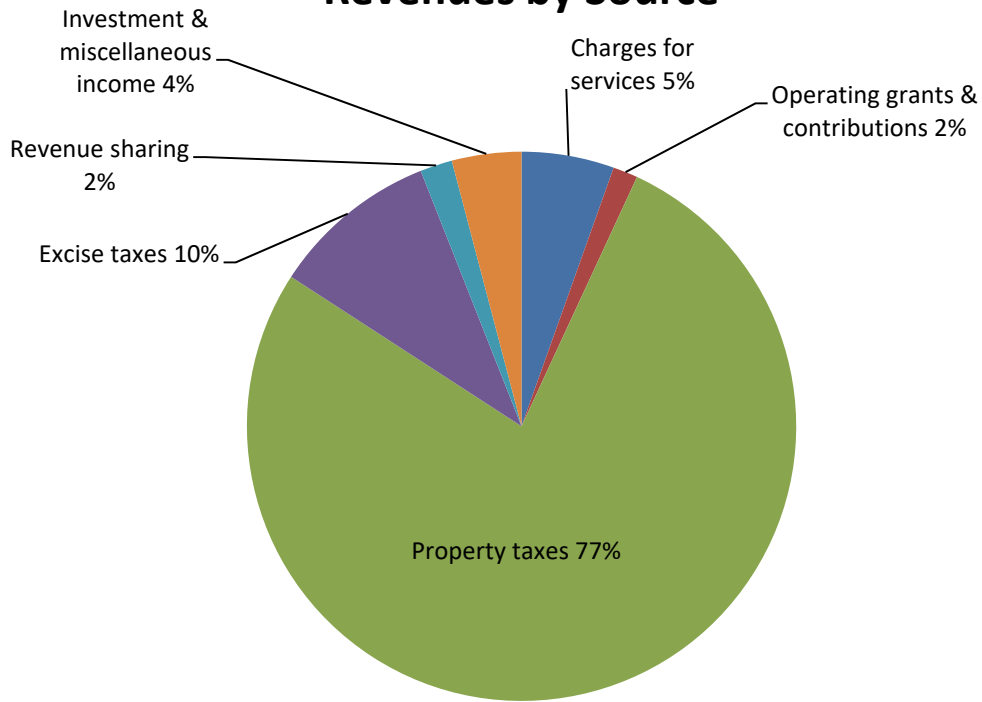
The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by law and by bond covenants. Other funds are established to help control and manage funds for particular purposes, or to demonstrate that the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

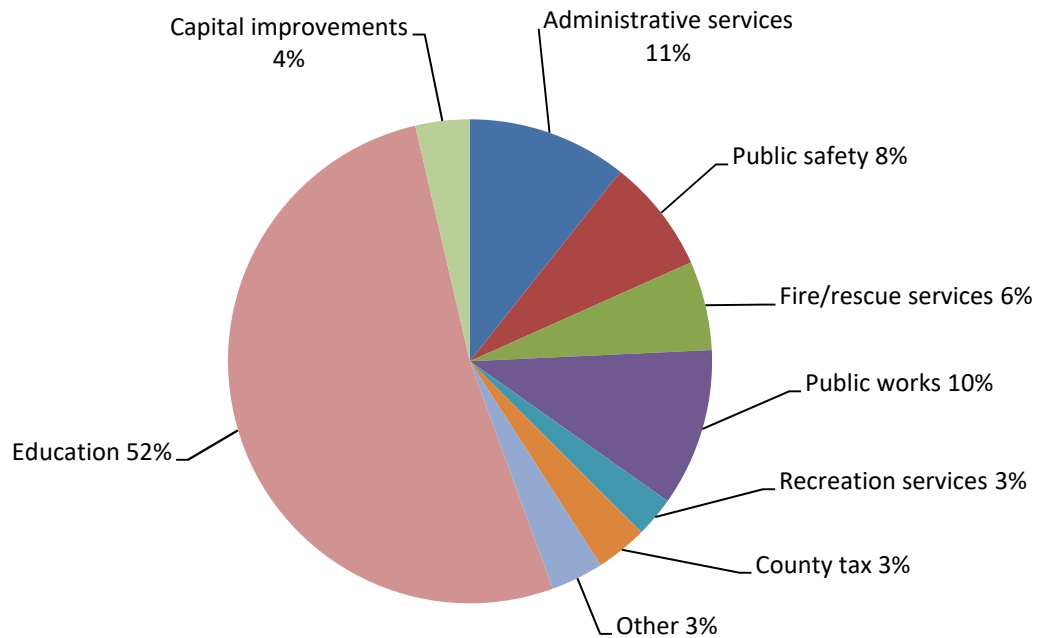
The Town is providing condensed financial information for the year 2018 and comparative information for 2017.

	<b>2018</b>		<b>2017 (Restated)</b>	
	<b>Governmental Activities</b>	<b>Component Unit (WEDC)</b>	<b>Governmental Activities</b>	<b>Component Unit (WEDC)</b>
<b>Assets:</b>				
Current and other assets	\$ 25,284,689	76,001	\$ 26,863,478	61,578
Capital assets (net)	30,135,401	367,239	28,413,227	364,997
Total assets	55,420,090	443,240	55,276,705	426,575
<b>Deferred outflows of resources:</b>				
Deferred charges on refunding	1,054,550	-	1,217,836	-
Related to pensions	367,887	-	771,642	-
Total deferred outflows of resources	1,422,437	-	1,989,478	-
<b>Liabilities:</b>				
Other liabilities	2,950,254	83,001	1,786,703	70,618
Long-term debt outstanding	19,487,815	355,500	22,273,125	355,500
Total liabilities	22,438,069	438,501	24,059,828	426,118
<b>Deferred inflows of resources:</b>				
Related to pensions	200,601	-	255,924	-
Related to OPEB	74,443	-	-	-
Total deferred inflows of resources	275,044	-	255,924	-
<b>Net Position:</b>				
Net investment in capital assets	26,375,174	11,739	24,152,101	9,497
Restricted	211,837	-	340,567	-
Unrestricted	7,542,443	(7,000)	8,457,763	(9,040)
<b>Total net position</b>	<b>\$ 34,129,454</b>	<b>4,739</b>	<b>32,950,431</b>	<b>457</b>

### Revenues by Source



### Expenditures by Type





**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2018**

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**GOVERNMENTAL ACTIVITIES**

The cost of all governmental activities for 2018 was \$37,916,869. Most of this amount, \$20,969,582, 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 \$30,206,307 because some of the cost (\$2,129,727) was borne by those who directly benefited from the programs.

The Town paid for the remaining "public benefit" portion of governmental activities with \$6,759,858 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 \$72,046,323 were available during the year to finance governmental activities, consisting of net position of \$32,950,431 at July 1, 2017, program revenues of \$2,695,991 and general revenues of \$36,399,901.

Total governmental activities expenses were \$37,916,869. Net position increased by \$1,179,023 from a balance of \$32,950,431 to \$34,129,454, or 3.58%.

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2018**

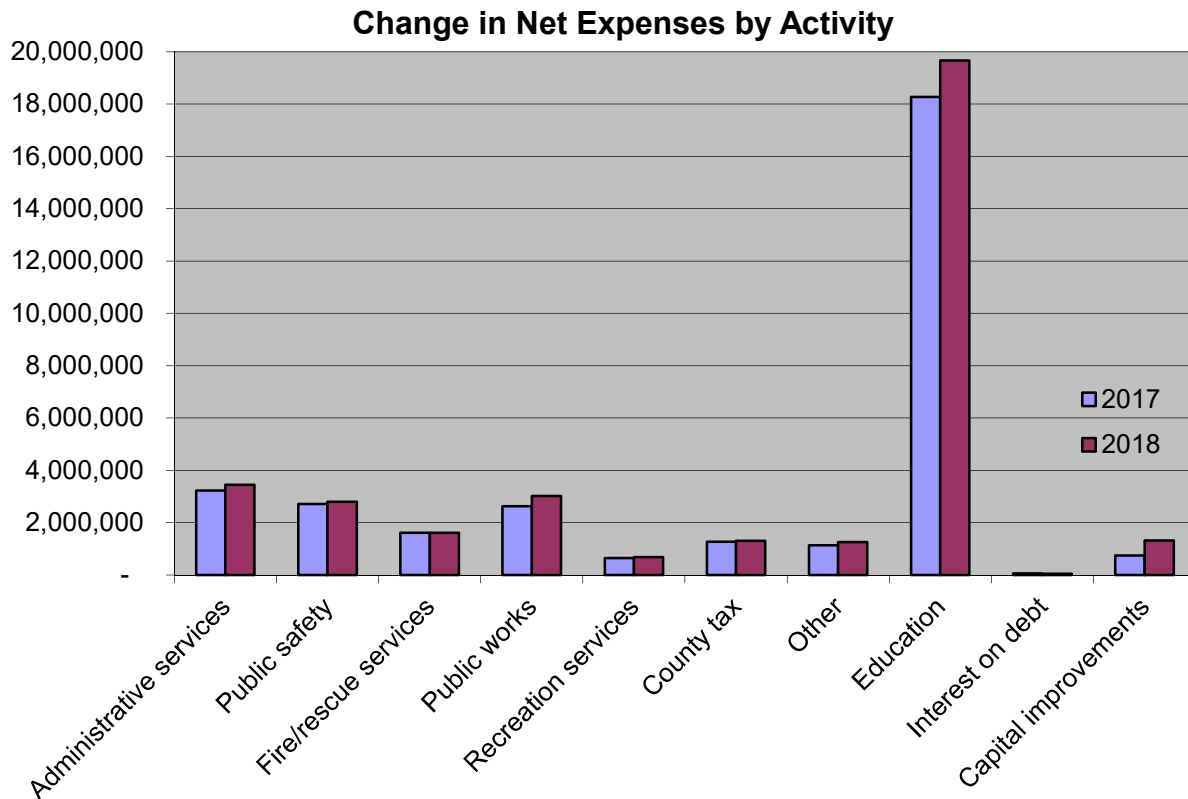
**Statement of Activities**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit (WEDC)</b>	<b>2018 Primary Government and Component Unit</b>	<b>2017 Primary Government and Component Unit</b>
<b>Revenues:</b>				
Program Revenues:				
Charges for service	\$ 2,129,727	-	2,129,727	2,355,991
Operating grants and contributions	566,264	199,490	765,754	622,169
Capital grants and contributions	-	-	-	-
General Revenues:				
Property taxes	30,206,307	-	30,206,307	28,454,245
Excise tax	3,850,785	-	3,850,785	3,627,003
Franchise fees	212,861	-	212,861	146,559
Homestead and BETE exemptions	953,913	-	953,913	529,175
Other State aid	20,909	-	20,909	19,527
State revenue sharing	742,104	-	742,104	677,413
Unrestricted investment earnings	197,885	174	198,059	82,190
Miscellaneous revenues	215,137	500	215,637	152,112
Total Revenues	<u>39,095,892</u>	<u>200,164</u>	<u>39,296,056</u>	<u>36,666,384</u>
<b>Expenses:</b>				
Program Expenses:				
Administrative services	4,058,569	-	4,058,569	3,763,708
Public safety	2,889,912	-	2,889,912	2,781,918
Fire/rescue services	2,253,199	-	2,253,199	2,280,744
Public works	4,044,872	-	4,044,872	3,808,182
Recreation services	1,023,211	-	1,023,211	942,498
County tax	1,304,678	-	1,304,678	1,264,831
Other	1,332,712	195,882	1,528,594	1,381,504
Education	19,664,904	-	19,664,904	18,263,875
Interest on debt service	53,290	-	53,290	65,498
Capital maintenance expenses	1,291,522	-	1,291,522	747,824
Total Expenses	<u>37,916,869</u>	<u>195,882</u>	<u>38,112,751</u>	<u>35,300,582</u>
Net position – beginning, restated	32,950,431	457	32,950,888	32,262,390
Change in net position	<u>1,179,023</u>	<u>4,282</u>	<u>1,183,305</u>	<u>1,365,802</u>
<b>Net position – ending</b>	<b>\$ <u>34,129,454</u></b>	<b><u>4,739</u></b>	<b><u>34,134,193</u></b>	<b><u>33,628,192</u></b>

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 2018.

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2018**

	<u>2018</u> <u>Expense</u>	<u>2018 Program</u> <u>Revenue</u>	<u>2018 Net</u> <u>Expense</u>	<u>2017 Net</u> <u>Expense</u>
Governmental activities:				
Administrative services	\$ 4,058,569	595,837	3,462,732	3,225,012
Public safety	2,889,912	92,812	2,797,100	2,713,989
Fire/rescue services	2,253,199	640,819	1,612,380	1,615,152
Public works	4,044,872	972,655	3,072,217	2,632,768
Recreation services	1,023,211	322,535	700,676	643,118
County tax	1,304,678	-	1,304,678	1,264,831
Other	1,332,712	71,333	1,261,379	1,141,386
Education	19,664,904	-	19,664,904	18,263,875
Interest on debt service	53,290	-	53,290	65,498
Capital maintenance expenses	1,291,522	-	1,291,522	747,824
<b>Total governmental activities</b>	<b>\$ 37,916,869</b>	<b>2,695,991</b>	<b>35,220,878</b>	<b>32,313,453</b>



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

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2018**

**THE TOWN'S FUNDS**

The following is an analysis of account balances in the Town's general fund for 2018. Comparative information is presented for fiscal years 2017 and 2016.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues by source:			
Taxes	\$ 33,891,417	32,220,477	30,764,107
Licenses and permits	407,019	422,764	370,173
Intergovernmental	2,050,173	1,514,965	1,332,429
Charges for service	1,111,914	1,356,991	580,893
Interest earned	290,630	205,124	152,063
Other	416,627	403,469	910,053
	<u>\$ 38,167,780</u>	<u>36,123,790</u>	<u>34,109,718</u>

Expenditures by function:			
Administrative services	\$ 3,933,317	3,440,419	3,278,432
Public safety	2,610,165	2,533,986	2,324,180
Fire/rescue services	1,972,216	1,929,043	1,764,163
Public works	3,345,309	3,111,681	2,879,284
Recreation services	784,304	736,448	269,370
County tax	1,304,678	1,264,831	1,216,178
Other	1,340,595	1,185,291	1,597,436
Education	19,664,904	18,263,875	17,699,917
Debt service	313,886	233,016	200,625
Capital outlay	2,682,939	2,555,484	2,726,633
	<u>\$ 37,952,313</u>	<u>35,254,074</u>	<u>33,956,218</u>

**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, 2018, net capital assets of governmental activities totaled \$30,135,401 an increase of \$1,722,174 from the year ending June 30, 2017. A detailed breakdown of the activity by asset type is shown below.

**Statement of Capital Assets**

	<u>Balance</u>			<u>Balance</u>
	<u>6/30/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/18</u>
Governmental assets				
Land, buildings and improvements	\$ 9,286,276	188,551	-	9,474,827
Infrastructure	20,110,487	627,297	-	20,737,784
Vehicles	5,436,034	305,202	-	5,741,236
Equipment	3,988,980	102,887	(27,565)	4,064,302
Construction in progress	-	1,390,347	-	1,390,347
Total capital assets	<u>38,821,777</u>	<u>2,614,284</u>	<u>(27,565)</u>	<u>41,408,496</u>
Accumulated depreciation	<u>(10,408,550)</u>	<u>(892,110)</u>	<u>27,565</u>	<u>(11,273,095)</u>
Governmental assets, net	<u>\$ 28,413,227</u>	<u>1,722,174</u>	<u>-</u>	<u>30,135,401</u>

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2018**

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**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 \$1,593,667 on road improvements for the fiscal year ended June 30, 2018. The most recent pavement condition rating survey, conducted in the fall of 2016, showed the average rating for Town roads to be 4.05 on a scale of 0 to 5. This is slightly lower than the previous assessment in 2013 (4.15), both in the "very good" range. This compares to an average rating of 3.21, the lower limit of the "good" range, when the Town's first pavement condition rating survey done in 2001.

The pavement condition rating survey report estimates the cost of treatments required to improve and maintain the Town's roads and streets at an average PCR score of 3.21 (see Required Supplemental Information). Through fiscal year 2026-2027, the estimated cost for Town roads is \$10,507,998, or about \$1,050,000 per year. Including those portions of state highways for which the Town is responsible for maintenance would add \$6,677,779, or about \$668,000 per year, slightly lower than in 2013 because of work done by the State even though costs may have increased. These estimates, however, are based on unit pricing that is often higher than the Town's cost for materials or paving services. Actual figures also will depend on the extent of work done at the time.

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:

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2018**

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**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 2018, 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. Most (97.2%) of the structures were in good (87.1%) or fair (10.1%) condition, compared to 100% of structures in 2013. 2.8% of 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.

**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 2018 rose \$223,782, or 6.2% over 2017. For fiscal 2019, receipts are estimated conservatively at \$3.7 million.

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. \$742,104 was received in 2018. 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.

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2018**

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### **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 2019 is \$18,979,239, an increase of \$878,957, or 4.86% from 2018, below are some of the highlights:

- A compliance and safety officer, to increase focus on labor law compliance and workplace safety, starting 1/1/2019,
- Increasing the size of the public works crew by two truck drivers (restoring one, adding another) to improve productivity and flexibility, starting 4/1/2019 to coincide with completing the move into the new shared maintenance facility,
- Adding a custodian to account for the additional space at the shared maintenance facility, starting 4/1/2019,
- Adding a 28th police officer, starting 1/1/2019, with two more in each of the following two years,
- Establishing an EMS supervisor's position, starting 1/1/2019,
- Restoring a 2nd administrative assistant in code enforcement, also reducing the burden for coverage on assessing and planning staff, starting 1/1/2019, and
- Studying space utilization and identifying ways to improve the work environment occupied by assessing and the shared administrative support area with planning and code enforcement.

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 21<sup>st</sup> 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.

### **Revenues/Fund Balance**

*Unassigned* fund balance in the General Fund has grown each year since 2009. At June 30, 2018, it stands at \$8,444,828. This is an increase of \$308,069 over last year. Bond rating agencies consider a growing unassigned fund balance to be a positive sign, speaking to the credit strength of a municipality. The Town voted 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. 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, 2018, unrestricted fund balance as a percentage of budget stands at 26%. This equates to over *three* months of expenditures.

**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2018**

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### **Increasing Demands**

Similar to many growing communities, Windham has sought to balance the need to provide services in response to growth while maintaining a reasonable level of local property taxation. Based on a recent space needs analysis and pavement condition rating survey, capital investment is likely to increase in the future. The Town uses capital lease purchase agreements as a means to replace major equipment with a relatively small impact on cash flows and the tax rate. The Town likely will be faced with significant infrastructure costs in the coming years, again the result of continued growth and efforts to achieve goals expressed in its various adopted plans, especially the 21<sup>st</sup> Century Downtown plan and the updated Comprehensive Master Plan.

### **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.

### **Summary**

Fiscal year 2018-2019 will reflect a tax rate of \$15.18 per thousand dollars of assessed value. For every tax dollar raised, 31 cents goes to the Town to support municipal services, 65 cents to the school district for public education, and 4 cents to county government.

The Town continues to reduce its debt obligations, making principal payments of \$2,327,434 in 2018. 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. Windham voters have approved a \$9.3 million bond issue, scheduled to be bonded in Nov 2018 to fund the Windham Shared Maintenance Facility. Anticipated completion – April 2019.



**TOWN OF WINDHAM, MAINE**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2018**

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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, 2018**

	Primary <u>Government</u> Governmental Activities	Component <u>Unit</u>  WEDC
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11,421,778	76,001
Receivables:		
Accounts, net of allowance of \$52,292	606,263	-
Taxes - current year	726,120	-
Taxes - prior years	348,371	-
Tax liens	662,172	-
Notes	406,600	-
Inventory and prepaids	83,385	-
Receivable - RSU #14 debt service payments	11,030,000	-
Capital assets, not being depreciated	22,422,368	358,175
Capital assets, being depreciated	7,713,033	9,064
Total assets	55,420,090	443,240
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunding	1,054,550	-
Deferred outflows of resources related to pensions	367,887	-
Total deferred outflows of resources	1,422,437	-
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	2,235,140	31,901
Accrued wages	461,380	-
Accrued interest	111,068	51,100
Taxes paid in advance	142,626	-
Noncurrent liabilities:		
Due within one year	2,396,570	355,500
Due in more than one year	17,091,245	-
Total liabilities	22,438,029	438,501
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	200,601	-
Deferred inflows of resources related to OPEB	74,443	-
Total deferred inflows of resources	275,044	-
<b>NET POSITION</b>		
Net investment in capital assets	26,375,174	11,739
Restricted:		
Tax increment financing districts	169,963	-
Nonexpendable trust principal	41,874	-
Unrestricted	7,542,443	(7,000)
Total net position	\$ 34,129,454	4,739

*See accompanying notes to basic financial statements.*

**TOWN OF WINDHAM, MAINE**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and changes in net position	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Governmental activities	Component Unit WEDC
Primary government:						
Governmental activities:						
Administrative services	\$ 4,058,569	461,435	134,402	-	(3,462,732)	-
Public safety	2,889,912	7,398	85,414	-	(2,797,100)	-
Fire/rescue services	2,253,199	640,819	-	-	(1,612,380)	-
Public works	4,044,872	719,649	253,006	-	(3,072,217)	-
Recreation services	1,023,211	300,426	22,109	-	(700,676)	-
Education	19,664,904	-	-	-	(19,664,904)	-
County tax	1,304,678	-	-	-	(1,304,678)	-
Other	1,332,712	-	71,333	-	(1,261,379)	-
Interest on debt service	53,290	-	-	-	(53,290)	-
Capital maintenance expenses	1,291,522	-	-	-	(1,291,522)	-
Total governmental activities	37,916,869	2,129,727	566,264	-	(35,220,878)	-
<b>Total primary government</b>	<b>\$ 37,916,869</b>	<b>2,129,727</b>	<b>566,264</b>	<b>-</b>	<b>(35,220,878)</b>	<b>-</b>
Component unit:						
<b>WEDC</b>	<b>\$ 195,882</b>	<b>-</b>	<b>199,490</b>	<b>-</b>	<b>-</b>	<b>3,608</b>
General revenues:						
Property taxes, levied for general purposes				\$ 30,206,307		-
Excise taxes				3,850,785		-
Supplemental taxes and lien fees				77,014		-
Franchise fees				212,861		-
Grants and contributions not restricted to specific programs:						
Homestead and BETE exemptions				953,913		-
Other State aid				20,909		-
State Revenue Sharing				742,104		-
Unrestricted investment earnings				197,885		174
Miscellaneous				138,123		500
Total general revenues				36,399,901		674
Change in net position				1,179,023		4,282
Net position - beginning, restated				32,950,431		457
<b>Net position - ending</b>				<b>\$ 34,129,454</b>		<b>4,739</b>

*See accompanying notes to basic financial statements.*

**TOWN OF WINDHAM, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,190,527	231,251	11,421,778
Receivables:			
Accounts, net of allowance of \$52,292	573,091	32,717	605,808
Taxes - current year	726,120	-	726,120
Taxes - prior years	348,371	-	348,371
Tax liens	662,172	-	662,172
Notes	406,600	-	406,600
Interfund loans receivable	250,569	391,883	642,452
Inventory and prepaids	83,385	-	83,385
Receivable - RSU #14 debt service payments	11,030,000	-	11,030,000
<b>Total assets</b>	<b>\$ 25,270,835</b>	<b>655,851</b>	<b>25,926,686</b>
<b>LIABILITIES</b>			
Accounts payable	782,746	525,365	1,308,111
Accrued wages	461,380	-	461,380
Other liabilities	161,287	-	161,287
Interfund loans payable	-	641,997	641,997
Taxes paid in advance	142,626	-	142,626
Unearned income - impact fees	445,684	-	445,684
Inspection deposits and miscellaneous liabilities	320,058	-	320,058
<b>Total liabilities</b>	<b>2,313,781</b>	<b>1,167,362</b>	<b>3,481,143</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	1,400,000	-	1,400,000
Unavailable revenue - RSU #14 debt service payments	11,030,000	-	11,030,000
<b>Total deferred inflows of resources</b>	<b>12,430,000</b>	<b>-</b>	<b>12,430,000</b>
<b>FUND BALANCES (DEFICITS)</b>			
Nonspendable	489,985	41,874	531,859
Restricted	-	169,963	169,963
Committed	-	400,912	400,912
Assigned	1,592,241	-	1,592,241
Unassigned	8,444,828	(1,124,260)	7,320,568
<b>Total fund balances (deficits)</b>	<b>10,527,054</b>	<b>(511,511)</b>	<b>10,015,543</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 25,270,835</b>	<b>655,851</b>	

Amounts reported for governmental activities in the statement of net position are different because:

The deferred charge on the refunding bond in governmental activities is not reported in the funds.	1,054,550
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,135,401
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable revenue - property taxes	1,400,000
Unavailable revenue - RSU #14 debt service payments	11,030,000
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	(765,575)
Accrued interest	(111,068)
Other postemployment benefits liability, including related deferred outflows and inflows of resources	(1,436,957)
Net pension liability, including related deferred outflows and inflows of resources	(1,243,966)
Capital leases	(1,300,627)
Premium on refunding bonds	(1,158,247)
Bonds payable	(13,489,600)

<b>Net position of governmental activities</b>	<b>\$ 34,129,454</b>
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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, 2018**

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 33,891,417	-	33,891,417
Licenses and permits	407,019	-	407,019
Intergovernmental	2,050,173	176,790	2,226,963
Charges for services	1,111,914	595,878	1,707,792
Interest earned	290,630	944	291,574
Other	416,627	5,500	422,127
Total revenues	38,167,780	779,112	38,946,892
<b>Expenditures:</b>			
Current:			
Administrative services	3,933,317	145,012	4,078,329
Public safety	2,610,165	42,375	2,652,540
Fire/rescue services	1,972,216	-	1,972,216
Public works	3,345,309	360,528	3,705,837
Recreation services	784,304	221,974	1,006,278
Education	19,664,904	-	19,664,904
County tax	1,304,678	-	1,304,678
Other	1,340,595	600	1,341,195
Debt service	313,886	-	313,886
Capital outlay	2,682,939	1,681,901	4,364,840
Total expenditures	37,952,313	2,452,390	40,404,703
Excess (deficiency) of revenues over (under) expenditures	215,467	(1,673,278)	(1,457,811)
<b>Other financing sources (uses):</b>			
Capital lease proceeds	191,535	-	191,535
Transfers - in	402,997	1,041,152	1,444,149
Transfers - out	(1,041,152)	(402,997)	(1,444,149)
Total other financing sources (uses)	(446,620)	638,155	191,535
Net change in fund balances	(231,153)	(1,035,123)	(1,266,276)
Fund balances, beginning of year	10,758,207	523,612	11,281,819
<b>Fund balances (deficits), end of year</b>	<b>\$ 10,527,054</b>	<b>(511,511)</b>	<b>10,015,543</b>

*See accompanying notes to basic financial statements.*

**TOWN OF WINDHAM, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2018**

Net change in fund balances - total governmental funds (from Statement 4)	\$ (1,266,276)
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 (\$2,614,284) exceeded depreciation expense (\$892,110).	1,722,174
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	149,000
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 (\$9,976) and the increase in accrued compensated absences (\$9,667) and other postemployment benefits liability (\$26,998).	(26,689)
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which lease repayments (\$459,034) exceeded proceeds (\$191,535).	267,499
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.	1,868,400
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.	82,695
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 \$11,030,000 with principal amounts paid off during the year totaling \$1,635,000.	(1,635,000)
<b>Change in net position of governmental activities (see Statement 2)</b>	<b>\$ 1,179,023</b>

*See accompanying notes to basic financial statements.*

**TOWN OF WINDHAM, MAINE**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 33,533,464	33,533,464	33,891,417	357,953
Licenses and permits	474,382	474,382	407,019	(67,363)
Intergovernmental	1,107,551	1,107,551	2,012,396	904,845
Charges for services	1,260,500	1,260,500	1,111,914	(148,586)
Interest earned	125,000	125,000	290,630	165,630
Other	263,663	263,663	360,400	96,737
Total revenues	36,764,560	36,764,560	38,073,776	1,309,216
<b>Expenditures:</b>				
Current:				
Administrative services	3,775,362	3,775,362	3,933,317	(157,955)
Public works	3,366,751	3,416,026	3,345,309	70,717
Public safety	2,659,099	2,679,999	2,582,425	97,574
Fire/rescue services	2,104,766	2,104,766	1,972,216	132,550
Recreation services	750,445	817,145	761,305	55,840
Education	19,664,904	19,664,904	19,664,904	-
County tax	1,304,678	1,304,678	1,304,678	-
Other	1,725,517	1,783,948	1,335,928	448,020
Debt service	313,888	313,888	313,886	2
Capital outlay (includes TIF transfers)	2,795,665	4,229,828	3,523,766	706,062
Total expenditures	38,461,075	40,090,544	38,737,734	1,352,810
Excess (deficiency) of revenues over (under) expenditures	(1,696,515)	(3,325,984)	(663,958)	2,662,026
<b>Other financing sources (uses):</b>				
Use of fund balance	1,008,901	2,638,370	-	(2,638,370)
Transfers from other funds	777,614	777,614	402,997	(374,617)
Transfers to other funds	(90,000)	(90,000)	(8,790)	81,210
Total other financing sources (uses)	1,696,515	3,325,984	394,207	(2,931,777)
Net change in fund balance - budgetary basis	-	-	(269,751)	(269,751)
<b>Reconciliation to GAAP basis:</b>				
Change in assigned funds			38,598	
Net change in fund balance - GAAP basis			(231,153)	
Fund balance, beginning of year			10,758,207	
<b>Fund balance, end of year</b>	<b>\$</b>		<b>10,527,054</b>	



**TOWN OF WINDHAM, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

		<b>Private-purpose Trust Fund (Scholarships)</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$	67,154
<b>Total assets</b>		<b>67,154</b>
<b>LIABILITIES</b>		
Due to Town		455
<b>Total liabilities</b>		<b>455</b>
<b>NET POSITION</b>		
Restricted	\$	66,699

*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, 2018**

	<b>Private-purpose Trust Fund (Scholarships)</b>
<hr/>	
Additions:	
Investment income	\$ 413
Total additions	413
<hr/>	
Deductions:	
Scholarships awarded	1,000
Total deductions	1,000
<hr/>	
Change in net position	(587)
<hr/>	
Net position, beginning of year	67,286
<hr/>	
<b>Net position, end of year</b>	<b>\$ 66,699</b>

*See accompanying notes to basic financial statements.*

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**A. Reporting Entity**

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

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

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

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

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

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

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

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

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

The Town reports the following major governmental funds:

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

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**

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**G. Capital Assets**

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

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

**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.

**K. 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.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**L. 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 and total OPEB liabilities, 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.

**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.
- *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.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

**N. Interfund Transactions**

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

**O. Use of Estimates**

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

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**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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**A. Budgetary Information**

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

**B. Excess of Expenditures over Appropriations**

For the year ended June 30, 2018, the following expenditures exceeded appropriations:

Administrative services	\$ 157,955
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This overexpenditure lapsed to fund balance at year end.



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

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

**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>
2018 budget as originally adopted	\$ 36,764,560	38,461,075	1,696,515
Assigned carryforward balance	-	1,629,469	1,629,469
<b>Totals</b>	<b>\$ 36,764,560</b>	<b>40,090,544</b>	<b>3,325,984</b>

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

Budgeted use of surplus	\$ 1,008,901
Transfer from TIF Funds	763,114
Transfer to Little Falls Sewer Operations	(90,000)
Transfer from Recreation	11,700
Transfer from Cemetery	2,800
<b>Total other financing sources</b>	<b>\$ 1,696,515</b>

**D. Deficit Fund Balances**

At June 30, 2018, the following funds had deficit balances:

Little Falls Sewer Operations	\$ 36,586
Be the Influence Grant	3,000
Skate Park Grant	13,095
Shared Maintenance Facility	1,048,748

These deficits will be funded with future revenues, bond proceeds, or transfers.

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

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**DEPOSITS**

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As of June 30, 2018, the Town reported deposits of \$11,488,932 with a bank balance of \$11,828,858. \$11,826,353 of the Town's bank balances were covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions. The remaining bank balance of \$2,505 was exposed to custodial credit risk as it was uninsured and uncollateralized at year end.

The Town's component unit, WEDC, reported deposits of \$76,001, which were fully covered by F.D.I.C.

Deposits have been reported as follows:

Reported in governmental funds	\$ 11,421,778
Reported in fiduciary funds	67,154
<u>Reported in component unit (WEDC)</u>	<u>76,001</u>
<b><u>Total deposits</u></b>	<b><u>\$ 11,564,933</u></b>

*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. The Town minimizes custodial credit risk by limiting cash held by a broker to certificates of deposit protected up to full value by a combination of coverage provided by the Securities Investor Protection Corporation (SIPC) and excess coverage purchased from a private insurer. Certificates of deposit which exceed the F.D.I.C. insured amount are collateralized in accordance with Title 30-A, Section 5706 of the Maine Revised Statutes.

*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.

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

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**PROPERTY TAXES**

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Property taxes for the current year were committed on August 22, 2017 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 2, 2017 and April 2, 2018. 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 \$60,473 for the year ended June 30, 2018.

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 2018 and 2017 levies:

	<u>2018</u>	<u>2017</u>
Assessed value	\$ 1,831,616,800	1,803,829,800
Tax rate (per \$1,000)	16.43	15.70
Commitment	30,093,464	28,320,128
Supplemental taxes assessed	61,670	19,815
	30,155,134	28,339,943
Less:		
Abatements	31,279	12,216
Collections	29,397,735	27,689,478
<b>Receivable at June 30</b>	<b>\$ 726,120</b>	<b>638,249</b>
Due date(s)	½ October 2, 2017 ½ April 2, 2018	½ October 3, 2016 ½ April 3, 2017
Interest rate on delinquent taxes	7.00%	7.00%
Collection rate	97.59%	97.75%

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

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**INTERFUND BALANCES AND TRANSFERS**

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Individual interfund receivable and payable balances at June 30, 2018 were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
<u>General Fund</u>	<u>\$ 250,569</u>	<u>-</u>
Other Governmental Funds:		
Little Falls Sewer Operations	-	39,259
Recreation Program	212,471	-
Be the Influence Grant	-	1,079
Pipeline Development T.I.F.	17,611	-
Gateway North T.I.F.	152,352	-
CDBG Grant	6,874	-
Skate Park Grant	-	13,095
JAG Grant	2,025	-
Shared Maintenance Facility	-	587,964
Library Renovations	550	-
Permanent Funds	-	600
<u>Total other governmental funds</u>	<u>391,883</u>	<u>641,997</u>
<u>Fiduciary Fund</u>	<u>-</u>	<u>455</u>
 <b><u>Totals</u></b>	 <b><u>\$ 642,452</u></b>	 <b><u>642,452</u></b>

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

Individual fund transfers for the year ended June 30, 2018 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
<u>General Fund</u>	<u>\$ 402,997</u>	<u>1,041,152</u>
Other Governmental Funds:		
Recreation Program	8,790	-
Pipeline Development T.I.F.	182,189	91,367
Roosevelt Promenade T.I.F.	210,000	308,830
Gateway North T.I.F.	51,088	-
Marblehead Manor T.I.F.	10,610	-
Building Improvements	220,409	-
Library Renovations	358,066	-
Perpetual Care Trust Funds	-	2,800
<u>Total other governmental funds</u>	<u>1,041,152</u>	<u>402,997</u>
 <b><u>Totals</u></b>	 <b><u>\$ 1,444,149</u></b>	 <b><u>1,444,149</u></b>

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

**CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2018</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,997,612	-	-	1,997,612
Construction in progress	-	1,390,347	-	1,390,347
Infrastructure	18,581,664	452,745	-	19,034,409
<b>Total capital assets, not being depreciated</b>	<b>20,579,276</b>	<b>1,843,092</b>	<b>-</b>	<b>22,422,368</b>
Capital assets, being depreciated:				
Land improvements	301,739	10,849	-	312,588
Buildings	6,986,925	177,702	-	7,164,627
Equipment	3,988,980	102,887	27,565	4,064,302
Vehicles	5,436,034	305,202	-	5,741,235
Infrastructure	1,528,823	174,552	-	1,703,375
<b>Total capital assets, being depreciated</b>	<b>18,242,501</b>	<b>771,192</b>	<b>27,565</b>	<b>18,986,128</b>
Less accumulated depreciation for:				
Land improvements	95,110	12,465	-	107,575
Buildings	3,241,922	183,859	-	3,425,781
Equipment	2,959,164	204,752	27,565	3,136,351
Vehicles	3,103,489	450,975	-	3,554,464
Infrastructure	1,008,865	40,059	-	1,048,924
<b>Total accumulated depreciation</b>	<b>10,408,550</b>	<b>892,110</b>	<b>27,565</b>	<b>11,273,095</b>
<b>Total capital assets being depreciated, net</b>	<b>7,833,951</b>	<b>(120,918)</b>	<b>-</b>	<b>7,713,033</b>
<b>Governmental capital assets, net</b>	<b>\$ 28,413,227</b>	<b>1,722,174</b>	<b>-</b>	<b>30,135,401</b>

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

<b>Governmental activities:</b>	
Administrative services	\$ 75,621
Public safety	210,480
Fire/rescue services	262,276
Public works	326,247
Recreation services	16,921
Other	565
<b>Total depreciation expense – governmental activities</b>	<b>\$ 892,110</b>

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

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CAPITAL ASSETS, CONTINUED

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**Discretely Presented Component Unit:**

Activity for the Windham Economic Development Corporation (WEDC):

	Restated Balance July 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2018</u>
<b>Component unit:</b>				
Capital assets, not being depreciated:				
Land	\$ 358,175	-	-	358,175
Capital assets, being depreciated:				
Land improvements	-	9,064	-	9,064
Office furniture	5,381	-	-	5,381
<b>Total capital assets, being depreciated</b>	<b>5,381</b>	<b>9,064</b>	<b>-</b>	<b>14,445</b>
Less accumulated depreciation for:				
Land improvements	-	-	-	-
Office furniture	5,381	-	-	5,381
<b>Total accumulated depreciation</b>	<b>5,381</b>	<b>-</b>	<b>-</b>	<b>5,381</b>
<b>Total capital assets being depreciated, net</b>	<b>-</b>	<b>9,064</b>	<b>-</b>	<b>9,064</b>
<b>Component unit capital assets, net</b>	<b>\$ 358,175</b>	<b>9,064</b>	<b>-</b>	<b>367,239</b>

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CHANGES IN LONG-TERM LIABILITIES

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Long-term liability activity for the year ended June 30, 2018 was as follows:

	Restated beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 15,358,000	-	1,868,400	13,489,600	1,868,400
Premium on refunding bonds	1,338,753	-	180,506	1,158,247	180,506
Capital leases	1,568,126	191,535	459,034	1,300,627	347,664
Accrued compensated absences	755,908	9,667	-	765,575	-
Net pension liability	1,842,379	-	431,127	1,411,252	-
Other postemployment benefits	1,409,959	-	47,445	1,362,514	-
<b>Totals</b>	<b>\$ 22,273,125</b>	<b>201,202</b>	<b>2,986,512</b>	<b>19,487,815</b>	<b>2,396,570</b>

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

LONG-TERM DEBT

General obligation bonds, notes, and capital leases payable at June 30, 2018 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>
<b>General Obligation Bonds</b>				
2011 General Obligation Refunding Bonds	\$ 19,045,000	2.50-5.00%	2025	11,905,000 (1)
2016 General Obligation Bonds – Series A	1,668,000	0.25-3.50%	2037	1,584,600
<b>Total general obligation bonds</b>				<b>13,489,600</b>
<b>Capital Leases</b>				
Fire truck and ambulances		2.22%	2022	603,430
Plow truck, MUNIS, and other equipment		2.48%	2022	297,096
Loader and dump truck		2.44%	2021	208,566
Dump truck with plow		2.50%	2021	135,199
Thermal cameras		2.50%	2021	56,336
<b>Total capital leases</b>				<b>1,300,627</b>
<b>Total primary government general obligation bonds and capital leases</b>				<b>\$ 14,790,227</b>

(1) As of July 1, 2009, the Windham School Department joined Regional School Unit (RSU) #14. RSU #14 will reimburse the Town of Windham for all Windham School Department bonds payable when the debt service payments are due. The Town has recorded a receivable for \$11,030,000, which is the outstanding amount of bonds payable related to the School Department.

The annual requirements to amortize all debt outstanding as of June 30, 2018 on primary government general obligation bonds with interest ranging from 0.25% to 5.00% are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,853,400	229,032	2,082,432
2024-2028	3,442,000	281,748	3,723,748
2029-2033	417,000	89,332	506,332
2034-2037	333,600	22,996	356,596
<b>Totals</b>	<b>\$ 13,489,600</b>	<b>2,327,440</b>	<b>15,817,040</b>

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

**LONG-TERM DEBT, CONTINUED**

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, 2018:

<u>Fiscal year ending</u>	<u>Total capital leases</u>
2019	\$ 378,241
2020	378,241
2021	378,240
2022	238,257
Total minimum lease payments	1,372,979
<u>Less amount representing interest</u>	<u>(72,352)</u>
<b><u>Present value of future minimum lease payments</u></b>	<b><u>\$ 1,300,627</u></b>

**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, 2018 was \$355,500. The note is due on demand, on or after December 30, 2018, and accrues interest at 2%, until all remaining principal is paid.

**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, 2018, the Town has not exceeded these percentages.

**DIRECT AND OVERLAPPING DEBT**

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

<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	\$ 13,489,600	100.00%	13,489,600
Cumberland County	35,585,000	4.35%	1,548,382
Portland Water District - Water	50,150,965	6.51%	3,264,828
Portland Water District - Wastewater	39,189,662	3.24%	1,270,484



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

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**JOINTLY GOVERNED ORGANIZATION**

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

ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 member communities, ecomaine creates electricity through its processing of waste and also operates an extensive recycling program. The Town is a member community in ecomaine. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to ecomaine for processing and to make service payments and pay tipping fees for such processing. The Town has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in ecomaine. Selected balance sheet information for ecomaine for the year ended June 30, 2018 includes total assets of \$62,899,434, total liabilities of \$17,719,973 and unrestricted net position of \$17,354,190. The liabilities include an accrual for landfill closure and postclosure care amounting to \$14,819,398. ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2011 and a projected closing date. The separate audited financial statements of ecomaine may be obtained at their administrative office: ecomaine, 64 Blueberry Rd., Portland, Maine 04102.

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**RISK MANAGEMENT**

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The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance or participates in a public entity risk pool. Currently, the Town participates in a public entity risk pool sponsored by the Maine Municipal Association for workers' compensation coverage. Based on the coverage provided by the pools described above, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2018.

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**NET POSITION**

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Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net investment in capital assets was calculated as follows at June 30, 2018:

Capital assets	\$ 41,408,496
Accumulated depreciation	(11,273,095)
Bonds payable	(13,489,600)
Less RSU No. 14 portion of bonds payable	11,030,000
Capital leases	(1,300,627)
<b><u>Net investment in capital assets</u></b>	<b><u>\$ 26,375,174</u></b>

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

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**NEW PRONOUNCEMENTS AND RESTATEMENTS OF NET POSITION**

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For the fiscal year ended June 30, 2018, the Town has elected to implement Statement No. 75 of the Governmental Accounting Standards Board – *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. As a result of implementing GASB Statement No. 75, the Town has restated beginning net position in the government-wide statement of net position to account for the addition to the Town’s total OPEB liability of \$619,186 which effectively decreased the Town’s net position as of July 1, 2017 by \$619,186.

WEDC, the Town’s discretely presented component unit, removed certain capital assets that were capitalized in prior years that WEDC feels should not have been capitalized. Capital assets and net position as of July 1, 2017 were reduced by \$58,118.

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**DEFERRED COMPENSATION PLAN**

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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***General Information about the Pension Plan***

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

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

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

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MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

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**Contributions** - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. Police and paramedic employees are required to contribute 9.0% and 9.5% of their annual pay, respectively. The Town's contractually required contribution rate for the year ended June 30, 2018, was 8.4% and 12.2% 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 \$247,799 for the year ended June 30, 2018.

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

At June 30, 2018, the Town reported a liability of \$1,411,252 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the Town's proportion was 0.3447%.

For the year ended June 30, 2018, the Town recognized pension expense of \$165,104. At June 30, 2018, 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	\$ -	67,801
Changes of assumption	120,088	-
Net difference between projected and actual earnings on pension plan investments	-	38,806
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	93,994
Town contributions subsequent to the measurement date	247,799	-
<b>Total</b>	<b>\$ 367,887</b>	<b>200,601</b>

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

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**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

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\$247,799 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, 2019. 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:

2019	\$ (81,241)
2020	87,345
2021	9,468
2022	(96,085)

**Actuarial Assumptions** - The total pension liability in the June 30, 2017 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>
Public Equities	30.0%	6.0%
US Government	7.5%	2.3%
Private Equity	15.0%	7.6%
Real Estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

**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	\$ 2,831,405	\$ 1,411,252	\$ 342,097

**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, 2018.

**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, 2018, \$182,189 of tax revenues were captured and reported as TIF district revenues.

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

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**TAX INCREMENT FINANCING DISTRICT, CONTINUED**

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The goal of the Roosevelt Promenade TIF is to gain a better understanding of the impact that economic development has had on the North Windham Business District and to prepare for future growth. Increasing traffic volumes on Route 302 necessitate a study of transportation alternatives including the development of local connector roads to alleviate congestion. The Town's economic development program will administer the development program and will continue to be funded by TIF proceeds. Captured assessed value will be calculated for the District based upon the difference between the property's original assessed value as of April 1, 2005 (March 31, 2006) and April 1, 2006. The Town will capture no more than \$210,000 in any given year up to a total of \$1,050,000 in TIF revenues on assessed value resulting from the development with the District over the five-year TIF period. The maximum tax of \$1,050,000 was captured as of June 30, 2012. The Town has reauthorized the District for another ten years, expiring June 30, 2021. Allocations from the TIF fund will be by the action of the Town Council as approved by the Town Meeting. For the year ended June 30, 2018, \$210,000 of tax revenues were captured and reported as TIF district revenues.

On January 13, 2015, the Town Council approved the designation of the Gateway North A Infrastructure tax increment financing district, along with a development plan for the district. It is intended to provide funding dedicated to furthering improvements to Windham's Downtown district and the North Route 302 corridor called for in the 21<sup>st</sup> Century Downtown Plan and the 2010 Route 302 Corridor Study. In addition, funding would be used to maintain a level of effort in economic development including program funding and loan capitalization. While credit enhancement agreements will be enabled within the TIF, any request for a credit enhancement agreement would be subject to Town Council approval. The district term is for 20 years, beginning July 1, 2015 and ending June 30, 2035. The agreement allows for increased assessed value capture of up to 100% of real property improvements. In addition to those mentioned above, other program components include roadway and intersection improvements; wastewater facilities engineering and construction; utility extensions and relocations; corridor planning studies; and sidewalk and streetscape improvements. For the year ended June 30, 2018, \$51,088 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 substantially rehabilitated 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, 2018, \$10,610 of tax revenues were captured and reported as TIF revenues; property taxes abated and remitted under this agreement amounted to \$10,610 this year.

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**LANDFILL CLOSURE COSTS AND POSTCLOSURE CARE COSTS**

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

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

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FUND BALANCE

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The General Fund unassigned fund balance total of \$8,444,828 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 (\$22,831) is also reported for the perpetual care trust fund, (\$1,048,748) for capital projects, and (\$52,681) for nonmajor special revenue funds as of June 30, 2018.

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 and prepaids	\$ 83,385	-	-	-
Note receivable	406,600	-	-	-
Subsequent year budget	-	-	-	300,000
Sick and vacation payouts	-	-	-	50,000
Public safety	-	-	-	75,200
Recreation	-	-	-	12,059
Human services	-	-	-	164,492
Other	-	-	-	53,503
Capital outlay	-	-	-	936,987
Special Revenue Funds:				
Recreation program	-	-	189,304	-
Pipeline Development T.I.F.	-	17,611	-	-
Gateway North T.I.F.	-	152,352	-	-
Permanent Funds:				
Cemetery Acquisition Fund	-	-	205,558	-
Perpetual Care Trust Funds	41,074	-	-	-
Library Trust Fund	800	-	6,050	-
<b>Totals</b>	<b>\$ 531,859</b>	<b>169,963</b>	<b>400,912</b>	<b>1,592,141</b>

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OTHER POSTEMPLOYMENT BENEFITS

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***General Information about the OPEB Plans***

**Plan Description** - The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees. The plan is a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The Town Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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

**OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

**Benefits Provided** - MMEHT provides healthcare and life insurance benefits for retirees and their dependents. 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.

*Employees Covered by Benefit Terms* – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employee entitled to but not yet receiving benefits	-
Active employees	89
Total	101

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

The Town’s total OPEB liability of \$1,362,514 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

*Changes in the Total OPEB Liability*

Balance at June 30, 2017	\$ 1,409,959
Changes for the year:	
Service Cost	41,139
Interest	53,779
Changes of benefit terms	-
Differences between expected and actual experience	(22,665)
Changes in assumptions or other inputs	(62,413)
Benefit payments	(57,285)
Net changes	(47,445)
Balance at June 30, 2018	\$ 1,362,514

Change in assumptions reflects a change in the discount rate from 3.78% to 3.44% and also a change in valuation method from Projected Unit Credit funding to the Entry Age Normal funding method.



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

**OTHER POSTEMPLOYMENT BENEFITS, CONTINUED**

For the year ended June 30, 2018, The Town recognized OPEB expense of \$26,998. At June 30, 2018, The Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	19,832
Changes of assumption or other inputs	-	54,611
Total	\$ -	74,443

Deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (10,635)
2020	(10,635)
2021	(10,635)
2022	(10,635)
2023	(10,635)
Thereafter	(21,268)

**Actuarial Assumptions** - The total OPEB liability in the January 1, 2018 actuarial valuation for the Health Plan was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per year
Salary increases	2.75% per year
Discount rate	3.44% per annum
Healthcare cost trend rates	8.27% for 2018, decreasing to 4.00% for 2032
Retirees' share of the benefit related costs	100% of projected health insurance premiums

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

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

**Discount Rate** - The rate used to measure the total OPEB liability was 3.44% per annum. Since the plan is pay as you go and is not funded, the discount rate will be based on a 20-year tax-exempt general obligation municipal bond index. The rate is assumed to be an index rate for 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

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

OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** - The following presents the Town's total OPEB liability calculated using the discount rate of 3.44%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.44%) or 1 percentage-point higher (4.44%) than the current rate:

	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB liability	\$ 1,574,098	1,362,514	1,190,646

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the Town's total OPEB liability calculated using the healthcare cost trend rates of 8.27%, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (7.27%) or 1 percentage-point higher (9.27%) than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$ 1,181,796	1,362,514	1,588,831

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

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**MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS**

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

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

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

In 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  $\frac{1}{4}$  mile. Streets that are greater than a mile in length are surveyed every  $\frac{1}{2}$  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**

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MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS, CONTINUED

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**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 \$659,499 on road and street maintenance and \$1,593,667 for improvements for the fiscal year ended June 30, 2018. Both types of activities may contribute to improvements in the overall condition of roads.

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

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MODIFIED APPROACH FOR TOWN INFRASTRUCTURE ASSETS, CONTINUED

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Pavement condition rating (PCR) surveys only look at one element of a road's condition, but one which can communicate a great deal about underlying problems. Overlay alone may be enough to improve a road's rating for the short term, but more extensive work may be needed to address other issues. The Town estimates that the amount of annual expenditures required to improve and maintain the Town's roads and streets, and portions of state highways for which the Town is responsible for maintenance, at an average PCR score of 3.21 to be at least \$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 2018, 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**

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**Schedule of Changes in the Town's Total OPEB Liability and Related Ratios**  
Last 10 Fiscal Years\*

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service Cost	\$ 41,139
Interest	53,779
Changes of benefit terms	-
Differences between expected and actual experience	(22,665)
Changes of assumptions or other inputs	(62,413)
Benefit payments	(57,285)
<b>Net change in total OPEB Liability</b>	<b>(47,445)</b>
Total OPEB liability - beginning	1,409,959
Total OPEB liability - ending	\$ 1,362,514
Covered-employee payroll	\$ 4,728,753
Total OPEB liability as a percentage of covered-employee payroll	28.81%

\* Only one year of information available.

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

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

Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.3447%	0.3467%	0.3902%	0.4077%
Town's proportionate share of the net pension liability	1,411,252	1,842,379	1,244,764	627,369
Town's covered payroll	2,087,654	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	67.60%	96.52%	60.92%	33.07%
Plan fiduciary net position as a percentage of the total pension liability	86.43%	81.61%	88.27%	94.10%

*\* Only four 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 247,799	176,664	162,710	157,620	140,823
Contributions in relation to the contractually required contribution	(247,799)	(176,664)	(162,710)	(157,620)	(140,823)
<b><u>Contribution deficiency (excess)</u></b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Town's covered payroll	2,306,612	2,087,654	1,908,722	2,043,137	1,896,934
Contributions as a percentage of covered payroll	10.74%	8.46%	8.52%	7.71%	7.42%

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



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

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**Net Pension Liability**

**Changes of Benefit Terms - None**

**Changes of Assumptions** - The PLD Plan changed the discount rate of 7.125%, inflation rate of 3.5%, and the cost of living increase of 2.55% in the 2015 valuation to 6.875%, 2.75%, and 2.20%, respectively in the 2016 valuation. The PLD Plan changed the salary increases in the 2015 valuation of 3.5% - 13.5% to 2.75% - 9.0% in the 2016 valuation. In addition, mortality rates were previously based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA, which, in the 2016 valuation, was changed to mortality rates that were based on the RP2014 Total Data Set Healthy Annuity Mortality Table.

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

**Total OPEB Liability**

**Changes of Benefit Terms - None**

**Changes of Assumptions** - Changes of assumptions and other inputs reflects the changes in the discount rate each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Discount Rate</u>
2018	3.44%
2017	3.78%

Additionally, the valuation method was changed from the Projected Unit Credit funding method in 2017 to the Entry Age Normal funding method in 2018.

## **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, 2018 and 2017**

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11,190,527	7,263,654
Investments	-	4,286,892
Receivables:		
Accounts, net of allowance of \$52,292 and \$60,000, respectively	573,091	377,526
Taxes - current year	726,120	638,249
Taxes - prior years	348,371	328,900
Tax liens - prior years	662,172	636,972
Notes	406,600	399,490
Interfund loans receivable	250,569	-
Inventory and prepaids	83,385	8,481
Receivable - RSU #14 debt service payments	11,030,000	12,665,000
<b>Total assets</b>	<b>\$ 25,270,835</b>	<b>26,605,164</b>
<b>LIABILITIES</b>		
Accounts payable	782,746	464,249
Accrued wages	461,380	375,581
Other liabilities	161,287	102,056
Interfund loans payable	-	267,611
Taxes paid in advance	142,626	76,646
Unearned income - impact fees	445,684	320,318
Inspection deposits	320,058	324,496
<b>Total liabilities</b>	<b>2,313,781</b>	<b>1,930,957</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue - property taxes	1,400,000	1,251,000
Unavailable revenue - RSU #14 debt service payments	11,030,000	12,665,000
<b>Total deferred inflows of resources</b>	<b>12,430,000</b>	<b>13,916,000</b>
<b>FUND BALANCE</b>		
Nonspendable	489,985	407,971
Restricted	-	55,000
Assigned	1,592,241	2,158,477
Unassigned	8,444,828	8,136,759
<b>Total fund balance</b>	<b>10,527,054</b>	<b>10,758,207</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 25,270,835</b>	<b>26,605,164</b>

**TOWN OF WINDHAM, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**  
**with comparative actual amounts for the year ended June 30, 2017**

	2017 carryforward	2018		2017 Actual	Variance positive (negative)	2017 Actual
		Budget	Total available			
<b>Revenues:</b>						
<b>Taxes:</b>						
Property taxes	\$ -	30,093,464	30,093,464	30,112,618	19,154	28,329,203
Change in deferred property tax revenue	-	-	-	(149,000)	(149,000)	221,000
Excise taxes	-	3,425,000	3,425,000	3,850,785	425,785	3,627,003
Supplemental taxes and lien fees	-	15,000	15,000	77,014	62,014	43,271
<b>Total taxes</b>	-	<b>33,533,464</b>	<b>33,533,464</b>	<b>33,891,417</b>	<b>357,953</b>	<b>32,220,477</b>
<b>Licenses and permits:</b>						
Town Clerk fees	-	45,000	45,000	35,919	(9,081)	41,463
Building permits	-	150,000	150,000	148,930	(1,070)	154,805
Plumbing fees	-	50,000	50,000	48,455	(1,545)	57,800
Planning fees	-	66,500	66,500	56,104	(10,396)	41,546
License and other fees	-	37,882	37,882	63,429	25,547	64,024
Recreation impact fees	-	75,000	75,000	-	(75,000)	9,145
Motor vehicle registration fees	-	50,000	50,000	54,182	4,182	53,981
<b>Total licenses and permits</b>	-	<b>474,382</b>	<b>474,382</b>	<b>407,019</b>	<b>(67,363)</b>	<b>422,764</b>
<b>Intergovernmental:</b>						
State Revenue Sharing	-	-	-	742,104	742,104	677,413
State highway block grant	-	250,000	250,000	253,006	3,006	248,636
Homestead and BETE exemptions	-	809,551	809,551	953,913	144,362	529,175
General assistance reimbursement	-	28,000	28,000	42,464	14,464	11,249
State Tree Growth	-	20,000	20,000	20,909	909	19,527
<b>Total intergovernmental</b>	-	<b>1,107,551</b>	<b>1,107,551</b>	<b>2,012,396</b>	<b>904,845</b>	<b>1,486,000</b>
<b>Charges for services:</b>						
Solid waste disposal fees	-	450,000	450,000	365,445	(84,555)	585,363
Rescue reimbursement	-	705,000	705,000	640,819	(64,181)	665,592
RSU service payment	-	45,000	45,000	45,000	-	41,100
Library fines and fees	-	7,500	7,500	7,394	(106)	9,267
False alarm fees/police fines and fees	-	4,000	4,000	7,398	3,398	8,644
Park fees	-	49,000	49,000	45,858	(3,142)	47,025
<b>Total charges for services</b>	-	<b>1,260,500</b>	<b>1,260,500</b>	<b>1,111,914</b>	<b>(148,586)</b>	<b>1,356,991</b>

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

	2017 carryforward	2018		Actual	Variance positive (negative)	2017 Actual
		Budget	Total available			
Revenues, continued:						
Interest earned:						
Interest on delinquent taxes	\$ -	100,000	100,000	93,689	(6,311)	125,042
Interest earned on investments	-	25,000	25,000	196,941	171,941	80,082
Total interest earned	-	125,000	125,000	290,630	165,630	205,124
Other revenues:						
Cable television franchise	-	115,000	115,000	212,861	97,861	146,559
Fee in lieu of taxes	-	29,247	29,247	-	(29,247)	14,645
Rent	-	9,416	9,416	9,416	-	9,416
Sale of property	-	-	-	-	-	80,000
Miscellaneous	-	110,000	110,000	138,123	28,123	93,503
Total other revenues	-	263,663	263,663	360,400	96,737	344,123
Total revenues	-	36,764,560	36,764,560	38,073,776	1,309,216	36,035,479
Expenditures:						
Current:						
Administrative services:						
Town Council	-	159,252	159,252	197,903	(38,651)	153,115
Town Manager's office	-	500,254	500,254	511,627	(11,373)	499,909
Collection and registration	-	279,080	279,080	241,533	37,547	225,684
Information services	-	268,683	268,683	288,071	(19,388)	179,578
Community participation	-	77,522	77,522	73,839	3,683	54,493
Community TV and E-Government	-	55,873	55,873	47,491	8,382	40,439
Economic Development	-	184,490	184,490	184,490	-	186,845
Insurance	-	131,850	131,850	128,769	3,081	121,461
Employee benefits	-	2,118,358	2,118,358	2,259,594	(141,236)	1,978,895
Total administrative services	-	3,775,362	3,775,362	3,933,317	(157,955)	3,440,419

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

	2017 carryforward	2018		Actual	Variance positive (negative)	2017 Actual
		Budget	Total available			
Expenditures, continued						
Current, continued:						
Public works:						
Public works administration	\$ -	232,874	232,874	196,356	36,518	208,793
Highway maintenance	-	683,700	683,700	660,251	23,449	586,937
Traffic safety	49,275	143,500	192,775	191,233	1,542	139,456
Snow removal	-	436,910	436,910	457,134	(20,224)	424,526
Building maintenance	-	582,213	582,213	559,758	22,455	500,953
Grounds maintenance	-	13,600	13,600	11,218	2,382	9,124
Vehicle maintenance	-	427,759	427,759	425,834	1,925	404,249
Solid waste	-	846,195	846,195	843,525	2,670	837,643
Total public works	49,275	3,366,751	3,416,026	3,345,309	70,717	3,111,681
Public safety:						
Police services	20,900	2,097,049	2,117,949	2,017,459	100,490	1,948,832
Communications	-	393,200	393,200	391,930	1,270	382,284
Animal control	-	67,013	67,013	62,557	4,456	61,890
Vehicle maintenance	-	101,837	101,837	110,479	(8,642)	94,128
Total public safety	20,900	2,659,099	2,679,999	2,582,425	97,574	2,487,134
Fire/rescue services:						
Fire-rescue services	-	1,762,112	1,762,112	1,658,496	103,616	1,589,179
Rescue bad debt expense	-	105,000	105,000	83,957	21,043	101,576
Emergency management	-	1,480	1,480	40	1,440	392
Water main charges	-	95,772	95,772	102,961	(7,189)	102,172
Vehicle maintenance	-	140,402	140,402	126,762	13,640	135,724
Total fire/rescue services	-	2,104,766	2,104,766	1,972,216	132,550	1,929,043

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

	2017 carryforward	2018		Variance positive (negative)	2017 Actual	
		Budget	Total available			Actual
Expenditures, continued						
Current, continued:						
Recreation services:						
Recreation	\$ -	193,261	193,261	192,534	727	179,631
Dundee Park	-	96,250	96,250	137,837	(41,587)	112,880
Skate park	-	1,600	1,600	655	945	7,308
Library services	66,700	459,334	526,034	430,279	95,755	399,040
Total recreation services	66,700	750,445	817,145	761,305	55,840	698,859
Education	-	19,664,904	19,664,904	19,664,904	-	18,263,875
County tax	-	1,304,678	1,304,678	1,304,678	-	1,264,831
Other:						
Property and inspection services:						
Code enforcement and zoning administration	-	255,824	255,824	242,911	12,913	257,177
Planning services	-	329,162	329,162	303,595	25,567	287,196
Comprehensive master plan	28,431	25,000	53,431	3,307	50,124	3,669
Assessing	-	372,565	372,565	360,083	12,482	281,723
Geographic information systems	-	20,975	20,975	13,773	7,202	8,281
Town clerk services	-	189,351	189,351	193,594	(4,243)	186,638
Abatements	-	60,473	60,473	31,279	29,194	12,216
Social services:						
Social services	-	149,492	149,492	121,442	28,050	120,264
Social services agency funding	-	22,675	22,675	22,675	-	22,050
Contingency:						
Contingency	30,000	150,000	180,000	43,269	136,731	-
Energy and weather emergency fund	-	150,000	150,000	-	150,000	-
Total other	58,431	1,725,517	1,783,948	1,335,928	448,020	1,179,214
Debt service:						
Principal	-	233,400	233,400	233,400	-	150,000
Interest	-	80,488	80,488	80,486	2	83,016
Total debt service	-	313,888	313,888	313,886	2	233,016

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

	2018					2017 Actual
	2017 carryforward	Budget	Total available	Actual	Variance positive (negative)	
Expenditures, continued:						
Capital outlay:						
Equipment replacement	\$ -	725,000	725,000	799,793	(74,793)	452,175
Road improvements	518,674	1,250,000	1,768,674	1,583,751	184,923	983,339
Buildings and facilities improvements (includes TIF transfers)	786,463	745,665	1,532,128	1,115,310	416,818	428,677
Land and facilities improvements	129,026	75,000	204,026	24,912	179,114	15,748
Total capital outlay	1,434,163	2,795,665	4,229,828	3,523,766	706,062	1,879,939
Total expenditures	1,629,469	38,461,075	40,090,544	38,737,734	1,352,810	34,488,011
Excess (deficiency) of revenues over (under) expenditures	(1,629,469)	(1,696,515)	(3,325,984)	(663,958)	2,662,026	1,547,468
Other financing sources (uses):						
Transfers from other funds	-	777,614	777,614	402,997	(374,617)	398,402
Transfers to other funds	-	(90,000)	(90,000)	(8,790)	81,210	-
Utilization of prior year surplus and carried forward balances	1,629,469	1,008,901	2,638,370	-	(2,638,370)	-
Total other financing sources (uses)	1,629,469	1,696,515	3,325,984	394,207	(2,931,777)	398,402
Net change in fund balance - budgetary basis	-	-	-	(269,751)	(269,751)	1,945,870
Reconciliation to GAAP basis:						
Change in assigned funds				38,598		(2,207)
Net change in fund balance - GAAP basis				(231,153)		1,943,663
Fund balance, beginning of year				10,758,207		8,814,544
<b>Fund balance, end of year</b>	<b>\$</b>			<b>10,527,054</b>		<b>10,758,207</b>



**TOWN OF WINDHAM, MAINE**  
**Assigned Funds - General Fund**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	Fund balances beginning of year	Revenues		Expenditures			Fund balances end of year
		Inter- governmental	Other	Public Safety	Recreation Services	Other	
Assigned funds:							
Seized/safekept funds	11,705	243	102	-	-	-	12,050
State forfeited assets	9,399	7,518	-	9,628	-	-	7,289
DARE	25,460	-	5,147	10,743	-	-	19,864
Federal Equitable Sharing	13,350	30,016	-	7,369	-	-	35,997
Summerfest	(1,813)	-	22,109	-	22,999	-	(2,703)
Windham Human Services	140,290	-	28,869	-	-	4,667	164,492
<b>Total assigned funds</b>	<b>\$ 198,391</b>	<b>37,777</b>	<b>56,227</b>	<b>27,740</b>	<b>22,999</b>	<b>4,667</b>	<b>236,989</b>

**ALL OTHER GOVERNMENTAL FUNDS**

**TOWN OF WINDHAM**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	-	231,251	231,251
Accounts receivable	32,717	-	-	32,717
Interfund loans receivable	391,333	550	-	391,883
<b>Total assets</b>	<b>\$ 424,050</b>	<b>550</b>	<b>231,251</b>	<b>655,851</b>
<b>LIABILITIES</b>				
Accounts payable	64,031	461,334	-	525,365
Interfund loans payable	53,433	587,964	600	641,997
<b>Total liabilities</b>	<b>117,464</b>	<b>1,049,298</b>	<b>600</b>	<b>1,167,362</b>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	-	-	41,874	41,874
Restricted	169,963	-	-	169,963
Committed	189,304	-	211,608	400,912
Unassigned	(52,681)	(1,048,748)	(22,831)	(1,124,260)
<b>Total fund balances (deficits)</b>	<b>306,586</b>	<b>(1,048,748)</b>	<b>230,651</b>	<b>(511,511)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 424,050</b>	<b>550</b>	<b>231,251</b>	<b>655,851</b>

**TOWN OF WINDHAM, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 176,790	-	-	176,790
Charges for services	595,878	-	-	595,878
Interest revenue	-	-	944	944
Other revenue	-	-	5,500	5,500
Total revenues	772,668	-	6,444	779,112
Expenditures:				
Current:				
Administrative services	145,012	-	-	145,012
Public safety	42,375	-	-	42,375
Public works	360,528	-	-	360,528
Recreation services	221,974	-	-	221,974
Other	-	-	600	600
Capital outlay	116,810	1,565,091	-	1,681,901
Total expenditures	886,699	1,565,091	600	2,452,390
Excess (deficiency) of revenues over (under) expenditures	(114,031)	(1,565,091)	5,844	(1,673,278)
Other financing sources (uses):				
Transfer from other funds	462,677	578,475	-	1,041,152
Transfer to other funds	(400,197)	-	(2,800)	(402,997)
Total other financing sources (uses)	62,480	578,475	(2,800)	638,155
Net change in fund balances	(51,551)	(986,616)	3,044	(1,035,123)
Fund balances (deficits), beginning of year	358,137	(62,132)	227,607	523,612
<b>Fund balances (deficits), end of year</b>	<b>\$ 306,586</b>	<b>(1,048,748)</b>	<b>230,651</b>	<b>(511,511)</b>

## **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 Grant**

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.

### **CDBG Grant**

To account for community development block grants received by the Town.

### **Skate Park Grant**

To account for a federal grant for the construction of a new concrete skate park.

### **JAG Grant**

To account for justice assistance grants received by the Town.

TOWN OF WINDHAM, MAINE  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2018

	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.	CDBG Grant	Skate Park Grant	JAG Grant	Total
<b>ASSETS</b>											
Accounts receivable	\$ 32,717	-	-	-	-	-	-	-	-	-	32,717
Interfund loans receivable	-	212,471	-	17,611	-	152,352	-	6,874	-	2,025	391,333
<b>Total assets</b>	<b>\$ 32,717</b>	<b>212,471</b>	<b>-</b>	<b>17,611</b>	<b>-</b>	<b>152,352</b>	<b>-</b>	<b>6,874</b>	<b>-</b>	<b>2,025</b>	<b>424,050</b>
<b>LIABILITIES</b>											
Accounts payable	30,044	23,167	1,921	-	-	-	-	6,874	-	2,025	64,031
Interfund loans payable	39,259	-	1,079	-	-	-	-	-	13,095	-	53,433
Total liabilities	69,303	23,167	3,000	-	-	-	-	6,874	13,095	2,025	117,464
<b>FUND BALANCES (DEFICITS)</b>											
Restricted	-	-	-	17,611	-	152,352	-	-	-	-	169,963
Committed	-	189,304	-	-	-	-	-	-	-	-	189,304
Unassigned	(36,586)	-	(3,000)	-	-	-	-	-	(13,095)	-	(52,681)
Total fund balances (deficit)	(36,586)	189,304	(3,000)	17,611	-	152,352	-	-	(13,095)	-	306,586
<b>Total liabilities and fund balances</b>	<b>\$ 32,717</b>	<b>212,471</b>	<b>-</b>	<b>17,611</b>	<b>-</b>	<b>152,352</b>	<b>-</b>	<b>6,874</b>	<b>-</b>	<b>2,025</b>	<b>424,050</b>

**TOWN OF WINDHAM, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	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.	CDBG Grant	Skate Park Grant	JAG Grant	Total
<b>Revenues:</b>											
Intergovernmental revenues	\$ -	-	123,728	-	-	-	-	10,674	-	42,388	176,790
Charges for services	348,704	247,174	-	-	-	-	-	-	-	-	595,878
<b>Total revenues</b>	<b>348,704</b>	<b>247,174</b>	<b>123,728</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,674</b>	<b>-</b>	<b>42,388</b>	<b>772,668</b>
<b>Expenditures:</b>											
<b>Current:</b>											
Administrative services	-	-	123,728	-	-	-	10,610	10,674	-	-	145,012
Public safety	-	-	-	-	-	-	-	-	-	42,375	42,375
Public works	360,528	-	-	-	-	-	-	-	-	-	360,528
Recreation services	-	208,879	-	-	-	-	-	-	13,095	-	221,974
Capital expenditures	-	-	-	116,810	-	-	-	-	-	-	116,810
<b>Total expenditures</b>	<b>360,528</b>	<b>208,879</b>	<b>123,728</b>	<b>116,810</b>	<b>-</b>	<b>-</b>	<b>10,610</b>	<b>10,674</b>	<b>13,095</b>	<b>42,375</b>	<b>886,699</b>
Excess (deficiency) of revenues over (under) expenditures	(11,824)	38,295	-	(116,810)	-	-	(10,610)	-	(13,095)	13	(114,031)
<b>Other financing sources (uses):</b>											
Transfer from other funds	-	8,790	-	182,189	210,000	51,088	10,610	-	-	-	462,677
Transfer to other funds	-	-	-	(91,367)	(308,830)	-	-	-	-	-	(400,197)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>8,790</b>	<b>-</b>	<b>90,822</b>	<b>(98,830)</b>	<b>51,088</b>	<b>10,610</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,480</b>
<b>Net change in fund balances</b>	<b>(11,824)</b>	<b>47,085</b>	<b>-</b>	<b>(25,988)</b>	<b>(98,830)</b>	<b>51,088</b>	<b>-</b>	<b>-</b>	<b>(13,095)</b>	<b>13</b>	<b>(51,551)</b>
<b>Fund balances (deficits), beginning of year</b>	<b>(24,762)</b>	<b>142,219</b>	<b>(3,000)</b>	<b>43,599</b>	<b>98,830</b>	<b>101,264</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13)</b>	<b>358,137</b>
<b>Fund balances (deficits), end of year</b>	<b>\$ (36,586)</b>	<b>189,304</b>	<b>(3,000)</b>	<b>17,611</b>	<b>-</b>	<b>152,352</b>	<b>-</b>	<b>-</b>	<b>(13,095)</b>	<b>-</b>	<b>306,586</b>

## **NONMAJOR CAPITAL PROJECT FUNDS**

Capital project funds are established to account for expenditures for large capital projects, including the acquisition and construction of capital facilities and capital assets.

### **Building Improvements**

To account for funds committed for various Town owned building improvements.

### **Shared Maintenance Facility**

To account for the construction of the shared maintenance facility. This will be financed with future bond proceeds.

### **Library Renovations**

To account for renovations at the Library.



**TOWN OF WINDHAM, MAINE**  
**Capital Project Funds**  
**Combining Balance Sheet**  
**June 30, 2018**

	Building Improvements	Shared Maintenance Facility	Library Renovations	Total
<b>ASSETS</b>				
Interfund loans receivable	\$ -	-	550	550
<b>Total assets</b>	<b>\$ -</b>	<b>-</b>	<b>550</b>	<b>550</b>
<b>LIABILITIES</b>				
Accounts payable	-	460,784	550	461,334
Interfund loans payable	-	587,964	-	587,964
Total liabilities	-	1,048,748	550	1,049,298
<b>FUND BALANCES (DEFICITS)</b>				
Unassigned	-	(1,048,748)	-	(1,048,748)
Total fund balances (deficits)	-	(1,048,748)	-	(1,048,748)
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>-</b>	<b>550</b>	<b>550</b>

**TOWN OF WINDHAM, MAINE**  
**Capital Project Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	Building Improvements	Shared Maintenance Facility	Library Renovations	Total
Revenues:				
Interest revenue	\$ -	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures:				
Capital outlay	158,277	1,048,748	358,066	1,565,091
<b>Total expenditures</b>	<b>158,277</b>	<b>1,048,748</b>	<b>358,066</b>	<b>1,565,091</b>
Other financing sources:				
Transfers from other funds	220,409	-	358,066	578,475
<b>Total other financing sources</b>	<b>220,409</b>	<b>-</b>	<b>358,066</b>	<b>578,475</b>
Net change in fund balances	62,132	(1,048,748)	-	(986,616)
Fund balances (deficits), beginning of year	(62,132)	-	-	(62,132)
<b>Fund balances (deficits), end of year</b>	<b>\$ -</b>	<b>(1,048,748)</b>	<b>-</b>	<b>(1,048,748)</b>

## **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, 2018**

		Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
<b>ASSETS</b>					
Investments	\$	206,158	18,243	6,850	231,251
<b>Total assets</b>	<b>\$</b>	<b>206,158</b>	<b>18,243</b>	<b>6,850</b>	<b>231,251</b>
<b>LIABILITIES</b>					
Interfund loans payable		600	-	-	600
Total liabilities		600	-	-	600
<b>FUND BALANCES</b>					
Nonspendable		-	41,074	800	41,874
Committed		205,558	-	6,050	211,608
Unassigned		-	(22,831)	-	(22,831)
Total fund balances		205,558	18,243	6,850	230,651
<b>Total liabilities and fund balances</b>	<b>\$</b>	<b>206,158</b>	<b>18,243</b>	<b>6,850</b>	<b>231,251</b>

**TOWN OF WINDHAM, MAINE**  
**Permanent Funds**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

	Cemetery Acquisition Fund	Perpetual Care Trust Funds	Library Trust Fund	Total
Revenues:				
Interest and dividends	\$ 829	87	28	944
Lot sales	5,500	-	-	5,500
Total revenues	6,329	87	28	6,444
Expenditures:				
Other	600	-	-	600
Total expenditures	600	-	-	600
Other financing uses:				
Transfers to other funds	-	(2,800)	-	(2,800)
Total other financing uses	-	(2,800)	-	(2,800)
Net change in fund balances	5,729	(2,713)	28	3,044
Fund balances, beginning of year	199,829	20,956	6,822	227,607
<b>Fund balances, end of year</b>	<b>\$ 205,558</b>	<b>18,243</b>	<b>6,850</b>	<b>230,651</b>