

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FISCAL YEAR
JULY 1, 2013 - JUNE 30, 2014**



**TOWN OF WINDHAM
CONNECTICUT
OFFICE OF THE DIRECTOR OF FINANCE**

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Introductory Section

TOWN OF WINDHAM, CT

Finance Department

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March 16, 2015

To the members of The Town Council, Board of Finance, and the citizens of the Town of Windham, Connecticut:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Town of Windham, Connecticut (the "Town") for the fiscal year June 30, 2014. This report was prepared in its entirety by the Finance Department and we take full responsibility for the accuracy of the data and the completeness and fairness of the presentation of the financial statements, supporting schedules and statistical tables.

The CAFR is designed to be in conformance with generally accepted accounting principles (GAAP) for governmental units as well as the standards of financial reporting promulgated by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA) and the laws of the State of Connecticut. We believe this report presents fairly the financial position of the Town and the results of its operations. The report is consistent with full disclosure so that the reader may gain the maximum understanding of the Town's financial affairs.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complete the MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

The Town is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organization". Information related to this single audit, including the schedule of expenditures of federal awards, findings, and recommendations, and auditors' reports on the internal control over financial reporting and compliance with applicable laws and regulations are issued under separate cover and are not included in this report. The Town is also required to undergo a state single audit. Information and reporting related to the state single audit is also issued under separate cover.

PROFILE OF THE TOWN

History, Location and Other Information

The Town of Windham, Connecticut was incorporated in 1692 after being settled in 1686. The Town, named after Windham in Sussex, England, covers an area of 27.9 square miles. It is located in the center of eastern Connecticut and is bounded on the north by Mansfield and Chaplin, east by Scotland, south by Franklin and Lebanon, and west by Coventry and Columbia. Windham is 27 miles east of Hartford, Connecticut and 50 miles west of Providence, Rhode Island and is served by several highways, including U.S. Route 6 and State Routes 14, 32, 66, 195, 203, and 289 with connections to Interstates 84, 384 and 395. Freight service is provided by the Genesee & Wyoming along the New England Central Rail Railroad.

Windham is the established service center for northeastern Connecticut with a variety of regional and state facilities. The Town is home to Eastern Connecticut State University, Windham Regional Vocational/Technical School, Windham Airport, Windham Community Memorial Hospital, and a branch of Quinebaug Valley Community Technical College. The University of Connecticut Storrs campus, located in Mansfield, is only eight miles from Windham. The Windham Regional Transit District provides local bus transportation between Willimantic and Storrs.

Four banks serve Windham, including Bank of America, Liberty Bank, First Niagara Bank, and The Savings Institute. The Chronicle, a daily newspaper, and WILI, a radio station, are located in Windham and provide communication services for the area.

Today, Windham/Willimantic is in the midst of a renaissance. The Windhams, particularly, North Windham is finding a surge in development, while at the same time, Windham Center, and South Windham find the environs filling with new home owners. The city within the Town, Willimantic, is evolving daily. Currently there is a major downtown revitalization taking place that harbingers changes in the fabric of the downtown area. There are a multitude of downtown initiatives: the Victorian Neighborhood Association, The Garden on the Bridge, The Mills Art's Space, The Whitewater Initiative, the Windham Theatre Guild, ACT and the wonders of the Third Thursday Festival are a few of the beacons of success that illuminate the bright future of the Town of Windham.

Form of Government

The consolidation of Windham and Willimantic was approved by referendum in December of 1982 with the charter becoming effective July 1, 1983, revised November 5, 1992 and November 7, 2007. The Consolidation Charter created one government for the Town and established a provision for Windham's fire and police protection through service districts. The section of Windham within the boundaries of the former City of Willimantic is known as the Willimantic Service District. The Town and the Willimantic Service District are maintained as separate funds but consolidated for financial reporting purposes. The area of Windham outside the former city limits is known as the Windham Service District, and funding for police and fire services is appropriated through the Windham First Taxing District, an entity separate from the Town. The Town imposes a separate tax levy for the general government and the Willimantic Service District. Individuals residing in the Willimantic Service District receive a tax bill based on the total levy for the general government and the Willimantic Service District. Individuals residing in the Windham Service District receive a tax bill based on the total levy for the general government and the Windham First Taxing District.

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 Selectmen to an eleven-member Town Council (the Mayor plus ten Councilors), which serves as the Town's legislative body. Under the previous form of government, an elected First Selectman acted as the chief executive officer and this position has been replaced with a Town Manager appointed by the Town Council and a "ceremonial" Mayor who serves as the Town Council Chair and acts as the ombudsman for the Town. The functions of the seven-member Board of Finance remain substantially unchanged under the revised charter. The general objective of the 2007 charter revision was to provide stable, professional Town management 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 Town Council, the legislative body.

Powers and privileges are conferred and granted to the Town by the Connecticut General Statutes and the Charter. The Town Meeting approves the annual budget, all special appropriations or expenditures over \$40,000, and all bond and note authorizations, except for refunding bond authorizations which are approved by the Town Council. The Town Manager is responsible for the administration of all Town matters with the exception of the education system. Presiding over the Town Council, the Mayor has full voting privileges.

The Board of Finance is the budget-making authority responsible for financial and taxation matters, presenting the annual operating budget and special appropriations to the Town Meeting for its approval, and establishing the tax rate. The Board of Finance adjourns the Annual Town Meeting to referendum.

The local Board of Education, which is an elected nine-member board serving four-year staggered terms, is the policy-making body for all public education, grades pre-kindergarten through twelve. The Superintendent of Schools is directly responsible to the Board of Education for the supervision and administration of the education system.

The Water Commission and Sewer Authority serve all citizens of the Willimantic Service District with water service extending beyond the District's boundaries in some areas. The Commission and Authority are governed by a Board whose members are appointed by the Town Council. The rates for user charges are established by the Commission and Authority, respectively, and bond issuance authorizations are approved at a town meeting. The legal liability for the general obligation portion of the Commission's and Authority's debt remains with the Town.

The Windham First Taxing District is the only coterminous entity within the territorial limits of the Town of Windham. Effective July 1, 1983, with the consolidation of Willimantic and the Town of Windham governments, Windham became responsible for the outstanding debt and other liabilities of Willimantic. The Town has the power to incur indebtedness by issuing bonds and/or notes as provided by the Connecticut General Statutes.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Condition and Outlook

Several diversified industries are located in Windham, including: General Cable Corporation, United Abrasives, Inc., and Willimantic Waste which have been mainstays of the Town for many years. General Cable Corporation is an international manufacturer of fiber-optic cable. United Abrasives, Inc. /SAIT is one of the largest and leading manufacturers of abrasive products in the world and has maintained its headquarters in North Windham since 1970. Willimantic Waste is a 'homegrown' business that has expanded to approximately 200 employees focusing on waste management and recycling.

A focal point in the past decade has been the Windham Mills Technology Center, a massive historic restoration project in the heart of the community begun in 1994 that continues to be an important economic development resource. This \$40 million project converted the former American Thread Company facility into a multi-tenant technology business center with emphasis on research and development and new-product manufacturing and includes a State Heritage Park. Renovations of two of the buildings were completed in 2001, and various businesses occupy the complex. In December of 2008, the Windham Mills was sold to Loch View LLC, an affiliate of TWB Properties, and they are in the process of building out the interior to accommodate additional tenants. In 2012, Loch View sought approval for a zoning change to allow a mixed use development to include up to 40% residential.

The Town of Windham is one of the State's 17 Target Investment Communities, which is set up to grant economic incentives to manufacturing businesses that choose to expand or locate in the Town of Windham. A State-designated Enterprise Zone provides additional tax and other incentives to manufacturing businesses and property owners within the Willimantic section of Windham.

In 1998 the State designated the Town's historic downtown area as an Entertainment District. Recent economic development has concentrated on the Main Street area of the community, and several new businesses have opened.

Windham is the primary commercial, retail and service center for this part of eastern Connecticut. A number of large format retail establishments are located in Windham, including Home Depot, Stop & Shop, Wal-Mart, Sears Hardware, B J's Wholesale, Dollar Tree, and Ocean State Job Lot.

Other popular retailers include CVS and Walgreen's Pharmacy, Cumberland Farms (a gas station and convenience store), Aldi's Grocery Store, and a Tractor Supply store have been added to the Town's attractions. Other attractions on Main Street include Swift-water Artisans, Kerri's Gallery, the Burton Leavitt Theater, and the conversion of the former Capitol Theater into a regional Magnet School (ACT) for the Performing Arts. Also movement of the South Windham Diner to North Windham that was completely

restored and opened as the 'Aero-Diner', and, more recently the renovation and historic restoration of the former YMCA building into a Charter School as an alternative learning facility for High School students (Path Academy). A branch of the Quinebaug Valley Community College also has a branch located on Main Street in the City of Willimantic.

Eastern Connecticut State University enrolls approximately 5,500 students and continues to expand its facilities. The University's Public Safety Department was relocated to a new facility on the north portion of campus, facing High Street across from Windham High School. The new building was completed and opened during 2005. In 2006 the University opened a new 40,000-square-foot state-of-the art childcare facility on the campus. The Child and Family Development Resource Center, a \$10 million facility, is also located near the north entrance off High Street and provides services to 90 children, 15 infants and toddlers as well as 75 preschoolers.

The University completed the renovation and expansion of the Student Center in August 2007. Approximately 36,000 square feet was added to provide facilities for a cyber café, a fitness center, a 75-seat theater, several meeting rooms, and enlarged areas for retail food service and the bookstore. In the fall of 2008, the University celebrated the opening of a new \$56 million science building. The new science building provides state-of-the-art classrooms, laboratories, and educational resource areas for programming in biology, environmental earth science, physical science, math and computer sciences and science education. Now the University has started construction of a new Fine Arts facility comprising 119,000 sq. ft. across from the Windham High School. The new facility is expected to be open for classes in the fall of 2015.

The Windham Airport, which is owned by the State of Connecticut, is located on the Route 6 corridor. The Airport has two runways, with the longest approximately 4,200 feet in length. The State has designated the Airport as a regionally important facility because of the length of this runway, and is in the process of updating the Airport's Plan as required by the Federal Aviation Administration. The State hopes to make improvements to the runways, and will endeavor to expand private development on the perimeter of the field.

Windham actively encourages the development of new businesses. The Town recently established an Economic Development Commission whose mission is to facilitate the growth, diversification and stability of the Windham economy. The Town Manager is also charged with promoting economic development in Town, in conjunction with the commission. New projects on the horizon include facilitating rehabilitation of some of the vacant buildings downtown by the private sector, design of a new parking garage downtown, and participating in a Regional Economic Development District. This newly formed entity will make Windham and the other member towns eligible for more federal grants pertaining to economic development projects.

Other recent developments included the conversion of another old Mill building in the Downtown area into 84 apartments, and are now occupied. Another project was Common Ground, a 60-unit residential complex that was constructed to provide Supportive Housing for up to 30% of its residents. In addition, the Hartford Hospital merged with our local hospital, and just completed a 30,000-square-foot professional medical office building with related accessory uses located behind the hospital owned by Windham Community Memorial Hospital.

The Town Manger in conjunction with the Town Council and the Economic Development Commission is making a significant impact on major economic initiatives throughout the Town. In order to energize these efforts, the Town is currently searching for an Economic Development Director, a new position in this year's budget.

Major Projects

The Town has committed to reducing its energy consumption in municipal buildings. Much has been accomplished by upgrading all lighting to energy efficient lamps, installing solar panels on all the schools, the public library, an elderly housing facility, and converting from oil to gas fired heating systems in several buildings. Moreover, the Energy Commission is focused on assisting our residents learn of

energy conservation through its participation in the Neighbor 2 Neighbor program that provided discounted Home Energy Evaluations and weatherization services; promoted solar panels - with 19 homeowners ultimately completing projects; and more recently by participating in a Thermal Imaging program.

Housing Initiatives

The Town of Windham has been the leader in this region in providing and promoting affordable housing for a variety of housing types and needs. According to the latest statistics from the State DECD, the Town of Windham is exempt from the requirement to provide affordable housing to be built for a minimum of ten percent of its housing stock.

This is because Windham has over 28% of its housing stock classified as affordable housing for low to moderate-income households. In addition, we have approximately 3,300 apartments in roughly 664 properties of three family dwellings or more. Further, we have 496 mobile homes in Town. Moreover, of all households in the Town of Windham, less than one third are owner occupied, and one of our primary goals is to promote home ownership.

Willimantic Housing Authority, the board of which is appointed by the Town Council provides housing assistance to low income residents through the management of programs such as Low Rent Public Housing and the Housing Choice Voucher Program - Section 8.

Among the various large scale housing complexes are the following:

- ASHTON TOWERS, 621 Valley Street, Willimantic Housing Authority Federally assisted elderly Public housing with 100 one-bedroom apartments.
- BRIARWOOD APARTMENTS, Route14, 277 Bricktop Rd, Windham www.simonsreg.com 56 units.
- CEDARWOOD, Roanoak Ave., Willimantic - Common Ground Inc. <http://www.commonground.org> – This project was approved in 2007 as a supportive housing project for 74 one bedroom units financed through CHFA.
- WILBUR CROSS APARTMENTS, 645 Valley Street, Willimantic Housing Authority Federally assisted housing for elderly 50 units.
- EASTMAN TERRACE, Memorial Drive, Willimantic. - 78 units this is a State-assisted moderate-income public housing project.
- 560 ON MAIN - Frog Bridge Development - abutting the Town's famous Frog Bridge in the Downtown area - has 84 apartments.
- GAN-A-DEN, 441 Ash St. Willimantic. Rural Development Housing - 50 units, with 4 handicapped accessible.
- GAN-A-DEN TOO, 306 Ash St., Willimantic. Rural Development Housing. Paradise Agency. Telephone: (860) 537-7044. Web site: www.paradiseagency.com - 54 units, with 5 handicapped units.GA-NA-DEN SOUTH, 300 Windham Road, Willimantic. Rural Development.
- HOUSING, PARADISE AGENCY. Web site: www.paradiseagency.com - 56 units, including 3 accessible for persons with disabilities. NATHAN HALE TERRACE, West Avenue, Willimantic Housing Authority - 100 units; federally assisted, low-income Public, housing. Income limits based on family size, or 30% of income.
- HEVRIN TERRACE at Keating & Emerald Avenues, Willimantic Housing Authority. Section 8 - public housing - 90 units Rental costs according to HUD income guidelines.
- FATHER HONAN TERRACE, 10 Valley Street Extension, Willimantic Housing Authority. Public state aided elderly/disabled housing - 50 units.

- IVY GARDENS 84 Ash Street, Willimantic. 100 units.
- KINGSWOOD APARTMENTS, 466 Ash Street, Willimantic – Carabetta Management Co. Income limits for Low Income Housing Tax Credit Program. 110 units. TERRY COURT, Willimantic Housing Authority Ash Street, Normandy Avenue, Hope Street, Canal Street, and Coral Street, Willimantic. 68partments - moderate-income Public housing. JONATHAN TRUMBULL TERRACE, 22 Emerald Avenue, Willimantic Housing Authority. 40 units.
- VILLAGE HEIGHTS, 108B Cameo Drive, Willimantic Section 8 subsidized FHA/HUD housing www.thecalebfoundation.org has 142 units.
- WINDHAM HEIGHTS, 202C Scott Rd (Rt. 6), Willimantic. windham@vestacorp.com HUD subsidized housing 350 - One, two, and three bedroom apartments. Rent based on income if meets Section 8 qualifications.
- WYNDHAM PARK APARTMENTS, 140 Plains Road, Windham. wyndhamp@snet.net; 104 two-bedroom townhouses.

Finally, the Town of Windham has had two emergency shelters in Willimantic as needs arise during inclement weather.

Planned Projects

The Town is in the planning process of a proposed new parking structure in the Downtown area near the Public Safety complex, and hopes to secure funding to build it in the near future. The Town has applied for an Urban Grant from the State of Connecticut to fund this state of the art facility.

Redevelopment opportunities The Town has benefited from private investment in redevelopment of several old mill buildings, and downtown commercial properties - including the renovation of the Capitol Theater into a Theater Arts Magnet School, and now the former YMCA into an alternative Charter High School. We are entertaining a proposal for a new project to demolish the former Jillson Cinema into a new retail store that we hope will revitalize the Downtown Business District. The Downtown still has a number of redevelopment opportunities that we feel will be positive for the resurgence of Willimantic.

Human services: The State of Ct has awarded a \$1.3 million grant to the Town for the development of a Senior Center on Main Street in Willimantic. The Town seeking funding for improvements to the Noznick Farm Property (to develop ball fields and a dog park). The Willimantic Library just received a \$500,000 Grant to complete a \$1,000,000 renovation of the facility.

Public Safety: The Town has received state funding for a MICRO-GRID project. If successful, this project will provide alternative power on a daily basis while continuing to provide power during general service outages. It will be located at Windham Middle School and Sweeny Elementary School both of which can serve as emergency shelters.

Long-Term Financial Planning

The Town adopts on an annual basis a five year capital plan. Additionally, in conjunction with the Board of Education a Capital Planning Committee has been established to develop a comprehensive ten year plan.

RELEVANT FINANCIAL POLICIES

Prior to the close of the previous fiscal year, the Town Council, Board of Finance, and Board of Education jointly approved a consolidation of the financial operations of the Finance departments of the Town and Board of Education. To this end the Town has hired Christian Johnson effective September 30, 2013 as a unified Finance Director. This Finance department consolidation was completed on July 1, 2014. The new MUNIS financial system went live in July as well: GL, AP, PO, and budget modules. It has a

common chart of accounts for the Town and BOE and we anticipate it to be compliant with the anticipated State of CT required Unified Chart of Accounts (UCOA). We expect the new payroll system to go live in July 2015.

The new accounting system is a fully automated integrated financial management system consisting of general ledger and a full complement of ancillary systems and supporting modules. It is organized and operated on a fund basis –ach fund being a distinct and self-balancing accounting entity.

Internal Controls

All financial transactions are subject to pre-audit, as well as to an annual audit by an independent auditing firm selected by the Board of Finance. The independent auditor and Finance Department staff monitors financial policies and procedures. Within this framework we believe that the town's internal controls adequately safeguard assets and provide reasonable assurance of proper recording and reporting of financial activity.

Budgetary controls

Centralized budgetary control of disbursements and encumbrances against appropriations is maintained by department, by program, or activity and by principal object of expenditure. The Windham Board of Education budget is controlled only as to its appropriation. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Town Citizens.

Pension Administration

There are five defined benefit plans for employees of the town and Willimantic Service District. Four are single employer plans and one is a plan with the State of Connecticut for certified Teachers at the Board of Education in which the Town is a noncontributing employer.

Debt Administration

The Town has a total of \$ \$33,937,432 outstanding debt (which includes enterprise debt of \$15,264,206) with interest rates ranging from 2-5% and varying maturity dates with a final date of 2034.

In December, 2013 the town issued \$6,000,000 General Obligation Bond Anticipation Notes to provide temporary funding of various school construction and road and sidewalk projects at 0.8% interest with maturity of September 2014.

In April, 2014 the Town issued \$8,505,000 General Obligation Bonds which provided an additional \$2,530,000 funding for school and road construction projects. The balance was used to paydown existing notes and refund existing bonds. After receiving a double notch upgrade from Standard & Poors from A+ to AA the bonds were sold with coupons of between 4 and 4.25%.

Also, in September, 2014 the Town issued \$6,315,000 000 General Obligation Bond Anticipation Notes to retire existing notes and to provide temporary funding of various school construction and road and sidewalk projects with a fixed yield issue of 0.1963% and maturing on June 2015.

The Town has an AA3 rating from Moody's. Standard & Poor's from A+ to AA citing the Town's strong management and good financial policies and practices along with strong budgetary performance.

Cash Management

During the fiscal year, idle cash was invested in legally permitted investments on a short-term basis. Connecticut statutes restrict the investment of municipal funds to direct and indirect securities of the United States Government and Certificates of Deposit issued by commercial banks located within the State.

Risk Management

The Town procures commercial insurance to protect it from the risk of loss for employee benefits, workers compensation, and general liability including property damage. A Safety Committee has been established and the Town promotes employee participation in safety training as well as funding to correct unsafe property.

AWARDS AND ACKNOWLEDGEMENT

We believe that our current CAFR meets the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a Certificate of Achievement for Excellence in Reporting.

In addition, we would like to acknowledge the achievements of our Water Authority which has recently been awarded the prestigious "Best Drinking Water for Excellence in Taste" from the Atlantic States Rural Water Annual CT Conference.

The presentation of this report would not have been possible without the efforts of the entire finance staff of the Finance Departments and particularly Tom Pesce, Karen Williams and Christine Clark. I would like to express my appreciation to all of the members of the department who assisted and contributed to the preparation of this report.

Additional thanks are extended to the Town's independent auditors, McGladrey LLP, for their efforts and counsel during the audit and CAFR preparation and presentation.

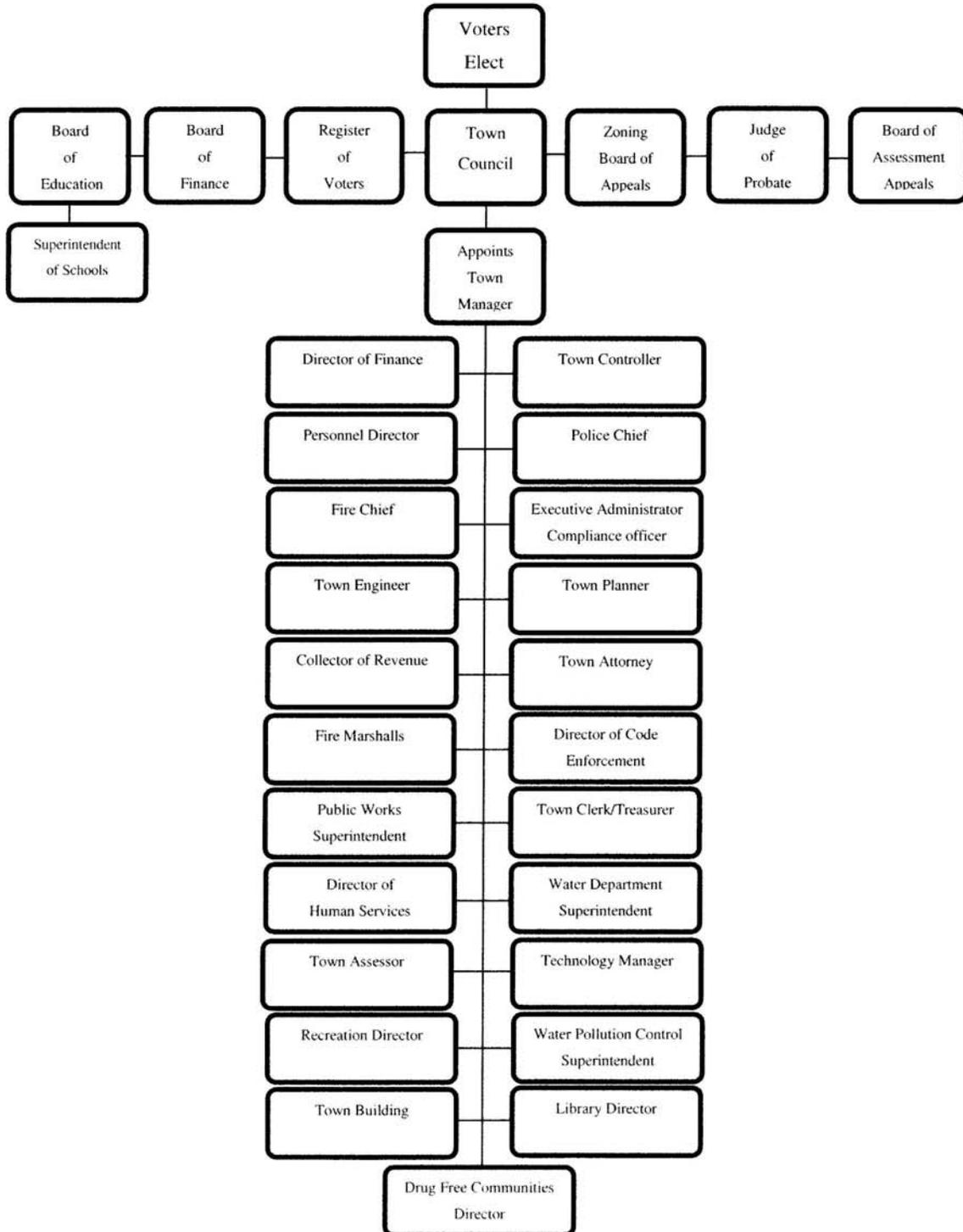
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Christian Johnson". The signature is written in a cursive, flowing style.

Christian Johnson
Director of Finance

Town of Windham

Organizational Chart



Principal Municipal Officials
As of June 30, 2014

<u>Office</u>	<u>Name</u>	<u>Manner of Selection/Term</u>	<u>Date of Hire/Election Appointment</u>
Town Manager	Neal Beets	Appointed/Indefinite	11/09
Town Council, Mayor	Ernie Eldridge	Elected/4 years	11/17
Town Councilor	N. Joseph Underwood	Elected/4 years	11/17
Town Councilor	Charlotte Patros	Elected/4 years	11/17
Town Councilor	Michael Lessard	Elected/4 years	11/17
Town Councilor	Lorraine McDevitt	Elected/4 years	11/17
Town Councilor	James Flores	Elected/4 years	11/17
Town Councilor	Charles Krich	Elected/4 years	11/15
Town Councilor	Christel Donahue	Elected/4 years	11/15
Town Councilor	Mark Doyle	Elected/4 years	11/15
Town Councilor	Tony Fantoli	Elected/4 years	11/15
Town Councilor	Thomas DeVivo	Elected/4 years	11/15
Town Clerk/Treasurer	Patricia Spruance	Appointed/Indefinite	10/07
Director of Finance	Christian Johnson	Appointed/Indefinite	09/13
Town Controller /Risk Manager	Thomas Pesce	Appointed/Indefinite	02/09
Collector of Revenue	Gay A. St. Louis	Appointed/Indefinite	04/07
Town Assessor.....	Joan Paskewich	Appointed/Indefinite	09/92
Superintendent of Schools	Patricia Garcia	Appointed/Indefinite	06/14

Financial Section



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 accompanying the financial statements of the Town of Windham, Connecticut (the "Town") as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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, 2014, 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 59-60, schedule of changes in the Town's net pension liability and related ratios on page 61 and budgetary comparison information on page 62 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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 March 16, 2015 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.



New Haven, Connecticut
March 16, 2015

**Town of Windham, Connecticut
Management's Discussion and Analysis (Unaudited)
June 30, 2014**

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, 2014.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$101,479,261 (net position). Of this amount, \$24,020,509 (unrestricted net position) may be used to meet the Town's ongoing obligations to its citizens and creditors. Of this amount, \$15,287,765 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, 2014, amounted to \$4,787,298 which consisted of an increase of \$4,448,580 relating to the Town's governmental activities combined with an increase of \$338,718 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 \$13,002,787, an increase of \$5,271,858 in comparison with the prior year. Of this amount \$5,721,730 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 \$11,092,506 or 15.1% 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, increased \$2,566,202.

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 21-57 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 non-major fund statements and schedules that can be found on page 59-106 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The analysis below focuses on the net position and changes in net position of the Town's governmental and business-type activities.

Town of Windham, Connecticut Summary Statement of Net Position

	June 30, 2014			June 30, 2013		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 34,099,961	\$ 16,048,550	\$ 50,148,511	\$ 29,188,780	\$ 15,523,084	\$ 44,711,864
Capital assets	81,914,577	34,912,678	116,827,255	74,748,734	36,016,037	110,764,771
Total assets	116,014,538	50,961,228	166,975,766	103,937,514	51,539,121	155,476,635
Deferred amounts on refunding	76,593	-	76,593	223,697	-	223,697
Total deferred outflows	76,593	-	76,593	223,697	-	223,697
Long-term liabilities	38,493,587	15,655,923	54,149,510	33,008,336	16,665,700	49,674,036
Other liabilities	11,054,517	369,071	11,423,588	9,058,428	275,905	9,334,333
Total liabilities	49,548,104	16,024,994	65,573,098	42,066,764	16,941,605	59,008,369
Net Investment in capital assets	56,095,135	19,648,469	75,743,604	56,129,132	19,747,202	75,876,334
Restricted	1,715,148	-	1,715,148	1,652,683	-	1,652,683
Unrestricted	8,732,744	15,287,765	24,020,509	4,312,632	14,850,314	19,162,946
Total Net Position	\$ 66,543,027	\$ 34,936,234	\$ 101,479,261	\$ 62,094,447	\$ 34,597,516	\$ 96,691,963

The Town's government-wide net position of \$101.5 million represent an increase of \$4.8 million over last year's net position of \$96.7 million. The Town was able to generate an overall increase in the Town's governmental activities net position principally due to the receipt of \$5.0 million in capital grants and contributions from the State in support of the Town's school renovation and construction capital program and various public works projects. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without restraints established by debt covenants, enabling legislation or other legal requirements – is \$24.0 million at the end of this year compared with \$19.2 million at the end of last year. Government activities unrestricted net position increased \$4.4 million. Unrestricted net position of the Town's business-type activities increased \$.44 million in 2014. Both increases are mainly due to an increase in revenue collections and stronger control over expenditures.

Town of Windham, Connecticut
Summary of Change in Net Position

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program Revenues:						
Charge for services	\$ 4,026,783	\$ 5,562,717	\$ 9,589,500	\$ 3,838,029	\$ 4,810,560	\$ 8,648,589
Operating grants and contributions	50,608,892	-	50,608,892	45,846,618	-	45,846,618
Capital grants and contributions	4,960,329	-	4,960,329	18,742,754	-	18,742,754
General Revenues:						
Property taxes	33,855,514	-	33,855,514	32,429,289	-	32,429,289
Grants, contributions not restricted	5,489,221	97,072	5,586,293	6,837,388	62,824	6,900,212
Unrestricted investment earnings	102,646	535,142	637,788	41,319	479,645	520,964
Transfers	184,000	(184,000)	-	184,000	(184,000)	-
Total revenues	99,227,385	6,010,931	105,238,316	107,919,397	5,169,029	113,088,426
Expenses:						
Program Activities						
Primary Government:						
General government	3,503,142	-	3,503,142	3,014,463	-	3,014,463
Public safety	11,490,672	-	11,490,672	11,621,614	-	11,621,614
Public works	6,540,875	-	6,540,875	5,687,745	-	5,687,745
Human services	670,819	-	670,819	645,364	-	645,364
Civic and cultural	1,557,750	-	1,557,750	2,064,512	-	2,064,512
Education	68,109,554	-	68,109,554	63,776,248	-	63,776,248
Planning and development	1,541,852	-	1,541,852	777,272	-	777,272
Interest on long-term debt	1,364,141	-	1,364,141	1,520,014	-	1,520,014
Business-Type Activities:						
Water	-	2,324,419	2,324,419	-	2,467,506	2,467,506
Sewer	-	3,347,794	3,347,794	-	3,684,353	3,684,353
Total expenses	94,778,805	5,672,213	100,451,018	89,107,232	6,151,859	95,259,091
Change in net position	4,448,580	338,718	4,787,298	18,812,165	(982,830)	17,829,335
Net Position - beginning	62,094,447	34,597,516	96,691,963	43,282,282	35,580,346	78,862,628
Net Position - ending	\$ 66,543,027	\$ 34,936,234	\$ 101,479,261	\$ 62,094,447	\$ 34,597,516	\$ 96,691,963

The Town's governmental activities and business-type activities total revenue in 2014 of \$105.2 million represents a decrease of \$7.9 million over last year. Capital grants and contributions decreased by \$13.8 million as capital expenses subject to reimbursement from the State for the school renovation and construction program decreased compared with the previous year. Operating grants and contributions increased by \$4.8 million due to additional grants for various purposes.

The Town's total program expenses of \$100,451,018 million represents an increase of \$5,191,927 million over last year. The increase in General government, Public works, Planning and development and Education is related to the receipt of additional grants.

The Town's overall net position increased by \$4.8 million due to the Town's increasing revenues and controlling expenses.

Governmental Activities

Governmental activities increased the Town's net position by \$4.4 million.

Business-Type Activities

Business-type activities decreased the Town's net position by \$.34 million.

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 \$13,002,787, an increase of \$5,271,858 in comparison with the prior year. Of this amount, approximately 44%, or \$5,721,730 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 \$7,848,364, while the unassigned fund balance of the WSD General Fund was \$3,244,142.

The fund balance of the combined General Fund on a GAAP basis increased by \$1,264,847 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 \$14,084,901 as compared to \$11,238,924 in the prior year.

Windham Magnet School Fund

The fund's expenditures of approximately \$5.5 million were for capital improvements which were in turn reimbursed by approximately \$6.5 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 \$12.9 million in intergovernmental revenues and had expenditures of \$20.7 million.

General Fund Budgetary Highlights

The final budget for 2014 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 \$1,808,229.

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, 2014, totaled \$116,827,257 (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 \$6,062,486 or a 5.5% 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, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and improvements	\$ 3,547,959	\$ 3,547,959	\$ 99,330	\$ 99,330	\$ 3,647,289	\$ 3,647,289
Construction in progress	10,122,695	36,074,699	-	-	10,122,695	36,074,699
Buildings and improvements	55,079,302	21,076,755	16,422,089	16,867,283	71,501,391	37,944,038
Machinery and equipment	2,192,474	1,741,264	8,421,838	9,069,852	10,614,312	10,811,116
Infrastructure	10,972,147	12,308,057	9,969,423	9,979,572	20,941,570	22,287,629
Total	\$ 81,914,577	\$ 74,748,734	\$ 34,912,680	\$ 36,016,037	\$ 116,827,257	\$ 110,764,771

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 Governmental Activities had total long-term bonded debt outstanding of \$18,673,223. 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 increased by \$3,891,806 during the current fiscal year due to the issuance of \$6,030,000 of general obligation bonds and \$1,790,900 of general obligation refunding bonds. The Enterprise Fund's debt decreased by \$266,805 for debt amortization.

The Town received a double upgrade from A+ to AA rating from Standard and Poor's for general obligation debt this year.

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	
	2014	2013	2014	2013	2014	2013
Bonds payable	\$ 18,673,223	\$ 14,781,417	\$ 1,196,776	\$ 1,463,581	\$ 19,869,999	\$ 16,244,998
Notes payable	-	-	14,067,433	14,805,253	14,067,433	14,805,253
Capital leases payable	3,484,549	3,805,527	-	-	3,484,549	3,805,527
	\$ 22,157,772	\$ 18,586,944	\$ 15,264,209	\$ 16,268,834	\$ 37,421,981	\$ 34,855,778

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 2015.

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, 322 Prospect Street, Willimantic, CT 06226.

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Basic Financial Statements

Town of Windham, Connecticut

Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 12,370,862	\$ 1,268,877	\$ 13,639,739
Investments	773,477	14,268,892	15,042,369
Receivables, net of allowances for collection losses:			
Property taxes	928,430	-	928,430
Grants and contracts	12,815,454	-	12,815,454
Accounts receivable	4,854,090	1,047,079	5,901,169
Notes receivable	491,129	-	491,129
Inventories	134,271	214,492	348,763
Restricted cash	587,352	-	587,352
Internal balances	750,790	(750,790)	-
Net pension assets	394,106	-	394,106
Capital assets:			
Non-depreciable	13,670,654	99,330	13,769,984
Depreciable, net	68,243,923	34,813,348	103,057,271
Total assets	116,014,538	50,961,228	166,975,766
Deferred Outflows of Resources			
Deferred charge on refunding	76,593	-	76,593
Total deferred outflows of resources			
Liabilities			
Accounts payable and accrued liabilities	7,906,272	369,071	8,275,343
Bond anticipation notes payable	2,513,000	-	2,513,000
Unearned revenues	635,245	-	635,245
Noncurrent liabilities:			
Due within one year	4,881,725	1,240,017	6,121,742
Due in more than one year	33,611,862	14,415,906	48,027,768
Total liabilities	49,548,104	16,024,994	65,573,098
Net Position			
Net investment in capital assets	56,095,135	19,648,469	75,743,604
Restricted for:			
Grant program purposes	645,956	-	645,956
Endowments	459,920	-	459,920
Debt repayment	587,352	-	587,352
Other purposes	21,920	-	21,920
Unrestricted	8,732,744	15,287,765	24,020,509
Total net position	\$ 66,543,027	\$ 34,936,234	\$ 101,479,261

See Notes to Financial Statements.

Town of Windham, Connecticut

Statement of Activities
For the Year Ended June 30, 2014

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
Primary government:							
Governmental activities:							
General government	\$ (3,503,142)	\$ 1,013,637	\$ 42,437	\$ 220,650	\$ (2,226,418)	\$ -	\$ (2,226,418)
Public safety	(11,490,672)	1,604,538	404,529	-	(9,481,605)	-	(9,481,605)
Public works	(6,540,875)	410,443	1,247,754	242,837	(4,639,841)	-	(4,639,841)
Human services	(670,819)	143,673	1,076,606	-	549,460	-	549,460
Civic and cultural	(1,557,750)	237,451	-	30,379	(1,289,920)	-	(1,289,920)
Education	(68,109,554)	577,976	47,837,566	4,466,463	(15,227,549)	-	(15,227,549)
Planning and development	(1,541,852)	39,065	-	-	(1,502,787)	-	(1,502,787)
Interest on long-term debt	(1,364,141)	-	-	-	(1,364,141)	-	(1,364,141)
Total governmental activities	(94,778,805)	4,026,783	50,608,892	4,960,329	(35,182,801)	-	(35,182,801)
Business-type activities:							
Water	(2,324,419)	2,769,360	-	-	-	444,941	444,941
Sewer	(3,347,794)	2,793,357	-	-	-	(554,437)	(554,437)
Total business-type activities	(5,672,213)	5,562,717	-	-	-	(109,496)	(109,496)
Total primary government	\$ (100,451,018)	\$ 9,589,500	\$ 50,608,892	\$ 4,960,329	(35,182,801)	(109,496)	(35,292,297)
General revenues:							
Property taxes, levied for general purposes					33,855,514	-	33,855,514
Grants and contributions not restricted to specific programs					5,489,221	97,072	5,586,293
Unrestricted investment earnings					102,646	535,142	637,788
Transfers					184,000	(184,000)	-
Total general revenues and transfers					39,631,381	448,214	40,079,595
Change in net position					4,448,580	338,718	4,787,298
Net position - beginning					62,094,447	34,597,516	96,691,963
Net position - ending					\$ 66,543,027	\$ 34,936,234	\$ 101,479,261

See Notes to Financial Statements.

Town of Windham, Connecticut

Balance Sheet - Governmental Funds
June 30, 2014

	Major Funds			Other Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Educational Grants Fund	Windham Magnet School Fund		
Assets					
Cash and cash equivalents	\$ 8,979,888	\$ 1,494,793	\$ -	\$ 601,620	\$ 11,076,301
Investments	-	-	-	773,477	773,477
Receivables, net of allowance for collection losses:					
Property taxes,	928,430				
grants and contracts	1,746,684	1,575,597	7,481,949	2,011,224	12,815,454
Accounts receivable	1,078,851	-	-	33,856	1,112,707
Notes receivable		-	-	491,129	491,129
Due from other funds	12,646,857	-	-	5,212,190	17,859,047
Restricted cash	587,352	-	-	-	587,352
Inventories	112,351	-	-	21,920	134,271
Total assets	\$ 26,080,413	\$ 3,070,390	\$ 7,481,949	\$ 9,145,416	\$ 45,778,168
Liabilities:					
Accounts payable and accrued liabilities	\$ 5,061,382	\$ 135,097	\$ 113,574	\$ 1,214,409	\$ 6,524,462
BAN Payable	-	-	1,630,000	883,000	2,513,000
Due to other funds	5,839,095	2,325,727	7,160,463	1,076,688	16,401,973
Unearned revenue	-	609,566	-	25,679	635,245
Total liabilities	10,900,477	3,070,390	8,904,037	3,199,776	26,074,680
Deferred Inflows of Resources					
Unavailable resources	2,489,338	-	3,310,056	901,307	6,700,701
Total deferred inflows of resources	2,489,338	-	3,310,056	901,307	6,700,701
Fund balances (deficits):					
Nonspendable	112,351	-	-	480,964	593,315
Restricted	587,352	-	-	3,680,664	4,268,016
Committed	-	-	-	1,521,337	1,521,337
Assigned	898,389	-	-	-	898,389
Unassigned	11,092,506	-	(4,732,144)	(638,632)	5,721,730
Total fund balances (deficit)	12,690,598	-	(4,732,144)	5,044,333	13,002,787
Total liabilities and fund balances (deficits)	\$ 26,080,413	\$ 3,070,390	\$ 7,481,949	\$ 9,145,416	

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.	81,914,577
Unavailable revenues are not available to pay for current-period expenditures and therefore are not recognized as revenues in the funds.	6,700,701
Deferred outflows of resources	76,593
Net pension assets	394,106
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.	3,027,845
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(38,493,587)
Accrued interest payable	(79,995)

Net position of governmental activities

\$ 66,543,027

See Notes to Financial Statements.

Town of Windham, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
 Governmental Funds
 For the Year Ended June 30, 2014

	General Fund	Educational Grants Fund	Windham Magnet School Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 33,826,651	\$ -	\$ -	\$ -	\$ 33,826,651
Intergovernmental	37,271,487	14,084,781	6,463,188	6,542,471	64,361,927
Charges for services	2,253,027	-	-	303,512	2,556,539
Licenses and permits	295,542	-	-	-	295,542
Fines, forfeitures, and penalties	45,417	-	-	-	45,417
Investment income	6,496	120	-	96,030	102,646
Miscellaneous	875,615	-	3,797	249,873	1,129,285
Total revenues	74,574,235	14,084,901	6,466,985	7,191,886	102,318,007
Expenditures					
Current:					
General government	2,878,796	-	-	80,364	2,959,160
Public safety	1,739,446	-	-	424,040	2,163,486
Public works	4,232,124	-	-	464,048	4,696,172
Human services	586,157	-	-	-	586,157
Civic and cultural	1,193,154	-	-	147,610	1,340,764
Planning and development	401,747	-	-	937,756	1,339,503
Education	49,414,612	14,084,901	-	3,174,276	66,673,789
Debt issuance costs	-	-	-	39,120	39,120
Police	5,572,877	-	-	-	5,572,877
Fire	2,610,494	-	-	-	2,610,494
Miscellaneous	1,054,937	-	-	-	1,054,937
Debt service:					
Principal retirements	2,196,094	-	-	-	2,196,094
Interest and other charges	1,107,956	-	27,864	-	1,135,820
Capital outlay	25,677	-	5,462,867	5,715,523	11,204,067
Total expenditures	73,014,071	14,084,901	5,490,731	10,982,737	103,572,440
Excess (deficiency) of revenues over (under) expenditures	1,560,164	-	976,254	(3,790,851)	(1,254,433)
Other Financing Sources (Uses)					
Bond proceeds	-	-	1,080,000	4,950,000	6,030,000
Bond premium	-	-	17,585	340,650	358,235
Deposit to escrow	-	-	-	(1,836,844)	(1,836,844)
Refunding bond proceeds	-	-	-	1,790,900	1,790,900
Transfers in	239,683	-	-	525,000	764,683
Transfers out	(535,000)	-	-	(45,683)	(580,683)
Total other financing sources (uses)	(295,317)	-	1,097,585	5,724,023	6,526,291
Net change in fund balances	1,264,847	-	2,073,839	1,933,172	5,271,858
Fund Balances (deficit), beginning	11,425,751	-	(6,805,983)	3,111,161	7,730,929
Fund balances (deficit), ending	\$ 12,690,598	\$ -	\$ (4,732,144)	\$ 5,044,333	\$ 13,002,787

See Notes to Financial Statements.

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, 2014**

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 – total governmental funds **\$ 5,271,858**

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	\$ 10,919,653	
Depreciation expense	(3,753,810)	
		7,165,843

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	28,863	
Loans receivable	204,999	
Other receivables	360,489	
Intergovernmental revenue on school bonds	(938,227)	
Intergovernmental revenue on magnet school construction	(2,930,746)	
		(3,274,622)

Change in pension asset		34,443
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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 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 on bonds	3,929,094	
Amortization of bond premium	(271,908)	
Issuance of general obligation bonds	(6,030,000)	
Issuance of refunding general obligation bonds	(1,790,900)	
Principal payments on capital leases	320,978	
Amortization of deferred charges	(147,104)	
		(3,989,840)

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.		907,993
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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	(24,580)	
Change in landfill closure liability	37,000	
Change in long-term compensated absences	(359,544)	
Change in OPEB liability	(1,319,971)	
		(1,667,095)

Change in net position of governmental activities		\$ 4,448,580
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See Notes to Financial Statements.

Town of Windham, Connecticut

Statement of Net Position - Proprietary Funds
June 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental
	Water Fund	Sewer Fund	Total	Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 142,559	\$ 1,126,318	\$ 1,268,877	\$ 1,294,561
Accounts receivable, net	586,158	460,921	1,047,079	3,035,099
Inventories	214,492	-	214,492	-
Due from other funds	542,329	-	542,329	-
Total current assets	1,485,538	1,587,239	3,072,777	4,329,660
Noncurrent assets:				
Investments	2,326,443	11,942,449	14,268,892	-
Capital assets:				
Non-depreciable	65,000	34,330	99,330	-
Depreciable, net	11,102,471	23,710,877	34,813,348	-
Total noncurrent assets	13,493,914	35,687,656	49,181,570	-
Total assets	14,979,452	37,274,895	52,254,347	4,329,660
Liabilities				
Current liabilities:				
Accounts payable	113,923	188,448	302,371	1,594
Claims payable	-	-	-	1,300,221
Accrued liabilities:				
Accrued interest	4,224	24,787	29,011	-
Accrued salaries and benefits payable	3,000	3,189	6,189	-
Other	22,500	9,000	31,500	-
Due to other funds	-	1,293,119	1,293,119	-
Bonds and notes payable - current	300,256	802,661	1,102,917	-
Compensated absences - current	71,910	65,190	137,100	-
Total current liabilities	515,813	2,386,394	2,902,207	1,301,815
Noncurrent liabilities:				
Bonds and notes payable	896,520	13,264,772	14,161,292	-
Compensated absences	133,546	121,068	254,614	-
Total liabilities	1,545,879	15,772,234	17,318,113	1,301,815
Net Position				
Net Investment in capital assets	9,970,695	9,677,774	19,648,469	-
Unrestricted	3,462,878	11,824,887	15,287,765	3,027,845
Total net position	\$ 13,433,573	\$ 21,502,661	\$ 34,936,234	\$ 3,027,845

See Notes to Financial Statements.

Town of Windham, Connecticut

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Operating Revenues				
Charges for services	\$ 2,769,360	\$ 2,793,357	\$ 5,562,717	\$ 10,786,336
Other	57,831	39,241	97,072	-
Total operating revenues	<u>2,827,191</u>	<u>2,832,598</u>	<u>5,659,789</u>	<u>10,786,336</u>
Operating Expenses				
Personnel services	1,068,964	1,100,529	2,169,493	-
Outside services	45,468	390,800	436,268	-
Depreciation	394,114	1,024,031	1,418,145	-
Fuel and utilities	197,231	208,578	405,809	-
Administration	85,421	57,328	142,749	1,080,322
Repairs, maintenance and supplies	480,995	212,753	693,748	-
Claims incurred	-	-	-	8,799,907
Total operating expenses	<u>2,272,193</u>	<u>2,994,019</u>	<u>5,266,212</u>	<u>9,880,229</u>
Operating income (loss)	<u>554,998</u>	<u>(161,421)</u>	<u>393,577</u>	<u>906,107</u>
Non-Operating Revenues (Expenses)				
Interest income	31,862	503,280	535,142	1,886
Interest expense	(52,226)	(353,775)	(406,001)	-
Total non-operating revenues (expenses)	<u>(20,364)</u>	<u>149,505</u>	<u>129,141</u>	<u>1,886</u>
Net income before transfers	<u>534,634</u>	<u>(11,916)</u>	<u>522,718</u>	<u>907,993</u>
Transfers out	(92,000)	(92,000)	(184,000)	-
Change in net position	<u>442,634</u>	<u>(103,916)</u>	<u>338,718</u>	<u>907,993</u>
Net Position - Beginning	<u>12,990,939</u>	<u>21,606,577</u>	<u>34,597,516</u>	<u>2,119,852</u>
Net Position - Ending	<u>\$ 13,433,573</u>	<u>\$ 21,502,661</u>	<u>\$ 34,936,234</u>	<u>\$ 3,027,845</u>

See Notes to Financial Statement.

Town of Windham, Connecticut

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds			Governmental
	Water Fund	Sewer Fund	Total	Internal Service Fund
Cash Flows From Operating Activities				
Cash received for the following:				
Charges for services	\$ 2,775,083	\$ 2,798,988	\$ 5,574,071	\$ 9,224,635
Other income	57,831	39,241	97,072	-
	<u>2,832,914</u>	<u>2,838,229</u>	<u>5,671,143</u>	<u>9,224,635</u>
Cash paid for the following:				
Personnel services	(1,085,815)	(1,109,922)	(2,195,737)	-
Fuel and utilities	(197,231)	(208,578)	(405,809)	-
Outside services	(47,468)	(310,277)	(357,745)	-
Administration	(85,421)	(57,328)	(142,749)	(1,120,021)
Repairs, maintenance and supplies	(432,750)	(212,753)	(645,503)	-
Claims paid	-	-	-	(8,912,487)
	<u>(1,848,685)</u>	<u>(1,898,858)</u>	<u>(3,747,543)</u>	<u>(10,032,508)</u>
Net cash provided by (used in) operating activities	<u>984,229</u>	<u>939,371</u>	<u>1,923,600</u>	<u>(807,873)</u>
Cash Flows From Noncapital Financing Activities				
Transfers to other funds	(92,000)	(92,000)	(184,000)	-
Payments (receipts) on due (to)/from other funds	(209,554)	283,877	74,323	597,237
Net cash provided by (used in) provided by noncapital financing activities	<u>(301,554)</u>	<u>191,877</u>	<u>(109,677)</u>	<u>597,237</u>
Cash Flows From Capital and Related Financing Activities				
Purchases of capital assets	(276,919)	(37,867)	(314,786)	-
Proceeds from issuance of refunding bonds	684,100	-	684,100	-
Principal paid on capital debt	(950,905)	(737,821)	(1,688,726)	-
Interest paid on capital debt	(53,682)	(352,957)	(406,639)	-
Net cash used in capital and related financing activities	<u>(597,406)</u>	<u>(1,128,645)</u>	<u>(1,726,051)</u>	<u>-</u>
Cash Flows From Investing Activities				
Purchase of investments	(21,134)	(694,189)	(715,323)	-
Sale of investments	-	-	-	-
Interest and dividends	31,862	503,280	535,142	1,886
Net cash provided by (used in) investing activities	<u>10,728</u>	<u>(190,909)</u>	<u>(180,181)</u>	<u>1,886</u>
Net increase (decrease) in cash and cash equivalents	<u>95,997</u>	<u>(188,306)</u>	<u>(92,309)</u>	<u>(208,750)</u>
Cash and Cash Equivalents, beginning of year	<u>46,562</u>	<u>1,314,624</u>	<u>1,361,186</u>	<u>1,503,311</u>
Cash and Cash Equivalents, end of year	<u>\$ 142,559</u>	<u>\$ 1,126,318</u>	<u>\$ 1,268,877</u>	<u>\$ 1,294,561</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 554,998	\$ (161,421)	\$ 393,577	\$ 906,107
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	394,114	1,024,031	1,418,145	-
(Increase) decrease in assets:				
Accounts receivable	5,723	5,631	11,354	(1,561,701)
Inventories	11,871	-	11,871	-
Increase (decrease) in liabilities:				
Accounts payable	36,374	75,523	111,897	(39,699)
Accrued liabilities and compensated absences	(18,851)	(4,393)	-	(112,580)
Net cash provided by (used in) operating activities	<u>\$ 984,229</u>	<u>\$ 939,371</u>	<u>\$ 1,923,600</u>	<u>\$ (807,873)</u>

See Notes to Financial Statements.

Town of Windham, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2014

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	\$ 2,315,055	\$ 85,203	\$ 83,239
Investments, at fair value:			
Debt securities	4,027,540	-	-
Certificates of deposit	-	-	192,577
Corporate bonds	2,647,623	-	-
Group annuity contracts	14,250,213	-	-
Mutual funds	-	12,197	-
Collective trusts	7,136,534	-	-
Equity securities	18,793,716	88,463	-
Other	-	34,198	-
Receivables	68,953	-	6,551
Due from other funds	-	-	2,238
Total assets	49,239,634	220,061	284,605
Liabilities			
Accounts payable	-	-	1,747
Due to others	-	-	278,004
Due to other funds	679,407	24,261	4,854
Total liabilities	679,407	24,261	284,605
Net Position Restricted for Pension Benefits and Other	\$ 48,560,227	\$ 195,800	\$ -

See Notes to Financial Statements.

Town of Windham, Connecticut

Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For the Year Ended June 30, 2014

	Pension Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 2,232,337	\$ -
Plan members	365,162	-
Private donations and other	2,749	500
Total contributions and other	<u>2,600,248</u>	<u>500</u>
Investment income:		
Interest and dividends	963,711	2,746
Net appreciation in the fair value of investments	4,844,127	16,362
Total investment earnings	<u>5,807,838</u>	<u>19,108</u>
Total additions	<u>8,408,086</u>	<u>19,608</u>
Deductions		
Benefit payments	1,947,297	5,149
Administrative and other expenses	80,084	3,065
Total deductions	<u>2,027,381</u>	<u>8,214</u>
Change in net position	6,380,705	11,394
Net Position Restricted For Pension Benefits and Other, beginning	<u>42,179,522</u>	<u>184,406</u>
Net Position Restricted For Pension Benefits and Other, ending	<u>\$ 48,560,227</u>	<u>\$ 195,800</u>

See Notes to Financial Statements.

Town of Windham, Connecticut

Notes to Financial Statements

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.

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.

Accounting Standards Adopted in the Current Year:

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, was implemented as of July 1, 2013. This statement clarified the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result of the adoption of this standard, \$76,593 of deferred amounts on refundings were reclassified to Deferred Outflows of Resources. Previously, these amounts offset long-term debt.

GASB Statement No. 67, Financial Reporting for Pension Plans an amendment of GASB Statement No. 25, issued in June 2012, was effective for the Town as of July 1, 2013. 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 defined contribution plans that provide postemployment benefits other than pensions. The implementation of this statement did not have a material impact on the Town's financial statements.

Town of Windham, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, Became effective on July 1, 2013. This statement provides guidance to governments that extend and receive nonexchange financial guarantees. The implementation of this statement had no impact on the Town's financial statement.

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.

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

Town of Windham, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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).

Town of Windham, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued): 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 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.

Town of Windham, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 \$142,000 as of June 30, 2014.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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:

Assets	Years
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 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 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 discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Town of Windham, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 is 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 does 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 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 has 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.

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.

Town of Windham, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town reports a deferred charge on refunding in this manner in the government-wide statement of net position. A deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, grants and charges for services. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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	\$ 18,673,223
Deferred premiums, net of amortization	538,263
Capital leases	3,484,549
Compensated absences	6,282,448
Landfill post-closure liability	98,000
OPEB	<u>9,417,104</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 38,493,587</u></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 do 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.

Town of Windham, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

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) 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, does 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, 2014, \$14,519,919 of the entity's bank balance of \$17,669,762 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.

The following represents the investments in each respective Plan that represents more than 5% of the respective Plan's net position as of June 30, 2014:

Municipal Pension Fund	
MSCI ACWI Ex-US Index	\$ 648,776
Calvert Equity I	648,776
S&P 500 Index	2,595,103
Diamond Hill Large Cap I	648,776
Neuberger Berman Genesis	648,776
PIMCO Total Return Inst.	1,946,327
Defined Benefit Guaranteed Portfolio	5,838,982
Board of Education	
Aetna Life Insurance Company	8,108,835

Town of Windham, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2014:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 16,487,606
Cooperative Liquid Assets Security Systems Fund (CLASS)	222,982
Total cash and cash equivalents	<u>16,710,588</u>
Permanent Funds	
Cemetery Trust:	
Corporate Bonds	44,754 *
U.S. Treasury Securities	53,292 *
U.S. Government Agencies	3,975 *
Common Stock	300,659 *
William A. & Jennie S. King Trust:	
Corporate Bonds	49,727 *
U.S. Treasury Securities	59,244
U.S. Government Agencies	3,975
Common Stock	257,851
Total permanent funds	<u>773,477</u>
Sewer Fund	
U.S. Government Agencies	9,024,150 *
Certificates of deposits	2,918,299
Water Fund	
Certificates of deposits	2,326,443
Total enterprise funds	<u>14,268,892</u>
Private Purpose Trust Funds	
Common Stock	88,463 *
Fixed Income Mutual Funds	12,197 *
Other	34,198 *
Total private purpose	<u>134,858</u>
Scholarship Funds	
Certificates of deposits	145,999 *
Student Activity Funds	
Certificates of deposits	46,578 *
Corporate bonds	2,647,623 *
U.S. Treasury Securities	1,913,150 *
U.S. Government Agencies	2,114,390 *
Group annuity contracts	14,250,213 *
Collective trusts	7,136,534 *
Common Stock	18,793,716 *
Total pension trust	<u>46,855,626</u>
Total cash, cash equivalents and pension investments	<u>46,855,626</u>
Total cash, cash equivalents and investments	<u>\$ 78,936,018</u>

* These investments are uninsured with securities held by the counterparty in the

Town of Windham, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

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

Statement of Net Position:

Cash and cash equivalents	\$ 14,227,091
Investments	15,042,369
	<u>29,269,460</u>

Fiduciary Funds:

Cash and cash equivalents	2,483,497
Investments	47,183,061
	<u>49,666,558</u>

Total cash, cash equivalents and investments	\$ 78,936,018
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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, 2014, 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
Debt Securities:					
Cooperative Liquid Asset Security Systems Fund (CLASS)	\$ 222,982	\$ 222,982	\$ -	\$ -	\$ -
Corporate Bonds	2,742,104	386,732	1,406,712	674,720	273,940
Fixed Income Mutual Funds	12,197	-	12,197	-	-
U.S. Government Agencies	11,146,490	-	287,254	2,103,438	8,755,798
U.S. Treasury Securities	2,025,686	51,067	916,861	863,230	194,528

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

Note 3. Cash, Cash Equivalents and Investments (Continued)

The Town's investments in debt securities were rated by Fitch Ratings and/or Standard & Poor's as follows at June 30, 2014:

Debt Securities	Fair Value	AAAm	AAA	AA+	AA	AA-	A+
Cooperative Liquid							
Asset Security							
Systems Fund							
Fund (CLASS)	\$ 222,982	\$ 222,982	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	2,742,104	-	-	123,338	380,449	343,122	255,084
Fixed Income							
Mutual Funds	12,197	-	12,197	-	-	-	-
U.S. Government							
Agencies	11,142,515	-	11,142,515	-	-	-	-
	<u>\$ 14,119,798</u>	<u>\$ 222,982</u>	<u>\$ 11,154,712</u>	<u>\$ 123,338</u>	<u>\$ 380,449</u>	<u>\$ 343,122</u>	<u>\$ 255,084</u>

Debt Securities	A	A-	BBB+	BBB	BBB-	Unrated
Cooperative Liquid						
Asset Security						
Systems Fund						
Fund (CLASS)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	770,670	518,010	307,787	6,297	3,119	34,228
Fixed Income						
Mutual Funds	-	-	-	-	-	-
Mortgage Backed						
Securities	-	-	-	-	-	-
	<u>\$ 770,670</u>	<u>\$ 518,010</u>	<u>\$ 307,787</u>	<u>\$ 6,297</u>	<u>\$ 3,119</u>	<u>\$ 34,228</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	\$ 676,482	\$ 1,236,668	\$ -	\$ -
U.S. Agency	Federal National Mortgage Association	781,994	1,332,396	-	-
Collective Trust	PIMCO Total Return	-	-	1,946,328	-
Collective Trust	Calvert Equity	-	-	648,776	-
Collective Trust	MSCI ACWI Ex Us Index	-	-	648,776	-
Collective Trust	Neuberger Berman Genesis Instl	-	-	648,776	-
Collective Trust	S&P 500 Index	-	-	2,595,103	-
Collective Trust	Diamond Hill Large Cap I	-	-	648,776	-
Group annuity	Metropolitan Life Insurance Company	-	-	5,838,982	-
Group annuity	Aetna Life Insurance Company	-	-	-	8,411,231
		<u>\$ 1,458,476</u>	<u>\$ 2,569,064</u>	<u>\$ 12,975,517</u>	<u>\$ 8,411,231</u>

Town of Windham, Connecticut

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land and improvements	\$ 3,547,959	\$ -	\$ -	\$ 3,547,959
Construction in progress	36,074,699	9,951,066	(35,903,070)	10,122,695
Total capital assets, not being depreciated	39,622,658	9,951,066	(35,903,070)	13,670,654
Capital assets, being depreciated:				
Buildings and improvements	51,104,919	36,060,458	-	87,165,377
Machinery and equipment	16,462,955	674,752	-	17,137,707
Infrastructure	23,606,920	136,447	-	23,743,367
Total capital assets, being depreciated	91,174,794	36,871,657	-	128,046,451
Less accumulated depreciation for:				
Buildings and improvements	(30,028,163)	(2,057,912)	-	(32,086,075)
Machinery and equipment	(14,721,692)	(223,541)	-	(14,945,233)
Infrastructure	(11,298,863)	(1,472,357)	-	(12,771,220)
Total accumulated depreciation	(56,048,718)	(3,753,810)	-	(59,802,528)
Total capital assets, being depreciated, net	35,126,076	33,117,847	-	68,243,923
Governmental activities capital assets, net	\$ 74,748,734	43,068,913	(35,903,070)	\$ 81,914,577

Town of Windham, Connecticut

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases and Transfers	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land and improvements	\$ 99,330	\$ -	\$ -	\$ 99,330
Total capital assets, not being depreciated	99,330	-	-	99,330
Capital assets, being depreciated:				
Buildings and improvements	24,384,448	-	-	24,384,448
Machinery and equipment	11,896,724	144,508	-	12,041,232
Services and improvements	17,014,531	170,278	-	17,184,809
Total capital assets, being depreciated	53,295,703	314,786	-	53,610,489
Less accumulated depreciation for:				
Buildings and improvements	(7,517,165)	(445,195)	-	(7,962,360)
Machinery and equipment	(2,826,872)	(792,522)	-	(3,619,394)
Services and improvements	(7,034,959)	(180,428)	-	(7,215,387)
Total accumulated depreciation	(17,378,996)	(1,418,145)	-	(18,797,141)
Total capital assets, being depreciated, net	35,916,707	(1,103,359)	-	34,813,348
Business-type activities capital assets, net	\$ 36,016,037	(1,103,359)	-	\$ 34,912,678

Depreciation and amortization expense was charged to functions as follows:

Governmental activities:	
General government	\$ 300,305
Public safety	750,762
Public works	1,501,524
Human services	37,538
Planning and development	37,538
Civic and cultural	150,152
Education	975,991
Total depreciation and amortization expense-governmental activities	\$ 3,753,810
Business-type activities:	
Water	\$ 394,114
Sewer	1,024,031
Total depreciation and amortization expense-business-type activities	\$ 1,418,145

Town of Windham, Connecticut

Notes to Financial Statements

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, 2014, is presented below:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 12,646,857	\$ 5,839,095
Educational Grants Fund	-	2,325,727
Windham Magnet School	-	7,160,463
Water Fund	542,329	-
Sewer Fund	-	1,293,119
Nonmajor Governmental Funds	5,212,190	1,076,688
Fiduciary Funds	2,238	708,522
	<u>\$ 18,403,614</u>	<u>\$ 18,403,614</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, 2014, consisted of the following:

	Transfers from Other Funds	Transfers to Other Funds
General Fund	\$ 239,683	\$ 535,000
Water Fund	-	92,000
Sewer Fund	-	92,000
Nonmajor Governmental Funds	525,000	45,683
	<u>\$ 764,683</u>	<u>\$ 764,683</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

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

	Beginning Balances	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 14,781,417	\$ 7,820,900	\$ (3,929,094)	\$ 18,673,223	\$ 2,351,708
Unamortized amounts:					
Premiums	266,355	358,235	(86,327)	538,263	-
Total bonds payable	15,047,772	8,179,135	(4,015,421)	19,211,486	2,351,708
Other liabilities:					
Capital leases	3,805,527	-	(320,978)	3,484,549	324,160
Compensated absences	5,922,904	616,107	(256,563)	6,282,448	2,198,857
Landfill post-closure liability	135,000	-	(37,000)	98,000	7,000
Net OPEB obligation (see Note 10)	8,097,133	1,319,971	-	9,417,104	-
	\$ 33,008,336	\$ 10,115,213	\$ (4,629,962)	\$ 38,493,587	\$ 4,881,725
Business-type Activities					
Bonds payable:					
General obligation bonds	\$ 1,463,582	\$ 684,100	\$ (950,906)	\$ 1,196,776	\$ 300,256
Other liabilities:					
Notes payable	14,805,253	-	(737,820)	14,067,433	802,661
Compensated absences	396,865	131,100	(136,251)	391,714	137,100
	\$ 16,665,700	\$ 815,200	\$ (1,824,977)	\$ 15,655,923	\$ 1,240,017

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

Note 6. Long-Term Liabilities (Continued)

General Obligation Bonds: A summary of general obligation bonds outstanding at June 30, 2014, is as follows:

Purpose of Bonds	Date of Issue	Original Amount	Interest Rates	Final Maturity Date	Amount Outstanding
Governmental Activities:					
Bonds Payable:					
General purposes and schools refunding bonds	2004	\$ 14,424,733	2.75%-5.00%	2016	\$ 2,679,323
General purpose bonds	2006	3,200,000	4.00%-5.00%	2026	163,000
General purpose bonds	2010	4,000,000	1.75%-4.00%	2031	3,545,000
General purpose refunding bonds	2010	5,260,000	2.00%-4.00%	2024	3,465,000
General purpose refunding bonds	2014	7,820,900	2.00%-4.00%	2034	7,820,900
Qualified Zone Academy Bonds	2003	500,000	-	2017	500,000
Qualified Zone Academy Bonds	2006	500,000	-	2022	500,000
					<u>\$ 18,673,223</u>
Business-type Activities:					
Bonds Payable:					
Water bonds, refinanced	2004	\$ 2,553,665	2.75%-5.00%	2016	\$ 450,676
Water bonds	2006	1,220,000	4.00%-5.00%	2026	62,000
Water bonds, refinanced	2014	684,100	2.00%-3.00%	2026	684,100
					1,196,776
Notes Payable:					
Clean Water Fund note payable	2008	\$ 668,189	2.00%	2027	456,664
Clean Water Fund note payable	2012	15,408,418	2.00%	2032	13,610,769
					14,067,433
					<u>\$ 33,937,432</u>

Town of Windham, Connecticut

Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

Annual debt service requirements to maturity on general obligation bonds, water bonds and clean water fund notes are as follows as of June 30, 2014:

Year Ending June 30:	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2015	\$ 2,284,743	\$ 608,810
2016	2,496,980	477,046
2017	1,254,500	386,374
2018	1,295,900	351,420
2019	1,242,300	322,100
2020-2024	5,362,500	1,135,803
2025-2029	2,596,300	531,279
2030-2034	1,690,000	159,978
	<u>\$ 18,223,223</u>	<u>\$ 3,972,810</u>

Year Ending June 30:	Business-Type Activities					
	Bonds Payable		Notes Payable		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 300,256	\$ 39,952	\$ 802,661	\$ 273,992	\$ 1,102,917	\$ 313,944
2016	258,020	27,992	803,312	257,933	1,061,332	285,925
2017	70,500	15,714	803,976	241,860	874,476	257,574
2018	69,100	14,318	804,653	225,774	873,753	240,092
2019	67,700	12,950	805,344	208,391	873,044	221,341
2020-2024	327,500	36,669	4,037,582	799,968	4,365,082	836,637
2025-2029	103,700	2,759	3,805,446	397,619	3,909,146	400,378
2030-2032	-	-	2,204,459	53,073	2,204,459	53,073
	<u>\$ 1,196,776</u>	<u>\$ 150,354</u>	<u>\$ 14,067,433</u>	<u>\$ 2,458,610</u>	<u>\$ 15,264,209</u>	<u>\$ 2,608,964</u>

On April 1, 2014, the Town issued \$4,420,000 of general obligation bonds with interest rates ranging from 2.0% to 4.0% of which was used to advance refund portions of the outstanding principal amounts of the general obligation bonds of the Town dated May 15, 2006 (the "Refunding Bonds"). Of the net proceeds of \$2,600,000, \$2,538,000 was placed in an irrevocable trust fund under an Escrow Agreement dated April 2014 between the Town and the Escrow Holder (after payment of \$67,000 in underwriter's fees and other costs). The Escrow Holder used the proceeds to purchase a portfolio of non-callable direct obligations of the United States of America ("Government Obligations"). The Government Obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption premiums on the Refunding Bonds on the date the payments are due.

The Town advance refunded the above bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$169,000 and a savings of approximately \$227,000 between the old debt payments and the new debt payments.

The balance in the escrow was approximately \$2.5 million at June 30, 2014. The balance of the defeased bonds was approximately \$2.5 million at June 30, 2014. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

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 \$236,210,268 as of June 30, 2014. 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, 2014.

Town of Windham, Connecticut

Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

As of June 30, 2014, the Town has authorized and unissued bonds of \$4,395,242 for school construction projects and \$280,000 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, 2014, was \$824,597 and \$113,630 respectively. Additional reimbursements of principal and interest aggregating 1,633,536 and \$113,148, respectively, are expected to be received through the applicable bonds' maturity dates.

Capital Leases: A summary of assets under capital leases is as follows as of June 30, 2014:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 5,367,418
Less: accumulated depreciation	<u>2,173,962</u>
	<u>\$ 3,193,456</u>

Depreciation expense relative to leased property under capital leases for the year ended June 30, 2014, totaled \$357,828 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, 2014, are as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>
2015	\$ 456,377
2016	473,390
2017	491,044
2018	509,362
2019	528,371
Thereafter	<u>1,672,207</u>
Total minimum lease payments	4,130,751
Less: amount representing interest	<u>646,202</u>
Present value of minimum lease payments	<u>\$ 3,484,549</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 14 years are estimated to be \$98,000. 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

Note 7. Unavailable/Unearned Revenue

Governmental funds report unavailable 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 unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable Revenue	Unearned Revenues
General Fund		
Property taxes receivable	\$ 742,654	\$ -
School construction grant receivable	1,746,684	-
	<u>2,489,338</u>	<u>-</u>
Magnet School Fund		
Intergovernmental receivable	3,310,056	-
Educational Grants Fund		
Grants drawdown in advance	-	609,566
Other Nonmajor Governmental Funds		
Loans receivable	491,154	-
Intergovernmental receivable	410,153	25,679
	<u>901,307</u>	<u>25,679</u>
Total	<u>\$ 6,700,701</u>	<u>\$ 635,245</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

Note 8. Employee Retirement Systems and Pension Plans (Continued)

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	29	12	76
Terminated employees entitled to benefits but not yet receiving them	1	1*	68	51
Active plan members	29	42	94	108
	<u>57</u>	<u>72</u>	<u>174</u>	<u>235</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.

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.

Town of Windham, Connecticut

Notes to Financial Statements

Note 8. Employee Retirement Systems and Pension Plans (Continued)

Municipal employees are required to make contributions of 1.50% of annual earnings through June 30, 2014 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.

Annual Pension Cost and Net Pension Obligation (GASB 27):

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

	Fire	Police	Municipal	Board of Education
Annual required contribution	\$ 551,973	\$ 816,486	\$ 446,501	\$ 367,393
Interest on net pension obligation	(6,500)	(3,846)	(14,794)	(1,149)
Adjustment to annual required contribution	9,067	5,817	25,095	1,851
Annual pension cost	554,540	818,457	456,802	368,095
Contributions made	551,973	816,486	496,485	367,393
(Increase) decrease in net pension asset	2,567	1,971	(39,683)	702
Net pension assets, beginning of year	(86,673)	(51,281)	(203,332)	(18,377)
Net pension asset, end of year	\$ (84,106)	\$ (49,310)	\$ (243,015)	\$ (17,675)

Town of Windham, Connecticut

Notes to Financial Statements

Note 8. Employee Retirement Systems and Pension Plans (Continued)

Three Year Trend Information:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Fire PERS			
June 30, 2014	\$ 554,540	99.5%	\$ (84,106)
June 30, 2013	528,858	99.5%	(86,673)
June 30, 2012	493,786	99.4%	(89,337)
Police PERS			
June 30, 2014	\$ 818,457	99.8%	\$ (49,310)
June 30, 2013	779,629	99.7%	(51,281)
June 30, 2012	784,648	99.7%	(53,327)
Municipal PERS			
December 31, 2014	\$ 456,802	108.7%	\$ (243,015)
December 31, 2013	505,821	98.2%	(203,332)
December 31, 2012	454,026	98.1%	(212,668)
Board of Education PERS			
June 30, 2014	\$ 368,095	99.8%	\$ (17,675)
June 30, 2013	338,516	99.8%	(18,377)
June 30, 2012	320,167	99.8%	(19,008)

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	\$ 1,794,352
Police PERS	2,633,264
Municipal PERS	5,310,533
Board of Education PERS	3,776,596
Total covered payroll	\$ 13,514,745

Administrative Costs:

Administrative costs are paid by the plans.

Town of Windham, Connecticut

Notes to Financial Statements

Note 8. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress (GASB 27):

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)
FIRE PERS							
July 1, 2013	2014	\$ 7,791,868	\$ 11,476,391	\$ (3,684,523)	68%	\$ 1,794,352	-205%
Police PERS							
July 1, 2013	2014	13,373,790	16,028,912	(2,655,122)	83%	2,633,264	-101%
Municipal PERS							
January 1, 2014	2014	12,164,788	12,813,368	(648,580)	95%	5,310,533	-12%
Board of Education PERS							
July 1, 2013	2014	8,031,550	8,551,031	(519,481)	94%	3,776,596	-14%

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.

The significant actuarial assumptions (GASB 27) are as follows:

	Fire	Police	Municipal	Board of Education
Valuation date	July 1, 2013	July 1, 2013	January 1, 2014	July 1, 2013
Actuarial cost method	Projected Unit Credit Cost Method	Projected Unit Credit Cost Method	Entry Age Normal 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	-	15 years - closed
Asset valuation method	**	**	Fair Value	Fair value
Actuarial assumptions:				
Investment rate of return	7.50%	7.50%	7.50%	6.25%
Projected salary increases	5.00%	5.00%	3.00%	3.00%
Inflation rate	3.50%	3.50%	2.00%	2.75%

** 4 year smoothing of capital appreciation.

Town of Windham, Connecticut

Notes to Financial Statements

Note 8. Employee Retirement Systems and Pension Plans (Continued)

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, 2014, 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	\$ 551,973	\$ 816,486	\$ 496,485	\$ 367,393
Employee	139,703	147,543	77,915	-
Total	\$ 691,676	\$ 964,029	\$ 574,400	\$ 367,393

Percentage of Covered Payroll	Fire	Police	Municipal	Board of Education
Employer	30.8%	31.0%	9.3%	9.7%
Employee	7.8%	5.6%	1.5%	0.0%
Total	38.5%	36.6%	10.8%	9.7%

Town of Windham, Connecticut

Notes to Financial Statements

Note 8. Employee Retirement Systems and Pension Plans (Continued)

Plan Financial Statements:

Town of Windham, Connecticut
 Combining Statement of Fiduciary Net Position -
 Pension Trust Funds
 June 30, 2014

	Firemen's Pension	Policemen's Pension	Municipal Employees' Pension	Board of Education Employees' Pension	Total
Assets					
Cash and cash equivalents	\$ 900,923	\$ 1,414,132	\$ -	\$ -	\$ 2,315,055
Investments:					
Corporate bonds	928,257	1,719,366	-	-	2,647,623
U.S. government securities	676,482	1,236,668	-	-	1,913,150
U.S. agencies	781,994	1,332,396	-	-	2,114,390
Group annuity contracts	-	-	5,838,982	8,411,231	14,250,213
Collective trusts	-	-	7,136,534	-	7,136,534
Common stock	7,007,068	11,786,648	-	-	18,793,716
Receivables	17,335	51,618	-	-	68,953
Total assets	10,312,059	17,540,828	12,975,516	8,411,231	49,239,634
Liabilities					
Due to other funds	307,954	371,453	-	-	679,407
Total liabilities	307,954	371,453	-	-	679,407
Net Position					
Held in trust for pension benefits	\$ 10,004,105	\$ 17,169,375	\$ 12,975,516	\$ 8,411,231	\$ 48,560,227

Town of Windham, Connecticut

Notes to Financial Statements

Note 8. Employee Retirement Systems and Pension Plans (Continued)

**Town of Windham, Connecticut
Combining Statement of Changes in Fiduciary Net Position -
Pension Trust Funds
For the Year Ended June 30, 2014**

	Firemen's Pension	Policemen's Pension	Municipal Employees' Pension	Board of Education Employees' Pension	Total
Additions					
Contributions:					
Employer	\$ 551,973	\$ 816,486	\$ 496,485	\$ 367,393	\$ 2,232,337
Plan members	139,703	147,543	77,915	-	365,161
Other	2,303	1,571	-	-	3,874
Total contributions	693,979	965,600	574,400	367,393	2,601,372
Investment earnings:					
Interest and dividends	224,116	379,204	-	360,391	963,711
Net appreciation in fair value of investments	1,245,580	2,076,530	1,219,622	302,396	4,844,128
Total investment	1,469,696	2,455,734	1,219,622	662,787	5,807,839
Total additions	2,163,675	3,421,334	1,794,022	1,030,180	8,409,211
Deductions					
Benefit payments	624,551	737,935	229,285	356,651	1,948,422
Administrative and other expenses	-	-	-	80,084	80,084
Total deductions	624,551	737,935	229,285	436,735	2,028,506
Change in net position	1,539,124	2,683,399	1,564,737	593,445	6,380,705
Net Position Held in Trust for Pension Benefits:					
Beginning of year	8,464,981	14,485,976	11,410,779	7,817,786	42,179,522
End of year	\$ 10,004,105	\$ 17,169,375	\$ 12,975,516	\$ 8,411,231	\$ 48,560,227

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 \$21,930,000. The teachers' contributions for the year ended June 30, 2014, were \$1,589,891. 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

Note 8. Employee Retirement Systems and Pension Plans (Continued)

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 24, the Town has reported "on-behalf" payments of \$5,437,000 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.

Investment Policy: Each of the Pension Plan's policy in regard to the allocation of invested assets is established and may be amended by the Town Council/Board of Education. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The following was the allocation policy as of June 30, 2014:

Asset Class	Pension Fund Allocation %			
	Police	Fire	Municipal	BOE
Cash	\$ 2.5	\$ 2.5	\$ -	\$ -
Core fixed income	-	-	15.0	100.0
Core Bonds	-	-	-	-
Broad U.S. Equities	-	-	30.0	-
Large Cap Core Equities	32.5	32.5	-	-
Mid Cap Core Equities	15.0	15.0	-	-
Small Cap Core Equities	5.0	5.0	5.0	-
International Equity	10.0	10.0	5.0	-
Developed Foreign Equities	-	-	-	-
Emerging Markets Equities	2.5	2.5	-	-
Intermediate Duration Investment Grade Taxable	17.5	17.5	-	-
Short Duration Investment grade Taxable Fixed	15.0	15.0	-	-
Other	-	-	45.0	-
Total	100.0	100.0	100.0	100.0

Rate of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows.

	Police	Fire	Municipal	BOE
Money Weighted Rate of Return	17.24	17.83	12.52	5.67
Net Pension Liability*				
Total Pension Liability	\$ 17,227,302	\$ 12,367,343	\$ 12,813,368	\$ 8,983,513
Plan Fiduciary Net Position	\$ 17,224,799	\$ 10,004,105	\$ 12,164,788	\$ 8,411,231
Net Pension Liability	\$ 2,503	\$ 2,363,238	\$ 648,580	\$ 572,282
Plan Fiduciary Net Position as a percentage of Total Pension Liability	99.99%	80.89%	94.94%	93.63%

*As of June 30, 2014 for police, fire and BOE, as of January 1, 2014 for municipal.

Town of Windham, Connecticut

Notes to Financial Statements

Note 8. Employee Retirement Systems and Pension Plans (Continued)

Actuarial Assumptions (GASB 67): The total pension liability was determined by actuarial valuations as of July 1, 2013 for Fire, Police, and BOE and January 1, 2014 for Municipal, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date Jun 30, 2014. There have been no significant changes between the valuation date and the fiscal year-end.

	Fire	Police	BOE	Municipal
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment rate of return	7.5%	7.5%	6.25%	7.5%
Projected salary increases	5% compounded annually	5% compounded annually	3.00%	3.0%
Inflation rate	2.70%	2.70%	2.75%	2.00%

Mortality rates were based on the RP-2000 Table for Employees, Health Annuitants and Disabled Annuitants with a generational projection to the valuation date with Scale AA.

Assumed Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of returns for each major asset class are included in the pension plan's target asset allocation. Best-estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, and the final investment return assumption, are summarized in the following table:

Asset Class	Police	Fire	BOE	Municipal	
	Long-Term Expected Geometric Real Return - Portfolio	Long-Term Expected Geometric Real Return - Portfolio	Long-Term Expected Arithmetic Real Return - Portfolio	Long-Term Expected Geometric Real Return - Portfolio	
	Cash	-	-	0.49	-
	Core fixed income	-	-	1.95	-
Core Bonds	-	-	1.61	-	
Short Term Bonds	-	-	0.98	2.10	
Intermediate Term Bonds	-	-	1.46	3.27	
Long Term Bonds	-	-	2.34	-	
Mortgages	-	-	2.54	-	
High Yield Bonds	-	-	3.90	-	
Non U.S. Fixed Income	-	-	0.73	-	
Inflation indexed bonds	-	-	0.88	-	
Broad U.S. Equities	-	-	4.49	7.49	
Large Cap Value	-	-	-	7.78	
Large Cap U.S. Equities	-	-	4.39	7.52	
Mid Cap U.S. Equities	-	-	4.49	-	
Small Cap U.S. Equities	-	-	4.63	-	
Large Cap Core Equities	5.80	5.80	-	-	
Mid Cap Core Equities	6.70	6.70	-	-	
Small Cap Core Equities	8.70	8.70	-	8.40	
International Equity	7.00	7.00	-	8.35	
Developed Foreign Equities	-	0.18	4.39	-	
Emerging Markets Equities	7.20	0.37	4.88	-	
Intermediate Duration Investment Grade Taxable	2.10	0.14	-	-	
Short Duration Investment Grade Taxable Fixed	0.90	-	-	-	
Master Limited Partnerships	8.60	-	-	-	
Private Equity	-	-	5.37	-	
Managed Futures Alternative Investment	3.80	-	-	-	
Preferred Stock	5.10	-	-	-	
High Yield / Junk Rated Fixed Income	5.10	-	-	-	
Long Credit Bonds	-	-	3.17	-	
Commodities	-	-	2.93	-	
Hedge FUND/ABSOLUTE Return	-	-	2.93	-	
Real Estate (property)	-	-	3.66	-	
Real Estate (REITS)	6.60	-	3.90	-	
Inflation	2.70	2.70	2.75	2.00	

Note 8. Employee Retirement Systems and Pension Plans (Continued)

Town of Windham, Connecticut

Notes to Financial Statements

Discount rate: The discount rate to measure the total pension liability was as follows:

	Police	Fire	Municipal	BOE
Discount Rate	7.50%	7.50%	7.50%	6.25%

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:

Net Pension Liability (Asset)	1% decrease	Current Discount Rate	1% increase
Police	\$ 2,092,088	\$ 2,503	\$ (1,739,763)
Fire	3,864,000	2,363,238	1,099,717
Municipal	2,504,008	648,580	(914,431)
BOE	1,707,740	572,282	(384,712)

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 2014, 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	\$ 1,491,500
Interest on net OPEB obligation	323,885
Adjustment to annual required contribution	(450,341)
Annual OPEB cost	1,365,044
Contributions made	(45,073)
Increase in net OPEB obligation	1,319,971
Net OPEB obligation, beginning of year	8,097,133
Net OPEB obligation, end of year	\$ 9,417,104

Town of Windham, Connecticut

Notes to Financial Statements

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

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, 2014	\$ 1,365,044	3.3%	\$ 9,417,104
June 30, 2013	1,612,869	2.1%	8,097,133
June 30, 2012	1,600,973	42.4%	6,449,928

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 Ended 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	2014	\$ -	\$ 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.

Significant methods and assumptions were as follows:

Valuation date	July 1, 2012
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	9.00 % initial; 5.00% final

Town of Windham, Connecticut

Notes to Financial Statements

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

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.

A summary of claims activity for the year ended through June 30, 2014 and 2013 are as follows:

Year Ended June 30,	Claims Payable, Beginning of Year	Claims and Changes in Estimates	Claims Paid	Claims Payable, End of Year
2013	\$ 12,839	\$ 7,372,270	\$ 6,948,707	\$ 436,402
2014	436,402	9,776,306	8,912,487	1,300,221

Town of Windham, Connecticut

Notes to Financial Statements

Note 10. Risk Management (Continued)

The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2014. 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.

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

Note 13. Fund Balances (Deficits)

Below is a table of fund balance categories and classifications at June 30, 2014, for the Town's governmental funds:

	General Fund	Educational Grants Fund	Windham Magnet School Fund	Nonmajor Governmental Funds
Fund balances (deficits):				
Nonspendable:				
Inventory	\$ 112,351	\$ -	\$ -	\$ 21,920
Permanent Fund Principal	-	-	-	459,044
Total nonspendable	112,351	-	-	480,964
Restricted:				
Education	587,352	-	-	135,542
General government	-	-	-	19,592
Civic and Cultural - Cemetery	-	-	-	29,532
Civic and Cultural - Library	-	-	-	272,547
Debt Service	-	-	-	174,988
Public safety	-	-	-	233,722
Public works	-	-	-	118,076
Community Rehabilitation Program	-	-	-	164,079
Capital Outlay	-	-	-	2,532,586
Total restricted	587,352	-	-	3,680,664
Committed:				
Capital outlay	-	-	-	1,361,622
Civic and Cultural - Recreation Programs	-	-	-	159,715
Total committed	-	-	-	1,521,337
Assigned:				
General Government - Financial Software Project	214,303	-	-	-
General Government -Kramer Building	254,466	-	-	-
General Government - Grant Match	241,422	-	-	-
General Government - Historic Preservation	11,606	-	-	-
General Government - Assessor Revaluation	19,296	-	-	-
General Government - Other	13,981	-	-	-
Police - Police Services	16,667	-	-	-
Education - Books	23,399	-	-	-
Education - Literacy program	69,278	-	-	-
Education- Other	273	-	-	-
Capital Outlay - Open Space	33,698	-	-	-
Total assigned	898,389	-	-	-
Unassigned (deficit)	11,092,506	-	(4,732,144)	(638,632)
Total fund balance (deficit)	\$ 12,690,598	\$ -	\$ (4,732,144)	\$ 5,044,333

Note 14. Subsequent Event

Bond Anticipation Notes: On September 10, 2014, the Town issued a \$6,315,000 bond anticipation note with an interest rate of 1% maturing on June 30, 2015.

Town of Windham, Connecticut

Notes to Financial Statements

Note 15. Deficit Fund Equity

Major Funds:	
Magnet School Fund	\$ 4,732,144
Nonmajor Funds:	
Windham High School Fund	216,671
Natchaug School Roof Fund	<u>422,061</u>
	<u>\$ 5,370,876</u>

The Town anticipates financing the deficit through future bond and grant proceeds.

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.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Town, except for GASB No. 68 which requires recognition of the Town's net pension liabilities.

- *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.

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

- *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.
- *GASB Statement No. 72, Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

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**Required Supplementary
Information—*unaudited***

Town of Windham, Connecticut

Required Supplementary Information - Unaudited
 Schedule of Funding Progress
 June 30, 2014

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Fiscal Year Ended	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)
Fire PERS							
July 1, 2013	2014	\$ 7,791,868	\$ 11,476,391	\$ (3,684,523)	68%	\$ 1,794,352	(205%)
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%)
Police PERS							
July 1, 2013	2014	\$ 13,373,790	\$ 16,028,912	\$ (2,655,122)	83%	\$ 1,794,352	(148%)
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%)
Municipal PERS							
January 1, 2014	2014	\$ 12,164,788	\$ 12,813,368	\$ (648,580)	95%	\$ 5,310,533	(12%)
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%
Board of Education PERS							
July 1, 2012	2014	\$ 8,031,550	\$ 8,551,031	\$ (519,481)	94%	\$ 3,776,596	(14%)
July 1, 2012	2014	7,538,239	7,829,391	(291,152)	96%	3,776,596	(8%)
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%
Other Post-Employment Benefit Plan							
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, 2014

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Fire PERS					
2014	\$ 551,973	\$ 551,973	\$ -	\$ 1,794,352	31%
2013	526,194	526,194	-	1,794,352	29%
2012	491,040	491,040	-	1,493,434	33%
2011	467,717	444,479	(23,238)	1,493,434	30%
2010	368,082	368,082	-	1,719,319	21%
2009	350,495	350,495	-	1,719,319	20%
2008	357,806	357,806	-	1,407,852	25%
2007	341,103	438,800	97,697	1,407,852	31%
2006	218,189	215,279	(2,910)	1,230,209	17%
2005	215,279	215,279	-	1,230,209	17%
Police PERS					
2014	\$ 816,486	\$ 816,486	\$ -	\$ 2,633,264	31%
2013	777,583	777,583	-	2,633,264	30%
2012	782,520	782,520	-	2,476,451	32%
2011	745,490	695,142	(50,348)	2,476,451	28%
2010	624,215	624,215	-	2,451,505	25%
2009	594,921	594,921	-	2,451,505	24%
2008	676,445	676,455	10	2,138,454	32%
2007	476,291	476,291	-	2,138,454	22%
2006	475,100	475,100	-	2,051,700	23%
2005	452,126	452,126	-	2,051,700	22%
Municipal PERS					
2014	\$ 496,485	\$ 496,485	\$ -	\$ 5,301,533	9%
2013	496,485	496,485	-	5,297,089	9%
2012	445,550	445,550	-	5,266,031	8%
2011	312,389	382,548	70,159	4,891,794	8%
2010	382,548	423,201	40,653	4,753,331	9%
2009	423,201	497,457	74,256	4,807,456	10%
2008	492,458	492,458	-	4,555,826	11%
2007	464,291	464,291	-	4,459,537	10%
2006	498,062	498,062	-	4,352,992	11%
2005	529,288	529,288	-	43,896,426	1%
Board of Education					
2014	\$ 367,393	\$ 367,393	\$ -	\$ 3,776,596	10%
2013	337,885	337,885	-	3,805,941	9%
2012	319,576	319,576	-	3,890,910	8%
2011	298,906	298,906	-	3,797,147	8%
2010	288,880	288,880	-	3,791,184	8%
2009	277,220	277,220	-	3,515,021	8%
2008	260,848	260,848	-	3,429,673	8%
2007	250,997	250,997	-	3,515,021	7%
2006	213,181	219,576	6,395	3,429,673	6%
2005	213,181	162,998	(50,183)	3,271,719	5%
OPEB					
	Annual Required Contributions	Actual Contributions	Percentage Contributed		
2014	\$ 1,491,500	\$ 45,073	3%		
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
 Schedule of Changes in the Town's Net Pension Liability and Related Ratios
 June 30, 2014

	Fire PERS	Police PERS	Municipal PERS	Board of Education PERS
Changes in Net Pension Liability (000's)				
Total Pension Liability				
Service cost	\$ 394	\$ 571	\$ 329	\$ 250
Interest on total pension liability (asset)	885	1,228	864	539
Plan participants' contributions	-	-	79	-
Effect of plan changes	-	-	-	-
Effect of economic/demographic gains or (losses)	-	-	137	-
Effect of assumption changes or inputs	-	-	-	-
Benefit payments	(624)	(738)	(204)	(357)
Net change in total pension liability	655	1,061	1,205	432
Total Pension Liability, beginning	11,712	16,166	11,609	8,551
Total pension liability, ending (a)	12,367	17,227	12,814	8,984
Fiduciary Net Position				
Employer contributions	\$ 552	\$ 816	\$ 630	\$ 367
Member contributions	140	203	79	-
Investment income net of investment expenses	1,471	2,457	1,324	449
Benefit payments	(624)	(738)	(204)	(357)
Administrative expenses	-	-	-	(80)
Net change in plan fiduciary net position	1,539	2,738	1,829	380
Fiduciary Net Position, beginning	8,465	14,486	10,336	8,032
Fiduciary net position, ending (b)	10,004	17,224	12,165	8,411
Net pension liability, ending = (a) - (b)	\$ 2,363	\$ 3	\$ 649	\$ 572
Fiduciary net position as a % of total pension liability	80.89%	99.99%	94.94%	93.63%
Covered payroll	\$ 1,794	\$ 2,633	\$ 5,311	\$ 3,777
Net pension liability as a % of covered payroll	131.70%	0.10%	60.13%	15.15%

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, 2014

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes, liens and interest	\$ 33,251,220	\$ 33,251,220	\$ 33,826,651	\$ 575,431
Intergovernmental	30,313,585	30,313,585	31,002,745	689,160
Licenses and permits	363,600	363,600	295,542	(68,058)
Fines, forfeitures, and penalties	22,800	22,800	45,417	22,617
Charges for services	1,802,335	1,802,335	2,129,060	326,725
Investment income	95,000	95,000	6,477	(88,523)
Other	768,438	768,438	872,666	104,228
Total revenues	66,616,978	66,616,978	68,178,558	1,561,580
Expenditures				
Current:				
General government	2,598,174	2,501,671	2,473,164	28,507
Public safety	1,678,343	1,761,902	1,739,447	22,455
Public works	3,990,804	4,091,277	4,084,088	7,189
Human services	589,083	588,667	586,157	2,510
Civic and cultural	1,182,765	1,171,617	1,163,277	8,340
Planning and development	463,675	406,465	401,746	4,719
Other	1,341,480	1,241,257	1,237,183	4,074
Police	5,928,289	5,770,768	5,622,878	147,890
Fire	2,609,207	2,652,015	2,645,492	6,523
Education	43,000,000	43,000,000	42,971,245	28,755
Debt service:	3,212,157	3,171,552	3,171,550	2
Contingency	180,000	1	-	1
Total expenditures	66,773,977	66,357,192	66,096,227	260,965
Excess (deficit) of revenues over (under) expenditures	(156,999)	259,786	2,082,331	1,822,545
Other Financing Sources (Uses)				
Transfers in	339,000	339,000	324,683	(14,317)
Transfers out	(250,000)	(666,732)	(666,731)	-
Total other financing sources (uses)	89,000	(327,732)	(342,048)	(14,316)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (67,999)	\$ (67,946)	\$ 1,740,283	\$ 1,808,229

Town of Windham, Connecticut

Note to Required Supplementary Information - Unaudited

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 Teachers 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 – Unaudited (Continued)

Note 1. Budgetary Information and Compliance (Continued)

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, 2014:

	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>
Budgetary basis	\$ 68,503,241	\$ 66,762,958
"On-behalf" payments - State Teachers Retirement Fund (see Note 9)	5,437,000	5,437,000
Reclassified to General Fund due to GASB No. 54	958,659	958,659
Transfers eliminated due to GASB No. 54	(85,000)	(85,000)
Other	18	475,454
GAAP basis	<u>\$ 74,813,918</u>	<u>\$ 73,549,071</u>

**Combining and Individual
Fund Statements and Other Schedules**

General Fund

General Fund

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

Town of Windham, Connecticut

Combining Balance Sheet - General Fund
June 30, 2014

	Town	Willimantic Service District	Special Education Excess Cost Fund	Eliminations	Total
Assets					
Cash and cash equivalents	\$ 8,979,663	\$ 225	\$ -	\$ -	\$ 8,979,888
Receivables:					
Property taxes, net	778,634	149,796	-	-	928,430
Grants and contracts receivable	1,746,684	-	-	-	1,746,684
Accounts receivable, net	761,305	235,208	82,338	-	1,078,851
Due from other funds	12,646,857	3,461,531	-	(3,461,531)	12,646,857
Restricted cash	587,352	-	-	-	587,352
Inventories	112,351	-	-	-	112,351
Total assets	\$ 25,612,846	\$ 3,846,760	\$ 82,338	\$ (3,461,531)	\$ 26,080,413
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 4,656,928	\$ 404,454	\$ -	\$ -	\$ 5,061,382
Due to other funds	9,218,288	-	82,338	(3,461,531)	5,839,095
Total liabilities	13,875,216	404,454	82,338	(3,461,531)	10,900,477
Deferred Inflows of Resources					
Unavailable resources	2,372,606	116,732	-	-	2,489,338
Total deferred inflows of resources	2,372,606	116,732	-	-	2,489,338
Fund Balance:					
Nonspendable	112,351	-	-	-	112,351
Restricted	587,352	-	-	-	587,352
Assigned	816,957	81,432	-	-	898,389
Unassigned	7,848,364	3,244,142	-	-	11,092,506
Total fund balance	9,365,024	3,325,574	-	-	12,690,598
Total liabilities, deferred inflows of resources and fund balance	\$ 25,612,846	\$ 3,846,760	\$ 82,338	\$ (3,461,531)	\$ 26,080,413

Town Of Windham, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 General Fund
 For the Year Ended June 30, 2014

	Town	Willimantic Service District	Special Education Excess Cost Fund	Other Special Revenue Funds	Eliminations	Total
Revenues						
Property taxes	\$ 28,404,471	\$ 5,422,180	\$ -	\$ -	\$ -	\$ 33,826,651
Intergovernmental	33,013,544	3,426,201	831,742	-	-	37,271,487
Charges for services	1,713,985	415,075	-	123,967	-	2,253,027
Licenses and permits	275,870	19,672	-	-	-	295,542
Fines, forfeitures, and penalties	16,050	29,367	-	-	-	45,417
Investment income	(6,077)	12,573	-	-	-	6,496
Miscellaneous	573,372	299,293	-	2,950	-	875,615
Total revenues	63,991,215	9,624,361	831,742	126,917	-	\$ 74,574,235
Expenditures						
Current:						
General government	2,875,846	-	-	2,950	-	2,878,796
Public safety	1,739,446	-	-	-	-	1,739,446
Public works	4,108,157	-	-	123,967	-	4,232,124
Human services	586,157	-	-	-	-	586,157
Civic and cultural	1,193,154	-	-	-	-	1,193,154
Planning and development	401,747	-	-	-	-	401,747
Education	48,582,870	-	831,742	-	-	49,414,612
Police	-	5,572,877	-	-	-	5,572,877
Fire	-	2,610,494	-	-	-	2,610,494
Miscellaneous	507,944	546,993	-	-	-	1,054,937
Debt service:						
Principal retirements	2,196,094	-	-	-	-	2,196,094
Interest and other charges	1,107,956	-	-	-	-	1,107,956
Capital outlay	25,677	-	-	-	-	25,677
Total expenditures	63,325,048	8,730,364	831,742	126,917	-	73,014,071
Excess (deficiency) of revenues over (under) expenditures	666,167	893,997	-	-	-	1,560,164
Other Financing Sources (Uses)						
Transfers in	314,683	10,000	-	-	(85,000)	239,683
Transfers out	(385,000)	(235,000)	-	-	85,000	(535,000)
Total other financing sources (uses)	(70,317)	(225,000)	-	-	-	(295,317)
Net change in fund balance	595,850	668,997	-	-	-	1,264,847
Fund balances, beginning	8,769,174	2,656,577	-	-	-	11,425,751
Fund balances, ending	\$ 9,365,024	\$ 3,325,574	\$ -	\$ -	\$ -	\$ 12,690,598

Town of Windham, Connecticut

Schedule of Revenues - Budget and Actual - Budgetary Basis - Town
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Taxes, Liens and Interest				
Current Taxes	\$ 27,125,197	\$ 27,125,197	\$ 27,221,386	\$ 96,189
Motor Vehicle Supplemental	200,000	200,000	288,777	88,777
Prior Year Taxes	320,000	320,000	546,670	226,670
Interest and Liens	250,000	250,000	347,638	97,638
Total Taxes, Liens and Interest	27,895,197	27,895,197	28,404,471	509,274
Intergovernmental				
Emergency Management	11,000	11,000	10,767	(233)
Social Services Block Grant	15,000	15,000	13,670	(1,330)
Payment in Lieu of Taxes	200	200	-	(200)
Education Cost Sharing Grant	24,169,717	24,169,717	24,144,950	(24,767)
School Transportation	31,371	31,371	318,751	287,380
School Construction Grants	938,226	938,226	938,227	1
Aid to Private Schools	40,000	40,000	41,156	1,156
PILOT - State Property ECSU	835,734	835,734	836,360	626
PILOT - Elderly Freeze	-	-	583	583
PILOT - Elderly Circuit Breakers	64,000	64,000	60,762	(3,238)
PILOT - Housing Authority	-	-	38,941	38,941
PILOT - Totally Disabled	1,500	1,500	2,163	663
Library Grant	2,300	2,300	-	(2,300)
Maintenance of State Public Works	23,844	23,844	35,766	11,922
PILOT - Manufacturers Machinery and Equipment	-	-	45,094	45,094
PILOT - Private Colleges and Hospitals	191,552	191,552	191,350	(202)
Supp Municipal Aid (former Pequot)	441,272	441,272	440,920	(352)
Distressed Municipalities Manufacturing	9,000	9,000	-	(9,000)
PILOT - Veterans Exemptions	7,500	7,500	6,101	(1,399)
Other Revenue - State of CT	27,820	27,820	29,993	2,173
Town Aid Road	150,000	150,000	-	(150,000)
MRSA Bonded Distribution	213,764	213,764	420,990	207,226
Connecticard Fees	750	750	-	(750)
Total Intergovernmental	27,174,550	27,174,550	27,576,544	401,994
Licenses and permits				
Bingo and Raffle Permits	600	600	348	(252)
Building Permits	250,000	250,000	198,134	(51,866)
Multi Family Permits	90,000	90,000	72,560	(17,440)
Dog and Kennel License Fees	3,500	3,500	3,092	(408)
Sporting License Fees	4,500	4,500	1,736	(2,764)
Total Licenses and Permits	348,600	348,600	275,870	(72,730)
Fines, Forfeitures and Penalties				
Dog Redemption and Sale	1,800	1,800	450	(1,350)
Blight Ordinance	1,000	1,000	15,600	14,600
Total Fines, Forfeitures and Penalties	2,800	2,800	16,050	13,250

(Continued)

Town of Windham, Connecticut

Schedule of Revenues - Budget and Actual - Budgetary Basis - Town (Continued)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Charges for Services				
Use of Town Property	\$ 32,000	\$ 32,000	\$ 18,733	\$ (13,267)
Refuse Coupons	15,000	15,000	11,346	(3,654)
Miscellaneous Fees	7,000	7,000	7,886	886
Ambulance Fees	975,000	975,000	1,076,980	101,980
Shared Services	10,000	10,000	31,293	21,293
Grave Openings	25,000	25,000	15,800	(9,200)
Foundations	100	100	-	(100)
Town Photocopies	16,000	16,000	16,635	635
Recording Fees	50,000	50,000	75,802	25,802
Vital Statistics	65,000	65,000	74,507	9,507
Fire Marshall Plan Review	5,000	5,000	4,100	(900)
Fire Marshal Inspection Fee	7,000	7,000	15,395	8,395
Fire Marshal Permit and Fees	25	25	215	190
Financial Services - Windham First Taxing District	38,000	38,000	22,501	(15,499)
Other Charges for Services	6,000	6,000	6,709	709
Engineering Services	2,000	2,000	4,155	2,155
Notary Fees	3,000	3,000	2,972	(28)
BOE Tuition from Other Towns	321,210	321,210	328,956	7,746
Total Charges for Services	1,577,335	1,577,335	1,713,985	136,650
Investment Income	65,000	65,000	(6,077)	(71,077)
Other				
PILOT 2 - Housing Authority	50,000	50,000	38,832	(11,168)
Telecommunications	34,000	34,000	43,295	9,295
Zoning Fees	15,000	15,000	6,739	(8,261)
Eviction Receipts	1,000	1,000	550	(450)
Off-Track Betting Tax	30,000	30,000	32,326	2,326
Real Estate Conveyance	220,000	220,000	123,405	(96,595)
Cemetery Leases	5,000	5,000	-	(5,000)
Insurance Reimbursement	-	-	2,320	2,320
Miscellaneous	150,000	150,000	325,906	175,906
Total Other	505,000	505,000	573,373	68,373
Other Financing Uses				
Transfer In - School Readiness	50,000	50,000	45,683	(4,317)
Transfer In - Sewer Fund	92,000	92,000	92,000	-
Transfer In - Water Fund	92,000	92,000	92,000	-
Transfer In - Willimantic Service District	85,000	85,000	85,000	-
Total Other Financing Uses	319,000	319,000	314,683	(4,317)
Total Revenues	\$ 57,887,482	\$ 57,887,482	\$ 58,868,899	\$ 981,417

Town of Windham, Connecticut

Schedule of Revenues - Budget and Actual - Budgetary Basis - Willimantic Service District
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Taxes, Liens and Interest				
Current Taxes	\$ 5,176,023	\$ 5,176,023	\$ 5,209,314	\$ 33,291
Motor Vehicle Supplemental	50,000	50,000	55,458	5,458
Prior Years Taxes	80,000	80,000	98,676	18,676
Interest and Liens	50,000	50,000	58,732	8,732
Total Taxes, Liens and Interest	5,356,023	5,356,023	5,422,180	66,157
Intergovernmental				
PILOT - State Property ECSU	1,950,045	1,950,045	1,951,506	1,461
PILOT - Elderly Freeze	-	-	583	583
PILOT - Elderly Circuit Breakers	64,000	64,000	60,761	(3,239)
PILOT - Housing Authority	-	-	38,941	38,941
PILOT - Totally Disabled	1,500	1,500	2,163	663
PILOT - Manufacturers Machinery and Equipment	-	-	45,094	45,094
PILOT - Private Colleges and Hospitals	446,954	446,954	446,483	(471)
Fines to Towns	5,000	5,000	12,659	7,659
Supp Municipal Aid (former Pequot)	441,272	441,272	440,920	(352)
Distressed Municipalities Manufacturing	9,000	9,000	-	(9,000)
PILOT - Veterans Exemptions	7,500	7,500	6,101	(1,399)
MRSA Bonded Obligation	213,764	213,764	420,990	207,226
Total Intergovernmental	3,139,035	3,139,035	3,426,201	287,166
Licenses and permits				
Parking Permits	10,000	10,000	10,472	472
Miscellaneous Permits	5,000	5,000	9,200	4,200
Total Licenses and Permits	15,000	15,000	19,672	4,672
Fines, Forfeitures and Penalties				
	20,000	20,000	29,367	9,367
Charges for Services				
Private Police Services	220,000	220,000	408,239	188,239
Private Fire Services	5,000	5,000	6,836	1,836
Total Charges for Services	225,000	225,000	415,075	190,075
Investment Income				
	30,000	30,000	12,554	(17,446)
Other				
PILOT 2 - Housing Authority	27,000	27,000	90,608	63,608
BOE Youth Services Officer Reimbursement	50,000	50,000	50,000	-
Telecommunications	42,238	42,238	43,295	1,057
False Alarms	1,000	1,000	385	(615)
Recruitment Fees	2,000	2,000	-	(2,000)
Police and Fire Reports	1,200	1,200	1,686	486
Miscellaneous	140,000	140,000	113,319	(26,681)
Total Other	263,438	263,438	299,293	35,855
Other Financing Uses				
Transfer In - WSD	20,000	20,000	10,000	(10,000)
Total Revenues and Operating Transfers	\$ 9,068,496	\$ 9,068,496	\$ 9,634,342	\$ 565,846

Town of Windham, Connecticut

**Schedule of Expenditures and Other Financing Uses - Budget and Actual -
Budgetary Basis - Town
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
General Government				
Board of Finance	\$ 91,360	\$ 73,200	\$ 71,407	\$ 1,793
Town Council	29,200	28,199	26,485	1,714
Municipal Administration	325,850	328,585	327,982	603
Finance/Treasury	523,455	463,895	461,607	2,288
Tax/Revenue Collection	317,260	311,212	309,257	1,955
Assessor	343,190	330,328	328,601	1,727
Board of Assessment Appeals	200	200	107	93
Town Clerk/Recording	242,130	236,470	235,831	639
Elections	73,265	66,565	65,077	1,488
Legal Counsel	43,000	56,035	52,329	3,706
Probate Court	34,973	38,451	38,451	-
Town Hall	135,441	154,232	150,684	3,548
Town Central Services	61,500	61,500	59,100	2,400
Aid to Private Schools	40,000	41,156	41,156	-
Data Processing	217,100	188,562	183,339	5,223
Charter Revision	10,000	4,070	3,084	986
Personnel	110,250	119,011	118,667	344
Total General Government	2,598,174	2,501,671	2,473,164	28,507
Public Safety				
Fire Marshal/Emergency Management	119,225	133,140	132,558	582
Animal Control	100,000	100,000	97,014	2,986
Ambulance	1,459,118	1,528,762	1,509,875	18,887
Total Public Safety	1,678,343	1,761,902	1,739,447	22,455
Public Works				
Engineering	156,265	152,414	151,182	1,232
Roads and Drainage	718,200	718,200	716,980	1,220
Machinery and Equipment	511,800	574,927	574,075	852
Snow Removal	99,500	163,964	163,963	1
Garage Maintenance	27,350	43,642	43,566	76
Tree Services	5,000	5,950	5,950	-
Traffic Control	39,000	34,091	34,080	11
Public Works Administration	297,100	289,280	288,582	698
Street Lighting	251,500	250,185	249,316	869
Park Maintenance	290,700	290,401	290,214	187
Building	56,650	83,802	83,472	330
Cemeteries	204,700	201,558	201,260	298
Solid Waste Removal	1,333,039	1,282,863	1,281,448	1,415
Total Public Works	3,990,804	4,091,277	4,084,088	7,189

(Continued)

Town of Windham, Connecticut

**Schedule of Expenditures and Other Financing Uses - Budget and Actual -
Budgetary Basis - Town (Continued)
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Human Services				
Human Services	\$ 168,050	\$ 180,547	\$ 180,494	\$ 53
Outside Agencies	186,526	186,526	184,528	1,998
Windham Health Department	112,707	112,707	112,707	-
Senior Center	121,800	108,887	108,428	459
Total Human Services	589,083	588,667	586,157	2,510
Civic and Cultural Donations				
Willimantic Public Library	739,720	705,105	702,250	2,855
Recreation Administration	254,345	247,842	246,408	1,434
Recreation General Programs	109,000	105,717	102,438	3,279
Recreation Center	79,700	112,953	112,181	772
Civic and Cultural Donations	-	-	-	-
Total Civic and Cultural	1,182,765	1,171,617	1,163,277	8,340
Planning and Development				
Land Use Boards	15,100	7,401	6,184	1,217
Economic Development	13,900	11,100	10,118	982
Zoning Code Enforcement	302,750	263,693	262,914	779
Town Planner	131,425	123,771	122,614	1,157
Windham Historic District	500	500	(84)	584
Total Planning and Development	463,675	406,465	401,746	4,719
Other				
Capital Projects	64,620	49,745	49,745	-
Fringe Benefits	590,060	530,192	529,837	355
Risk Management	150,800	110,607	110,607	-
Total Other	805,480	690,544	690,189	355
Town Contingency	130,000	1	-	1
Debt Service				
Bond Payments - Principal	2,196,095	2,196,095	2,196,094	1
Bond Payments - Interest	508,118	467,513	467,512	1
Miscellaneous	507,944	507,944	507,944	-
Total Debt Service	3,212,157	3,171,552	3,171,550	2
Total General Government	14,650,481	14,383,696	14,309,618	74,078

(Continued)

Town of Windham, Connecticut

**Schedule of Expenditures and Other Financing Uses - Budget and Actual -
Budgetary Basis - Town (Continued)
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Board of Education	43,000,000	43,000,000	42,971,245	28,755
Other Financing Uses				
Transfer out - Kramer Building Fund	65,000	66,732	66,731	1
Transfer out- Recreation Revolving Fund	25,000	25,000	25,000	-
Transfer out - Grant Match Fund	40,000	40,000	40,000	-
Transfer out - Reserve for Capital Improvement Fund	75,000	350,000	350,000	-
Transfer out - Revaluation	25,000	25,000	25,000	-
Transfer out - WSD	20,000	10,000	10,000	-
Total Other Financing Uses	250,000	516,732	516,731	1
Total Expenditures and Other Financing Uses	\$ 57,900,481	\$ 57,900,428	\$ 57,797,594	\$ 102,834

Town of Windham, Connecticut

Schedule of Expenditures and Other Financing Uses - Budget and Actual -
 Budgetary Basis - Willimantic Service District
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Police				
Administration	\$ 725,020	\$ 722,620	\$ 710,150	\$ 12,470
Patrol Services	3,499,131	3,330,280	3,241,405	88,875
Parking Control	1,000	1,000	-	1,000
Support Services	333,400	351,343	337,366	13,977
Capital Purchases	-	18,502	18,502	(0)
Fringe Benefits	1,058,050	1,040,336	1,022,193	18,143
Detective/Youth/Identification	311,688	306,688	293,262	13,426
Total Police	5,928,289	5,770,768	5,622,878	147,890
Fire				
Administration	164,460	241,480	239,736	1,744
Fire Prevention	75,000	69,400	69,165	235
Operations and Maintenance	1,783,930	1,798,595	1,798,115	480
Central Services	7,700	7,700	6,907	793
Fringe Benefits	578,117	534,840	531,569	3,271
Total Fire	2,609,207	2,652,015	2,645,492	6,523
Other				
Safety Complex	536,000	550,713	546,994	3,719
WSD Contingency				
	50,000	-	-	-
Other Financing Uses				
Transfer out -Grant Match Fund	-	150,000	150,000	-
Total Other Financing Uses	-	150,000	150,000	-
Total Expenditures and Other Financing Uses				
	\$ 9,123,496	\$ 9,123,496	\$ 8,965,364	\$ 158,132

Town of Windham, Connecticut

Schedule of Property Taxes Levied, Collected and Outstanding -
 District 1
 For the Year Ended June 30, 2014

Grand List Year	Mill Rate	Uncollected Taxes/Levy July 1, 2013	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2014
			Additions	Deletions			Taxes	Liens and Interest	Suspense Collections	Total	
1998	23.69	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188	\$ 188	\$ -
1999	26.34	-	-	-	-	-	-	-	-	-	-
2000	26.73	1,185	-	-	-	1,185	-	-	91	91	1,185
2001	24.75	-	-	-	-	-	-	-	56	56	-
2002	25.46	79	-	-	-	79	79	152	290	521	-
2003	27.84	86	-	-	-	86	86	151	194	431	-
2004	27.87	86	-	-	-	86	86	136	704	926	-
2005	23.95	109	-	-	-	109	109	152	247	508	-
2006	24.93	113	-	-	-	113	89	138	882	1,109	24
2007	24.94	225	75	75	-	225	-	-	756	756	225
2008	25.29	294	76	76	-	294	-	-	1,068	1,068	294
2009	26.87	7,514	81	81	-	7,514	5,189	2,473	1,550	9,212	2,325
2010	28.15	37,332	502	502	-	37,332	22,892	9,108	8,818	40,818	-
2011	28.63	226,452	834	1,974	(6,326)	218,986	159,467	34,208	14,844	193,675	59,519
		273,475	1,568	2,708	(6,326)	266,009	187,997	46,518	14,844	249,359	78,012
2012	29.06	<u>\$ 12,921,201</u>	<u>17,678</u>	<u>22,290</u>	<u>-</u>	<u>12,916,589</u>	<u>12,697,188</u>	<u>63,136</u>	<u>-</u>	<u>12,760,324</u>	<u>219,401</u>
			<u>\$ 19,246</u>	<u>\$ 24,998</u>	<u>\$ (6,326)</u>	<u>\$ 13,182,598</u>	<u>\$ 12,885,185</u>	<u>\$ 109,654</u>	<u>\$ 14,844</u>	<u>\$ 13,009,683</u>	<u>\$ 297,413</u>

Note: The 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008 and 2009 mill rates shown above exclude 2.70 mills., 1.38 mills, 1.55 mills, 1.50 mills, 1.59 mills, 1.87 mills, 1.58 mills, 1.48 mills, 1.55 mills, 1.62 mills, 1.625 mills, 1.56 mills, 1.35 mills and 1.49 mills representing taxes levied by the Town for the Windham First Taxing District.

Town of Windham, Connecticut

Schedule of Property Taxes Levied, Collected and Outstanding -
District 2
For the Year Ended June 30, 2014

Grand List Year	Mill Rate	Uncollected Taxes/Levy July 1, 2013	Lawful Corrections		Transfers to (from) Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2014	
			Additions	Deletions			Taxes	Liens and Interest	Suspense Collection		Total
1998	35.89	\$ 668	\$ -	\$ -	\$ (668)	\$ -	\$ -	\$ -	\$ 579	\$ 579	\$ -
1999	37.44	60	-	-	-	60	-	-	374	374	60
2000	39.14	63	-	-	-	63	-	-	189	189	63
2001	36.00	56	-	-	-	56	-	-	113	113	56
2002	37.20	58	-	-	-	58	-	-	431	431	58
2003	42.22	521	-	-	-	521	-	-	448	448	521
2004	42.84	528	-	-	-	528	-	-	2,524	2,524	528
2005	30.93	3,108	-	-	-	3,108	2,546	24	1,445	4,015	562
2006	34.11	3,355	-	-	-	3,355	-	-	1,013	1,013	3,355
2007	34.94	10,415	-	-	(6,580)	3,835	398	400	3,358	4,156	3,437
2008	35.29	14,090	27	-	(5,218)	8,899	1,602	871	2,887	5,360	7,297
2009	36.68	33,768	-	-	(5,533)	28,235	19,972	10,283	7,707	37,962	8,263
2010	36.68	90,043	-	342	(5,856)	83,845	58,671	20,437	22,221	101,329	25,174
2011	38.67	493,599	570	3,564	(36,936)	453,669	315,262	61,242	41	376,545	138,407
		650,332	597	3,906	(60,791)	586,232	398,451	93,257	43,330	535,038	187,781
2012	39.29	<u>\$ 20,557,360</u>	<u>22,588</u>	<u>49,136</u>	<u>(6,061)</u>	<u>20,524,751</u>	<u>20,079,656</u>	<u>118,781</u>	<u>-</u>	<u>20,198,437</u>	<u>445,095</u>
			<u>\$ 23,185</u>	<u>\$ 53,042</u>	<u>\$ (66,852)</u>	<u>\$ 21,110,983</u>	<u>\$ 20,478,107</u>	<u>\$ 212,038</u>	<u>\$ 43,330</u>	<u>\$ 20,733,475</u>	<u>\$ 632,876</u>

Town of Windham, Connecticut

Schedule of Debt Limitation
 Connecticut General Statutes, Section 7-374(B)
 June 30, 2014

Tax receipts for the year ended June 30, 2013:	
Tax collections (including interest and lien fees)	\$ 33,743,158
Tax relief for the elderly (CGS 12-129d)	1,166
Base for debt limitation computations	\$ 33,744,324

	General Purpose	Schools	Sewer & Water	Urban Renewal	Unfunded Pension Benefit Obligation
Debt Limitation					
2-1/4 times base	\$ 76,891,775	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	151,849,458	-	-	-
3-3/4 times base	-	-	126,541,215	-	-
3-1/4 times base	-	-	-	109,669,053	-
3 times base	-	-	-	-	101,232,972
Total debt limitation	76,891,775	151,849,458	126,541,215	109,669,053	101,232,972
Debt as defined by statute:					
Bonds and notes payable	8,968,900	9,704,323	15,264,209	-	-
Less: amount to be reimbursed by State	-	(1,746,684)	-	-	-
Add: bonds authorized and unissued	280,000	4,395,242	-	-	-
Total indebtedness	9,248,900	12,352,881	15,264,209	-	-
Debt Limitation in excess of indebtedness	<u>\$ 67,642,875</u>	<u>\$ 139,496,577</u>	<u>\$ 111,277,006</u>	<u>\$ 109,669,053</u>	<u>\$ 101,232,972</u>
Total capacity of borrowing (7 times base)	\$ 236,210,268				
Total present indebtedness	<u>36,865,990</u>				
Margin for additional borrowing	<u>\$ 199,344,278</u>				

Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are established in the City pursuant to State Statutes and local ordinance or resolution. Special revenue funds are a governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds

Capital Projects Funds are used to account for financial resource to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes as defined by the grantor. The Town's permanent funds include funds for public safety, parks and recreation, human services, and education

Town of Windham, Connecticut

Combining Balance Sheet - Nonmajor Governmental Funds - by Fund Type
June 30, 2014

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 585,873	\$ -	\$ 15,747	\$ -	\$ 601,620
Investments	-	-	773,477	-	773,477
Receivables:					
Grants and contracts receivable	458,628	1,552,596	-	-	2,011,224
Accounts receivable, net	13,452	19,052	1,352	-	33,856
Notes receivable, net	491,129	-	-	-	491,129
Due from other funds	568,232	4,465,366	3,604	174,988	5,212,190
Inventories	21,920	-	-	-	21,920
Total assets	\$ 2,139,234	\$ 6,037,014	\$ 794,180	\$ 174,988	\$ 9,145,416
Liabilities					
Accounts payable and accrued expenses	\$ 77,444	\$ 1,136,965	\$ -	\$ -	\$ 1,214,409
Notes payable	-	883,000	-	-	883,000
Due to other funds	682,939	351,320	42,429	-	1,076,688
Unearned revenue	25,679	-	-	-	25,679
Total liabilities	786,062	2,371,285	42,429	-	3,199,776
Deferred Inflows of Resources					
Unavailable resources	491,154	410,153	-	-	901,307
Total deferred inflows of resources	491,154	410,153	-	-	901,307
Fund Balances (Deficit)					
Nonspendable	21,920	-	459,044	-	480,964
Restricted	680,383	2,532,586	292,707	174,988	3,680,664
Committed	159,715	1,361,622	-	-	1,521,337
Unassigned	-	(638,632)	-	-	(638,632)
Total fund balances	862,018	3,255,576	751,751	174,988	5,044,333
Total liabilities, deferred inflow of resources and fund balances	\$ 2,139,234	\$ 6,037,014	\$ 794,180	\$ 174,988	\$ 9,145,416

Town of Windham, Connecticut

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds - by Fund Type
For the Year Ended June 30, 2014**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues					
Intergovernmental	\$ 4,536,846	\$ 2,005,625	\$ -	\$ -	\$ 6,542,471
Charges for services	296,781	6,731	-	-	303,512
Investment earnings	13,565	4,569	77,896	-	96,030
Miscellaneous	108,471	104,129	37,273	-	249,873
Total revenues	4,955,663	2,121,054	115,169	-	7,191,886
Expenditures					
Current:					
General government	80,364	-	-	-	80,364
Public safety	424,040	-	-	-	424,040
Public works	319,203	-	144,845	-	464,048
Civic and cultural	147,610	-	-	-	147,610
Planning and development	937,756	-	-	-	937,756
Education	3,174,276	-	-	-	3,174,276
Debt issuance costs	-	-	-	39,120	39,120
Capital outlays	-	5,715,523	-	-	5,715,523
Total expenditures	5,083,249	5,715,523	144,845	39,120	10,982,737
Excess (deficiency) of revenues over (under) expenditures	(127,586)	(3,594,469)	(29,676)	(39,120)	(3,790,851)
Other Financing Sources (Uses)					
Bond proceeds	-	4,950,000	-	-	4,950,000
Bond premiums	-	80,598	-	260,052	340,650
Deposit to escrow	-	-	-	(1,836,844)	(1,836,844)
Refunding bond proceeds	-	-	-	1,790,900	1,790,900
Transfers in	25,000	500,000	-	-	525,000
Transfers out	(45,683)	-	-	-	(45,683)
Total other financing sources (uses)	(20,683)	5,530,598	-	214,108	5,724,023
Net change in fund balances	(148,269)	1,936,129	(29,676)	174,988	1,933,172
Fund Balances - beginning	1,010,287	1,319,447	781,427	-	3,111,161
Fund Balances - ending	\$ 862,018	\$ 3,255,576	\$ 751,751	\$ 174,988	\$ 5,044,333

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Town of Windham, Connecticut

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2014

	Cafeteria Fund	School Readiness/ Quality Enhancement Fund	Small Cities 1997 Community Redevelopment Fund	Small Cities 1994 NE Alliance Fund	Small Cities 2013 Fund
Assets					
Cash and cash equivalents	\$ 230,810	\$ -	\$ 21,332	\$ 144,411	\$ 25
Receivables:					
Grants and contracts receivable	232,717	-	-	-	-
Accounts receivable	7,149	6,303	-	-	-
Notes receivable, net	-	-	9,823	251,286	230,020
Due from other funds	-	138	-	-	-
Inventories	21,920	-	-	-	-
Total assets	\$ 492,596	\$ 6,441	\$ 31,155	\$ 395,697	\$ 230,045
Liabilities					
Accounts payable and accrued liabilities	\$ 59,842	\$ 6,441	\$ -	\$ 1,664	\$ -
Due to other funds	275,292	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	335,134	6,441	-	1,664	-
Deferred Inflows of Resources					
Unavailable resources	-	-	9,823	251,286	230,045
Total deferred inflows of resources	-	-	9,823	251,286	230,045
Fund Balances					
Nonspendable	21,920	-	-	-	-
Restricted	135,542	-	21,332	142,747	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	157,462	-	21,332	142,747	-
Total liabilities, deferred inflow of resources and fund balances	\$ 492,596	\$ 6,441	\$ 31,155	\$ 395,697	\$ 230,045

Small Cities 2014 Fund	Town Aid Road Fund	Windham / Willimantic Child Care Grant Fund	Public Library Fund	C-PACE Fund	LSTA Library Fund	Town Beautification Program Fund
\$ 3,714	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,182
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	100,674	-	9,372	50	-	-
-	-	-	-	-	-	-
<u>\$ 3,714</u>	<u>\$ 100,674</u>	<u>\$ -</u>	<u>\$ 9,372</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 3,182</u>
\$ 585	\$ 1,159	\$ -	\$ -	\$ -	\$ -	\$ 400
-	-	-	-	-	-	2,782
3,129	-	-	-	50	-	-
<u>3,714</u>	<u>1,159</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>3,182</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	99,515	-	9,372	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>99,515</u>	<u>-</u>	<u>9,372</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,714</u>	<u>\$ 100,674</u>	<u>\$ -</u>	<u>\$ 9,372</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 3,182</u>

(Continued)

Town of Windham, Connecticut

Combining Balance Sheet
 Nonmajor Special Revenue Funds (Continued)
 June 30, 2014

	Recreation Revolving Fund	Police DUI Enforcement Grant Fund	Public Safety Donation Fund	COPS Grant Fund
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 182,399
Receivables:				
Grants and contracts receivable	-	17,232	-	-
Accounts receivable	-	-	-	-
Notes receivable, net	-	-	-	-
Due from other funds	162,290	-	7,155	-
Inventories	-	-	-	-
Total assets	\$ 162,290	\$ 17,232	\$ 7,155	\$ 182,399
Liabilities				
Accounts payable and accrued liabilities	\$ 2,575	\$ -	\$ -	\$ -
Due to other funds	-	17,232	-	182,399
Unearned revenue	-	-	-	-
Total liabilities	2,575	17,232	-	182,399
Deferred Inflows of Resources				
Unavailable resources	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	-	7,155	-
Committed	159,715	-	-	-
Unassigned	-	-	-	-
Total fund balances	159,715	-	7,155	-
Total liabilities, deferred inflow of resources and fund balances	\$ 162,290	\$ 17,232	\$ 7,155	\$ 182,399

Officer Incentive Forfeiture Fund	Public Transportation Fund	Town Incentive Housing Overlay Fund	JAG Local Fund	DERP Grant Fund
	\$ -	\$ -	\$ -	\$ -
-	-	-	-	19,500
-	-	-	-	-
-	-	-	-	-
227,116	18,561	22,500	-	-
-	-	-	-	-
<u>\$ 227,116</u>	<u>\$ 18,561</u>	<u>\$ 22,500</u>	<u>\$ -</u>	<u>\$ 19,500</u>
\$ 549	\$ -	\$ -	\$ -	\$ -
-	-	-	-	19,500
-	-	22,500	-	-
<u>549</u>	<u>-</u>	<u>22,500</u>	<u>-</u>	<u>19,500</u>
-	-	-	-	-
-	-	-	-	-
226,567	18,561	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>226,567</u>	<u>18,561</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 227,116</u>	<u>\$ 18,561</u>	<u>\$ 22,500</u>	<u>\$ -</u>	<u>\$ 19,500</u>

(Continued)

Town of Windham, Connecticut

Combining Balance Sheet
 Nonmajor Special Revenue Funds (Continued)
 June 30, 2014

	Probate Court District Fund	Drug-Free Communities Year Fund	Total Nonmajor Special Revenue Funds
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 585,873
Receivables:			
Grants and contracts receivable	-	189,179	458,628
Accounts receivable	-	-	13,452
Notes receivable, net	-	-	491,129
Due from other funds	20,376	-	568,232
Inventories	-	-	21,920
Total assets	\$ 20,376	\$ 189,179	\$ 2,139,234
Liabilities			
Accounts payable and accrued liabilities	\$ 784	\$ 3,445	\$ 77,444
Due to other funds	-	185,734	682,939
Unearned revenue	-	-	25,679
Total liabilities	784	189,179	786,062
Deferred Inflows of Resources			
Unavailable resources	-	-	491,154
Total deferred inflows of resources	-	-	491,154
Fund Balances			
Nonspendable	-	-	21,920
Restricted	19,592	-	680,383
Committed	-	-	159,715
Unassigned	-	-	-
Total fund balances	19,592	-	862,018
Total liabilities, deferred inflow of resources and fund balances	\$ 20,376	\$ 189,179	\$ 2,139,234

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Town of Windham, Connecticut

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) -
Nonmajor Special Revenue Funds
For The Year Ended June 30, 2014**

	Cafeteria Fund	School Readiness/ Quality Initiative Grant Fund	Small Cities 1997 Community Redevelopment Fund	Small Cities 1994 NE Alliance Fund	Small Cities 2013 Fund
Revenues					
Intergovernmental	\$ 1,632,905	\$ 1,239,797	\$ -	\$ -	\$ 217,802
Charges for services	176,064	-	-	-	-
Investment earnings	966	-	357	11,676	-
Miscellaneous	-	6,303	23,484	69,708	-
Total revenues	1,809,935	1,246,100	23,841	81,384	217,802
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Civic and cultural	-	-	-	-	-
Planning and development	-	-	21,360	58,434	217,802
Education	1,973,859	1,200,417	-	-	-
Total expenditures	1,973,859	1,200,417	21,360	58,434	217,802
Excess (deficiency) of revenues over (under) expenditures	(163,924)	45,683	2,481	22,950	-
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(45,683)	-	-	-
Total other financing sources (uses)	-	(45,683)	-	-	-
Net change in fund balances	(163,924)	-	2,481	22,950	-
Fund balances, beginning	321,386	-	18,851	119,797	-
Fund balances, ending	\$ 157,462	\$ -	\$ 21,332	\$ 142,747	\$ -

Small Cities 2014 Fund	Town Aid Road Fund	Windham/ Willimantic Child Care Grant Fund	Public Library Fund	C-PACE Fund	LSTA Library Fund	Town Beautification Program Fund
\$ 113,871	\$ 370,008	\$ 526,264	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	19	-	-	-
25	-	-	5,690	2,950	291	-
113,896	370,008	526,264	5,709	2,950	291	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	319,203	-	-	-	-	-
-	-	-	4,535	2,950	291	2,385
113,896	-	526,264	-	-	-	-
-	-	-	-	-	-	-
113,896	319,203	526,264	4,535	2,950	291	2,385
-	50,805	-	1,174	-	-	(2,385)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	50,805	-	1,174	-	-	(2,385)
-	48,710	-	8,198	-	-	2,385
\$ -	\$ 99,515	\$ -	\$ 9,372	\$ -	\$ -	\$ -

(Continued)

Town of Windham, Connecticut

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) -
Nonmajor Special Revenue Funds (Continued)
For The Year Ended June 30, 2014**

	Recreation Revolving Fund	Police DUI Enforcement Grant Fund	Public Safety Donation Fund	COPS Grant Fund
Revenues				
Intergovernmental	\$ -	\$ 38,634	\$ -	\$ 182,399
Charges for services	105,268	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	20	-
Total revenues	105,268	38,634	20	182,399
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	38,634	-	182,399
Public works	-	-	-	-
Civic and cultural	137,449	-	-	-
Planning and development	-	-	-	-
Education	-	-	-	-
Total expenditures	137,449	38,634	-	182,399
Excess (deficiency) of revenues over (under) expenditures	(32,181)	-	20	-
Other Financing Sources (Uses)				
Transfers in	25,000	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	25,000	-	-	-
Net change in fund balances	(7,181)	-	20	-
Fund balances, beginning	166,896	-	7,135	-
Fund balances, ending	\$ 159,715	\$ -	\$ 7,155	\$ -

Officer Incentive Forfeiture Fund	Public Transportation Fund	Town Incentive Housing Overlay Fund	JAG Local Fund	DERP Grant Fund
\$ 39,623	\$ -	\$ -	\$ 25,588	\$ 42,437
-	-	-	-	-
547	-	-	-	-
-	-	-	-	-
<u>40,170</u>	<u>-</u>	<u>-</u>	<u>25,588</u>	<u>42,437</u>
-	72,419	-	-	-
27,464	-	-	25,588	42,437
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>27,464</u>	<u>72,419</u>	<u>-</u>	<u>25,588</u>	<u>42,437</u>
12,706	(72,419)	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
<u>12,706</u>	<u>(72,419)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>213,861</u>	<u>90,980</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 226,567</u>	<u>\$ 18,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

Town of Windham, Connecticut

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) -
Nonmajor Special Revenue Funds (Continued)
For The Year Ended June 30, 2014**

	Probate Court District Fund	Drug-Free Communities Year Fund	Total Nonmajor Special Revenue Funds
Revenues			
Intergovernmental	\$ -	\$ 107,518	\$ 4,536,846
Charges for services	15,449	-	296,781
Investment earnings	-	-	13,565
Miscellaneous	-	-	108,471
Total revenues	15,449	107,518	4,955,663
Expenditures			
Current:			
General government	7,945	-	80,364
Public safety	-	107,518	424,040
Public works	-	-	319,203
Civic and cultural	-	-	147,610
Planning and development	-	-	937,756
Education	-	-	3,174,276
Total expenditures	7,945	107,518	5,083,249
Excess (deficiency) of revenues over (under) expenditures	7,504	-	(127,586)
Other Financing Sources (Uses)			
Transfers in	-	-	25,000
Transfers out	-	-	(45,683)
Total other financing sources (uses)	-	-	(20,683)
Net change in fund balances	7,504	-	(148,269)
Fund balances, beginning	12,088	-	1,010,287
Fund balances, ending	\$ 19,592	\$ -	\$ 862,018

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Town of Windham, Connecticut

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2014

	LoCIP Projects Fund	Parking Garage Fund	Town Capital Improvements Fund	WSD Capital Improvements Fund
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables:				
Grants and contracts receivable	186,013	117,175	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	980,846	395,938
Total assets	\$ 186,013	\$ 117,175	\$ 980,846	\$ 395,938
Liabilities				
Accounts payable and accrued liabilities	\$ 22,061	\$ 7,239	\$ 4,035	\$ 11,127
Notes Payable	-	-	-	-
Due to other funds	163,952	95,721	-	-
Unearned revenue	-	-	-	-
Total liabilities	186,013	102,960	4,035	11,127
Deferred Inflows of Resources				
Unavailable resources	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances (Deficit)				
Restricted	-	14,215	-	-
Committed	-	-	976,811	384,811
Unassigned	-	-	-	-
Total fund balances (deficits)	-	14,215	976,811	384,811
Total liabilities, deferred inflow of resources and fund balances	\$ 186,013	\$ 117,175	\$ 980,846	\$ 395,938

Airline & Hop River Trail Extension Fund	Town Garage Fund	Windham High School Fund	Natchaug School Roof Fund	Roads and Sidewalk Bonds	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,111	-	830,417	409,880	-	1,552,596
15,052	-	-	4,000	-	19,052
-	58,632	-	570,068	2,459,882	4,465,366
<u>\$ 24,163</u>	<u>\$ 58,632</u>	<u>\$ 830,417</u>	<u>\$ 983,948</u>	<u>\$ 2,459,882</u>	<u>\$ 6,037,014</u>
\$ -	\$ -	\$ 979,231	\$ 113,129	\$ 143	\$ 1,136,965
-	-	-	883,000	-	883,000
23,890	-	67,757	-	-	351,320
-	-	-	-	-	-
<u>23,890</u>	<u>-</u>	<u>1,046,988</u>	<u>996,129</u>	<u>143</u>	<u>2,371,285</u>
273	-	-	409,880	-	410,153
<u>273</u>	<u>-</u>	<u>-</u>	<u>409,880</u>	<u>-</u>	<u>410,153</u>
-	58,632	-	-	2,459,739	2,532,586
-	-	-	-	-	1,361,622
-	-	(216,571)	(422,061)	-	(638,632)
<u>-</u>	<u>58,632</u>	<u>(216,571)</u>	<u>(422,061)</u>	<u>2,459,739</u>	<u>3,255,576</u>
<u>\$ 24,163</u>	<u>\$ 58,632</u>	<u>\$ 830,417</u>	<u>\$ 983,948</u>	<u>\$ 2,459,882</u>	<u>\$ 6,037,014</u>

Town of Windham, Connecticut

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2014**

	LoCIP Projects Fund	Parking Garage Fund	Town Capital Improvements Fund	WSD Capital Improvements Fund
Revenues				
Intergovernmental	\$ 242,837	\$ 220,650	\$ -	\$ -
Charges for services	-	-	6,731	-
Investment earnings	-	-	3,177	1,311
Miscellaneous	-	-	-	-
Total revenues	242,837	220,650	9,908	1,311
Expenditures				
Capital outlay	242,837	272,388	450,266	142,635
Total expenditures	242,837	272,388	450,266	142,635
Excess (deficiency) of revenues over expenditures	-	(51,738)	(440,358)	(141,324)
Other Financing Sources (Uses)				
Bond proceeds	-	-	-	-
Bond premiums	-	-	-	-
Transfers in	-	-	350,000	150,000
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	350,000	150,000
Net change in fund balances	-	(51,738)	(90,358)	8,676
Fund balances (deficit), beginning	-	65,953	1,067,169	376,135
Fund balances (deficit), ending	\$ -	\$ 14,215	\$ 976,811	\$ 384,811

Airline and Hop River Trail Extension Fund	Town Garage Fund	Windham High School Fund	Natchaug School Roof Fund	Roads and Sidewalk Bonds	Total Nonmajor Capital Projects Funds
\$ 30,379	\$ -	\$ 830,417	\$ 681,342	\$ -	\$ 2,005,625
-	-	-	-	-	6,731
-	81	-	-	-	4,569
7,595	46,534	-	10,000	40,000	104,129
37,974	46,615	830,417	691,342	40,000	2,121,054
37,974	6,843	1,192,316	1,557,518	1,812,746	5,715,523
37,974	6,843	1,192,316	1,557,518	1,812,746	5,715,523
-	39,772	(361,899)	(866,176)	(1,772,746)	(3,594,469)
-	-	143,000	437,000	4,370,000	4,950,000
-	-	2,328	7,115	71,155	80,598
-	-	-	-	-	500,000
-	-	-	-	-	-
-	-	145,328	444,115	4,441,155	5,530,598
-	39,772	(216,571)	(422,061)	2,668,409	1,936,129
-	18,860	-	-	(208,670)	1,319,447
\$ -	\$ 58,632	\$ (216,571)	\$ (422,061)	\$ 2,459,739	\$ 3,255,576

Town of Windham, Connecticut

Balance Sheet
Debt Service Fund
June 30, 2014

	Debt Service Fund
<hr/>	
Assets	
Due from other funds	\$ 174,988
Total assets	<u>\$ 174,988</u>
Liabilities and Fund Balance	
Fund Balance:	
Restricted	174,988
Total fund balance	<u>174,988</u>
Total liabilities and fund balance	<u>\$ 174,988</u>

Town of Windham, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
 Debt Service Fund
 For the Year Ended June 30, 2014

	Debt Service Fund
Revenues	<u>\$ -</u>
Expenditures	
Debt issuance costs	39,120
Total expenditures	<u>39,120</u>
 Excess (deficiency) of revenues over expenditures	 (39,120)
Other Financing Sources (Uses)	
Bond premiums	260,052
Payments to escrow	(1,836,844)
Refunding bond proceeds	1,790,900
Total other financing sources (uses)	<u>214,108</u>
 Net change in fund balance	 174,988
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u><u>\$ 174,988</u></u>

Town of Windham, Connecticut

Combining Balance Sheet
 Nonmajor Permanent Funds
 June 30, 2014

	Cemetery Trust Fund	William A. & Jennie S. King Trust	Total Nonmajor Permanent Funds
Assets			
Cash and cash equivalents	\$ 6,804	\$ 8,943	\$ 15,747
Investments	402,680	370,797	773,477
Receivables:			
Accounts receivable	625	727	1,352
Due from other funds	-	3,604	3,604
Total assets	\$ 410,109	\$ 384,071	\$ 794,180
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	42,429	-	42,429
Total liabilities	42,429	-	42,429
Fund Balances:			
Nonspendable	338,148	120,896	459,044
Restricted	29,532	263,175	292,707
Total fund balances	367,680	384,071	751,751
Total liabilities and fund balances	\$ 410,109	\$ 384,071	\$ 794,180

Town of Windham, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
 Nonmajor Permanent Funds
 For the Year Ended June 30, 2014

	Cemetery Trust Fund	William A. & Jennie S. King Trust	Total Nonmajor Permanent Funds
Revenues			
Investment earnings	\$ 51,102	\$ 26,794	\$ 77,896
Miscellaneous	19,887	17,386	37,273
Total revenues	70,989	44,180	115,169
Expenditures			
Current:			
Public works	144,845	-	144,845
Total expenditures	144,845	-	144,845
Excess (deficiency) of revenues over expenditures	(73,856)	44,180	(29,676)
Fund balances, beginning	441,536	339,891	781,427
Fund balances, ending	\$ 367,680	\$ 384,071	\$ 751,751

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Fiduciary Funds

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations or other governments.

Pension Trust Funds

Utilize the accrual basis of accounting and are used for the accumulation of resources to be used for retirement benefits.

Private Purpose Trust Funds

A fiduciary trust fund type used to report all trust arrangements, other than those properly reported in a pension trust fund or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

Agency Funds

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

Town of Windham, Connecticut

Combining Statement of Fiduciary Net Position -
Pension Trust Funds
June 30, 2014

	Firemen's Pension	Policemen's Pension	Municipal Employees' Pension	Board of Education Employees' Pension	Total
Assets					
Cash and cash equivalents	\$ 900,923	\$ 1,414,132	\$ -	\$ -	\$ 2,315,055
Investments:					
Debt securities	1,458,476	2,569,064	-	-	4,027,540
Corporate bonds	928,257	1,719,366	-	-	2,647,623
Group annuity contracts	-	-	5,838,982	8,411,231	14,250,213
Collective trusts	-	-	7,136,534	-	7,136,534
Equity securities	7,007,068	11,786,648	-	-	18,793,716
Receivables	17,335	51,618	-	-	68,953
Total assets	10,312,059	17,540,828	12,975,516	8,411,231	49,239,634
Liabilities					
Due to other funds	307,954	371,453	-	-	679,407
Total liabilities	307,954	371,453	-	-	679,407
Net Position					
Restricted for pension benefits	\$ 10,004,105	\$ 17,169,375	\$ 12,975,516	\$ 8,411,231	\$ 48,560,227

Town of Windham, Connecticut

**Combining Statement of Changes in Fiduciary Net Position -
Pension Trust Funds
For the Year Ended June 30, 2014**

	Firemen's Pension	Policemen's Pension	Municipal Employees' Pension	Board of Education Employees' Pension	Total
Additions					
Contributions:					
Employer	\$ 551,973	\$ 816,486	\$ 496,485	\$ 367,393	\$ 2,232,337
Plan members	139,703	147,544	77,915	-	365,162
Other	1,178	1,571	-	-	2,749
Total contributions	692,854	965,601	574,400	367,393	2,600,248
Investment earnings:					
Interest and dividends	224,114	379,206	-	360,391	963,711
Net appreciation in the fair value of investments	1,245,580	2,076,530	1,219,621	302,396	4,844,127
Total Investment earnings	1,469,694	2,455,736	1,219,621	662,787	5,807,840
Total additions	2,162,548	3,421,337	1,794,021	1,030,180	8,408,086
Deductions					
Benefit payments	623,426	737,935	229,285	356,651	1,947,297
Administrative and other expenses	-	-	-	80,084	80,084
Total deductions	623,426	737,935	229,285	436,735	2,027,381
Change in net position	1,539,122	2,683,402	1,564,736	593,445	6,380,705
Restricted for					
Pension Benefits:					
Beginning of year	8,464,983	14,485,973	11,410,780	7,817,786	42,179,522
End of year	\$ 10,004,105	\$ 17,169,375	\$ 12,975,516	\$ 8,411,231	\$ 48,560,227

Town of Windham, Connecticut

Combining Statement of Fiduciary Net Position -
Private Purpose Trust Funds
June 30, 2014

	Scholarship Trust Fund	Walter Fahey Trust Fund	Total
Assets			
Cash and cash equivalents	\$ 84,296	\$ 907	\$ 85,203
Investments:			
Common stock	-	88,463	88,463
Fixed income mutual funds		12,197	12,197
Other	-	34,198	34,198
Total assets	<u>84,296</u>	<u>135,765</u>	<u>220,061</u>
Liabilities			
Due to other funds	<u>22,133</u>	<u>2,128</u>	<u>24,261</u>
Net Position			
Held in trust for other purposes	<u>\$ 62,163</u>	<u>\$ 133,637</u>	<u>\$ 195,800</u>

Town of Windham, Connecticut

Combining Statement of Changes in Fiduciary Net Position -
Private Purpose Trust Funds
For The Year Ended June 30, 2014

	Scholarship Trust Fund	Walter Fahey Trust Fund	Total
Additions			
Private donations	\$ 500	\$ -	\$ 500
Investment earnings:			
Interest and dividends	6	2,740	2,746
Net appreciation in the fair value of investments	-	16,362	16,362
Total additions	<u>506</u>	<u>19,102</u>	<u>19,608</u>
Deductions			
Benefit payments	5,149	-	5,149
Administrative and other expenses	-	3,065	3,065
Total deductions	<u>5,149</u>	<u>3,065</u>	<u>8,214</u>
Net change in net position	(4,643)	16,037	11,394
Net Position Held in Trust			
Beginning of year	<u>66,806</u>	<u>117,600</u>	<u>184,406</u>
End of year	<u>\$ 62,163</u>	<u>\$ 133,637</u>	<u>\$ 195,800</u>

Town of Windham, Connecticut

Combining Statement of Fiduciary Assets and Liabilities - Agency Funds
 June 30, 2014

	Sunshine Fund	Mid- Northeast Recycling Fund	Student Activity Funds	Scholarship Funds	Athletic Association Fund	Total Agency Funds
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 81,669	\$ -	\$ 1,570	\$ 83,239
Investments:						
Certificates of deposit	-	-	145,999	46,578	-	192,577
Other receivables	-	6,551	-	-	-	6,551
Due from other funds	2,238	-	-	-	-	2,238
Total assets	\$ 2,238	\$ 6,551	\$ 227,668	\$ 46,578	\$ 1,570	\$ 284,605
Liabilities						
Accounts payable	\$ 50	\$ 1,697	\$ -	\$ -	\$ -	\$ 1,747
Due to others	2,188	-	227,668	46,578	1,570	278,004
Due to other funds	-	4,854	-	-	-	4,854
Total liabilities	\$ 2,238	\$ 6,551	\$ 227,668	\$ 46,578	\$ 1,570	\$ 284,605

Town of Windham, Connecticut

Combining Statement of Changes in Fiduciary Assets and Liabilities -
Agency Funds
For the Year Ended June 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Sunshine Fund				
Assets				
Due from other funds	\$ 2,238	\$ -	\$ -	\$ 2,238
Liabilities				
Accounts payable	\$ -	\$ 50	\$ -	\$ 50
Due to others	2,238	50	100	2,188
	<u>\$ 2,238</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 2,238</u>
Mid-Northeast Recycling Fund				
Assets				
Other receivables	\$ 6,684	\$ 21,715	\$ 21,848	\$ 6,551
Liabilities				
Accounts payable	\$ 1,643	\$ 23,410	\$ 23,356	\$ 1,697
Due to other funds	5,041	23,356	23,543	4,854
Total liabilities	<u>\$ 6,684</u>	<u>\$ 46,766</u>	<u>\$ 46,899</u>	<u>\$ 6,551</u>
Student Activity Funds				
Assets				
Cash and cash equivalents	\$ 90,440	\$ 264,498	\$ 273,269	\$ 81,669
Investments	144,026	3,296	1,323	145,999
Total assets	<u>\$ 234,466</u>	<u>\$ 267,794</u>	<u>\$ 274,592</u>	<u>\$ 227,668</u>
Liabilities				
Due to others	\$ 234,466	\$ 267,794	\$ 274,592	\$ 227,668
Scholarship Funds				
Assets				
Investments	\$ 47,010	\$ 894	\$ 1,326	\$ 46,578
Liabilities				
Due to others	\$ 47,010	\$ 894	\$ 1,326	\$ 46,578
Athletic Association Fund				
Assets				
Cash and cash equivalents	\$ 1,944	\$ 28,619	\$ 28,993	\$ 1,570
Liabilities				
Due to others	\$ 1,944	\$ 28,619	\$ 28,993	\$ 1,570
Totals				
Assets				
Cash and cash equivalents	\$ 92,384	\$ 293,117	\$ 302,262	\$ 83,239
Investments	191,036	4,190	2,649	192,577
Other receivables	6,684	21,715	21,848	6,551
Due from other funds	2,238	-	-	2,238
Total assets	<u>\$ 292,342</u>	<u>\$ 319,022</u>	<u>\$ 326,759</u>	<u>\$ 284,605</u>
Liabilities				
Accounts payable	\$ 1,643	\$ 23,460	\$ 23,356	\$ 1,747
Due to others	285,658	297,357	305,011	278,004
Due to other funds	5,041	23,356	23,543	4,854
Total liabilities	<u>\$ 292,342</u>	<u>\$ 344,173</u>	<u>\$ 351,910</u>	<u>\$ 284,605</u>

Statistical Section

Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- Financial trends information is intended to assist users in understanding and assessing how financial position has changed over time.
- Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the ability to generate own-source revenues (property taxes, charges for services, etc.)
- Debt capacity information is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment and (2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- Operating information is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

**Net Position by Component
Last Ten Fiscal Years
(In Thousands)
(Unaudited)**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006*	2005
Government activities										
Net Investment in capital assets	\$ 56,095	\$ 41,964	\$ 34,029	\$ 16,234	\$ 21,861	\$ 19,451	\$ 16,621	\$ 16,824	\$ 12,762	\$ 6,631
Restricted	1,715	1,652	2,485	5,064	851	1,080	2,684	6,920	3,444	303
Unrestricted	8,733	18,478	6,768	9,352	7,469	8,131	10,402	6,040	14,706	13,326
Total governmental activities net assets	66,543	62,094	43,282	30,650	30,181	28,662	29,707	29,784	30,912	20,260
Business-type activities										
Net Investment in capital assets	19,648	19,747	19,796	18,267	17,258	15,393	12,461	12,409	11,727	12,321
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	15,288	14,851	15,784	14,453	13,502	11,988	11,535	9,893	8,571	6,220
Total business-type activities net assets	34,936	34,598	35,580	32,720	30,760	27,381	23,996	22,302	20,298	18,541
Primary Government										
Net Investment in capital assets	75,744	61,711	53,825	34,501	39,119	34,844	29,082	29,233	24,489	18,952
Restricted	1,715	1,652	2,485	5,064	851	1,080	2,684	6,920	3,444	303
Unrestricted	24,021	33,329	22,552	23,805	20,971	20,119	21,937	15,933	23,277	19,546
Total primary government net assets	\$ 101,479	\$ 96,692	\$ 78,862	\$ 63,370	\$ 60,941	\$ 56,043	\$ 53,703	\$ 52,086	\$ 51,210	\$ 38,801

*Restated - retroactive reporting of infrastructure

Notes: Schedule prepared on the accrual basis of accounting

**Change in Net Position
Last Ten Fiscal Years
(In Thousands)
(Unaudited)**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental activities:										
General government	\$ 3,503	\$ 3,014	\$ 2,762	\$ 2,925	\$ 2,974	\$ 3,554	\$ 3,368	\$ 3,659	\$ 3,046	\$ 2,945
Public safety	11,491	11,622	10,678	10,482	10,828	13,462	10,463	9,464	8,645	8,172
Public works	6,541	5,688	5,188	6,624	5,326	6,648	5,141	5,421	4,422	4,150
Human services	671	645	669	759	636	824	822	584	605	628
Civic and culture	1,558	2,065	2,330	2,319	2,052	2,599	1,638	1,896	1,960	1,967
Education	68,110	63,776	64,575	61,697	58,709	56,077	70,635	54,826	52,900	51,197
Planning and development	1,542	777	851	570	840	598	367	666	826	736
Interest on long-term debt	1,364	1,520	839	511	841	935	1,036	1,155	1,068	1,110
Total governmental activities expense	<u>94,779</u>	<u>89,107</u>	<u>87,892</u>	<u>85,887</u>	<u>82,206</u>	<u>84,697</u>	<u>93,470</u>	<u>77,671</u>	<u>73,472</u>	<u>70,905</u>
Business-type activities:										
Water	2,769	2,387	2,144	2,215	2,212	2,120	2,076	2,054	2,152	1,994
Sewer	2,793	3,382	2,329	2,122	2,137	2,340	2,130	2,149	2,665	2,278
Interest on long-term debt	-	-	-	-	130	176	-	-	-	-
Total business-type activities expense	<u>5,563</u>	<u>5,769</u>	<u>4,473</u>	<u>4,337</u>	<u>4,479</u>	<u>4,636</u>	<u>4,206</u>	<u>4,203</u>	<u>4,817</u>	<u>4,272</u>
Total primary government expenses	<u>100,342</u>	<u>94,876</u>	<u>92,365</u>	<u>90,224</u>	<u>86,685</u>	<u>89,333</u>	<u>97,676</u>	<u>81,874</u>	<u>78,289</u>	<u>75,177</u>
Program Revenues										
Governmental activities										
Charges for services:										
General government	1,014	806	838	910	1,047	1,083	1,127	1,530	1,631	1,528
Public safety	1,605	1,515	1,359	1,473	1,160	1,245	1,283	1,159	963	779
Public works	410	441	655	435	275	202	243	273	397	376
Human services	144	1	90	-	1	-	-	-	-	3
Civic and culture	237	209	32	110	104	130	87	81	144	145
Education	578	833	1,203	2,167	2,530	2,763	3,001	2,503	2,667	1,657
Planning and development	39	33	35	81	93	54	177	47	134	160
Operating grants and contributions	50,609	45,847	46,339	43,129	41,865	40,884	52,736	37,689	37,629	37,008
Capital grants and contributions	4,960	18,743	12,456	2,474	2,516	2,065	714	1,444	870	1,173
Total governmental activities program revenues	<u>\$ 59,596</u>	<u>\$ 68,428</u>	<u>\$ 63,007</u>	<u>\$ 50,779</u>	<u>\$ 49,591</u>	<u>\$ 48,426</u>	<u>\$ 59,368</u>	<u>\$ 44,726</u>	<u>\$ 44,435</u>	<u>\$ 42,829</u>

**Change in Net Position
Last Ten Fiscal Years
(In Thousands)
(Unaudited)**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities										
Charges for services:										
Water	\$ 2,769	\$ 2,387	\$ 2,834	\$ 2,795	\$ 2,763	\$ 3,118	\$ 2,695	\$ 2,787	\$ 2,639	\$ 2,401
Sewer	2,793	3,382	3,612	2,978	2,838	2,902	2,570	2,818	2,700	2,698
Total business-type activities program revenues	5,563	5,769	6,446	5,773	5,601	6,020	5,265	5,605	5,339	5,099
Total primary government program revenues	65,159	74,197	69,453	56,552	55,192	54,446	64,633	50,331	49,774	47,928
Net (expense)/revenue										
Governmental activities	(35,183)	(20,679)	(24,885)	(35,108)	(32,615)	(36,271)	(34,102)	(32,945)	(29,037)	(28,076)
Business-type activities	(1,341)	(1,341)	1,972	1,435	1,122	1,384	1,059	1,402	522	827
Total primary government net expense	(36,524)	(22,020)	(22,913)	(33,673)	(31,493)	(34,887)	(33,043)	(31,543)	(28,515)	(27,249)
General revenues and other changes in net expenses										
Governmental activities:										
Property taxes	33,856	32,429	31,423	30,054	28,538	28,541	27,866	25,281	24,796	23,245
Unrestricted grants and contributions	5,489	6,837	6,024	5,163	5,380	6,707	5,996	6,059	6,852	3,626
Investment earnings(losses)	103	41	70	176	214	(21)	577	683	521	301
Miscellaneous	-	-	-	-	-	-	-	-	-	55
Special items:										
Recognition of Anthem demutualization settlement	-	-	-	-	-	-	-	-	-	(487)
Legal settlement	-	-	-	-	-	-	-	-	-	1,200
Transfers and other	184	184	184	184	-	-	-	-	-	(226)
Total governmental activities	39,631	39,491	37,701	35,577	34,132	35,227	34,439	32,023	32,169	27,714
Business-type activities:										
Investment earnings	535	479	(532)	122	785	607	392	308	154	99
Unrestricted grants and contributions	97	63	1,604	587	1,473	1,394	242	294	297	155
Transfers and other	(184)	(184)	(184)	(184)	-	-	-	-	-	226
Total business-type activities	448	358	888	525	2,258	2,001	634	602	451	480
Total primary government	40,080	39,849	38,589	36,102	36,390	37,228	35,073	32,625	32,620	28,194
Changes in net position										
Governmental activities	4,449	18,812	12,816	469	1,517	(1,044)	337	(922)	3,132	(362)
Business-type activities	(893)	(983)	2,860	1,960	3,380	3,385	1,693	2,004	973	1,307
Total primary government	\$ 3,556	\$ 17,829	\$ 15,676	\$ 2,429	\$ 4,897	\$ 2,341	\$ 2,030	\$ 1,082	\$ 4,105	\$ 945

Note: Schedule prepared on the accrual basis of accounting.

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(In Thousands)
(Unaudited)**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General fund										
Nonspendable	\$ 112	\$ 112	\$ 109	\$ 107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	587	520	453	374	-	-	-	-	-	-
Committed	-	142	822	62	-	-	-	-	-	-
Assigned	898	542	613	507	-	-	-	-	-	-
Unassigned	11,093	10,109	8,461	8,332	-	-	-	-	-	-
Reserved	-	-	-	-	400	365	1,138	400	304	395
Unreserved	-	-	-	-	7,279	5,946	5,554	6,420	7,148	8,379
Total general fund	\$ 12,691	\$ 11,425	\$ 10,458	\$ 9,382	\$ 7,679	\$ 6,311	\$ 6,692	\$ 6,820	\$ 7,452	\$ 8,774
All other governmental funds										
Nonspendable	\$ 481	\$ 498	\$ 499	\$ 549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,681	522	1,424	455	-	-	-	-	-	-
Committed	1,521	2,299	3,711	5,863	-	-	-	-	-	-
Assigned	-	(6,805)	-	-	-	-	-	-	-	-
Unassigned	(5,371)	-	-	-	-	-	-	-	-	-
Reserved	-	(209)	-	-	683	638	1,792	347	470	466
Unreserved	-	-	-	-	-	-	-	4,696	3,130	-
Unreserved, reported in:										
Debt service funds	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	2,720	2,762	2,402	3,313	2,454	2,869
Capital project funds	-	-	-	-	185	459	892	1,416	12	449
Permanent fund	-	-	-	-	-	-	-	232	194	182
Total all other governmental funds	\$ 312	\$ (3,695)	\$ 5,634	\$ 6,867	\$ 3,588	\$ 3,859	\$ 5,086	\$ 10,004	\$ 6,260	\$ 3,966

Note: Schedule prepared on the modified accrual basis of accounting

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(In Thousands)

(Unaudited)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Property taxes	\$ 33,827	\$ 32,599	\$ 31,384	\$ 30,053	\$ 28,708	\$ 28,549	\$ 27,527	\$ 25,230	\$ 24,981	\$ 23,312
Assessments	-	-	-	-	-	-	-	4	7	11
Intergovernmental	64,362	65,960	65,455	51,611	50,125	49,643	59,973	45,881	45,647	41,629
Charges for services	2,557	2,557	2,781	3,033	1,683	3,180	3,374	3,068	2,817	2,390
Food sales	-	-	-	-	-	-	-	394	401	368
Licenses and permits	296	291	346	330	23	157	162	166	292	329
Fines, forfeitures, and penalties	45	15	21	37	1,533	29	28	36	48	41
Investment income(losses)	103	41	70	176	214	(21)	577	683	521	299
Miscellaneous	1,129	976	1,147	1,609	2,295	3,037	2,721	2,189	2,705	2,697
Total revenues	102,318	102,439	101,204	86,849	84,581	84,574	94,362	77,651	77,419	71,076
Expenditures:										
General government	2,959	2,536	2,349	2,430	3,081	3,006	3,094	3,435	6,948	2,659
Public safety	2,163	2,242	2,159	1,940	2,467	1,999	1,901	1,752	1,382	919
Public works	4,696	4,282	4,132	4,065	4,235	4,729	4,295	4,276	4,289	3,792
Human services	586	545	545	540	557	624	775	512	511	540
Civic and cultural	1,341	1,917	2,019	2,026	1,791	2,070	1,464	1,842	1,833	1,821
Planning and development	1,340	722	760	477	752	458	322	636	787	747
Employee benefits	-	-	-	-	-	-	-	469	569	600
Education	66,674	63,580	62,612	59,625	57,330	54,258	74,329	53,687	52,214	49,235
Police	5,573	5,671	5,714	5,114	5,062	5,313	5,132	4,796	4,468	4,112
Fire	2,610	2,459	2,206	2,279	2,396	2,969	2,489	2,364	2,119	2,356
Miscellaneous	1,055	576	1,079	1,210	1,227	5,263	1,176	655	662	1,039
Debt service:										
Principal	2,196	2,205	2,064	2,191	2,086	2,092	2,102	2,113	1,971	2,103
Interest and other charges	1,136	1,374	745	641	857	956	1,057	1,158	1,094	1,182
Debt issuance costs	39	-	-	120	-	-	-	-	-	-
Capital outlay	11,204	22,876	15,161	3,517	1,759	2,513	880	2,276	1,060	850
Total expenditures	103,572	110,985	101,545	86,175	83,600	86,250	99,016	79,971	79,907	71,955
Excess of revenues over (under) expenditures	(1,254)	(8,546)	(341)	674	981	(1,676)	(4,654)	(2,320)	(2,488)	(879)
Other Financing Sources (Uses)										
Transfers in	765	1,021	1,247	1,414	576	871	525	869	570	346
Transfers out	(581)	(837)	(1,063)	(1,230)	(576)	(871)	(525)	(869)	(570)	(572)
Proceeds from capital leases	-	-	-	-	117	295	-	4,932	260	-
Proceeds from issuance of refunding bonds	1,791	-	-	5,260	-	-	-	-	-	-
Restated recording of bond refunding	-	-	-	(3,703)	-	-	-	-	-	-
Premium from issuance of refunding bonds	-	-	-	153	-	-	-	-	-	-
Payment to refunded bonds escrow agent	(1,837)	-	-	(1,646)	-	-	-	-	-	-
Proceeds from issuance of long-term bonds	6,030	-	-	4,000	-	-	-	500	3,200	-
Premium from issuance of long-term bonds	358	-	-	60	-	-	-	-	-	-
Restated General Fund Balance	-	-	-	-	-	-	(413)	(206)	-	-
Total other financing sources (uses)	6,526	184	184	4,308	117	295	(413)	5,226	3,460	(226)
Net change in fund balances	5,272	(8,362)	(157)	4,982	1,098	(1,381)	(5,067)	2,906	972	(1,105)
Fund Balances, beginning of year	7,731	16,093	16,250	11,268	10,170	11,551	16,618	13,712	12,740	13,845
Fund Balances, end of year	\$ 13,003	\$ 7,731	\$ 16,093	\$ 16,250	\$ 11,268	\$ 10,170	\$ 11,551	\$ 16,618	\$ 13,712	\$ 12,740
Debt Service as a Percentage of										
Noncapital Expenditures	3.79%	4.06%	3.25%	3.57%	3.60%	3.64%	3.22%	4.21%	3.89%	4.62%

Note: Schedule prepared on the modified accrual basis of accounting

Town of Windham, Connecticut
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

(Thousands) (Unaudited)										
Fiscal Year	Grand List Year	Land and Buildings	Personal Property	Motor Vehicle	Gross Taxable Grand List (1)	Less Tax Exempt Property	Net Taxable Grand List	Total Direct Tax Rate (in mills)	Estimated Actual Taxable Value (2)	Taxable Assessed Value as a Percentage of Actual Taxable Value
2014	2012	\$ 1,367,454	\$ 93,406	\$ 94,936	\$ 1,555,796	\$ 593,397	962,400		1,374,857	70.00%
2013	2011	1,349,891	84,066	96,278	1,530,235	582,801	947,435	See	1,353,479	70.00%
2012	2010	1,318,163	79,939	92,108	1,490,210	555,048	935,162	Table 7	1,335,946	70.00%
2011	2009	1,301,235	75,441	90,625	1,467,301	541,485	925,815		1,322,593	70.00%
2010	2008	1,293,022	71,396	88,570	1,452,988	527,926	925,062		1,321,517	70.00%
2009	2007	1,273,808	69,814	93,455	1,437,077	511,558	925,519		1,322,170	70.00%
2008	2006	1,239,399	66,962	91,439	1,397,800	484,107	913,694		1,305,277	70.00%
2007	2005	1,220,369	60,140	90,338	1,370,847	470,731	900,116		1,285,880	70.00%
2006	2004	839,014	57,461	84,385	980,860	321,600	659,259		941,799	70.00%
2005	2003	806,847	58,173	80,676	945,696	296,574	649,122		927,317	70.00%

Source: Town of Windham, Office of Tax Assessor

Notes:

- (1) 2005 real property grand list is adjusted to reflect statutory revaluation
- (2) Assessed Value is 70% of Estimated Actual Value

Table 6

Town of Windham, Connecticut
Principal Taxpayers
Current Year and Nine Years Ago

(Thousands)

(Unaudited)

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Connecticut Light & Power	\$18,628	1	1.94%	\$10,211	1	1.58%
Yankee Gas	\$8,584	2	0.89%	\$6,438	2	0.99%
Vesta Windham LLC	\$8,156	3	0.85%	\$6,171	3	0.95%
United Abrasives Inc.	\$7,800	4	0.81%	\$5,797	4	0.90%
Walmart Stores Inc.	\$7,555	5	0.79%	\$5,325	5	0.82%
General Cable Industries Inc	\$7,331	6	0.76%	\$4,285	6	0.66%
MHC Stonegate Manor LLC	\$6,136	7	0.64%	\$3,932	7	0.61%
Generations Willimantic LLC	\$5,747	8	0.60%	\$3,718	8	0.57%
Home Depot USA	\$5,657	9	0.59%	\$3,717	9	0.57%
Colonial BT LLC	\$5,103	10	0.53%	\$3,716	10	0.57%
	<u>\$ 80,697</u>		<u>8.38%</u>	<u>\$ 53,310</u>		<u>8.24%</u>

Source: Town of Windham, Office of Tax Assessor

Town of Windham, Connecticut
 Property Tax Levies and Collections
 Last Ten Fiscal Years

Table 7

(Thousands)
 (Unaudited)

Fiscal Year Ended June 30	Grand List Year	Net Taxable Grand List	Mill Rate	Original Tax Levy	Adjusted Tax Levy	Tax Collections First Year of Levy	Percentage Collected First Year of Levy	Tax Collections in Subsequent Years	Total Collections to Date	Percentage Collected to Date
District 1*										
2014	2012	442,490	29.06	12,921	12,917	12,697	98.3%	N/A	12,698	98.3%
2013	2011	439,465	28.63	12,632	12,618	12,359	97.9%	159	12,519	99.2%
2012	2010	435,992	28.15	12,298	12,290	12,064	98.2%	158	12,222	99.4%
2011	2009	430,855	26.87	11,520	11,588	11,429	98.6%	145	11,574	99.9%
2010	2008	432,457	25.29	10,954	10,924	10,788	98.8%	123	10,911	99.9%
2009	2007	430,830	24.94	10,790	10,770	10,583	98.3%	160	10,743	99.7%
2008	2006	421,895	24.93	10,571	10,569	10,399	98.4%	145	10,544	99.8%
2007	2005	414,221	23.95	9,959	10,002	9,827	98.3%	146	9,973	99.7%
2006	2004	310,303	27.87	8,713	8,674	8,492	97.9%	155	8,647	99.7%
2005	2003	302,923	27.84	8,510	8,502	8,359	98.3%	118	8,477	99.7%
District 2										
2014	2012	519,527	39.29	20,557	20,525	20,080	97.8%	N/A	20,080	97.8%
2013	2011	507,970	38.67	19,793	19,794	19,300	97.5%	315	19,300	97.5%
2012	2010	499,170	36.68	19,031	19,019	18,537	97.5%	289	18,826	99.0%
2011	2009	494,960	36.68	18,118	18,187	17,733	97.5%	343	18,076	99.4%
2010	2008	492,605	35.29	17,472	17,441	17,109	98.1%	261	17,370	99.6%
2009	2007	494,689	34.94	17,401	17,369	16,969	97.7%	297	17,266	99.4%
2008	2006	491,799	34.11	16,889	16,838	16,259	96.6%	488	16,747	99.5%
2007	2005	485,895	30.93	15,136	15,160	14,667	96.7%	416	15,083	99.5%
2006	2004	348,956	42.84	15,169	15,190	14,728	97.0%	363	15,091	99.3%
2005	2003	346,199	42.22	14,679	14,650	14,174	96.8%	373	14,547	99.3%

Source: Town of Windham Tax Collector's Office

*NOTE: The 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011 mill rates shown above exclude 1.62 mills, 1.625 mills, 1.56 mills, 1.35 mills, 1.38 mills, 1.49 mills, 1.60 mills and 1.55 mills representing taxes levied by the Town for the First Taxing District.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(In Thousands, Except Per Capita)
(Unaudited)

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Ratio of Debt to Taxable Assessed Value	Total Debt Per Capita	Percentage of Personal Income
	General Obligation Bonds	Capital Leases	Water	Sewer				
2014	\$ 18,097	\$ 3,485	\$ 1,197	\$ -	\$ 22,779	2.37%	\$ 901.50	2.14%
2013	\$ 14,781	\$ 3,806	\$ 1,464	\$ -	\$ 20,051	2.12%	\$ 793.53	1.88%
2012	16,986	4,110	1,743	11	22,850	2.44%	904.31	2.14%
2011	19,050	4,440	2,046	29	25,565	2.76%	1,011.75	2.40%
2010	16,941	4,759	2,371	48	24,119	2.61%	954.53	2.45%
2009	19,027	4,961	2,697	66	26,751	2.89%	1,170.36	3.01%
2008	21,119	4,955	3,022	84	29,180	3.19%	1,276.63	3.28%
2007	23,221	5,047	3,352	102	31,722	3.52%	1,387.85	3.57%
2006	24,763	-	3,681	120	28,564	4.33%	1,249.68	3.21%
2005	23,569	-	2,733	138	26,440	4.07%	1,156.76	2.97%

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Schedule of Debt Limitation
June 30, 2014
(In Thousands)
(Unaudited)

Tax receipts for the fiscal year ended June 30, 2014:						
Tax collections (including interest and lien fees)						\$ 33,743
Tax relief for the elderly						1
Base for debt limitation computations						<u>\$ 33,744</u>
	General Purpose	Schools	Sewer & Water	Urban Renewal	Unfunded Pension Benefit Obligation	Total
Debt Limitation						
2-1/4 times base	\$ 75,923	\$ -	\$ -	\$ -	\$ -	\$ 75,923
4-1/2 times base	-	151,848	-	-	-	151,848
3-3/4 times base	-	-	126,540	-	-	126,540
3-1/4 times base	-	-	-	109,668	-	109,668
3 times base	-	-	-	-	101,231	101,231
Total debt limitation	<u>75,923</u>	<u>151,848</u>	<u>126,540</u>	<u>109,668</u>	<u>101,231</u>	<u>565,210</u>
Debt as defined by statute:						
Bonds and notes payable	8,969	9,704	15,264	-	-	33,937
Less: amount to be reimbursed by State	-	(1,747)	-	-	-	(1,747)
Add: bonds authorized and unissued	280	4,395	-	-	-	4,675
Total indebtedness	<u>9,249</u>	<u>12,353</u>	<u>15,264</u>	<u>-</u>	<u>-</u>	<u>36,866</u>
Debt Limitation in excess of indebtedness	<u>\$ 66,674</u>	<u>\$ 139,495</u>	<u>\$ 111,275</u>	<u>\$ 109,668</u>	<u>\$ 101,231</u>	<u>\$ 528,344</u>
Total capacity of borrowing (7 times base)	\$ 236,209					
Total present indebtedness	<u>36,866</u>					
Margin for additional borrowing	<u>\$ 199,343</u>					

Note: Total indebtedness above amounts to \$36.9 million but in no event shall total indebtedness exceed \$236.2 million (seven times the base for debt limitation computation).

Town of Windham, Connecticut
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (Thousands)
 (Unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt Limit	\$ 236,209	\$ 227,803	\$ 219,736	\$ 208,831	\$ 200,995	\$ 200,082	\$ 292,963	\$ 181,994	\$ 178,147	\$ 166,433
Total net debt applicable to limit	36,866	45,760	40,967	44,177	47,593	42,796	19,318	31,225	30,023	17,072
Legal Debt Margin	\$ 199,343	\$ 182,043	\$ 178,768	\$ 164,654	\$ 153,402	\$ 157,286	\$ 273,645	\$ 150,769	\$ 148,124	\$ 149,361
Total net debt applicable to the limit as percentage of debt limit	15.61%	20.09%	18.64%	21.15%	23.68%	21.39%	6.59%	17.16%	16.85%	10.26%

Source: Comprehensive annual financial report - Statement of Debt Limitation

Note: See Table 9 for calculation of current year debt limitation

Table 11

Town of Windham, Connecticut
Statement of Direct and Overlapping Debt
Last Ten Fiscal Years

(Thousands)

Fiscal Year	Governmental General Obligation Bonds	Business-type Activities General Obligation Bonds	Business-type Activities Long-term Notes	Total Long-term Debt	Ratio of Long-term Debt to Taxable Assessed Value	Debt per Capita
2014	18,097	1,197	14,067	33,361	3.47%	1,323.17
2013	14,781	1,464	14,869	31,114	3.28%	1,231.36
2012	16,986	1,754	15,673	34,413	3.68%	1,361.94
2011	19,050	2,075	550	21,675	2.34%	857.79
2010	16,941	2,419	579	19,939	2.16%	789.10
2009	19,027	2,763	609	22,399	2.42%	979.96
2008	21,119	3,106	616	24,841	2.72%	1,086.80
2007	23,221	3,454	429	27,104	3.01%	1,185.79
2006	24,763	3,801	210	28,774	4.36%	1,258.87
2005	23,569	2,871	-	26,440	4.07%	1,156.77

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Town of Windham, Connecticut
Demographic and Employment Statistics
Last Ten Calendar Years
(Unaudited)

Fiscal Year	Population (1)	School Enrollment (2)	Median Age (1)	Median Family Income (1)	Calendar Year	Labor Force		Percentage Unemployed (3)			
						Employed (3)	Unemployed (3)	Town of Windham	Willimantic/ Danielson Labor Market	State of Connecticut	United States
2014	25,213	3,190	30.3	42,073	2014			9.4%	7.4%	6.6%	6.1%
2013	25,213	3,223			2013	10,727	1,418	11.7%	9.5%	8.0%	7.5%
2012	25,091	3,271		42,178	2012	10,682	1,546	12.6%	10.4%	8.3%	8.2%
2011	25,129	3,390	39.0	42,092	2011	10,878	1,612	12.9%	10.8%	8.9%	9.2%
2010	25,036	3,391	39.2	38,918	2010	11,107	1,516	12.0%	10.3%	8.7%	9.3%
2009	23,609	3,466	38.0	42,764	2009	10,977	1,200	9.9%	9.3%	8.2%	8.9%
2008	23,609	3,478	38.0	42,057	2008	11,083	906	7.6%	6.8%	5.7%	6.0%
2007	23,678	3,632			2007	11,063	773	6.5%	5.4%	4.6%	4.7%
2006	23,810	3,675			2006	10,832	791	6.8%	5.3%	4.4%	5.1%
2005	23,503	3,667			2005	10,602	767	6.7%	5.6%	4.9%	5.5%

Sources:

- (1) U.S. Department of Commerce, Bureau of Census. (2011 data most current available)
- (2) Windham Board of Education, State Department of Education
- (3) State of Connecticut, Department of Labor, Office of Research

Town of Windham, Connecticut
 Building Permits, Value of Construction and Permit Fees Collected
 Last Ten Calendar Years

(Thousands)
(Unaudited)

Fiscal Year	Residential		Non-Residential		Total	
	Number	Value	Number	Value	Permits	Value
2014	881	\$ 5,419	212	\$ 11,927	1,093	\$ 17,346
2013	928	\$ 5,314	272	\$ 5,826	1,200	\$ 11,140
2012	994	4,983	287	35,776	1,281	40,759
2011	839	8,736	211	10,661	1,050	19,397
2010	865	4,990	231	11,339	1,096	16,329
2009	963	5,352	200	21,624	1,163	26,976
2008	920	6,503	192	4,965	1,112	11,468
2007	990	6,678	147	2,791	1,137	9,469
2006	1,108	9,033	250	12,256	1,358	21,289
2005	941	9,381	232	14,958	1,173	24,339

Table 14

Town of Windham, Connecticut
Principal Employers
Windham's Major Employers
(Unaudited)

Business Name	Nature of Business	Area	Employees
Town of Windham	Municipality	Windham	847
Windham Community Memorial Hospital	Health Care	Windham	778
Eastern Connecticut State University	Public Education	Windham	620
General Cable Industries	Communication Cable	Windham	350
United Abrasives, Inc.	Manufacturing	Windham	300
Willimantic Waste Paper Co., Inc.	Recycling Collection	Windham	260
Wal-Mart Supercenter	Department Store	Windham	250-499
United Services	Mental Health Services	Windham	250-499
Kohl's	Department Store	Windham	100-249
Super Stop & Shop	Grocery Store	Windham	100-249

Source: Connecticut Department of Labor, 2013

Town of Windham, Connecticut
 Budgeted Full-Time Equivalent Employees
 Last Seven Fiscal Years
 (Unaudited)

Table 15

FUNCTION/PROGRAM	Full-Time-Equivalent Employees as of June 30,						
	2014	2013	2012	2011	2010	2009	2008
General Government	43	43	41	41	38	38	34
Public Works	25	25	28	28	27	27	26
Willimantic Public Library	12	12	12	13	12	12	13
Windham Water Works	12	12	12	12	12	12	12
Willimantic Police	47	47	47	47	46	46	40
Water Pollution Control Authority	10	10	10	9	9	9	9
Willimantic Fire	30	30	30	32	28	30	28
Education	710	698	701	682	695	719	734
Total	889	877	881	864	867	893	896

Source: Adopted Budget Books for General Government, Official Statements for Education

TOWN OF WINDHAM, CONNECTICUT
OPERATING INDICATORS BY FUNCTION
LAST SEVEN FISCAL YEARS
(Unaudited)

TABLE 16

City Manager <i>General Government</i>		FISCAL YEAR							
		2014	2013	2012	2011	2010	2009	2008	2007
Finance	Number of invoices approved for payment	17,375	17,261	17,261	16,803	17,067	17,587	18,082	17,952
Treasurer	Number of internal control reviews performed	5	5	5	5	5	5	5	13
Assessor	Number of deeds processed	362	278	278	268	304	266	301	321
	Number of veterans exemptions	1,473	1,927	1,927	2,017	2,099	2,127	2,154	2,186
	Board of assessment appeals adjustments	(164,100)	(164,100)	(164,100)	(106,910)	(171,848)	(38,390)	\$ (843,390)	(520)
Personnel	Number of applications processed		109	109	15	127	202	31	340
	Vacancies filled through new hires		3	3	10	5	9	4	11
Town Clerk	Land records recorded	2,400	2,932	2,932	2,505	2,367	2,742	2,887	3,652
	Marriage licenses issued	210	318	318	360	244	154	190	175
	Death certificates issued	368	374	374	333	314	314	337	332
	Birth certificates issued	342	457	457	473	464	488	478	523
City Council	Election	194							
	Voters added	357	1,403	1,403	*				
	Voters removed	1,743	963	963	*				
	Voter changes	9,932	4,409	4,409	*				
	Total voters		13,427	13,427	*				
<i>Public Safety</i>									
Police		15,854							
	911 calls	18,677	13,597	13,597	16,528	15,270	14,436	14,982	15,621
	Non-emergency calls	63	14,954	14,954	19,729	19,108	18,968	19,547	21,938
	DWI arrests		54	54	122	159	112	109	115
	* note: Call center is a PSAP (Public Safety Answering Point) and all data is from state website and reported on a calendar not fiscal year								
Fire		105							
	Fire	2	105	105	138	121	122	101	131
	No Fire	3711	2	2	11	6	4	7	13
	Rescue & Emergency Medical Services	162	3,905	3,905	3,736	3,530	3,647	3,975	3,613
	Hazardous Conditions	155	205	205	315	259	252	231	258
	Service Calls	197	166	166	175	169	172	214	76
	Good Intent Calls	305	224	224	182	142	184	129	135
	False Alarm & False Calls	1	314	314	258	285	267	296	327
	Severe Weather & Natural Disaster	1	14	14	15	3	2	1	-
	Special Incident Type	-	1	1	3	4	1	4	4
<i>Public Works</i>									
Engineering & Administration	road miles paved	4.00	2.89	2.89	4.47	5.69	1.11	2.39	4.68

(Continued)

TOWN OF WINDHAM, CONNECTICUT
OPERATING INDICATORS BY FUNCTION
LAST SEVEN FISCAL YEARS
(Unaudited)

TABLE 16,
Continued

City Manager <i>General Government</i>	FISCAL YEAR							
	2014	2013	2012	2011	2010	2009	2008	2007
<i>Development and Code Enforcement</i>								
<i>Development Services</i>								
Zoning Board appeals	3	6	8	15	7	-	10	*
<i>Civic and Cultural</i>								
<i>Willimantic Public Library</i>								
Branches	1	1	1	1	1	1	1	*
Volumes (physical Collections print and nonprint)	52,469	52,469	51,294	52,331	59,120	62,642	63,868	*
Volumes (electronic/digital collections)	5,958	5,958	5,786	*				
Licensed data bases	26	26	26	*				
Total circulation	95000	97,725	47,954	56,911	57,247	65,721	60,412	*
Total annual number of visits (based on sample)	53664	140,000	140,000	140,000	130,000	20,000	25,000	-
Total registered resident library users	6836	11,276	10,394	9,700	11,240	10,460	11,669	*
<i>Education</i>								
Average Class Size - Kindergarten	20.4	22	22	*	*	*	*	*
Average Class Size - Grade 2	22.0	19	19	*	*	*	*	*
Average Class Size - Grade 5	19.4	22	22	21	*	*	*	*
Average Class Size - Grade 7	18.1	19	20	22	*	*	*	*
<i>Economic Development</i>								
<i>Recreation and culture</i>								
Number of youth registrations	1,021	1,044	*	*	*	*	*	*
Number of youth program hours	548	554	*	*	*	*	*	*
Number of hours provided by volunteers	791	855	*	*	*	*	*	*
Source:	Internal Department Tracking Reports							
Notes:	* Information not available for prior years							

TOWN OF WINDHAM, CONNECTICUT
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST SIX FISCAL YEARS
(Unaudited)

		<u>Fiscal Year</u>					
		<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Function							
<i>Education</i>							
	School buildings	7	6	6	6	6	6
	Administrative buildings	1	1	1	1	1	1
<i>Public Safety</i>							
	<i>Police</i>						
	Stations	1	1	1	1	1	1
	Vehicles	36	33	30	30	27	22
	<i>Fire</i>						
	Firefighting/ rescue vehicles	11	11	10	10	10	10
	Other vehicles	4	4	3	3	3	2
	Fire stations	4	4	4	4	4	4
<i>Social Services</i>							
	<i>Recreation</i>						
	Number of basketball courts	7	7	7	7	7	7
	Number of football fields	1	1	1	1	1	1
	Number of multi-use fields						
	Number of playscapes/grounds	3	3	3	3	3	3
	Number of soccer fields	2	2	2	2	2	2
	Number of softball fields	3	3	3	3	3	3
	Number of tennis courts	6	6	6	6	6	6
	Mowers	7	7	7	4	4	4
	Other vehicles	2	2	2	1	1	1
	<i>Library</i>						
	Central	1	1	1	1	1	1
	Number of Branches	0	0	0	0	0	0
	Library on Wheels	0	0	0	0	0	0

(Continued)

TOWN OF WINDHAM, CONNECTICUT
CAPITAL ASSET STATISTICS BY FUNCTION / PROGRAM
LAST SIX FISCAL YEARS
(Unaudited)

	Fiscal Year					
	2014	2013	2012	2011	2010	2009
<i>Public Works</i>						
Infrastructure						
Concrete road miles	0	0	0	0	0	0
Asphalt road miles	90	90	90	90	90	90
Bridges	2	2	2	2	2	2
Traffic lights	2	2	2	2	2	2
Conduit system (miles)	N/A	N/A				
Street Maintenance						
Dump trucks	17	17	17	16	16	16
Sweepers	2	2	2	2	2	2
Parks & Cemeteries						
Parks:						
Large multi-use	N/A	N/A				
Medium size	11	11	11	11	11	11
Smaller/playgrounds	3	3	3	3	3	3
Cemeteries	4	4	4	4	4	4
Building Maintenance						
Parking lots	6	6	6	6	6	6
Parking garages	0	0	0	0	0	0

Sources: Police Department, Public Works and Recreation Town records

