



August 20, 2014

**MEMORANDUM TO PROSPECTIVE BIDDERS**

**Re: TOWN OF WINDHAM, CONNECTICUT  
\$6,315,000 General Obligation Bond Anticipation Notes**

**Dated: September 10, 2014    Date of Sale: Wednesday, August 27, 2014  
Due: June 9, 2015                      Time of Sale: 11:30 A.M. (Eastern Time)**

***\*\*Phone Number to Place Bid: (203) 283-1110\*\****

As per the Notice of Telephone Sale, proposals may be submitted by telephone on Wednesday, August 27, 2014. Please note that a representative of Phoenix Advisors, LLC will be available until 11:30 A.M. (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid by telephone at **(203) 283-1110 no later than 11:30 A.M. on Wednesday, August 27, 2014.**

*The issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission. No Official Statement has been prepared by or on behalf of the Issuer for this sale.*

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of The Town of Windham, Connecticut as of June 30, 2013. These excerpts are included in this package. Copies of the complete reports for June 30<sup>th</sup> are available upon request from Phoenix Advisors, LLC, Attention: Barry J. Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 283-1110.

We trust we may be of service.

**PHOENIX ADVISORS, LLC**



## **Telephone Sale Term Sheet**

**\$6,315,000**

### **General Obligation Bond Anticipation Notes Town of Windham, Connecticut**

**Date of Sale:** Wednesday, August 27, 2014 at 11:30 A.M. (Eastern Time).

**Location of Sale:** Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460.  
Telephone: (203) 283-1110

**Issuer:** Town of Windham, Connecticut (the "Town").

**Issue:** \$6,315,000 General Obligation Bond Anticipation Notes (the "Notes").

**Dated Date:** September 10, 2014

**Principal and Interest Due:** At maturity on June 9, 2015

**Purpose:** The Notes are being issued to renew notes initially issued to finance various general purpose and school projects.

**Denominations:** \$100,000, except that one such proposal for a part may include the odd \$15,000 of principal amount.

**Redemption:** The Notes are not subject to redemption prior to maturity.

**Security:** The Notes will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.

**Credit Rating:** No application for a rating on this Note issue has been made to any credit rating agency. The Town has outstanding bond ratings from Moody's Investors Service of "Aa3" and Standard & Poor's of "AA"

**Basis of Award:** Lowest Net Interest Cost (NIC), as of dated date.

**Form of Legal Opinion and Tax Exemption:** See "Bond Counsel Opinion" in the Notice of Telephone Sale.

**Bank Qualification:** The Notes shall be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

**Registrar, Transfer Agent, Certifying Agent and Paying Agent:** U.S Bank National Association of Hartford, Connecticut, Goodwin Square, 23rd Floor, 225 Asylum Street, Hartford, Connecticut 06103.

**Financial Advisor:** Phoenix Advisors, LLC of Milford, Connecticut will act as Financial Advisor. Telephone (203) 283-1110.

**Legal Opinion:** Pullman & Comley, LLC of Hartford, Connecticut will act as Bond Counsel.

**Delivery and Payment:** It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about September 10, 2014. Delivery of the Notes will be made against payment in immediately available Federal Funds.

**Issuer Official:** Questions concerning the Town should be directed to Christian Johnson, United Finance Director, 979 Main Street, Windham, Connecticut 06226, Telephone: (203) 465-2532 or Mr. Barry J. Bernabe, Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut, Telephone: (203) 283-1110.

**NOTICE OF TELEPHONE SALE  
TOWN OF WINDHAM, CONNECTICUT**

**\$6,315,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES  
Dated September 10, 2014 : Due June 9, 2015**

Bids by TELEPHONE will be received by the **TOWN OF WINDHAM**, Connecticut (the "Town"), at (203) 283-1110 until **11:30 A.M. (E.D.T.), Wednesday**

**August 27, 2014**

(the "Bid Date") for the purchase of the above-captioned **TOWN OF WINDHAM** General Obligation Bond Anticipation Notes (the "Notes") which mature on June 9, 2015.

**The Issue**

The full faith and credit of the Town will be pledged for the prompt payment of the principal of and the interest on the Notes. The Notes will be general obligations of the Town payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut General Statutes, as amended. The Notes will be dated September 10, 2014 and will be payable to the registered owners on June 9, 2015. They will be issued in minimum denominations of \$100,000 or whole multiples thereof. Denominations of less than \$100,000 will not be made available. The Notes will bear interest (computed on a 360-day year, 30-day month basis) payable at maturity at the rate or rates per annum fixed in the proposal accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

The Notes are NOT subject to redemption prior to maturity.

**Bid Requirements**

Telephone bids for the Notes will be received until 11:30 A.M. (E.D.T.) on behalf of the Town by Phoenix Advisors, LLC, the Town's financial advisor. All telephone bids must be made to Phoenix Advisors, LLC at (203) 283-1110 and be completed by 11:30 A.M. (E.D.T.) on Wednesday, August 27, 2014. Bidders shall recognize that a bid by telephone means that the bidder accepts the terms and conditions of this Notice of Sale and agrees to be bound by such and, further, such bidder recognizes and accepts the risk that its telephone bid may not be received by the Town through its agent or may be received later than the time specified as the result of a failure in communications including, but not limited to, a failure in telephonic communications, or the inability to reach the Town through its agent by the time required. A bid received after the time specified, as determined in the Town's sole discretion, will not be reviewed or honored by the Town.

A proposal may be for all or any part of the Notes, but any proposal for a part must be for a whole multiple of \$100,000. A separate proposal will be required for each part of the Notes for which a separate stated interest rate is bid.

**Award, Delivery and Payment**

Unless all bids are rejected, the Notes will be awarded on the basis of the lowest net interest cost, computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom any premium offered. As between proposals resulting in the same lowest net interest cost, the award will be made on the basis of the highest principal amount of the Notes specified. In the event that two or more bidders offer bids at the same lowest net interest cost and the same principal amount, the Town will determine by lot which of such bidders will be awarded the Notes. No bid for less than par and accrued interest, if any, will be considered and the Town reserves the right to award to any bidder(s) all or any part of the Notes bid for in its proposal. If a bidder is awarded only a part of the Notes bid for in its proposal, any premium offered in such proposal will be proportionately reduced so that the net interest cost shall be the same as in the bidder's proposal with respect to the amount bid, carried to four places. The purchase price must be paid in Federal funds.

Promptly upon verbal notification that a bidder's proposal may be accepted, the bidder shall confirm to the Town the reoffering prices of the Notes.

Bids will be finally accepted or rejected promptly after opening and not later than 1:00 P.M. (E.D.T.) on the Bid Date in accordance with the provisions herein.

Simultaneously with or before delivery of the Notes, the purchaser shall furnish to the Town a certificate acceptable to Bond Counsel for the Town to the effect that the purchaser has either purchased the Notes at the prices shown on such certificate for investment and not with a view toward distribution or resale and not in the capacity of a bond house, broker or other intermediary or has made a bona fide public offering of the Notes to the public (i) at initial offering prices not greater than, or yields not lower than, the respective prices or yields shown on the certificate, and (ii) a substantial amount of the Notes was sold to the final purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices not greater than or yields not lower than, such offering prices or yields. Bond Counsel advises that (i) such certificates must be made on the best knowledge, information and belief of the purchaser, (ii) the sale to the public of 10% or more of the Notes at prices not greater than or yields not lower than, the initial offering prices or yields would be sufficient for the purpose of certifying as to the sale of a substantial amount of the Notes and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement.

At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with the approving opinion of Pullman & Comley, LLC, of Hartford, Connecticut, Bond Counsel. The successful bidder will also be furnished with a receipt of payment for the Notes, a Signature and No Litigation Certificate, dated as of the date of delivery of the Notes, stating that there is no litigation pending, or to the knowledge of the signers thereof, threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them.

The Notes will be designated by the Town as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

The Town will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the Town's costs of issuance except to the extent specifically stated in this Notice of Sale.

The purchaser will be responsible for the clearance or exemption with respect to the status of the Notes for sale under securities or "Blue Sky" laws and the preparation of any surveys or memoranda in connection with such sale. The Town shall have no responsibility for such clearance, exemption or preparation.

It is expected that the Notes will be delivered to DTC in New York City on or about September 10, 2014 against payment in immediately available Federal Funds. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning purchaser to obtain CUSIP numbers for the Notes prior to delivery and the Town will not be responsible for any delay occasioned by the inability to deposit the Notes with DTC due to the failure of the winning purchaser to obtain such numbers and to supply them to the Town in a timely manner. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute a cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes.

#### **Right to Reject Bids; Waiver**

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

#### **Postponement; Change of Terms**

The Town reserves the right to alter any terms of the Notes or this Notice of Sale and to postpone, from time to time, the date or time established for the receipt of the bids.

## **Book-Entry**

Subject to the paragraph below, the Notes will be issued by means of a book-entry system with no physical distribution of certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$100,000 or whole multiples thereof, plus any odd amount, if any, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The successful bidder or bidders, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent in Federal funds to DTC or its nominee as registered owner of the Notes. Principal and interest payments to Participants of DTC will be the responsibility of DTC. Principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered Note certificates directly to the Beneficial Owners of the Notes or their nominees.

The successful bidder for the Notes may request that the Notes be issued in the form of one fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC. The successful bidder seeking the issuance of the Notes in this manner, and any subsequent registered owner of the Notes, shall bear any and all costs, including counsel fees, of any re-registration or transfer of Notes from time to time, including any costs to convert the Notes to book-entry only form. Any bidder seeking to have the Notes issued in the form of a fully registered physical certificate, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

## **No Continuing Disclosure or Official Statement**

Since the Notes mature not more than nine months from the date of issue and are in denominations of \$100,000 or more, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the Town will not provide an official statement nor enter into a continuing disclosure agreement with respect to the Notes.

## **Additional Information**

More information concerning the issue and the Town may be obtained from Barry J. Bernabe, Managing Director, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, CT 06460 (203) 283-1110.

Neal Beats  
Town Manager

Patricia Spruance  
Treasurer

August 20, 2014

September 10, 2014

Town of Windham  
979 Main Street  
Willimantic, CT 06226

We have acted as Bond Counsel in connection with the issuance by the Town of Windham (the “Town”), in the State of Connecticut, of its \$6,315,000 General Obligation Bond Anticipation Notes (the “Notes”) dated September 10, 2014 and maturing June 9, 2015. In such capacity, we have examined a record of proceedings of the Town authorizing the Notes, a Tax Regulatory Agreement of the Town dated September 10, 2014 (the “Agreement”), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that when the Notes are duly certified by U.S. Bank National Association, they will be valid and legally binding general obligations of the Town payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the Town and was duly authorized by the Town.

The rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be satisfied at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be excluded from gross income under Section 103 of the Code. In the Agreement, the Town has made covenants and representations designed to assure compliance with such requirements of the Code. The Town has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes to ensure that interest on the Notes shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Notes.

In rendering the below opinions regarding the federal treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Agreement, and (ii) continuing compliance by the Town with the covenants set forth in the Agreement as to such tax matters.

In our opinion, under existing law, interest on the Notes is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. We express no opinion regarding other federal income tax consequences caused by the ownership or disposition of, or receipt of interest on the Notes.

The Town has designated the Notes as “qualified tax exempt obligations” within the meaning of Code Section 265(b)(3) for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

We are further of the opinion that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other state income tax consequences caused by ownership or disposition of, or receipt of interest on the Notes.

We have not undertaken to advise whether any events after the date of issuance of the Notes, including the adoption of federal tax legislation, may affect the tax status of interest on the Notes.

Although we have rendered an opinion that interest on the Notes is not includable in gross income for federal income tax purposes, federal income tax liability may otherwise be affected by the ownership or disposition of the Notes. We express no opinion regarding any tax consequence caused by ownership or disposition of, or receipt of interest income on, the Notes not specifically described herein.

Respectfully,

PULLMAN & COMLEY, LLC

# **TOWN OF WINDHAM, CONNECTICUT**

## **FINANCIAL INFORMATION**

Excerpted from the  
Annual Financial Report of  
The Town of Windham, Connecticut  
Year Ended June 30, 2013



## INDEPENDENT AUDITOR'S REPORT

To the Board of Finance  
Town of Windham, Connecticut

### Report on the Financial Statements

We have audited the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Town of Windham, Connecticut (the "Town") as of and for the fiscal year ended June 30, 2013, and the related notes thereto which collectively comprise the Town's basic financial statements as listed in the table of content.

### 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 of 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 Town'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 reasonable 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 business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windham, Connecticut as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof 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 Discussion and Analysis on pages 3–9, the schedules of funding progress and employers' contributions on pages 57-58 and budgetary comparison information on page 59 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, the combining and individual fund financial statements and other schedules and the statistical section 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 and other schedules are the responsibility of management and were derived from and relates 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 and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014 on our consideration of the Town'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 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's internal control over financial reporting and compliance.

*McGladrey LLP*

New Haven, Connecticut  
January 31, 2014

**Town of Windham, Connecticut  
Management's Discussion and Analysis (Unaudited)  
June 30, 2013**

The management of the Town of Windham, Connecticut (the "Town"), offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013.

**FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$96,691,963 (net position). Of this amount, \$33,327,983 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens and creditors. Of this amount, \$14,850,214 represents unrestricted net position attributed to the operations of the Town's water and sewer systems (business-type activities).
- The Town's changes in net position for the year ended June 30, 2013 amounted to \$17,829,335 which consisted of an increase of \$18,812,165 relating to the Town's governmental activities combined with a decrease of \$982,830 relating to the Town's business-type activities.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,730,929, a decrease of \$8,361,559 in comparison with the prior year. Of this amount \$3,094,598 of governmental ending fund balances are available for spending at the Town's discretion (unassigned fund balance).
- At the end of the close of the current fiscal year, unassigned fund balance for the General Fund was \$10,109,251 or 14% of total General Fund GAAP expenditures and operating transfers out.
- The Town's total long-term debt, consisting of bonds payable, notes payable and capital leases payable, decreased \$3,600,988.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad over view of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works,

human services, civic and cultural, education, planning and development, police, and fire. The business-type activities of the Town include sewer and water activities.

The government-wide financial statements can be found on pages 11-12 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains a number of individual governmental funds for reporting purposes. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Educational Grants Fund and the Windham Magnet School Fund, which are considered to be major funds. Data from the other remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 13-15 of this report.

### ***Proprietary Funds***

The Town maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer and water operations. The second type is an Internal Service Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its risk management activities.

The Town maintains 2 individual enterprise funds and 1 internal service fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Information is presented separately in the proprietary fund financial statements for the Sewer Fund and the Water Fund, both of which are considered to be major funds and the Internal Service Fund, which is considered a nonmajor fund.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 19-20 of this report.

## Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-55 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual and nonmajor fund statements and schedules that can be found on page 55-106 of this report.

### TOWN OF WINDHAM, CONNECTICUT SUMMARY OF NET POSITION

	June 30, 2013			June 30, 2012		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 29,188,780	\$ 15,523,084	\$ 44,711,864	\$ 32,991,440	\$ 16,709,212	\$ 49,700,652
Capital assets	74,748,734	36,016,037	110,764,771	55,005,701	37,156,385	92,162,086
<b>Total assets</b>	<b>103,937,514</b>	<b>51,539,121</b>	<b>155,476,635</b>	<b>87,997,141</b>	<b>53,865,597</b>	<b>141,862,738</b>
Long-term liabilities	32,784,639	16,665,700	49,450,339	33,113,490	17,691,363	50,804,853
Other liabilities	9,058,428	275,905	9,334,333	11,601,369	593,888	12,195,257
<b>Total liabilities</b>	<b>41,843,067</b>	<b>16,941,605</b>	<b>58,784,672</b>	<b>44,714,859</b>	<b>18,285,251</b>	<b>63,000,110</b>
Net Investment in capital assets	41,964,095	19,747,202	61,711,297	34,029,363	19,796,214	53,825,577
Restricted	1,652,683	-	1,652,683	2,485,005	-	2,485,005
Unrestricted	18,477,669	14,850,314	33,327,983	6,767,914	15,784,132	22,552,046
<b>Total Net Position</b>	<b>62,094,447</b>	<b>34,597,516</b>	<b>96,691,963</b>	<b>43,282,282</b>	<b>35,580,346</b>	<b>78,862,628</b>

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Position

Over time, net position may serve as one measure of a government's financial position. Total net position (governmental and business-type activities combined) of the Town totaled \$96,691,963 and \$78,862,628 and as of June 30, 2013 and 2012, respectively, and are summarized as follows:

- 64% of the Town's net position reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.
- 2% of the Town's net position are subject to external restrictions on how they may be used and are therefore presented as restricted net position.
- The remainder of the Town's net position is considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

## Changes in Net Position

Changes in Net Position for the years ended June 30, 2013 and 2012 are as follows:

### TOWN OF WINDHAM, CONNECTICUT SUMMARY OF CHANGES IN NET POSITION

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>						
Program Revenues:						
Charge for services	\$ 3,838,029	\$ 4,810,560	\$ 8,648,589	\$ 4,211,896	\$ 6,445,715	\$ 10,657,611
Operating grants and contributions	45,846,618	-	45,846,618	46,339,223	-	46,339,223
Capital grants and contributions	18,742,754	-	18,742,754	12,455,579	1,604,404	14,059,983
General Revenues:						
Property taxes	32,429,289	-	32,429,289	31,422,907	-	31,422,907
Grants, contributions not restricted	6,837,388	62,824	6,900,212	6,023,786	-	6,023,786
Unrestricted investment earnings	41,319	479,645	520,964	69,834	(532,266)	(462,432)
Transfers	184,000	(184,000)	-	184,000	(184,000)	-
<b>Total revenues</b>	<b>107,919,397</b>	<b>5,169,029</b>	<b>113,088,426</b>	<b>100,707,225</b>	<b>7,333,853</b>	<b>108,041,078</b>
<b>Expenses:</b>						
<b>Program Activities</b>						
<b>Primary Government:</b>						
General government	3,014,463	-	3,014,463	2,761,873	-	2,761,873
Public safety	11,621,614	-	11,621,614	10,677,617	-	10,677,617
Public works	5,687,745	-	5,687,745	5,188,384	-	5,188,384
Human services	645,364	-	645,364	669,119	-	669,119
Civic and cultural	2,064,512	-	2,064,512	2,330,438	-	2,330,438
Education	63,776,248	-	63,776,248	64,575,171	-	64,575,171
Planning and development	777,272	-	777,272	850,834	-	850,834
Interest on long-term debt	1,520,014	-	1,520,014	838,514	-	838,514
<b>Business-Type Activities:</b>						
Water	-	2,467,506	2,467,506	-	2,144,211	2,144,211
Sewer	-	3,684,353	3,684,353	-	2,328,872	2,328,872
<b>Total expenses</b>	<b>89,107,232</b>	<b>6,151,859</b>	<b>95,259,091</b>	<b>87,891,950</b>	<b>4,473,083</b>	<b>92,365,033</b>
<b>Change in Net Position</b>	<b>18,812,165</b>	<b>(982,830)</b>	<b>17,829,335</b>	<b>12,815,275</b>	<b>2,860,770</b>	<b>15,676,045</b>
<b>Net Position - beginning</b>	<b>43,282,282</b>	<b>35,580,346</b>	<b>78,862,628</b>	<b>30,467,007</b>	<b>32,719,576</b>	<b>63,186,583</b>
<b>Net Position - ending</b>	<b>\$ 62,094,447</b>	<b>\$ 34,597,516</b>	<b>\$ 96,691,963</b>	<b>\$ 43,282,282</b>	<b>\$ 35,580,346</b>	<b>\$ 78,862,628</b>

### **Governmental Activities**

Governmental activities increased the Town's net position by \$18,812,165.

### **Business-Type Activities**

Business-type activities decreased the Town's net position by \$982,830.

## **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,730,929, a decrease of \$8,361,559 in comparison with the prior year. Of this amount approximately 40% or \$3,094,598 of governmental ending fund balances are available for spending at the Town's discretion (unassigned fund balance). The remainder of fund balance is assigned, committed, restricted or nonspendable, to indicate that it is not available for new spending because it has already been committed for specific purposes.

#### ***General Fund***

The General Fund is the chief operating fund of the Town and is accounted for separately for the Town and Willimantic Service District. The Town of Windham, Connecticut and City of Willimantic, Connecticut were consolidated by ordinance adopted December 15, 1982 under the name "Town of Windham, Connecticut" and came into political existence on July 1, 1983. The former City of Willimantic is now known as the Willimantic Service District (the "WSD"). At the end of the current fiscal year, unassigned fund balance of the Town General Fund was \$7,534,087, while the unassigned fund balance of the WSD General Fund was \$2,575,164.

The fund balance of the combined General Fund on a GAAP basis increased by \$967,321 during the current fiscal year, mainly due to property tax revenues ahead of budget and less overall operating expenses.

#### ***Educational Grants Fund***

There was no change in net position of the Educational Grants Fund as revenue under cost reimbursement grants and contracts equaled grant and contract expenditures. Total revenue and expenditures for the year were \$11,238,924 as compared to \$12,243,177 in the prior year.

#### ***Windham Magnet School Fund***

The fund's expenditures of approximately \$20.6 million were for capital improvements which were in turn reimbursed by approximately \$12.9 million of governmental grants. The difference between expenditures and revenues is due to timing of the recording of intergovernmental revenue. In the prior year the fund received \$12.6 million in intergovernmental revenues and had expenditures of \$12.6 million.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The final budget for 2013 planned for budgeted expenses to equal budgeted revenues. During the year, revenues were ahead of budget and expenses were less than planned budgetary expenses for a total Town positive variance of \$1,611,951

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013 totaled \$110,764,771 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, machinery and equipment, and

infrastructure. The net increase in the Town's investment in capital assets for the current fiscal year was \$18,602,685 or a 20.1% increase. The majority of the increase relates to capital costs incurred in connection with the improvements to the magnet school.

The following table is a two-year comparison of the investment in capital assets presented for both governmental and business-type activities:

**TOWN OF WINDHAM, CONNECTICUT**  
**CAPITAL ASSETS, NET OF DEPRECIATION**  
**June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and improvements	\$ 3,547,959	\$ 3,547,959	\$ 99,330	\$ 84,330	\$ 3,647,289	\$ 3,632,289
Construction in progress	36,074,699	17,505,901	-	-	36,074,699	17,505,901
Buildings and improvements	21,076,755	22,187,666	16,867,283	17,286,564	37,944,038	39,474,230
Machinery and equipment	1,741,264	1,649,998	9,069,852	9,627,809	10,811,116	11,277,807
Infrastructure	12,308,057	10,114,177	9,979,572	10,157,682	22,287,629	20,271,859
<b>Total</b>	<b>\$ 74,748,734</b>	<b>\$ 55,005,701</b>	<b>\$ 36,016,037</b>	<b>\$ 37,156,385</b>	<b>\$ 110,764,771</b>	<b>\$ 92,162,086</b>

Additional information on the Town's capital assets can be found in Note 4 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the Town had total long-term bonded debt outstanding of \$16,244,988. This entire amount is comprised of debt backed by the full faith and credit of the Town.

The Town's total governmental long-term debt decreased by \$2,509,651 during the current fiscal year due to debt amortization payments. The Enterprise Funds debt decreased by \$1,091,337 for debt amortization.

The Town maintains an A+ rating from Standard and Poor's for general obligation debt.

State statutes limit the amount of general obligation debt the Town may issue to approximately seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is significantly in excess of the Town's outstanding general obligation debt.

The following table is a two-year comparison of long-term debt including notes payable and capital leases payable presented for both governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Bonds payable	\$ 14,781,417	\$ 16,986,482	\$ 1,463,581	\$ 1,753,518	\$ 16,244,998	\$ 18,740,000
Notes payable	-	-	14,805,253	15,606,653	14,805,253	15,606,653
Capital leases payable	3,805,527	4,110,113	-	-	3,805,527	4,110,113
	<b>\$ 18,586,944</b>	<b>\$ 21,096,595</b>	<b>\$ 16,268,834</b>	<b>\$ 17,360,171</b>	<b>\$ 34,855,778</b>	<b>\$ 38,456,766</b>

Additional information on the Town's long-term debt can be found in Note 6 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

A summary of key economic factors affecting the Town are as follows:

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which may affect the amount of intergovernmental revenues the Town will receive in fiscal year 2014 and thereafter.
- Inflationary trends in the region approximate the national indices.
- As a whole, the Town continues to aggressively pursue economic development activities to help spread the tax burden among commercial and residential taxpayers.

All of these factors were considered in preparing the Town's budget for fiscal year 2014.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Department of Finance, 979 Main Street, Willimantic, CT 06226.

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## **BASIC FINANCIAL STATEMENTS**



TOWN OF WINDHAM, CONNECTICUT

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 10,354,494	\$ 1,361,186	\$ 11,715,680
Receivables, net of allowances for collection losses:			
Property taxes	903,770	-	903,770
Grants and contracts	11,335,726	-	11,335,726
Accounts receivable	3,921,387	1,058,433	4,979,820
Notes receivable	283,328	-	283,328
Inventories	126,989	226,363	353,352
Restricted cash	520,331	-	520,331
Internal balances	676,467	(676,467)	-
Investments	706,624	13,553,569	14,260,193
Net pension assets	359,664	-	359,664
Capital assets:			
Non-depreciable	39,622,658	99,330	39,721,988
Depreciable, net	35,126,076	35,916,707	71,042,783
<b>Total assets</b>	<b>103,937,514</b>	<b>51,539,121</b>	<b>155,476,635</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	8,495,093	275,905	8,770,998
Unearned revenues	563,335	-	563,335
Noncurrent liabilities:			
Due within one year	4,599,087	1,229,832	5,828,919
Due in more than one year	28,185,552	15,435,868	43,621,420
<b>Total liabilities</b>	<b>41,843,067</b>	<b>16,941,605</b>	<b>58,784,672</b>
<b>Net Position</b>			
Net Investment in capital assets	41,964,095	19,747,202	61,711,297
Restricted for:			
Grant program purposes	522,410	-	522,410
Endowments	482,953	-	482,953
Debt repayment	520,331	-	520,331
Other purposes	126,989	-	126,989
Unrestricted	18,477,669	14,850,314	33,327,983
<b>Total net position</b>	<b>\$ 62,094,447</b>	<b>\$ 34,597,516</b>	<b>\$ 96,691,963</b>

The notes to the financial statements are an integral part of this statement.

TOWN OF WINDHAM, CONNECTICUT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Positions		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ (3,014,463)	\$ 805,460	\$ -	\$ -	\$ (2,209,003)	\$ -	\$ (2,209,003)
Public safety	(11,621,614)	1,515,181	574,444	-	(9,531,989)	-	(9,531,989)
Public works	(5,687,745)	441,374	197,456	300,146	(4,748,769)	-	(4,748,769)
Human services	(645,364)	1,072	861,390	-	217,098	-	217,098
Civic and cultural	(2,064,512)	208,725	3,942	17,506	(1,834,339)	-	(1,834,339)
Education	(63,776,248)	832,747	44,209,386	18,425,102	(309,013)	-	(309,013)
Planning and development	(777,272)	33,470	-	-	(743,802)	-	(743,802)
Interest on long-term debt	(1,520,014)	-	-	-	(1,520,014)	-	(1,520,014)
<b>Total governmental activities</b>	<b>(89,107,232)</b>	<b>3,838,029</b>	<b>45,846,618</b>	<b>18,742,754</b>	<b>(20,679,831)</b>	<b>-</b>	<b>(20,679,831)</b>
Business-type activities:							
Water	(2,467,506)	2,705,951	-	-	-	238,445	238,445
Sewer	(3,684,353)	2,104,609	-	-	-	(1,579,744)	(1,579,744)
<b>Total business-type activities</b>	<b>(6,151,859)</b>	<b>4,810,560</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,341,299)</b>	<b>(1,341,299)</b>
<b>Total primary government</b>	<b>\$ (95,259,091)</b>	<b>\$ 8,648,589</b>	<b>\$ 45,846,618</b>	<b>\$ 18,742,754</b>	<b>(20,679,831)</b>	<b>(1,341,299)</b>	<b>(22,021,130)</b>
General revenues:							
Property taxes, levied for general purposes					32,429,289	-	32,429,289
Grants and contributions not restricted to specific programs					6,837,388	62,824	6,900,212
Unrestricted investment earnings					41,319	479,645	520,964
Transfers					184,000	(184,000)	-
Total general revenues					39,491,996	358,469	39,850,465
Change in net position					18,812,165	(982,830)	17,829,335
Net position - beginning					43,282,282	35,580,346	78,862,628
Net position - ending					\$ 62,094,447	\$ 34,597,516	\$ 96,691,963

The notes to the financial statements are an integral part of this statement.

TOWN OF WINDHAM, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	Major Funds			Other Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Educational Grants Fund	Windham Magnet School Fund		
<b>Assets</b>					
Cash and cash equivalents	\$ 7,692,192	\$ 750,031	\$ -	\$ 408,960	\$ 8,851,183
Investments	-	-	-	706,624	706,624
Receivables, net of allowance for collection losses:					
Property taxes,	903,770	-	-		903,770
Grants and contracts	2,684,911	1,340,303	6,240,802	1,069,710	11,335,726
Accounts receivable	1,348,929	25,148	-	17,533	1,391,610
Notes receivable		-	-	283,328	283,328
Due from other funds	9,017,575	-	-	2,273,210	11,290,785
Restricted cash	520,331	-	-	-	520,331
Inventories	111,744	-	-	15,245	126,989
<b>Total assets</b>	<b>\$ 22,279,452</b>	<b>\$ 2,115,482</b>	<b>\$ 6,240,802</b>	<b>\$ 4,774,610</b>	<b>\$ 35,410,346</b>
<b>Liabilities and Fund Balances (Deficit)</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 4,249,539	\$ 83,328	\$ 2,446,384	\$ 201,293	\$ 6,980,544
Due to other funds	3,205,460	1,463,780	4,359,599	1,126,337	10,155,176
Due to funding source	-	5,039	-	-	5,039
Unearned and deferred revenue	3,398,702	563,335	6,240,802	335,819	10,538,658
<b>Total liabilities</b>	<b>10,853,701</b>	<b>2,115,482</b>	<b>13,046,785</b>	<b>1,663,449</b>	<b>27,679,417</b>
<b>Fund balances (deficits):</b>					
Nonspendable	111,744	-	-	498,198	609,942
Restricted	520,331	-	-	1,042,412	1,562,743
Committed	142,165	-	-	1,779,221	1,921,386
Assigned	542,260	-	-	-	542,260
Unassigned	10,109,251	-	(6,805,983)	(208,670)	3,094,598
<b>Total fund balances (deficits)</b>	<b>11,425,751</b>	<b>-</b>	<b>(6,805,983)</b>	<b>3,111,161</b>	<b>7,730,929</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 22,279,452</b>	<b>\$ 2,115,482</b>	<b>\$ 6,240,802</b>	<b>\$ 4,774,610</b>	

Amounts reported for governmental activities in the statement of

Net position is different because:

Capital assets purchased by governmental funds are reported as expenditures, however, the statement of net position includes those capital assets among the assets of the Town as a whole.	74,748,734
Deferred revenues are not available to pay for current-period expenditures and therefore are not recognized as revenues in the funds.	9,975,323
Net pension assets	359,663
Internal service funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of Net Positions.	2,119,852
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(32,784,639)
Accrued interest payable	(55,415)

Net position of governmental activities

\$ 62,094,447

The notes to the financial statements are an integral part of this statement.

TOWN OF WINDHAM, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)  
 GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2013

	General Fund	Educational Grants Fund	Windham Magnet School Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 32,599,107	\$ -	\$ -	\$ -	\$ 32,599,107
Intergovernmental	36,815,328	11,238,924	12,920,882	4,985,190	65,960,324
Charges for services	2,292,311	-	-	264,607	2,556,918
Licenses and permits	291,009	-	-	-	291,009
Fines, forfeitures, and penalties	14,683	-	-	-	14,683
Investment income	38,802	-	-	2,517	41,319
Miscellaneous	750,117	-	-	225,302	975,419
<b>Total revenues</b>	<b>72,801,357</b>	<b>11,238,924</b>	<b>12,920,882</b>	<b>5,477,616</b>	<b>102,438,779</b>
<b>EXPENDITURES</b>					
Current:					
General government	2,477,401	-	-	58,258	2,535,659
Public safety	1,697,045	-	-	545,415	2,242,460
Public works	4,045,370	-	-	236,310	4,281,680
Human services	544,507	-	-	-	544,507
Civic and cultural	1,107,580	-	-	809,553	1,917,133
Planning and development	417,195	-	-	304,746	721,941
Education	48,653,356	11,238,924	-	3,687,652	63,579,932
Police	5,670,655	-	-	-	5,670,655
Fire	2,459,108	-	-	-	2,459,108
Miscellaneous	576,004	-	-	-	576,004
Debt service:					
Principal retirements	2,205,065	-	-	-	2,205,065
Interest and other charges	1,373,735	-	-	-	1,373,735
Capital outlay	63,620	-	20,656,837	2,156,002	22,876,459
<b>Total expenditures</b>	<b>71,290,641</b>	<b>11,238,924</b>	<b>20,656,837</b>	<b>7,797,936</b>	<b>110,984,338</b>
<b>Revenues over (under) expenditures</b>	<b>1,510,716</b>	<b>-</b>	<b>(7,735,955)</b>	<b>(2,320,320)</b>	<b>(8,545,559)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	238,724	-	-	782,119	1,020,843
Transfers out	(782,119)	-	-	(54,724)	(836,843)
<b>Total other financing sources (uses)</b>	<b>(543,395)</b>	<b>-</b>	<b>-</b>	<b>727,395</b>	<b>184,000</b>
<b>Net change in fund balance (deficits)</b>	<b>967,321</b>	<b>-</b>	<b>(7,735,955)</b>	<b>(1,592,925)</b>	<b>(8,361,559)</b>
<b>FUND BALANCES, beginning</b>	<b>10,458,430</b>	<b>-</b>	<b>929,972</b>	<b>4,704,086</b>	<b>16,092,488</b>
<b>FUND BALANCES (DEFICITS), ending</b>	<b>\$ 11,425,751</b>	<b>\$ -</b>	<b>\$ (6,805,983)</b>	<b>\$ 3,111,161</b>	<b>\$ 7,730,929</b>

The notes to the financial statements are an integral part of this statement.

TOWN OF WINDHAM, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2013**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities:

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

**Net change in fund balances (deficits) – total governmental funds** \$ (8,361,559)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 22,829,947	
Depreciation expense	<u>(3,086,914)</u>	
		19,743,033

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes and interest collected after 60 days	(169,818)	
Loans receivable	(23,601)	
Other receivables	49,664	
Intergovernmental revenue on school bonds	(800,429)	
Intergovernmental revenue on magnet school construction	<u>6,240,802</u>	
		5,296,618

Change in pension asset		(14,676)
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The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Positions. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	2,509,651	
Amortization of bond premium	84,258	
Amortization of bond issuance costs	(100,063)	
Amortization of deferred charges	<u>(137,104)</u>	
		2,356,742

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		1,913,331
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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.

Accrued interest	6,630	
Claims payable	50,000	
Change in landfill closure liability	9,000	
Early retirement	285,199	
Change in long-term compensated absences	(824,948)	
Change in OPEB liability	<u>(1,647,205)</u>	
		<u>(2,121,324)</u>

<b>Change in net position of governmental activities</b>		<u><u>\$ 18,812,165</u></u>
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The notes to the financial statements are an integral part of this statement.

## TOWN OF WINDHAM, CONNECTICUT

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 46,562	\$ 1,314,624	\$ 1,361,186	\$ 1,503,311
Accounts receivable, net	591,881	466,552	1,058,433	1,473,398
Inventories	226,363	-	226,363	-
Due from other funds	332,775	-	332,775	597,237
<b>Total current assets</b>	<b>1,197,581</b>	<b>1,781,176</b>	<b>2,978,757</b>	<b>3,573,946</b>
Noncurrent assets:				
Investments	2,305,309	11,248,260	13,553,569	-
Capital assets:				
Non-depreciable	65,000	34,330	99,330	-
Depreciable, net	11,219,666	24,697,041	35,916,707	-
<b>Total noncurrent assets</b>	<b>13,589,975</b>	<b>35,979,631</b>	<b>49,569,606</b>	<b>-</b>
<b>Total assets</b>	<b>14,787,556</b>	<b>37,760,807</b>	<b>52,548,363</b>	<b>3,573,946</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	77,549	112,925	190,474	41,293
Claims payable	-	-	-	1,412,801
Accrued liabilities:				
Accrued interest	5,680	23,969	29,649	-
Accrued salaries and benefits payable	13,078	14,204	27,282	-
Other	24,500	4,000	28,500	-
Due to other funds	-	1,009,242	1,009,242	-
Bonds and notes payable - current	288,906	802,023	1,090,929	-
Compensated absences - current	74,280	64,623	138,903	-
<b>Total current liabilities</b>	<b>483,993</b>	<b>2,030,986</b>	<b>2,514,979</b>	<b>1,454,094</b>
Noncurrent liabilities:				
Bonds and notes payable	1,174,675	14,003,231	15,177,906	-
Compensated absences	137,949	120,013	257,962	-
<b>Total liabilities</b>	<b>1,796,617</b>	<b>16,154,230</b>	<b>17,950,847</b>	<b>1,454,094</b>
<b>Net Position</b>				
Net Investment in capital assets	9,821,085	9,926,117	19,747,202	-
Unrestricted	3,169,854	11,680,460	14,850,314	2,119,852
<b>Total net position</b>	<b>\$ 12,990,939</b>	<b>\$ 21,606,577</b>	<b>\$ 34,597,516</b>	<b>\$ 2,119,852</b>

The notes to the financial statements are an integral part of this statement.

## TOWN OF WINDHAM, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS  
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,705,951	\$ 2,104,609	\$ 4,810,560	\$ 11,487,127
Other	57,206	5,618	62,824	-
<b>Total operating revenues</b>	<b>2,763,157</b>	<b>2,110,227</b>	<b>4,873,384</b>	<b>11,487,127</b>
<b>OPERATING EXPENSES</b>				
Personnel services	1,159,816	1,127,510	2,287,326	-
Outside services	51,317	584,344	635,661	-
Depreciation	377,734	1,032,143	1,409,877	-
Fuel and utilities	205,504	190,020	395,524	-
Administration	75,308	59,948	135,256	1,230,738
Repairs, maintenance and supplies	517,321	387,756	905,077	-
Claims incurred	-	-	-	8,348,669
<b>Total operating expenses</b>	<b>2,387,000</b>	<b>3,381,721</b>	<b>5,768,721</b>	<b>9,579,407</b>
<b>Operating income (loss)</b>	<b>376,157</b>	<b>(1,271,494)</b>	<b>(895,337)</b>	<b>1,907,720</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Transfers out	(92,000)	(92,000)	(184,000)	-
Interest income	37,688	441,957	479,645	-
Interest expense	(80,506)	(302,632)	(383,138)	5,611
<b>Total non-operating revenues (expenses)</b>	<b>(134,818)</b>	<b>47,325</b>	<b>(87,493)</b>	<b>5,611</b>
<b>Change in net position</b>	<b>241,339</b>	<b>(1,224,169)</b>	<b>(982,830)</b>	<b>1,913,331</b>
<b>Net Position - beginning</b>	<b>12,749,600</b>	<b>22,830,746</b>	<b>35,580,346</b>	<b>206,521</b>
<b>Net Position - ending</b>	<b>\$ 12,990,939</b>	<b>\$ 21,606,577</b>	<b>\$ 34,597,516</b>	<b>\$ 2,119,852</b>

The notes to the financial statements are an integral part of this statement.

TOWN OF WINDHAM, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received for the following:				
Charges for services	\$ 2,802,392	\$ 2,217,705	\$ 5,020,097	\$ 10,013,729
Other income	57,206	5,618	62,824	-
	<u>2,859,598</u>	<u>2,223,323</u>	<u>5,082,921</u>	<u>10,013,729</u>
Cash paid for the following:				
Personnel services	(1,156,109)	(1,066,615)	(2,222,724)	-
Fuel and utilities	(205,504)	(190,020)	(395,524)	-
Outside services	(50,317)	(588,724)	(639,041)	-
Administration	(75,308)	(59,948)	(135,256)	(1,217,148)
Repairs, maintenance and supplies	(842,888)	(387,756)	(1,230,644)	-
Claims paid	-	-	-	(6,948,707)
	<u>(2,330,126)</u>	<u>(2,293,063)</u>	<u>(4,623,189)</u>	<u>(8,165,855)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>529,472</u>	<u>(69,740)</u>	<u>459,732</u>	<u>1,847,874</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(92,000)	(92,000)	(184,000)	-
Payments (receipts) on due (to)/from other funds	171,149	(80,833)	90,316	(597,237)
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>79,149</u>	<u>(172,833)</u>	<u>(93,684)</u>	<u>(597,237)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(213,561)	(55,968)	(269,529)	-
Principal paid on capital debt	(289,937)	(801,399)	(1,091,336)	-
Interest paid on capital debt	(81,318)	(304,788)	(386,106)	-
<b>Net cash (used in) capital and related financing activities</b>	<u>(584,816)</u>	<u>(1,162,155)</u>	<u>(1,746,971)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(25,213)	-	(25,213)	-
Sale of investments	-	359,010	-	-
Interest and dividends	37,688	441,960	479,648	5,611
<b>Net cash provided by investing activities</b>	<u>12,475</u>	<u>800,970</u>	<u>813,445</u>	<u>5,611</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>36,280</u>	<u>(603,758)</u>	<u>(567,478)</u>	<u>1,256,248</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>10,282</u>	<u>1,918,382</u>	<u>1,928,664</u>	<u>247,063</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 46,562</u>	<u>\$ 1,314,624</u>	<u>\$ 1,361,186</u>	<u>\$ 1,503,311</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 376,157	\$ (1,271,494)	\$ (895,337)	\$ 1,907,720
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	377,734	1,032,143	1,409,877	-
(Increase) decrease in assets:				
Accounts receivable	96,441	113,096	209,537	(1,473,398)
Inventories	(15,000)	-	(15,000)	-
Increase (decrease) in liabilities:				
Accounts payable	(310,567)	(7,380)	(317,947)	13,590
Accrued liabilities and compensated absences	4,707	63,895	68,602	1,399,962
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 529,472</u>	<u>\$ (69,740)</u>	<u>\$ 459,732</u>	<u>\$ 1,847,874</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WINDHAM, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2013

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 921,466	\$ 85,361	\$ 92,384
Investments, at fair value:			
Debt securities	3,816,811	-	-
Certificates of deposit	-	-	191,038
Corporate bonds	2,310,509	-	-
Group annuity contracts	12,729,534	-	-
Mutual funds	-	20,054	-
Collective trusts	6,002,547	-	-
Equity securities	15,514,413	73,280	-
Other	-	29,863	-
Receivables	1,913,665	-	6,684
Due from other funds	-	-	2,238
<b>Total assets</b>	<b>43,208,945</b>	<b>208,558</b>	<b>292,344</b>
<b>LIABILITIES</b>			
Accounts payable	-	-	1,642
Due to others	-	-	285,660
Due to other funds	1,029,423	24,152	5,042
<b>Total liabilities</b>	<b>1,029,423</b>	<b>24,152</b>	<b>292,344</b>
<b>Net Position Held in Trust for Pension Benefits and Other</b>	<b>\$ 42,179,522</b>	<b>\$ 184,406</b>	<b>\$ -</b>

The notes to the financial statements are an integral part of this statement.

TOWN OF WINDHAM, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS

For the Year Ended June 30, 2013

	Pension Trust Funds	Private Purpose Trust Funds
<b>Additions</b>		
Contributions:		
Employer	\$ 2,138,147	\$ -
Plan members	414,789	-
Private donations and other	1,042	500
Total contributions and other	<u>2,553,978</u>	<u>500</u>
Investment income:		
Interest and dividends	910,116	3,309
Net appreciation in the fair value of investments	2,539,300	7,284
<b>Total investment earnings</b>	<u>3,449,416</u>	<u>10,593</u>
<b>Total additions</b>	<u>6,003,394</u>	<u>11,093</u>
<b>Deductions</b>		
Benefit payments	1,647,907	3,665
Administrative and other expenses	81,488	3,057
<b>Total deductions</b>	<u>1,729,395</u>	<u>6,722</u>
<b>Change in net position</b>	4,273,999	4,371
<b>Net Position Held in Trust For Pension Benefits and Other, beginning</b>	<u>37,905,523</u>	<u>180,035</u>
<b>Net Position Held in Trust For Pension Benefits and Other, ending</b>	<u>\$ 42,179,522</u>	<u>\$ 184,406</u>

The notes to the financials statements are an integral part of this statement.

## TOWN OF WINDHAM, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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#### Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Windham, Connecticut (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

The Town adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the current year. The adoption of this Statement changed the presentation of the basic financial statements to a statement of net position format.

The Town also adopted GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that are included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. GASB 62 does not have any impact on the Town's financial statements.

#### Reporting Entity

The Town of Windham, Connecticut, (the "Town") was incorporated in 1692 after being settled in 1686 and adopted its original charter in 1947. The Town of Windham, Connecticut and City of Willimantic, Connecticut were consolidated by ordinance adopted December 15, 1982 under the name "Town of Windham, Connecticut" and came into political existence on July 1, 1983. The former City of Willimantic is now known as the Willimantic Service District (the "WSD").

Effective November 17, 2009, as a result of a Town charter revision, the Town's form of government changed from an eleven member Board of Selectman which served as the Town's legislative body to an eleven member Town Council. Formerly, the First Selectman acted as the chief executive officer and this position has subsequently been replaced with a non-elected Town Manager and a "ceremonial" Mayor who serves as the Town Council Chair and acts as the ombudsman for the Town. The functions of the existing seven member Board of Finance remains substantially unchanged. The general objective of the charter revision is to provide stable, professional Town management which will help to ensure the efficient administration of Town government and to develop and implement strategic initiatives for the Town that are consistent with the goals set forth by the legislative body.

The legislative power of the Town is vested with the Town Council and Town Meeting. The Town Council may enact, amend or repeal ordinances and resolutions. The Board of Finance is responsible for financial and taxation matters as prescribed by the Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Meeting approval.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement Codification Section 2100 have been considered and there are no agencies or entities that should be, but are not, included in the financial statements of the Town.

## TOWN OF WINDHAM, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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#### **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. The effect of interfund activity has been removed from the statement of net position, except for the net residual amounts due between governmental and business-type activities. The interfund services provided and used are not eliminated from the statement of activities in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 instead as general revenues.

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

The various funds included in the financial statements are described below:

#### **Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed.

The *General Fund* is the primary operating fund of the Town. This fund is used to account for and report all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service and interest income.

*Special Revenue Funds* account for and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed for expenditure for specific activities other than debt service or capital projects.

*Capital Project Funds* account for and report all financial resources that are restricted, committed or assigned to expenditure for capital outlay, other than reported in proprietary funds.

*Permanent Funds* are used to account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

## TOWN OF WINDHAM, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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#### Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the Town's proprietary funds:

- Enterprise Funds account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Water and Sewer Funds are the Town's only enterprise funds.
- Internal Service Funds account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis. The Health Insurance Fund is the Town's only internal service fund.

#### Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations and/or other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

The *Pension Trust Fund* accounts for the Municipal Employees Retirement System.

*Agency Funds* are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Student Activities Fund, Student Scholarship Fund and Performance Bonds Fund are the Town's agency funds.

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. However, agency funds, unlike other fiduciary funds, report only assets and liabilities and do not have a measurement focus, and follow 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 for. Intergovernmental grants and entitlements and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as expenditures related to compensated absences, pension obligations, landfill post-closure monitoring, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

Property taxes when levied for, intergovernmental revenue when eligibility requirements are met, licenses, charges for services and interest associated with the current fiscal period are all considered to be measurable and so have been recognized as revenues of the current fiscal period, if available. All

## TOWN OF WINDHAM, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

**General Fund** - This 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. It accounts for all activities in relation to the normal recurring operations of the Town's general government, including the Board of Education and the Willimantic Service District (the "WSD"). The Town and WSD are two separate "sub-funds" of the General Fund. Each sub-fund has its own legally adopted budget.

**Educational Grants Fund** - This fund is used to account for educational revenues and expenditures relating to federal and state educational grants.

**Windham Magnet School Fund** - This fund is used to account for revenues and expenditures relating to the construction of the magnet school.

The Town reports the following major enterprise funds:

**Water Fund** - This fund is used to account for expenses and revenues associated with the processing and distribution of water service to residents of the Town.

**Sewer Fund** - This fund is used to account for expenses and revenues associated with the processing, treatment, and disposal of sewage within the Town.

In addition, the Town reports the following fund types:

**Internal Service Fund** - This fund type is used to account for activities that provide goods or services to other funds, departments, or agencies of the Town on a cost-reimbursement basis. The Town utilizes an internal service fund to account for risk management activities as permitted by GASB Statement No. 10.

**Pension Trust Funds** - These funds are used to account for resources held in trust for the members and beneficiaries of the Town's defined benefit pension plans. The Town utilizes these funds to account for activities of the following plans: Firemen's Pension, Policemen's Pension, Municipal Employees', and the Board of Education Employees' Pension.

**Private Purpose Trust Funds** - These funds are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Town utilizes these funds to account for activities of the Scholarship Trust Fund and the Walter Fahey Trust Fund.

**Agency Funds** - These funds are used to account for resources held by the Town in a purely custodial capacity. The Town primarily utilizes an agency fund to account for assets of the student activities funds. The student activities funds account for monies generated by student activities in the Town's school system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

## TOWN OF WINDHAM, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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#### **Cash and Cash Equivalents**

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased.

#### **Investments**

Investments for the Town are stated at fair value using quoted market prices. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The Town's Pension Plan's Guaranteed Investment Contract is valued at contract value. The Guaranteed Investment Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities to pay administrative expenses.

The balance of the pooled fixed income investments were invested in a pool similar to a SEC 2a-7. The value of the position in the pool is the same as the value of the pool shares. These investments are stated at amortized cost.

#### **Property Taxes**

The Town's property tax is levied each July, on the assessed value listed on the prior October 1 Grand List, for all taxable property located in the Town. Real estate taxes are due in two equal installments on July 1 and January 1 following the levy date and personal property taxes are due in one installment on July 1 following the levy date, although a 30-day grace period is provided. Motor vehicle taxes are due and payable July 1 and motor vehicle supplement taxes are due and payable January 1. Taxes become delinquent thirty days after the installment is due and liens are filed on balances that are delinquent for one year. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes of \$144,000 as of June 30, 2013.

#### **Inventories and Prepaid Items**

All prepaids are reported using the consumption method.

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### **Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**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 or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5-50
Machinery and equipment	3-25
Infrastructure	20-50
Services and improvements	20-100

In the governmental fund financial statements, capital assets are recorded as an expenditure when purchased and no depreciation expense is reported.

**Compensated Absences**

Employees are granted vacation and sick leave based upon length of employment. For Town employees, unused vacation can be accumulated from year to year up to certain limits. Sick days can also be accumulated up to certain limits. For Board of Education employees, vacation days do accumulate, as do sick days up to contractual limits.

Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for amounts that have become due. The general fund is typically used to liquidate the liability

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or

## TOWN OF WINDHAM, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued 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 and principal payments, are reported as debt service expenditures.

#### Fund Equity

The government-wide statement of net position presents the Town's non-fiduciary assets and liabilities, with the difference reported as net position. Net position are reported in three categories:

- **Net Investment in Capital Assets** - This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.
- **Restricted Net Position** - These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- **Unrestricted Net Position** - This category consists of net position which do not meet the definition of the two preceding categories.

In the government fund financial statements, the Town classified fund balances as follows:

- **Nonspendable Fund Balance** – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted Fund Balance** - These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- **Committed Fund Balance** – This represents amounts constrained prior to year-end for a specific purpose by a government using its highest level of decision-making authority (Town of Windham Town Council). Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council as per the Town Charter.
- **Assigned Fund Balance** – Amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. Under the Town's adopted policy, the Town Manager or the Controller have the authority to assign amounts for a specific purpose.
- **Unassigned Fund Balance** – The residual amount not allocated to any other fund balance category in the General Fund and any residual deficit balance of any other governmental funds.

The Town does not have a formal policy over the use of fund balance. In accordance with GASB Statement No. 54, the Town will use restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

**Interfund Services Provided and Used**

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

**Interfund Transfers**

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

**Interfund Reimbursements**

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

**Pension Accounting**

Pension Trust Funds:

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental Funds and Governmental Activities:

In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net pension obligation (asset), the cumulative difference between annual pension cost and the Town’s contributions to the plans since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27. The pension obligation (asset) is recorded as a noncurrent liability (asset) in the government-wide financial statements.

Funding Policy:

The Town makes annual contributions based on contracts.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**Other Post-Employment Obligations (OPEB) accounting**

Governmental Funds and Governmental Activities:

In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net OPEB obligation, the cumulative difference between annual OPEB cost and the Town's contributions to the plan since July 1, 2008, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. The OPEB obligation (OPEB) is recorded as a noncurrent liability in the government-wide financial statements.

Funding Policy:

The Town makes annual contributions on a pay as you go basis.

**Note 2. Reconciliation of Government-Wide and Fund Financial Statements**

**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds, and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ 14,781,417
Deferred premiums, net of amortization	266,355
Deferred amounts on refunding, net	(223,697)
Capital leases	3,805,527
Compensated absences	5,922,904
Landfill post-closure liability	135,000
OPEB	<u>8,097,133</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 32,784,639</u>

**Note 3. Cash, Cash Equivalents and Investments**

Deposits: The Town and the Pension Trust funds do not have a policy for deposits. The Town and the Pension Trust funds also does not have a custodial credit risk policy. However, as a practice, the Town and the Pension Trust fund follows State statutes. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

Investments: The Town and the Pension Trust Funds do not have a custodial credit risk policy for investments. The Town and the Pension Trust Funds have adopted investment policies for credit risk that conform to the policies as set forth by the State of Connecticut. The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies (2)

## TOWN OF WINDHAM, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open-end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 2-24f and 3-27f) also provide for investment in shares of the Connecticut Short Term Investment Fund and the Tax Exempt Proceeds Fund. Other provisions of the Statutes cover specific municipal pension funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries. The Pension Trust Fund's investment in foreign bonds and stocks is in proportion with which the investment manager shall deem appropriate.

Interest rate risk: The Town, including its Pension Trust Funds, do not have a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, its practice is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations or pension payments, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Concentration of credit risk: The Town, including its Pension Trust Funds, does not have a formal policy that limits the amounts invested in any one issuer. However, its practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2013, \$12,290,014 of the entity's bank balance of \$15,286,790 was uninsured and uncollateralized.

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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Cash, cash equivalents and investments of the Town consist of the following at June 30, 2013:

<b>Cash and Cash Equivalents</b>	
Deposits with financial institutions	\$ 12,269,491
Cooperative Liquid Assets Security Systems Fund (CLASS)	144,265
<b>Total cash and cash equivalents</b>	<u>12,413,756</u>
<b>Permanent Funds</b>	
Cemetery Trust:	
Debt securities	98,165 *
Equity securities	265,175 *
William A. & Jennie S. King Trust:	
Debt securities	119,212 *
Equity securities	224,072 *
<b>Total permanent funds</b>	<u>706,624</u>
<b>Sewer Fund</b>	
Debt securities	6,901,419 *
Certificates of deposits	4,346,841
<b>Water Fund</b>	
Certificates of deposits	2,305,309
<b>Total enterprise funds</b>	<u>13,553,569</u>
<b>Private Purpose Trust Funds</b>	
Equity securities	73,280 *
Mutual funds	20,054
Other	29,863
<b>Total private purpose</b>	<u>123,197</u>
<b>Student Activity Funds</b>	
Certificates of deposits	191,038 *
<b>Pension Trust Funds</b>	
Cash deposits	921,466
Debt securities	3,816,811 *
Corporate bonds	2,310,509 *
Group annuity contracts	12,729,534
Collective trusts	6,002,547
Equity securities	15,514,413 *
<b>Total pension trust</b>	<u>40,373,814</u>
<b>Total cash, cash equivalents and pension investments</b>	<u>41,295,280</u>
<b>Total cash, cash equivalents and investments</b>	<u>\$ 68,283,464</u>

\* These investments are uninsured with securities held by the counterparty in the Town's or Pension Trust's name.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

Cash, cash equivalents and investments are classified in the accompanying financial statements as follows:

**Statement of Net Position:**

Cash and cash equivalents	\$ 12,236,011
Investments	14,260,193
	<u>26,496,204</u>

**Fiduciary Funds:**

Cash and cash equivalents	1,099,211
Investments	40,688,049
	<u>41,787,260</u>

<b>Total cash, cash equivalents and investments</b>	<u><u>\$ 68,283,464</u></u>
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*Interest rate risk:* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the Town's debt type investments to this risk using the segmented time distribution model is as follows.

As of June 30, 2013, the Town's investments consisted of the following:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
<b>Debt Securities:</b>					
Cooperative Liquid Asset Security Systems Fund (CLASS)	\$ 144,265	\$ 144,265	\$ -	\$ -	\$ -
Corporate Bonds	2,520,311	152,539	1,641,172	559,469	167,131
Guaranteed Investment Contract	12,729,534	-	-	12,729,534	-
Fixed Income Mutual Funds	20,042	-	4,948	15,094	-
Mortgage Backed Securities	8,911,548	1,989	223,223	1,106,560	7,579,776
U.S. Treasury Securities	1,814,257	26,670	183,635	1,539,251	64,701

*Credit risk:* Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the actual rating as required for each debt type investment.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

The Town's investments in debt securities were rated by Fitch Ratings and/or Standard & Poor's as follows at June 30, 2013:

Debt Securities	Fair Value	AAAm	AAA	AA+	AA	AA-	A+
Cooperative Liquid Asset Security Systems Fund Fund (CLASS)	\$ 144,265	\$ 144,265	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds Fixed Income	2,520,311	-	266,518	89,162	89,251	67,972	552,239
Mutual Funds	20,042	-	15,094	-	-	-	-
Mortgage Backed Securities	8,911,548	-	-	8,911,548	-	-	-
	<u>\$ 11,596,166</u>	<u>\$ 144,265</u>	<u>\$ 281,612</u>	<u>\$ 9,000,710</u>	<u>\$ 89,251</u>	<u>\$ 67,972</u>	<u>\$ 552,239</u>

Debt Securities	A	A-	BBB+	Unrated
Cooperative Liquid Asset Security Systems Fund Fund (CLASS)	\$ -	\$ -	\$ -	\$ -
Corporate Bonds Fixed Income	522,245	612,895	199,469	120,560
Mutual Funds	4,948	-	-	-
Mortgage Backed Securities	-	-	-	-
	<u>\$ 527,193</u>	<u>\$ 612,895</u>	<u>\$ 199,469</u>	<u>\$ 120,560</u>

No credit risk disclosures are required relating to U.S. Treasury Securities.

Concentrations of Credit Risk

The following represents individual holdings which exceeded 5% of each respective Plan's total investments:

Investment Type	Issuer	Fire	Police	Municipal	Board of Education
U.S. Treasuries	U.S. Treasury Notes	\$ 558,122	\$ 1,140,403	\$ -	\$ -
U.S. Agency	Federal National Mortgage Association (FNMA)	756,076	1,362,210	-	-
Collective Trust	PIMCO Total Return	-	-	1,637,058	-
Collective Trust	Calvert Equity	-	-	545,686	-
Collective Trust	MSCI ACWI Ex Us Index	-	-	545,686	-
Collective Trust	Neuberger Berman Genesis Instl	-	-	545,686	-
Collective Trust	S&P 500 Index	-	-	2,182,745	-
Collective Trust	Diamond Hill Large Cap I	-	-	545,686	-
Group annuity	Metropolitan Life Insurance Company	-	-	4,911,748	-
Group annuity	Aetna Life Insurance Company	-	-	-	7,817,786
		<u>\$ 1,314,198</u>	<u>\$ 2,502,613</u>	<u>\$ 10,914,295</u>	<u>\$ 7,817,786</u>

TOWN OF WINDHAM, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2013

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 3,547,959	\$ -	\$ -	\$ 3,547,959
Construction in progress	17,505,901	20,710,902	(2,142,104)	36,074,699
<b>Total capital assets, not being depreciated</b>	<b>21,053,860</b>	<b>20,710,902</b>	<b>(2,142,104)</b>	<b>39,622,658</b>
Capital assets, being depreciated:				
Buildings and improvements	50,831,186	273,733	-	51,104,919
Machinery and equipment	15,971,182	491,774	-	16,462,956
Infrastructure	20,111,278	1,353,538	2,142,104	23,606,920
<b>Total capital assets, being depreciated</b>	<b>86,913,646</b>	<b>2,119,045</b>	<b>2,142,104</b>	<b>91,174,795</b>
Less accumulated depreciation for:				
Buildings and improvements	(28,643,520)	(1,384,644)	-	(30,028,164)
Machinery and equipment	(14,321,184)	(400,508)	-	(14,721,692)
Infrastructure	(9,997,101)	(1,301,762)	-	(11,298,863)
<b>Total accumulated depreciation</b>	<b>(52,961,805)</b>	<b>(3,086,914)</b>	<b>-</b>	<b>(56,048,719)</b>
<b>Total capital assets, being depreciated, net</b>	<b>33,951,841</b>	<b>(967,869)</b>	<b>2,142,104</b>	<b>35,126,076</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 55,005,701</b>	<b>19,743,033</b>	<b>-</b>	<b>\$ 74,748,734</b>

TOWN OF WINDHAM, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2013

	Beginning Balance	Increases	Decreases and Transfers	Ending Balance
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 84,330	\$ 15,000	\$ -	\$ 99,330
<b>Total capital assets, not being depreciated</b>	<b>84,330</b>	<b>15,000</b>	<b>-</b>	<b>99,330</b>
Capital assets, being depreciated:				
Buildings and improvements	24,988,547	24,689	(628,788)	24,384,448
Machinery and equipment	14,231,379	229,840	(2,564,495)	11,896,724
Services and improvements	17,014,531	-	-	17,014,531
<b>Total capital assets, being depreciated</b>	<b>56,234,457</b>	<b>254,529</b>	<b>(3,193,283)</b>	<b>53,295,703</b>
Less accumulated depreciation for:				
Buildings and improvements	(7,701,983)	(443,970)	628,788	(7,517,165)
Machinery and equipment	(4,603,570)	(787,797)	2,564,495	(2,826,872)
Services and improvements	(6,856,849)	(178,110)	-	(7,034,959)
<b>Total accumulated depreciation</b>	<b>(19,162,402)</b>	<b>(1,409,877)</b>	<b>3,193,283</b>	<b>(17,378,996)</b>
<b>Total capital assets, being depreciated, net</b>	<b>37,072,055</b>	<b>(1,155,348)</b>	<b>-</b>	<b>35,916,707</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 37,156,385</b>	<b>(1,140,348)</b>	<b>-</b>	<b>\$ 36,016,037</b>

Depreciation and amortization expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 246,952
Public safety	617,383
Public works	1,234,766
Human services	30,869
Planning and development	30,869
Civic and cultural	123,477
Education	802,598
<b>Total depreciation and amortization expense-governmental activities</b>	<b>\$ 3,086,914</b>
<b>Business-type activities:</b>	
Water	\$ 377,734
Sewer	1,032,143
<b>Total depreciation and amortization expense-business-type activities</b>	<b>\$ 1,409,877</b>

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**Note 5. Interfund Receivables, Payables and Transfers**

During the course of operations, transactions are processed through a fund on behalf of another fund. A summary of interfund balances as of June 30, 2013 is presented below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 9,017,575	\$ 3,205,460
Educational Grants Fund	-	1,463,780
Windham Magnet School	-	4,359,599
Internal Service Fund	597,237	-
Water Fund	332,775	-
Sewer Fund	-	1,009,242
Nonmajor Governmental Funds	2,273,210	1,126,337
Fiduciary Funds	2,238	1,058,617
	<u>\$ 12,223,035</u>	<u>\$ 12,223,035</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2013 consisted of the following:

	Transfers From Other Funds	Transfers To Other Funds
General Fund	\$ 238,724	\$ 782,119
Water Fund	-	92,000
Sewer Fund	-	92,000
Nonmajor Governmental Funds	782,119	54,724
	<u>\$ 1,020,843</u>	<u>\$ 1,020,843</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

**Note 6. Long-Term Liabilities**

The following is a summary of changes in long-term obligations for the year ended June 30, 2013:

	Beginning Balances	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bonds	\$ 16,986,482	\$ -	\$ (2,205,065)	\$ 14,781,417	\$ 2,196,093
Unamortized amounts:					
Premiums	350,613	-	(84,258)	266,355	-
Deferred amounts	(360,801)	-	137,104	(223,697)	-
<b>Total bonds payable</b>	<b>16,976,294</b>	<b>-</b>	<b>(2,152,219)</b>	<b>14,824,075</b>	<b>2,196,093</b>
Other liabilities:					
Capital leases	4,110,113	-	(304,586)	3,805,527	320,978
Compensated absences	5,097,956	2,609,232	(1,784,284)	5,922,904	2,073,016
Landfill post-closure liability	144,000	-	(9,000)	135,000	9,000
Early Retirement	285,199	-	(285,199)	-	-
Claims payable	50,000	-	(50,000)	-	-
Net OPEB obligation (see Note 10)	6,449,928	1,647,205	-	8,097,133	-
	<b>\$ 33,113,490</b>	<b>\$ 4,256,437</b>	<b>\$ (4,585,288)</b>	<b>\$ 32,784,639</b>	<b>\$ 4,599,087</b>
<b>Business-type Activities</b>					
Bonds payable:					
General obligation bonds	\$ 1,753,518	\$ -	\$ (289,936)	\$ 1,463,582	\$ 288,906
Other liabilities:					
Notes payable	15,606,653	-	(801,400)	14,805,253	802,023
Compensated absences	331,192	181,590	(115,917)	396,865	138,903
	<b>\$ 17,691,363</b>	<b>\$ 181,590</b>	<b>\$ (1,207,253)</b>	<b>\$ 16,665,700</b>	<b>\$ 1,229,832</b>

Certain general obligation bonds and the notes payable allocable to the water and sewer projects are secured by the full faith and credit of the Town, but are substantially liquidated by water and sewer usage charges. The remaining liabilities above typically have been liquidated in the General and other governmental funds.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2013 is as follows:

Purpose of Bonds	Date of Issue	Original Amount	Interest Rates	Final Maturity Date	Amount Outstanding
<b>Governmental Activities:</b>					
Bonds Payable:					
General purposes and schools refunding bonds	2004	\$ 14,424,733	2.75%-5.00%	2016	\$ 4,032,417
General purpose bonds	2006	3,200,000	4.00%-5.00%	2026	2,059,000
General purpose bonds	2010	4,000,000	1.75%-4.00%	2031	3,775,000
General purpose refunding bonds	2010	5,260,000	2.00%-4.00%	2024	3,915,000
Qualified Zone Academy Bonds	2004	500,000	-	2016	500,000
Qualified Zone Academy Bonds	2006	500,000	-	2018	500,000
					<u>\$ 14,781,417</u>
<b>Business-type Activities:</b>					
Bonds Payable:					
Water bonds, refinanced	2004	\$ 2,553,665	2.75%-5.00%	2016	\$ 786,000
Water bonds	2006	1,220,000	4.00%-5.00%	2026	677,582
					<u>1,463,582</u>
Notes Payable:					
Clean Water Fund note payable	2008	\$ 668,189	2.00%	2027	488,266
Clean Water Fund note payable	2012	15,408,418	2.00%	2032	14,316,987
					<u>14,805,253</u>
					<u>\$ 31,050,252</u>

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

Annual debt service requirements to maturity on general obligation bonds, water bonds and clean water fund notes are as follows as of June 30, 2013:

Year Ending June 30:	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2014	\$ 2,196,093	\$ 503,116
2015	2,252,144	413,661
2016	2,738,180	318,554
2017	903,000	230,725
2018	1,403,000	199,456
2019-2023	3,650,000	602,484
2024-2028	1,439,000	130,268
2029-2032	200,000	12,016
	<u>\$ 14,781,417</u>	<u>\$ 2,410,280</u>

Year Ending June 30:	Business-Type Activities					
	Bonds Payable		Notes Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 288,906	\$ 67,284	\$ 802,023	\$ 290,038	\$ 1,090,929	\$ 357,322
2015	287,856	52,839	802,661	273,992	1,090,517	326,831
2016	286,820	38,446	803,312	257,933	1,090,132	296,379
2017	62,000	24,725	803,978	241,860	865,978	266,585
2018	62,000	22,245	804,653	225,775	866,653	248,020
2019-2023	310,000	22,873	4,033,913	887,100	4,343,913	909,973
2024-2028	166,000	-	3,994,039	483,568	4,160,039	483,568
2029-2032	-	-	2,760,674	105,932	2,760,674	105,932
	<u>\$ 1,463,582</u>	<u>\$ 228,412</u>	<u>\$ 14,805,253</u>	<u>\$ 2,766,198</u>	<u>\$ 16,268,835</u>	<u>\$ 2,994,610</u>

Statutory Debt Limitation

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or approximately \$32,543,000 as of June 30, 2013. Further, the statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2013.

As of June 30, 2013, the Town has authorized and unissued bonds of \$4,361,802 for school construction projects and \$4,650,000 for roads and sidewalks.

School Bond Reimbursement

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of reimbursement for principal and interest for the year ended June 30, 2013 was \$827,206 and \$151,869, respectively. Additional reimbursements of principal and interest aggregating \$2,458,133 and \$226,779, respectively, are expected to be received through the applicable bonds' maturity dates.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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Capital leases

A summary of assets under capital leases is as follows as of June 30, 2013:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 5,152,450
Less: accumulated depreciation	1,939,484
	<u>\$ 3,212,966</u>

Depreciation expense relative to leased property under capital leases for the year ended June 30, 2013 totaled \$398,945 and is included in depreciation and amortization expense.

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 are as follows:

	<u>Governmental Activities</u>
Year Ending June 30:	
2014	\$ 465,657
2015	456,377
2016	473,390
2017	491,044
2018	509,362
Thereafter	2,200,578
Total minimum lease payments	<u>4,596,407</u>
Less: amount representing interest	790,880
Present value of minimum lease payments	<u>\$ 3,805,527</u>

Landfill post-closure liability

The Town landfill has been closed. State and federal laws and regulations require landfill closures to meet certain standards. Monitoring costs for the next 15 years are estimated to be \$135,000. This amount is based on estimates, which are subject to change due to inflation, technology or applicable laws and regulations. The estimated liability is not recorded in the fund financial statements since the liability will be funded from future financial resources, not from expendable available financial resources.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**Note 7. Unearned/Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and Governmental Activities also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable Revenues	Unearned Revenues
<b>General Fund</b>		
Property taxes receivable	\$ 713,791	\$ -
School construction grant receivable	2,684,911	-
	<u>3,398,702</u>	<u>-</u>
<b>Magnet School Fund</b>		
Intergovernmental receivable	6,240,802	-
	<u>6,240,802</u>	<u>-</u>
<b>Educational Grants Fund</b>		
Grants drawdown in advance	-	563,335
	<u>-</u>	<u>563,335</u>
<b>Other Nonmajor Governmental Funds</b>		
Loans receivable	286,155	-
Intergovernmental receivable	49,664	-
	<u>335,819</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 9,975,323</u></u>	<u><u>\$ 563,335</u></u>

**Note 8. Employee Retirement Systems and Pension Plans**

Public Employee Retirement System

**Plan Descriptions**

The Town is the administrator of three separate single-employer Public Employee Retirement System (PERS) defined benefit contributory pension plans established and administered to provide pension benefits for its municipal, police and firefighters, and one separate single-employer PERS defined benefit noncontributory pension plan established and administered to provide pension benefits for its Board of Education full-time employees other than teachers. The PERS do not issue stand-alone financial statements and are considered to be part of the Town's financial reporting entity. As such, the PERS are included in the Town's fiduciary fund financial statements as pension trust funds. Before the merger of the Town of Windham, Connecticut with the City of Willimantic, municipal employees held their pensions with the Travelers Insurance Company. During 1986, the Travelers plan was frozen and assets related to active participants of this plan were transferred to New England Financial Retirement Services. Since all retirement benefits under this plan were funded through annual purchases of annuity contracts for all active employees, the Travelers is obligated to pay the related pension benefits. Therefore, the activity of the assets in the Travelers plans and the actuarial present value of the accumulated plan benefits are excluded from the Town's financial statements.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**Plan Membership**

Membership of the Plans consisted of the following at the date of the latest actuarial valuations:

	Fire	Police	Municipal	Board of Education
Retirees and beneficiaries receiving benefits	27	24	9	73
Terminated employees entitled to benefits but not yet receiving them	-	1*	67	45
Active plan members	25	40	96	116
	<u>52</u>	<u>65</u>	<u>172</u>	<u>234</u>

\*Non vested terminations due a refund of contributions

**Fire and Police Pension Plans**

The fire and police PERS cover regular employees of the fire and police departments. The PERS provide retirement, disability and survivorship (optional) benefits generally based on final base pay for all active and retired employees. The Town provides retirement benefits through a single employer, contributory, defined benefit plan. All regular employees of both departments are eligible for participation on their date of hire. Fire and police employees are 100% vested after ten (10) years of service. The retirement benefit for fire is 2.25% of the annual straight time earnings plus paid holiday pay in the fifty-two (52) pay periods before retirement, multiplied by the number of years and completed months of service up to a maximum of thirty-five (35) years. The retirement benefit for police is 2.3% of annual straight time earnings in the fiscal year last completed before retirement plus longevity pay in that year, multiplied by the number of years and completed months of service up to a maximum of forty (40) years. Normal retirement is assumed to be after twenty-five (25) years of service or age sixty (60), whichever comes first, for fire and after twenty (20) years of service or age sixty (60), whichever comes first, for police.

Fire employees are required to contribute 8.0% of their straight time earnings plus holiday pay pre-tax to the PERS. Police employees are required to contribute 8.0% of their straight time earnings pre-tax. If a member leaves covered employment or dies before meeting the vesting requirements, accumulated employee contributions are refunded. The Town is required to contribute the remaining amounts necessary to finance the benefits for its fire and police employees. Benefits and employee contributions are fixed by contract and may be amended by union negotiations.

## TOWN OF WINDHAM, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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#### **Municipal Pension Plan**

The Town's municipal PERS cover all regular employees of the Town other than police, fire, Board of Education employees, and teachers. The Town provides all retirement benefits through a single-employer contributory defined benefit plan. All employees are eligible to become participants in the PERS on the first day of the first month following two (2) years of service. The retirement benefit is the sum of 1.75% of the participant's average annual earnings for the last three (3) years of employment, multiplied by the number of years of service excluding the first two (2) years and any years prior to age twenty-one (21) for employees hired before January 1, 1995. Normal retirement is assumed to be at age sixty-five (65) with the completion of Five (5) years of plan participation. A participant becomes 100% vested upon completion of five (5) years of credited service. The municipal PERS offer optional survivorship benefits.

Municipal employees are required to make contributions of 1.50% of annual earnings through June 30, 2013 to the PERS. If a member leaves covered employment or dies before meeting the vesting requirements, accumulated employee contributions are refunded. The Town is required to contribute the remaining amounts necessary to finance the benefits for its employees. Benefits are fixed by contract and may be amended by union negotiations.

#### **Board of Education Pension Plan**

The Town of Windham's Board of Education provides benefits to all full-time employees other than teachers through a single-employer, noncontributory, defined benefit plan. All employees are eligible for membership in the PERS on the first day of the month after completion of two (2) years of service and attainment of age twenty-four (24). Employees are 100% vested after five (5) years of continuous service. The retirement benefit is 1.25% of average earnings paid to a member during the highest five (5) consecutive years of active employment multiplied by the number of whole years of continuous service. Normal retirement is assumed to be the later of age sixty-five (65) and five (5) years of participation in the plan. The Board of Education pension plan offers optional survivorship benefits.

Employees are not required to contribute to the PERS. The Board of Education is required to contribute the amounts necessary to finance the benefits for its employees. Benefits are fixed by contract and may be amended by union negotiations.

#### **Covered Payroll**

Covered payroll for the Town's various pension plans described above as of the most recent actuarial valuation were as follows:

Covered by:	
Fire PERS	\$ 1,493,434
Police PERS	2,476,451
Municipal PERS	5,297,089
Board of Education PERS	3,805,941
<b>Total covered payroll</b>	<b>\$ 13,072,915</b>

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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**Administrative Costs**

Administrative costs are paid by the plans.

**Funding Status and Funding Progress**

At the last actuarial valuation update, the schedule of funding progress for the Town's pension plans is as follows:

Actuarial Valuation Date	Fiscal Year Ending June 30,	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Overfunded (Underfunded) AAL (UAAL) (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((A-B)/C)
<b>FIRE PERS</b>							
July 1, 2011	2013	\$ 6,947,426	\$ 9,989,719	\$ (3,042,293)	70%	\$ 1,493,434	-204%
<b>Police PERS</b>							
July 1, 2011	2013	11,259,929	14,524,523	(3,264,594)	78%	2,476,451	-132%
<b>Municipal PERS</b>							
January 1, 2013	2013	10,469,452	10,244,221	225,231	102%	5,297,089	4%
<b>Board of Education PERS</b>							
July 1, 2011	2013	7,227,208	7,282,371	(55,163)	99%	3,805,941	-1%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The Aggregate Actuarial Cost Method is used to determine the annual required contributions (ARC) of the Town for the Municipal Plan. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about funded status is prepared using the Projected Unit Credit Cost Method.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

The significant actuarial assumptions used to compute the actuarial accrued liability described above are as follows:

	Fire	Police	Municipal	Board of Education
Valuation date	July 1, 2011	July 1, 2011	January 1, 2013	July 1, 2011
Actuarial cost method	Projected Unit Credit Cost Method	Projected Unit Credit Cost Method	Projected Unit Credit Cost Method	Entry Age Normal Method
Amortization method	Level Dollar	Level Dollar	Level Dollar	Level Dollar
Remaining amortization period	15.2 years-closed	13.2 years - closed	-	16.1 years-closed
Asset valuation method	**	**	Fair Value	**
Actuarial assumptions:				
Investment rate of return	7.50%	7.50%	7.50%	6.75%
Projected salary increases	5.00%	5.00%	3.00%	3.50%
Inflation rate	3.50%	3.50%	3.50%	3.00% - 3.50%

\*\* 4 year smoothing of capital appreciation.

**Contribution Requirements and Contributions Made**

The Town's funding policy provides for periodic employer contributions at actuarially determined rates, that, when expressed as a percentage of annual covered payroll, are sufficient to accumulate the assets needed to pay benefits when due. Contributions were determined in accordance with actuarially determined contribution requirements computed through actuarial valuations performed at various valuation dates. The employer's contributions were based on normal cost and an amortization of the unfunded actuarial accrued liability. The Town's actuary, as stated in the actuarial valuation, determines annual contributions to each plan. Contributions for the fiscal year ended June 30, 2013 and the employee and employer contributions as a percentage of covered payroll, respectively, are as follows:

Pension Contributions	Fire	Police	Municipal	Board of Education
Employer	\$ 526,194	\$ 777,583	\$ 496,485	\$ 338,516
Employee	129,078	206,876	78,835	-
Total	<u>\$ 655,272</u>	<u>\$ 984,459</u>	<u>\$ 575,320</u>	<u>\$ 338,516</u>

  

Percentage of Covered Payroll	Fire	Police	Municipal	Board of Education
Employer	35.2%	31.4%	9.4%	8.9%
Employee	8.6%	8.4%	1.5%	0.0%
Total	<u>43.8%</u>	<u>39.8%</u>	<u>10.9%</u>	<u>8.9%</u>

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

**Annual Pension Cost and Net Pension Obligation**

Annual pension costs and net pension obligations (assets) for the current year were as follows:

	Fire	Police	Municipal	Board of Education
Annual required contribution	\$ 526,194	\$ 777,583	\$ 496,485	\$ 337,885
Interest on net pension obligation	(6,700)	(4,000)	(15,494)	(1,283)
Adjustment to annual required contribution	9,364	6,046	24,830	1,914
Annual pension cost	528,858	779,629	505,821	338,516
Contributions made	526,194	777,583	496,485	337,885
(Increase) decrease in net pension assets	2,664	2,046	9,336	631
Net pension assets, beginning of year	(89,337)	(53,327)	(212,668)	(19,008)
Net pension assets, end of year	\$ (86,673)	\$ (51,281)	\$ (203,332)	\$ (18,377)

**Three Year Trend Information:**

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
<b>Fire PERS</b>			
June 30, 2013	\$ 528,858	99.5%	\$ (86,673)
June 30, 2012	493,786	99.4%	(89,337)
June 30, 2011	470,809	94.4%	(92,083)
<b>Police PERS</b>			
June 30, 2013	\$ 779,629	99.7%	\$ (51,281)
June 30, 2012	784,648	99.7%	(53,327)
June 30, 2011	748,944	92.8%	(55,455)
<b>Municipal PERS</b>			
December 31, 2013	\$ 505,821	98.2%	(203,332)
December 31, 2012	454,026	98.1%	(212,668)
December 31, 2011	317,571	120.5%	(221,144)
<b>Board of Education PERS</b>			
June 30, 2013	\$ 338,516	99.8%	\$ (18,377)
June 30, 2012	320,167	99.8%	(19,008)
June 30, 2011	299,460	99.8%	(19,599)

TOWN OF WINDHAM, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2013

**Plan Financial Statements**

TOWN OF WINDHAM, CONNECTICUT  
COMBINING STATEMENT OF FIDUCIARY NET POSITION -  
PENSION TRUST FUNDS  
JUNE 30, 2013

	Firemen's Pension	Policemen's Pension	Municipal Employees' Pension	Board of Education Employees' Pension	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 394,893	\$ 526,573	\$ -	\$ -	\$ 921,466
Investments:					
Debt securities	1,314,198	2,502,613	-	-	3,816,811
Corporate bonds	842,100	1,468,409	-	-	2,310,509
Group annuity contracts	-	-	4,911,748	7,817,786	12,729,534
Collective trusts	-	-	6,002,547	-	6,002,547
Other	-	-	-	-	-
Receivables	539,934	877,246	496,485	-	1,913,665
<b>Total assets</b>	<b>8,935,742</b>	<b>15,044,637</b>	<b>11,410,780</b>	<b>7,817,786</b>	<b>43,208,945</b>
<b>LIABILITIES</b>					
Due to other funds	470,759	558,664	-	-	1,029,423
<b>Total liabilities</b>	<b>470,759</b>	<b>558,664</b>	<b>-</b>	<b>-</b>	<b>1,029,423</b>
<b>Net Position</b>					
Held in trust for pension benefits	\$ 8,464,983	\$ 14,485,973	\$ 11,410,780	\$ 7,817,786	\$ 42,179,522

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

TOWN OF WINDHAM, CONNECTICUT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
 PENSION TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Firemen's Pension	Policemen's Pension	Municipal Employees' Pension	Board of Education Employees' Pension	Total
<b>ADDITIONS</b>					
Contributions:					
Employer	\$ 526,194	\$ 777,583	\$ 496,485	\$ 337,885	\$ 2,138,147
Plan members	129,078	206,876	78,835	-	414,789
Other	985	57	-	-	1,042
<b>Total contributions</b>	<b>656,257</b>	<b>984,516</b>	<b>575,320</b>	<b>337,885</b>	<b>2,553,978</b>
Investment earnings:					
Interest and dividends	200,215	339,767	-	370,134	910,116
Net appreciation in fair value of investments	563,159	1,056,176	919,965	-	2,539,300
<b>Total investment earnings</b>	<b>763,374</b>	<b>1,395,943</b>	<b>919,965</b>	<b>370,134</b>	<b>3,449,416</b>
<b>Total additions</b>	<b>1,419,631</b>	<b>2,380,459</b>	<b>1,495,285</b>	<b>708,019</b>	<b>6,003,394</b>
<b>DEDUCTIONS</b>					
Benefit payments	629,714	640,363	28,155	349,675	1,647,907
Administrative and other expenses	-	2,691	-	78,797	81,488
<b>Total deductions</b>	<b>629,714</b>	<b>643,054</b>	<b>28,155</b>	<b>428,472</b>	<b>1,729,395</b>
<b>Change in Net Position</b>	<b>789,917</b>	<b>1,737,405</b>	<b>1,467,130</b>	<b>279,547</b>	<b>4,273,999</b>
<b>Net Position Held in Trust for Pension Benefits:</b>					
Beginning of year	7,675,064	12,748,571	9,943,649	7,538,239	37,905,523
End of year	\$ 8,464,981	\$ 14,485,976	\$ 11,410,779	\$ 7,817,786	\$ 42,179,522

**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit retirement plan established under Chapter 167a of the Connecticut General Statutes (CGS) and administered by the State Teachers' Retirement Board. Neither the Board of Education nor the Town has a legal obligation to contribute to the retirement fund. The financial statements of the Plan are available from the Connecticut State Teachers' Retirement Board, 21 Grand Street, Hartford, CT 06105.

Participation in the system is required for all certified teachers in the State who are employed for at least an average of half time. Teachers are 100% vested after completing ten (10) years of Connecticut teaching service, the last five (5) of which must have been consecutive, if leaving the Connecticut Public School service before age sixty (60).

The Board of Education's total certified and covered payroll is \$20,917,000. The teachers' contributions for the year ended June 30, 2013 were \$1,516,492. Teachers are required to contribute 7.25% of their annual salary with the State of Connecticut funding the remaining cost of benefits. These obligations are established under the authority of Section 10-183 b(7) of the CGS.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on-behalf" payments of \$4,387,000 made by the State of Connecticut into the plan as intergovernmental revenues and related expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of governmental funds.

**Note 9. Other Post-employment Benefits(OPEB)**

**Plan Description**

The Town administers an Other Post-Employment Benefits Plan (the "Plan"), which is a single-employer defined benefit, healthcare plan. The Plan provides healthcare and life insurance benefits for eligible retirees and their spouses through the Town's group healthcare and life insurance plans, which covers both active and retired members. Benefit provisions are established through negotiations between the Town and the unions representing Town employees and are renegotiated each three-year bargaining period. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

**Funding Policy**

Contribution requirements of the plan members upon retirement vary by employee class and range from 10% to 100% of the retiree's healthcare premium cost. Contribution requirements are established in the Plan document and may be amended through negotiations between the Town and the unions.

For fiscal year 2013, the Town is self-insured. The retiree contributions exceeded claims and administrative costs resulting in a negative contribution.

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation.

Annual required contribution	\$ 1,713,600
Interest on net OPEB obligation	257,997
Adjustment to annual required contribution	<u>(358,728)</u>
Annual OPEB cost	1,612,869
Contributions made	<u>34,336</u>
Increase in net OPEB obligation	1,647,205
Net OPEB obligation, beginning of year	6,449,928
Net OPEB obligation, end of year	<u><u>\$ 8,097,133</u></u>

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation are as follows:

Plan Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 1,612,869	2.1%	\$ 8,097,133
June 30, 2012	1,600,973	42.4%	6,449,928
June 30, 2011	2,481,761	24.8%	5,527,601

**Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2012 (the date of the most recent actuarial valuation) was as follows:

Actuarial Valuation Date	Fiscal Year Ending June 30,	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Overfunded (Underfunded) AAL (UAAL) (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((A-B)/C)
July 1, 2012	2013	\$ -	\$ 14,318,000	\$ (14,318,000)	0%	\$ 42,017,400	34%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Town are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Town and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

## TOWN OF WINDHAM, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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Significant methods and assumptions were as follows:

Valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit Method
Amortization method	Level Dollar
Remaining amortization period in years	30 Years – Open
Actuarial assumptions (includes inflation rate):	
Inflation rate	4.00%
Healthcare cost trend rate	10.00 % initial; 5.00 final

In addition to pension benefits, certain health and life insurance benefits for retired employees and their spouses are provided by the Town as determined by various union contracts. Substantially all Town employees may become eligible for those benefits, if they reach normal retirement age while working for the Town. The Town recognizes the cost of providing those benefits on a pay-as-you-go basis.

#### **Note 10. Risk Management**

The Town is exposed to various risks of loss relating to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town purchases commercial insurance to manage these risks. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in the last three years. The Town is not insured concerning the following types of risks: unemployment compensation.

The Town is currently a member in the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of the CGS, for workers' compensation coverage. CIRMA has approximately 215 members in the workers' compensation pool. The Town pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$750,000 for each insured occurrence.

The Health Insurance Fund, an internal service fund, was established to account for and finance employee medical benefits claims for eligible employees of both the Town and the Board of Education. The Town retains the risk of loss under the plan.

A third party processes the claims filed under the self-insured health plan, for which the General Fund is charged an administrative fee.

As of July 1, 2012, the Town and BOE transitioned its liability for health benefits to a Self Insurance Fund to account for claim activity and the administrative costs associated with a self-insured funding arrangement. The Town and BOE have Individual Stop Loss (ISL) coverage that limits their liability to \$175,000 per claimant in a plan year. The Town and BOE's overall claim liability is also limited to 115% of expected claims (\$9,637,396) with Aggregate Stop Loss coverage for the plan year. Anthem, administers the payment of Medical and Pharmacy claims, calculates and provides the accrued liability in a year-end settlement. Lockton Companies, LLC, the consultant for the Town and BOE, analyzes those claims and administrative expenses and advises the Town and BOE on all health insurance related issues.

## TOWN OF WINDHAM, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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A summary of claims activity for the year ended through June 30, 2013 and 2012 are as follows:

Year Ended June 30	Claims Payable, Beginning of Year	Claims and Changes in Estimates	Claims Paid	Claims Payable, End of Year
2012	\$ 35,001	\$ 389,811	\$ 411,973	\$ 12,839
2013	12,839	7,372,270	6,948,707	436,402

The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2013. Claims liabilities are recorded in accordance with GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

#### **Note 11. Contingent Liabilities**

The Town has received State and Federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

In addition, there are several lawsuits pending against the Town. The outcome and eventual liability to the Town, if any, in these cases, is not known at this time. The Town's management, based upon consultation with legal counsel, estimates that potential claims against the Town resulting from such litigation would not materially affect the financial position of the Town.

#### **Note 12. Deferred Compensation Plan**

The Town offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all Town employees, permit them 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.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the plans participants and their beneficiaries. Therefore, the accounts of the deferred compensation plans are not reported in the general-purpose financial statements of the Town in accordance with GASB Statement No. 32.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

**Note 13. Fund Balances**

Below is a table of fund balance categories and classifications at June 30, 2013 for the Town's governmental funds:

	General Fund	Educational Grants Fund	Windham Magnet School Fund	Nonmajor Governmental Funds
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Inventory	\$ 111,744	\$ -	\$ -	\$ 15,245
Permanent Fund Principal	-	-	-	482,953
<b>Total nonspendable</b>	<b>111,744</b>	<b>-</b>	<b>-</b>	<b>498,198</b>
<b>Restricted:</b>				
Education	520,331	-	-	-
Culture & Recreation	-	-	-	229,578
Public safety	-	-	-	7,135
Public works	-	-	-	98,339
Community Rehabilitation Program	-	-	-	138,648
Capital Outlay	-	-	-	48,710
<b>Total restricted</b>	<b>520,331</b>	<b>-</b>	<b>-</b>	<b>522,410</b>
<b>Committed:</b>				
Capital outlay	32,802	-	-	1,443,304
Civic and cultural	41,482	-	-	166,896
Education	67,881	-	-	-
General Government	-	-	-	169,021
<b>Total committed</b>	<b>142,165</b>	<b>-</b>	<b>-</b>	<b>1,779,221</b>
<b>Assigned:</b>				
Education	254,466	-	-	-
General government	263,612	-	-	-
Culture & Recreation	3,719	-	-	-
Human Services	1,807	-	-	-
Public safety	16,672	-	-	-
Planning and development	1,984	-	-	-
<b>Total assigned</b>	<b>542,260</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unassigned</b>	<b>10,109,251</b>	<b>-</b>	<b>(6,805,983)</b>	<b>(208,670)</b>
<b>Total fund balance</b>	<b>\$ 11,425,751</b>	<b>\$ -</b>	<b>\$ (6,805,983)</b>	<b>\$ 2,591,159</b>

**Note 14. Subsequent Event**

**Bond Anticipation Notes**

On December 11, 2013, \$6,000,000 of bond anticipation notes were issued.

TOWN OF WINDHAM, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2013

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**Note 15. Deficit Fund Equity**

Major Funds:	
Magnet School Fund	\$ 6,805,983
Nonmajor Funds:	
Roads & Sidewalk Bonds	208,670
	<u>\$ 7,014,653</u>

The Town anticipates financing the Roads & Sidewalk Bonds deficit through future bond proceeds. Magnet School deficit will be repaid with future grant revenues.

**Note 16. Governmental Accounting Standards Board (GASB) Statements**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates in the future that may impact future financial presentations, except for GASB No. 68 which requires recognition of unfunded pension liabilities.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Town.

- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, GASB 65 recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The provisions of this Statement are effective for periods beginning after December 15, 2012, and would be applied on a prospective basis. Early adoption is encouraged
- **GASB Statement No. 66, *Technical Corrections - 2012***, enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. GASB 66 amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund types. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement also amends GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for: (a) operating lease payments that vary from a straight-line basis; (b) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans; and (c) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes would eliminate any uncertainty regarding the application of GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and

## TOWN OF WINDHAM, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2013

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result in guidance that is consistent with the requirements in GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The provisions of this Statement are effective for periods beginning after December 15, 2012, and would be applied on a prospective basis. Early adoption is encouraged.

- **GASB Statement 67, *Financial Reporting for Pension Plans*.** The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to define contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement will be effective for the Town beginning with year ending June 30, 2014.
- **GASB Statement 68, *Accounting and Financial Reporting for Pensions*.** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement will be effective for the Town beginning with year ending June 30, 2015.
- **GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*,** was issued in January 2013. This Statement provides guidance for:
  - Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations.
  - Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations.
  - Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based on their acquisition values in a government acquisition.
  - Reporting the disposal of government operations that have been transferred or sold.

The requirements of this Statement are effective for periods beginning after December 15, 2013, and should be applied on a prospective basis.

- **GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.** This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for

**TOWN OF WINDHAM, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.

- **GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date, an amendment of GASB Statement No. 68.*** The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, Accounting and Financial Reporting for Pensions, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The provisions of this Statement are effective for reporting periods beginning after June 15, 2015.

**REQUIRED SUPPLEMENTARY  
INFORMATION**



TOWN OF WINDHAM, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - unaudited

SCHEDULE OF FUNDING PROGRESS

June 30, 2013

SCHEDULE OF FUNDING PROGRESS (000's)

Actuarial Valuation Date	Fiscal Year Ending	Actuarial Valuation of Assets (A)	Actuarial Liability (AAL) (B)	(Unfunded)/Overfunded AAL (UAAL) (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((A-B)/C)
<b>Fire PERS</b>							
July 1, 2011	2012	\$ 6,947,426	\$ 9,989,719	\$ (3,042,293)	70%	\$ 1,493,434	(204%)
July 1, 2009	2010	7,151,615	9,682,542	(2,530,927)	74%	1,719,319	(147%)
July 1, 2007	2008	7,010,955	8,958,819	(1,947,864)	78%	1,407,852	(138%)
July 1, 2005	2006	6,208,423	8,371,476	(2,163,053)	74%	1,230,209	(176%)
<b>Police PERS</b>							
July 1, 2011	2012	\$ 11,259,929	\$ 14,524,523	\$ (3,264,594)	78%	\$ 2,476,451	(132%)
July 1, 2009	2010	10,490,417	13,739,936	(3,249,519)	76%	2,451,505	(133%)
July 1, 2007	2008	9,490,945	11,905,977	(2,415,032)	80%	2,138,454	(113%)
July 1, 2005	2006	7,736,178	10,843,144	(3,106,966)	71%	2,051,700	(151%)
<b>Municipal PERS</b>							
January 1, 2013	2013	\$ 10,469,452	\$ 10,244,221	\$ 225,231	102%	\$ 5,297,089	4%
January 1, 2012	2012	9,930,100	9,627,584	302,516	103%	5,266,031	6%
January 1, 2011	2011	9,809,076	8,572,796	1,236,280	114%	4,891,794	25%
January 1, 2010	2010	8,471,091	7,832,271	638,820	108%	4,753,331	13%
January 1, 2009	2009	8,269,138	8,055,101	214,037	103%	4,807,456	4%
January 1, 2008	2008	9,560,220	8,854,965	705,255	108%	4,555,826	15%
January 1, 2007	2007	9,629,910	8,214,016	1,415,894	117%	4,459,537	32%
<b>Board of Education PERS</b>							
July 1, 2011	2013	\$ 7,227,208	\$ 7,282,371	\$ (55,163)	99%	\$ 3,805,941	(1%)
July 1, 2010	2012	6,932,974	6,897,426	35,548	101%	3,890,910	1%
July 1, 2009	2011	6,626,078	6,482,180	143,898	102%	3,797,147	4%
July 1, 2008	2010	6,273,747	6,046,151	227,596	104%	3,791,184	6%
July 1, 2007	2009	5,902,603	5,742,543	160,060	103%	3,515,021	5%
July 1, 2006	2008	5,535,001	5,311,567	223,434	104%	3,429,673	7%
July 1, 2005	2007	5,236,145	4,970,905	265,240	105%	3,271,719	8%
<b>Other Post-Employment Benefit Plan</b>							
July 1, 2012	2013	\$ -	\$ 14,318,000	\$ (14,318,000)	0%	\$ 42,017,400	(34%)
July 1, 2010	2011	-	18,112,000	(18,112,000)	0%	40,045,000	(45%)
July 1, 2008	2009	-	26,159,831	(26,159,831)	0%	39,532,700	(66%)

TOWN OF WINDHAM, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION-unaudited  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 June 30, 2013

<i>SCHEDULE OF EMPLOYER CONTRIBUTIONS (000's)</i>			
Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
<b>Fire PERS</b>			
2013	\$ 526,194	\$ 526,194	100%
2012	491,040	491,040	100%
2011	467,717	444,479	95%
2010	368,082	368,082	100%
2009	350,495	350,495	100%
2008	357,806	357,806	100%
2007	341,103	438,800	129%
<b>Police PERS</b>			
2013	\$ 777,583	\$ 777,583	100%
2012	782,520	782,520	100%
2011	745,490	695,142	93%
2010	624,215	624,215	100%
2009	594,921	594,921	100%
2008	676,445	676,455	100%
2007	476,291	476,291	100%
<b>Municipal PERS</b>			
2013	\$ 496,485	\$ 496,485	100%
2012	445,550	445,550	100%
2011	312,389	382,548	122%
2010	382,548	423,201	111%
2009	423,201	497,457	118%
2008	492,458	492,458	100%
2007	464,291	464,291	100%
<b>Board of Education PERS</b>			
2013	\$ 337,885	\$ 337,885	100%
2012	319,576	319,576	100%
2011	298,906	298,906	100%
2010	288,880	288,880	100%
2009	277,220	277,220	100%
2008	260,848	260,848	100%
2007	250,997	250,997	100%
<b>Other Post-Employment Benefit Plan</b>			
2013	\$ 1,713,600	\$ (34,336)	-2%
2012	1,687,300	678,646	40%
2011	2,538,940	615,394	24%
2010	2,498,355	671,816	27%
2009	2,459,331	595,528	24%

TOWN OF WINDHAM, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION-unaudited

COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - BUDGETARY BASIS -  
GENERAL FUND

For the Year Ended June 30, 2013

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes, liens and interest	\$ 31,901,182	\$ 31,901,182	\$ 32,599,105	\$ 697,923
Intergovernmental	30,628,622	30,628,622	31,259,141	630,519
Licenses and permits	403,600	403,600	291,009	(112,591)
Fines, forfeitures, and penalties	22,800	22,800	14,683	(8,117)
Charges for services	2,172,185	2,172,185	2,292,311	120,126
Investment income	95,000	95,000	38,777	(56,223)
Other	846,938	846,938	750,116	(96,822)
<b>Total revenues</b>	<b>66,070,327</b>	<b>66,070,327</b>	<b>67,245,142</b>	<b>1,174,815</b>
<b>EXPENDITURES</b>				
Current:				
General government	2,454,875	2,485,419	2,384,561	100,858
Public safety	1,688,460	1,733,287	1,697,045	36,242
Public works	3,961,384	4,077,215	4,045,370	31,845
Human services	557,457	577,007	544,508	(8,467)
Civic and cultural	1,191,665	1,170,196	1,112,357	57,839
Planning and development	431,619	431,619	417,202	14,417
Other	1,442,480	1,466,237	1,415,990	50,247
Police	5,765,720	5,761,966	5,720,655	41,311
Fire	2,455,510	2,515,471	2,494,108	21,363
Education	43,196,706	43,196,706	43,164,240	32,466
Debt service:	2,803,450	2,803,450	2,802,435	1,015
Contingency	180,000	201	-	201
<b>Total expenditures</b>	<b>66,129,326</b>	<b>66,218,774</b>	<b>65,798,471</b>	<b>420,303</b>
<b>Revenues over (under) expenditures</b>	<b>(58,999)</b>	<b>(148,447)</b>	<b>1,446,671</b>	<b>1,595,118</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from other funds	329,000	329,000	323,724	(5,276)
Transfers out to other funds	(260,000)	(170,000)	(158,444)	1,556
<b>Total other financing sources (uses)</b>	<b>69,000</b>	<b>159,000</b>	<b>165,280</b>	<b>6,280</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ 10,001</b>	<b>\$ 10,553</b>	<b>\$ 1,611,951</b>	<b>\$ 1,601,398</b>

The note to the required supplementary information is an integral part of this statement.

## TOWN OF WINDHAM, CONNECTICUT

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

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#### Note 1. Budgetary Information and Compliance

##### Budgetary information

The General Fund is the only fund for which an annual budget is legally adopted. The Town adheres to the following procedures in establishing the budgetary data for the General Fund.

- On or before March 1 and after input from each agency and department of the Town, except the Board of Education (BOE), the Town Manager submits to the Town Council a proposed operating budget for both the Town and the WSD. These two budgets are the driving force of and are operated as "sub-funds" of the combined General Fund. In addition, a program concerning capital improvement projects for the next five fiscal years and a method of financing them for the fiscal year commencing the following July 1, is also submitted.
- On or before March 15, the Town Manager and Town Council presents to the Board of Finance (BOF) a budget prepared for the fiscal year commencing the following July 1 for both the Town and WSD.
- Copies of the budgets are made available to taxpayers five (5) days before the public hearings and five (5) days before the annual budget meeting. One (1) public hearing is held to obtain taxpayer comments. A Town meeting is held on the first Tuesday of May and adjourned to a referendum on the second Tuesday in May. Should the recommended budgets fail at referendum, they are returned to the BOF for adjustments. The budgets are legally enacted no later than seven (7) days after the taxpayers approve them by vote.
- Management cannot amend the budgets without approval of the BOF. Only the BOF is authorized to transfer budgeted amounts.
- The BOF must approve any additional appropriation and a Town Meeting must be held to approve any additional appropriation over \$40,000 for both budgets. During the year ended June 30, 2013, no additional appropriations from fund balance were made.
- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the budgetary department line item level (i.e. Finance Department, Town Council within the General Government function) for the General Fund, except for the BOE where department control is implemented.
- The budget is prepared on the modified accrual basis of accounting. "On-behalf" payments made by the State of Connecticut into the State Teacher's Retirement System are not recorded for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.
- All unexpended appropriations lapse at year-end.

**TOWN OF WINDHAM, CONNECTICUT**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION, Continued**  
**June 30, 2013**

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As described above, accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2013:

	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>
Budgetary basis	\$ 67,568,866	\$ 65,956,915
"On-behalf" payments - State Teachers Retirement Fund (see Note 9)	4,387,000	4,387,000
Reclassified to General Fund due to GASB No. 54	1,169,215	1,169,851
Transfers eliminated due to GASB No. 54	(85,000)	(85,000)
Transfer out to Miscellaneous Education Fund	-	687,119
Other	-	(43,125)
GAAP basis	<u>\$ 73,040,081</u>	<u>\$ 72,072,760</u>

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