

**Annual Financial Report**  
**of the**  
**Town of Colchester, Connecticut**  
**For the Year Ended June 30, 2022**

**Town of Colchester, Connecticut**

**Annual Financial Report  
For the Year Ended June 30, 2022**

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# **Introductory Section**

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# Town of Colchester, Connecticut

## Principal Officials June 30, 2022

### First Selectman

Andreas Bisbikos

### Board of Selectmen

Deborah Bates  
Rosemary Coyle  
Jason LaChapelle  
Denise Turner

### Board of Finance

Andrea Migliaccio, Chair  
John Thomas, Vice Chair  
Mike Egan  
Michael Hayes  
Art Shilosky  
Timothy Vaillancourt

### Chief Financial Officer

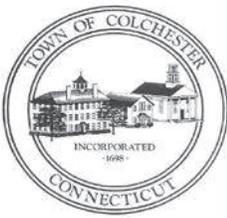
N. Maggie Cosgrove (through June 2022)

### Administration

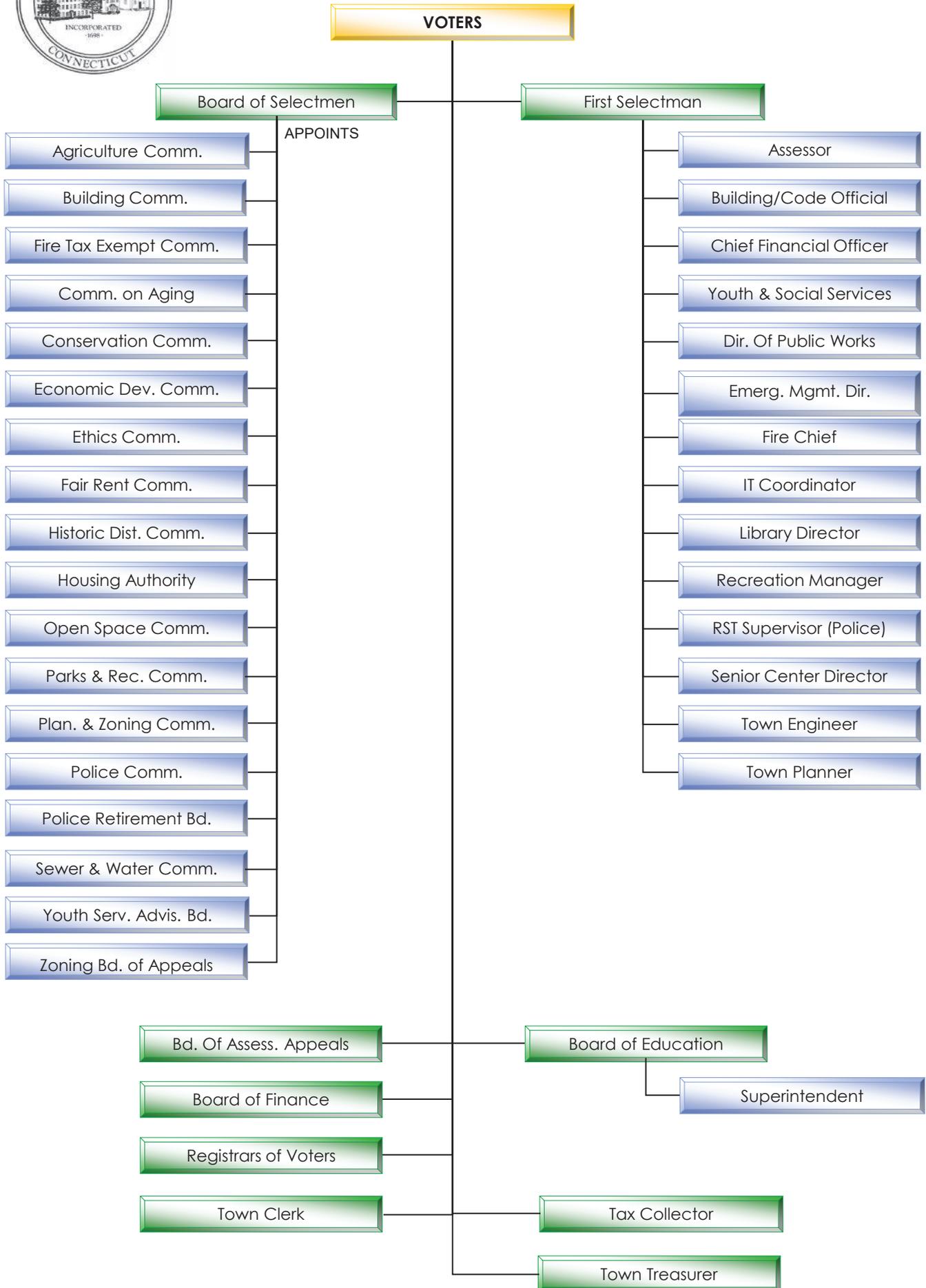
Debbie Kratochvil, Town Finance Director (effective June 2022)  
Gayle Furman, Town Clerk  
John Ringo, Town Treasurer  
Michele Wyatt, Tax Collector  
Jeffrey Burt, Superintendent of Schools  
Rachel Linkkila, BOE Business Director (effective June 2022)  
Shannon Ramsby, Director of HR

### Board of Education

Alexander Oliphant, Chair  
Mary Tomasi, Vice Chair  
Jessica Morozovich, Secretary  
Donna Antonacci  
Rosemary Gignac  
Marguerite Gignac  
Christopher Rivers



# ORGANIZATIONAL CHART



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# Financial Section

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## Independent Auditors' Report

**Board of Finance**  
**Town of Colchester, Connecticut**

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Colchester, Connecticut ("Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of June 30, 2022, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparisons, and the pension and other post-employment benefit schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

**Board of Finance  
Town of Colchester, Connecticut**

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***Supplementary 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 combining fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual financial report. The other information comprises the introductory and trend information sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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.

*PKF O'Connor Davies, LLP*

Wethersfield, Connecticut  
December 19, 2023



# Town of Colchester, Connecticut

127 Norwich Avenue, Colchester, Connecticut 06415

## Management's Discussion and Analysis For the Year Ended June 30, 2022

As management of the Town of Colchester, Connecticut ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022. Please read it in conjunction with the Town's financial statements immediately following this section.

### Financial highlights

The assets and deferred outflows of resources of the Town exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year as follows:

	Governmental Activities	Business-Type Activities	Total
Change in net position	\$ 793,185	\$ 234,424	\$ 1,027,609
Total net position	82,907,466	5,638,662	88,546,128
Unrestricted net position	7,151,957	1,297,672	8,449,629

- The Town's total net position increased by \$1,027,609. The increase is due to the following:

#### Governmental fund activity:

- positive operations of the capital reserve fund of \$ 119,255
- positive operations of the other governmental funds of 389,505

The positive operations were offset by:

- negative operations of the internal service fund of (312,363)

#### Business-type fund activity:

- positive operations of the water fund of 234,424

#### Conversion to accrual basis on Exhibit E:

- capital outlay net of depreciation/amortization expense of (1,439,361)
- net principal debt activity of 1,878,576
- change in net pension liability of (752,541)
- change in OPEB liability of 3,814,135
- change in pension and OPEB deferred outflows/inflows of resources of (3,356,217)

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$15,849,939, an increase of \$551,972 in comparison with the prior year. The majority of the increase is due to the positive operations of the capital reserve fund and special gifts fund of \$119,255 and \$853,289 respectively, partially offset by deficit operations of the capital projects fund of \$522,103.
- At year end, the unassigned fund balance for the general fund was \$7,960,638 or 13.90% of total general fund budgetary basis expenditures and transfers out.
- Net capital assets decreased in the current year by \$1,596,679 due to depreciation/amortization expense exceeding capital additions.
- The Town's long-term debt decreased by \$2,057,890 due to scheduled principal payments.
- During the year, the Town implemented GASB No. 87 – Leases. The implementation of this statement has no impact on beginning equity, but increased both capital assets and long-term liabilities by \$535,662.

### **Overview of the basic financial statements**

This discussion and analysis is intended to serve as an introduction to the Town of Colchester'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 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 overview 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, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between these accounts 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 reported in this statement are for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements 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, community and human services, and education. The business-type activities of the Town account for the water operations.

**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.

For governmental funds, information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general, American rescue plan act, capital reserve, and Johnston building project funds which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided on Schedules 4 and 5 of this report.

**Proprietary funds.** The Town uses two different types of proprietary funds. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to report the activities of the water fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the Town's various functions.

The Town uses the internal service fund to account for its employees and retirees' self-insured medical benefits. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund. The basic proprietary fund financial statements can be found on Exhibits F, G, and H.

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

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information as follows:

- A budgetary comparison schedule for the General Fund to demonstrate compliance with this budget.
- Schedules to demonstrate the Town's progress in funding its obligation to provide pension benefits.
- Schedules to demonstrate the Town's progress in funding its obligation to provide other post-employment benefits.

**Other information.** Other required schedules and the combining and supplemental schedules referred to earlier in connection with other governmental funds are presented immediately following the required supplementary information section.

### **Government-wide financial analysis**

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$88,546,128 at the close of the fiscal year.

## Management's Discussion and Analysis

The largest portion of the Town's net position reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (3.70%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totals \$8,449,629.

The analysis below focuses on the net position and changes in net position. Unrestricted net position decreased by \$655,001 from the prior year.

### Summary Statement of Net Position June 30

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021 <i>(as restated)</i>	2022	2021	2022	2021 <i>(as restated)</i>
Current and other assets	\$ 29,225,366	\$ 28,437,923	\$ 1,390,044	\$ 1,137,218	\$ 30,615,410	\$ 29,575,141
Capital assets (net)	97,388,560	98,827,921	5,206,579	5,363,897	102,595,139	104,191,818
Total assets	126,613,926	127,265,844	6,596,623	6,501,115	133,210,549	133,766,959
Deferred outflows of resources	1,687,621	1,657,812	-	-	1,687,621	1,657,812
Long-term liabilities outstanding	30,135,092	34,871,810	730,849	865,589	30,865,941	35,737,399
Other liabilities	11,171,978	11,233,172	227,112	231,288	11,399,090	11,464,460
Total liabilities	41,307,070	46,104,982	957,961	1,096,877	42,265,031	47,201,859
Deferred inflows of resources	4,087,011	704,393	-	-	4,087,011	704,393
Net investment in capital assets	72,478,349	71,887,446	4,340,990	4,337,392	76,819,339	76,224,838
Restricted	3,277,160	2,189,051	-	-	3,277,160	2,189,051
Unrestricted	7,151,957	8,037,784	1,297,672	1,066,846	8,449,629	9,104,630
Total net position	\$ 82,907,466	\$ 82,114,281	\$ 5,638,662	\$ 5,404,238	\$ 88,546,128	\$ 87,518,519

Net position may serve over time as a useful indicator of a Town's financial position. The Town's net position increased \$1,027,609 as detailed below.

The reader should remember that the basis of accounting used in the government-wide statement of activities excludes capital expenditures while its revenues include general taxes whose primary purpose is for the construction of those very assets or their related debt service.

**Statement of Changes in Net Position  
For the Years Ended June 30**

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 5,424,433	\$ 3,971,466	\$ 1,238,691	\$ 1,151,888	\$ 6,663,124	\$ 5,123,354
Operating grants and contributions	24,048,326	21,245,742	-	-	24,048,326	21,245,742
Capital grants and contributions	707,345	1,673,385	-	-	707,345	1,673,385
General revenues:						
Property taxes	42,596,813	41,235,316	-	-	42,596,813	41,235,316
Grants and contributions not restricted to specific programs	308,032	312,674	-	-	308,032	312,674
Income from investments	63,633	32,667	677	1,248	64,310	33,915
Gain on sale of assets	52,512	25,764	-	-	52,512	25,764
<b>Total revenues</b>	<b>73,201,094</b>	<b>68,497,014</b>	<b>1,239,368</b>	<b>1,153,136</b>	<b>74,440,462</b>	<b>69,650,150</b>
Expenses:						
General government	4,005,273	3,852,637	-	-	4,005,273	3,852,637
Public safety	3,940,494	3,739,138	-	-	3,940,494	3,739,138
Public works	6,071,709	5,656,168	-	-	6,071,709	5,656,168
Community and human services	2,604,158	2,061,992	-	-	2,604,158	2,061,992
Education	55,093,077	51,478,374	-	-	55,093,077	51,478,374
Interest	706,778	800,522	-	-	706,778	800,522
Water	-	-	991,364	1,023,508	991,364	1,023,508
<b>Total expenses</b>	<b>72,421,489</b>	<b>67,588,831</b>	<b>991,364</b>	<b>1,023,508</b>	<b>73,412,853</b>	<b>68,612,339</b>
Change in net position before transfers	779,605	908,183	248,004	129,628	1,027,609	1,037,811
Transfers	13,580	13,580	(13,580)	(13,580)	-	-
Change in net position	793,185	921,763	234,424	116,048	1,027,609	1,037,811
Net position - July 1	82,114,281	81,192,518	5,404,238	5,288,190	87,518,519	86,480,708
Net position - June 30	<b>\$ 82,907,466</b>	<b>\$ 82,114,281</b>	<b>\$ 5,638,662</b>	<b>\$ 5,404,238</b>	<b>\$ 88,546,128</b>	<b>\$ 87,518,519</b>

The key elements of the increase are as follows:

**Governmental activities – revenues**

- Charges for services increased by \$1,452,967 primarily due to an increase in activities as COVID restrictions relaxed, including a \$236,376 increase in student activity fees. Additionally:
  - \$471,564 was received for a sewer force main repair from a bordering Town
  - General sewer operating fees increased \$181,501
  - Ambulance fees increased \$151,795 due to increased responses by Colchester volunteers
  - Tuition increased \$114,815 due to additional out-of-town high school students
- Operating grants and contributions increased by \$2,802,584 primarily due to:
  - an increase in COVID-19 related grants including school lunch and breakfast of \$768,590
  - ARP ESSER of \$821,373
  - ARPA of \$346,344
- Capital grants and contributions decreased by \$966,040 primarily due to the LOTCIP and the local bridge grants of \$765,269 and \$195,561 received in the prior year
- Property taxes increased by \$1,361,497 due to an increase in the amount needed to fund the adopted budget

**Governmental activities - expenses**

- Public works expenses increased by \$415,541 primarily due to the increase in the amount budgeted and expended, primarily in the highway department for personnel costs resulting from union contract settlement, tree cutting and removal, vehicle maintenance and fuel, and road improvements.
- Community and human services expenses increased \$542,166 primarily due to:
  - \$178,672 of ARPA grant expenses
  - \$147,209 increase in other grant expenses, including the Drug Free Communities grant
- Education expenses increased by \$3,614,703 primarily due to:
  - \$868,456 increase in net internal service expense for increased medical costs
  - \$429,114 increase in the education budget
  - \$821,373 increase in grant expenses including ARP ESSER
  - \$134,697 increase in school activities expenses for additional activities
  - \$216,503 increase in cafeteria expenses as a result of the return of in person classes

**Business-type activities - revenues**

- Charges for services increased \$86,803 over the prior year due to an increase in usage as well as an increase in survey fees as testing was delayed in prior years due to COVID.

**Business-type activities - expenses**

- Water expenses were consistent with the prior year.

**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 expendable 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 end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$15,849,939. Fund balance has been classified as:

Restricted	\$ 3,277,160
Committed	6,306,099
Assigned	2,214,979
Unassigned	<u>4,051,701</u>
Total	<u>\$ 15,849,939</u>

The total fund balance increased by \$551,972 to \$15,849,939. This increase is a result of the following funds activity:

**General Fund.** The general fund is the operating fund of the Town. At the end of the current fiscal year, of the total fund balance of the general fund, \$7,960,638 was unassigned. During the current fiscal year, the fund balance of the Town's general fund increased by \$59,637. The increase was substantially attributable to the expenditure budget which was underspent by \$421,419 which was offset by an appropriation of fund balance of \$555,217. A more detailed discussion is included under budgetary highlights.

**American Rescue Plan Act Fund.** The American Rescue Plan Act fund accounts for and reports the proceeds and expenditures of the American Rescue Plan Act grant. \$346,344 of the grant was spent during the year.

**Capital Reserve Fund.** The capital reserve fund accounts for financial resources to be used for the acquisition of vehicles and equipment which are financed by General Fund appropriations and equipment financing notes issuances. At the end of the current fiscal year, committed fund balance of the fund was \$3,174,499. This was the result of positive operations of \$119,255 due additional contributions to reserves for vehicle, equipment, and buildings and grounds future expenditures and sale of capital assets of \$52,512.

**Johnston Building Project Fund.** The Johnston building project fund accounts for and reports financial resources to be used for the William J. Johnston construction and renovation project. At the end of the current fiscal year, deficit fund balance of the fund increased from \$3,790,848 in the prior year to \$3,807,273. This was the result of expenditures of \$16,425. The deficit will be eliminated when remaining grant revenues are received once the project is audited by the State.

### **Proprietary funds**

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Town has one enterprise fund: water fund which accounts for the operations of the water department.

**Water Fund.** There was an increase in net position of \$234,424 in the water fund due to an increase in charges for services of \$86,803 due to an increase in usage and increased survey fees as well as a \$32,144 decrease in expenses. Unrestricted net position of the water fund was \$1,297,672 at year end.

**Internal Service Funds.** The internal service funds are used to account for medical self-insurance claims. The internal service fund had a decrease to its net position of \$312,363. This is primarily due to an increase in claims and a decrease in charges. The internal service funds had an unrestricted net position of \$2,909,142 at year end.

### **General fund budgetary highlights**

Significant budget transfers made during the year include:

- There were additional appropriations of fund balance totaling \$174,217 for the highway and police departments.
- Police and fire were increased by \$74,402 and \$98,531 respectively, partially from the additional appropriation and partially from the \$140,470 reduction of the human resources budget. These transfers were to fund overtime costs.
- Highway was increased by \$163,585, primarily from the additional appropriation for personnel costs resulting from union contract settlement, tree cutting and removal, vehicle maintenance and fuel costs.

## Management's Discussion and Analysis

Total revenues were higher than budgeted by \$480,970, primarily due to charges for services above budget including:

- Ambulance was \$152,960 above budget due to increased responses to calls, rather than using mutual aid, as there were sufficient volunteers to staff the new ambulance
- Building code fees were \$161,364 above budget due to the rise in the housing market
- Tuition was \$169,522 above budget due to additional out-of-town high school freshmen

This was partially offset by education grants under budget by \$192,141 as less was received than expected.

Significant departments that were underspent during the year were as follows:

- Education was underspent by \$419,224 primarily due to personnel turnover and vacancies. The certified and classified salary line item was approximately \$298,000 under budget

### **Capital assets and debt administration**

#### **Capital assets**

The Town's investment in capital assets amounts to \$102,595,139 (net of accumulated depreciation/amortization). This investment in capital assets is as follows:

#### **Capital Assets (Net) June 30**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
		<i>(as restated)</i>				<i>(as restated)</i>
Land	\$ 3,918,414	\$ 3,626,879	\$ -	\$ -	\$ 3,918,414	\$ 3,626,879
Construction in progress	485,207	735,600	-	-	485,207	735,600
Intangible right-to-use assets	428,661	535,662	-	-	428,661	535,662
Improvements other than buildings	606,117	497,396	2,100	2,310	608,217	499,706
Buildings	75,225,558	77,778,027	3,720,000	3,831,510	78,945,558	81,609,537
Machinery and equipment	4,603,107	4,753,737	123,033	117,776	4,726,140	4,871,513
Infrastructure	12,121,496	10,900,620	1,361,446	1,412,301	13,482,942	12,312,921
<b>Total</b>	<b>\$ 97,388,560</b>	<b>\$ 98,827,921</b>	<b>\$ 5,206,579</b>	<b>\$ 5,363,897</b>	<b>\$ 102,595,139</b>	<b>\$ 104,191,818</b>

The capital assets (net of depreciation/amortization) decreased in the current year by \$1,596,679. The decrease is due to depreciation expense exceeding capital additions. In the current year, the Town had net capital asset additions totaling \$3,114,612.

Major capital asset additions during the year included the following:

**Governmental activities:**

Land additions of:

- Middletown road - 65 acres \$ 226,330

Construction in progress additions of:

- Bacon Academy building equipment 100,992
- Sewer main replacements 580,627
- Senior center building 347,379

Machinery and equipment additions of:

- Ambulance 316,199
- Dump truck 191,397

Infrastructure additions of:

- Sewer main replacements (from construction in progress) 1,090,465
- Carli boulevard 452,433

**Business-type activities:**

Buildings additions of:

- Redevelopment of wellhouse #3A 39,163

Machinery and equipment additions of:

- Replacement pump - well 5A 35,475

Additional information on the Town's capital assets can be found in Note III D.

**Long-term debt**

At the end of the fiscal year, the Town had total long-term debt outstanding of \$21,934,140. All debt is backed by the full faith and credit of the Town.

**Long-Term Debt  
June 30**

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021 <i>(as restated)</i>	2022	2021	2022	2021 <i>(as restated)</i>
General obligation bonds	\$ 19,645,000	\$ 21,140,000	\$ -	\$ -	\$ 19,645,000	\$ 21,140,000
Equipment financing notes	982,278	1,318,863	-	-	982,278	1,318,863
Clean water note	-	-	865,589	997,505	865,589	997,505
Leases payable	441,273	535,662	-	-	441,273	535,662
<b>Total</b>	<b>\$ 21,068,551</b>	<b>\$ 22,994,525</b>	<b>\$ 865,589</b>	<b>\$ 997,505</b>	<b>\$ 21,934,140</b>	<b>\$ 23,992,030</b>

During the current fiscal year, the Town's total debt decreased by \$2,057,890 due to scheduled principal payments.

The Town maintains a "AA+" credit rating from Standard and Poor's Investor Service.

State Statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total prior year tax collections including interest and lien fees. The current debt limitation for the Town is \$287,772,233, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note III F.

**Economic factors and next year's budgets and rates**

The 2022-2023 general fund adopted budget totaled \$57,648,602. The following economic factors currently affect the Town and were considered in developing the 2022-2023 fiscal year budget:

- As of June 2022, the unemployment rate for the Town was at 3.5%, which is a decrease from a rate of 5.3% a year ago. Town unemployment rate is lower than the State rate of 4.3% and a national unemployment rate of 3.8% as of June 2022.

**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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed in writing to the Finance Director, Town of Colchester, 127 Norwich Avenue, Suite 203, Colchester, CT 06415.

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# **Basic Financial Statements**

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Town of Colchester, Connecticut

Statement of Net Position  
June 30, 2022

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash	\$ 12,742,033	\$ 837,934	\$ 13,579,967
Investments	13,317,539	-	13,317,539
Receivables:			
Property taxes	617,007	-	617,007
Intergovernmental	1,057,622	-	1,057,622
Assessments and use charges	313,736	402,781	716,517
Accounts	552,559	-	552,559
Inventory	-	149,329	149,329
Other	61,105	-	61,105
Total current assets	<u>28,661,601</u>	<u>1,390,044</u>	<u>30,051,645</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash	76,373	-	76,373
Receivables (net):			
Property taxes	428,582	-	428,582
Loan	58,810	-	58,810
Total receivables (net)	<u>487,392</u>	<u>-</u>	<u>487,392</u>
Capital assets (net of accumulated depreciation):			
Land	3,918,414	-	3,918,414
Construction in progress	485,207	-	485,207
Intangible right-to-use assets	428,661	-	428,661
Improvements other than building	606,117	2,100	608,217
Buildings	75,225,558	3,720,000	78,945,558
Machinery and equipment	4,603,107	123,033	4,726,140
Infrastructure	12,121,496	1,361,446	13,482,942
Total capital assets (net of accumulated depreciation)	<u>97,388,560</u>	<u>5,206,579</u>	<u>102,595,139</u>
Total noncurrent assets	<u>97,952,325</u>	<u>5,206,579</u>	<u>103,158,904</u>
Total assets	<u>126,613,926</u>	<u>6,596,623</u>	<u>133,210,549</u>
<u>Deferred Outflows of Resources</u>			
Pension related	687,466	-	687,466
OPEB related	1,000,155	-	1,000,155
Total deferred outflows of resources	<u>1,687,621</u>	<u>-</u>	<u>1,687,621</u>

(Continued)

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

Town of Colchester, Connecticut

Statement of Net Position  
June 30, 2022

<u>Liabilities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 2,112,585	\$ 61,756	\$ 2,174,341
Accrued payroll	873,469	26,581	900,050
Unearned revenue	2,483,827	-	2,483,827
Accrued interest payable	192,070	-	192,070
Bond anticipation notes	2,845,000	-	2,845,000
Other	158,216	4,035	162,251
Long-term debt	1,630,406	134,740	1,765,146
Landfill postclosure liability	15,000	-	15,000
Compensated absences	282,915	-	282,915
Claims payable	578,490	-	578,490
Total current liabilities	<u>11,171,978</u>	<u>227,112</u>	<u>11,399,090</u>
Noncurrent liabilities:			
Performance bonds	75,923	-	75,923
Long-term debt and related liabilities	20,434,805	730,849	21,165,654
Landfill postclosure liability	15,000	-	15,000
Compensated absences	3,379,590	-	3,379,590
Net pension liability	1,023,301	-	1,023,301
OPEB liability	5,206,473	-	5,206,473
Total noncurrent liabilities	<u>30,135,092</u>	<u>730,849</u>	<u>30,865,941</u>
Total liabilities	<u>41,307,070</u>	<u>957,961</u>	<u>42,265,031</u>
<u>Deferred Inflows of Resources</u>			
Advance property tax collections	2,207	-	2,207
Pension related	267,244	-	267,244
OPEB related	3,817,560	-	3,817,560
Total deferred inflows of resources	<u>4,087,011</u>	<u>-</u>	<u>4,087,011</u>
<u>Net Position</u>			
Net investment in capital assets	72,478,349	4,340,990	76,819,339
Restricted for:			
Perpetual care cemetery	450	-	450
Small cities	69,533	-	69,533
General government	104,224	-	104,224
Public safety	273,066	-	273,066
Public works	1,456,799	-	1,456,799
Community and human services	1,103,027	-	1,103,027
Education	270,061	-	270,061
Unrestricted	7,151,957	1,297,672	8,449,629
Total net position	<u>\$ 82,907,466</u>	<u>\$ 5,638,662</u>	<u>\$ 88,546,128</u>

(Concluded)

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

Town of Colchester, Connecticut

Statement of Activities  
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 4,005,273	\$ 958,848	\$ 35,670	\$ -	\$ (3,010,755)	\$ -	\$ (3,010,755)
Public safety	3,940,494	877,649	292,605	-	(2,770,240)	-	(2,770,240)
Public works	6,071,709	2,095,984	79,551	576,336	(3,319,838)	-	(3,319,838)
Community and human services	2,604,158	224,868	1,368,402	-	(1,010,888)	-	(1,010,888)
Education	55,093,077	1,267,084	22,272,098	131,009	(31,422,886)	-	(31,422,886)
Interest	706,778	-	-	-	(706,778)	-	(706,778)
Total governmental activities	72,421,489	5,424,433	24,048,326	707,345	(42,241,385)	-	(42,241,385)
Business-type activities:							
Water	991,364	1,238,691	-	-	-	247,327	247,327
Total	<u>\$ 73,412,853</u>	<u>\$ 6,663,124</u>	<u>\$ 24,048,326</u>	<u>\$ 707,345</u>	<u>(42,241,385)</u>	<u>247,327</u>	<u>(41,994,058)</u>
General revenues:							
Property taxes					42,596,813	-	42,596,813
Grants and contributions not restricted to specific programs					308,032	-	308,032
Income from investments					63,633	677	64,310
Gain on sale of assets					52,512	-	52,512
Total general revenues					<u>43,020,990</u>	<u>677</u>	<u>43,021,667</u>
Transfers in (out)					<u>13,580</u>	<u>(13,580)</u>	<u>-</u>
Change in net position					793,185	234,424	1,027,609
Net position - July 1, 2021					<u>82,114,281</u>	<u>5,404,238</u>	<u>87,518,519</u>
Net position - June 30, 2022					<u>\$ 82,907,466</u>	<u>\$ 5,638,662</u>	<u>\$ 88,546,128</u>

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

Town of Colchester, Connecticut

Governmental Funds  
Balance Sheet  
June 30, 2022

	General Fund	American Rescue Plan Act Fund	Capital Reserve Fund	Johnston Building Project Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash	\$ 2,500,424	\$ -	\$ -	\$ -	\$ 6,959,082	\$ 9,459,506
Restricted cash	75,923	-	-	-	-	75,923
Investments	8,114,647	2,000,336	3,202,556	-	-	13,317,539
Receivables (net):						
Property taxes	1,045,589	-	-	-	-	1,045,589
Intergovernmental	117,086	-	-	-	940,536	1,057,622
Assessments and use charges	-	-	-	-	313,736	313,736
Loan	-	-	-	-	58,810	58,810
Accounts	140,579	-	6	-	207,319	347,904
Due from other funds	1,592,184	-	-	-	-	1,592,184
Other	51,049	-	-	-	10,056	61,105
<b>Total assets</b>	<b>\$ 13,637,481</b>	<b>\$ 2,000,336</b>	<b>\$ 3,202,562</b>	<b>\$ -</b>	<b>\$ 8,489,539</b>	<b>\$ 27,329,918</b>
<u>Liabilities</u>						
Accounts payable	\$ 1,492,160	\$ 7,338	\$ 28,063	\$ -	\$ 585,024	\$ 2,112,585
Accrued payroll	776,191	-	-	-	97,278	873,469
Due to other funds	-	-	-	962,273	629,911	1,592,184
Unearned revenue	1,220	1,992,998	-	-	489,609	2,483,827
Bond anticipation notes	-	-	-	2,845,000	-	2,845,000
Performance bonds	75,923	-	-	-	-	75,923
Other	149,467	-	-	-	8,749	158,216
<b>Total liabilities</b>	<b>2,494,961</b>	<b>2,000,336</b>	<b>28,063</b>	<b>3,807,273</b>	<b>1,810,571</b>	<b>10,141,204</b>
<u>Deferred Inflows of Resources</u>						
Unavailable revenue:						
Advance property tax collections	2,207	-	-	-	-	2,207
Property taxes	1,045,589	-	-	-	-	1,045,589
Assessments and use charges	-	-	-	-	290,979	290,979
<b>Total deferred inflows of resources</b>	<b>1,047,796</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>290,979</b>	<b>1,338,775</b>
<u>Fund Balances</u>						
Restricted	-	-	-	-	3,277,160	3,277,160
Committed	444,334	-	3,174,499	-	2,687,266	6,306,099
Assigned	1,689,752	-	-	-	525,227	2,214,979
Unassigned	7,960,638	-	-	(3,807,273)	(101,664)	4,051,701
<b>Total fund balances</b>	<b>10,094,724</b>	<b>-</b>	<b>3,174,499</b>	<b>(3,807,273)</b>	<b>6,387,989</b>	<b>15,849,939</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 13,637,481</b>	<b>\$ 2,000,336</b>	<b>\$ 3,202,562</b>	<b>\$ -</b>	<b>\$ 8,489,539</b>	<b>\$ 27,329,918</b>

**Town of Colchester, Connecticut  
Reconciliation of Fund Balance  
to Net Position of Governmental Activities  
June 30, 2022**

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet due to:

Total fund balance (Exhibit C, Page 1)	<u>\$ 15,849,939</u>
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Beginning capital assets (net)	98,827,921
Capital assets additions (net of construction in progress)	3,039,974
Depreciation/amortization expense	<u>(4,479,335)</u>

Total	<u>97,388,560</u>
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Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures and, therefore, are unavailable in the funds:

Property taxes - accrual basis change	1,045,589
Sewer assessments and use charges - accrual basis change	290,979
Deferred outflows related to pensions	687,466
Deferred outflows related to OPEB	<u>1,000,155</u>

Total	<u>3,024,189</u>
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Internal service funds are used by management for risk-financing activities:

The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position	<u>2,909,142</u>
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Some liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(20,627,278)
Leases payable	(441,273)
Premium	(996,660)
Landfill postclosure liability	(30,000)
Compensated absences	(3,662,505)
Net pension liability	(1,023,301)
OPEB liability	(5,206,473)
Accrued interest payable	(192,070)
Deferred inflows related to pensions	(267,244)
Deferred inflows related to OPEB	<u>(3,817,560)</u>

Total	<u>(36,264,364)</u>
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Net position of governmental activities (Exhibit A)	<u>\$ 82,907,466</u>
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(Concluded)

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

Town of Colchester, Connecticut

**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2022**

	General Fund	American Rescue Plan Act Fund	Capital Reserve Fund	Johnston Building Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 42,473,085	\$ -	\$ -	\$ -	\$ -	\$ 42,473,085
Intergovernmental	18,921,948	346,344	-	-	4,692,964	23,961,256
Charges for services	2,327,257	-	6,462	-	3,049,814	5,383,533
Income from investments	59,591	-	-	-	507	60,098
Contributions	-	-	-	-	1,022,896	1,022,896
Other	30,437	-	-	-	851	31,288
<b>Total revenues</b>	<b>63,812,318</b>	<b>346,344</b>	<b>6,462</b>	<b>-</b>	<b>8,767,032</b>	<b>72,932,156</b>
Expenditures:						
Current:						
General government	3,845,716	15,720	-	-	162,958	4,024,394
Public safety	3,376,723	-	-	-	181,909	3,558,632
Public works	3,979,835	-	-	-	1,387,412	5,367,247
Community and human services	1,685,388	178,672	-	-	517,885	2,381,945
Education	47,681,959	-	-	16,425	3,772,925	51,471,309
Debt service	2,075,164	-	-	-	568,541	2,643,705
Capital outlay	-	151,952	590,536	-	2,393,246	3,135,734
<b>Total expenditures</b>	<b>62,644,785</b>	<b>346,344</b>	<b>590,536</b>	<b>16,425</b>	<b>8,984,876</b>	<b>72,582,966</b>
Excess (deficiency) of revenues over expenditures	1,167,533	-	(584,074)	(16,425)	(217,844)	349,190
Other financing sources (uses):						
Sale of capital assets	-	-	52,512	-	-	52,512
Insurance recoveries	-	-	89,292	-	-	89,292
Premium	-	-	-	-	47,398	47,398
Transfers in	-	-	561,525	-	862,516	1,424,041
Transfers out	(1,107,896)	-	-	-	(302,565)	(1,410,461)
<b>Net other financing sources (uses)</b>	<b>(1,107,896)</b>	<b>-</b>	<b>703,329</b>	<b>-</b>	<b>607,349</b>	<b>202,782</b>
<b>Net change in fund balances</b>	<b>59,637</b>	<b>-</b>	<b>119,255</b>	<b>(16,425)</b>	<b>389,505</b>	<b>551,972</b>
Fund balances - July 1, 2021	10,035,087	-	3,055,244	(3,790,848)	5,998,484	15,297,967
<b>Fund balances - June 30, 2022</b>	<b>\$ 10,094,724</b>	<b>\$ -</b>	<b>\$ 3,174,499</b>	<b>\$ (3,807,273)</b>	<b>\$ 6,387,989</b>	<b>\$ 15,849,939</b>

Town of Colchester, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities (Exhibit B) are due to:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 551,972
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	3,039,974
Depreciation/amortization expense	<u>(4,479,335)</u>
Total	<u>(1,439,361)</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the fund financial statements are not recognized in the statement of activities:

Change in property tax receivable - accrual basis change	123,728
Change in sewer assessment receivable - accrual basis change	<u>9,612</u>
Total	<u>133,340</u>

The issuance of long-term debt (e.g., bonds, notes) 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 position. 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. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Premium	(47,398)
Principal repayments:	
General obligation bonds	1,495,000
Notes payable	336,585
Leases payable	<u>94,389</u>
Total	<u>1,878,576</u>

(Continued)

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

Town of Colchester, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2022

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:

Change in/amortization of:	
Premium	\$ 137,180
Deferred charge on refunding	(37,227)
Landfill postclosure liability	15,000
Compensated absences	170,302
Net pension liability	(752,541)
OPEB liability	3,814,135
Accrued interest payable	(9,611)
Deferred outflows related to pension	360,241
Deferred inflows related to pension	317,797
Deferred outflows related to OPEB	(293,205)
Deferred inflows related to OPEB	<u>(3,741,050)</u>
Total	<u>(18,979)</u>
Internal service fund is used by management for risk financing activities:	
The net revenue (expense) of the activities of the internal service fund is reported with governmental activities	<u>(312,363)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 793,185</u>

(Concluded)

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

## Town of Colchester, Connecticut

**Proprietary Funds  
Statement of Net Position  
June 30, 2022**

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
<u>Assets</u>		
Current assets:		
Cash	\$ 837,934	\$ 3,282,977
Receivables:		
Usage	402,781	-
Accounts	-	204,655
Inventory	149,329	-
Total current assets	1,390,044	3,487,632
Noncurrent assets:		
Capital assets (net):		
Improvements other than buildings	2,100	-
Buildings	3,720,000	-
Machinery and equipment	123,033	-
Infrastructure	1,361,446	-
Total capital assets (net)	5,206,579	-
Total assets	6,596,623	3,487,632
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	61,756	-
Accrued payroll	26,581	-
Other	4,035	-
Claims payable	-	578,490
Notes payable	134,740	-
Total current liabilities	227,112	578,490
Noncurrent liabilities:		
Notes payable	730,849	-
Total liabilities	957,961	578,490
<u>Net Position</u>		
Net investment in capital assets	4,340,990	-
Unrestricted	1,297,672	2,909,142
Total net position	\$ 5,638,662	\$ 2,909,142

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

## Town of Colchester, Connecticut

**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2022**

	Business-type Activities	Governmental Activities
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Medical Self- Insurance Fund</u>
Operating revenues:		
Charges for services	<u>\$ 1,238,691</u>	<u>\$ 7,734,780</u>
Operating expenses:		
Personnel services	481,443	-
Repairs and maintenance	16,957	-
Contracted services	88,180	-
Materials and supplies	37,122	-
Utilities	97,402	-
Insurance	18,434	-
Claims incurred	-	6,420,363
Administration	-	1,108,875
HSA contributions	-	521,440
Depreciation and amortization	<u>231,956</u>	<u>-</u>
Total operating expenses	<u>971,494</u>	<u>8,050,678</u>
Operating income (loss)	<u>267,197</u>	<u>(315,898)</u>
Nonoperating revenues (expenses):		
Income from investments	677	3,535
Interest expense	<u>(19,870)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(19,193)</u>	<u>3,535</u>
Income (loss) before transfers	248,004	(312,363)
Transfers out	<u>(13,580)</u>	<u>-</u>
Change in net position	234,424	(312,363)
Total net position - July 1, 2021	<u>5,404,238</u>	<u>3,221,505</u>
Total net position - June 30, 2022	<u><u>\$ 5,638,662</u></u>	<u><u>\$ 2,909,142</u></u>

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

Town of Colchester, Connecticut

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2022

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
Cash flows from (used in) operating activities:		
Cash received for charges for services	\$ 1,246,848	\$ 7,745,459
Cash paid for benefits and claims	-	(6,363,018)
Cash paid for administration	-	(1,108,875)
Cash paid for HSA contributions	-	(521,440)
Cash paid to suppliers	(211,361)	-
Cash paid to employees	(474,020)	-
Cash paid for repairs and maintenance and utilities	(114,359)	-
Net cash from (used in) operating activities	<u>447,108</u>	<u>(247,874)</u>
Cash flows from (used in) noncapital financing activities:		
Transfer to other funds	<u>(13,580)</u>	<u>-</u>
Cash flows from (used in) capital and related financing activities:		
Purchase of capital assets	(74,638)	-
Principal payments on debt	(131,916)	-
Interest payments	(19,870)	-
Net cash from (used in) capital and related financing activities	<u>(226,424)</u>	<u>-</u>
Cash flows from (used in) investing activities:		
Income from investments	<u>677</u>	<u>3,535</u>
Increase (decrease) in cash	207,781	(244,339)
Cash - July 1, 2021	<u>630,153</u>	<u>3,527,316</u>
Cash - June 30, 2022	<u>\$ 837,934</u>	<u>\$ 3,282,977</u>

(Continued)

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

Town of Colchester, Connecticut  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

	Business-type Activities	Governmental Activities
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Medical Self- Insurance Fund</u>
Reconciliation of operating income (loss) to net cash from (used in) operating activities:		
Operating income (loss)	\$ 267,197	\$ (315,898)
Adjustments to reconcile operating income (loss) to net cash from (used in) operating activities:		
Depreciation and amortization	231,956	-
(Increase) decrease in:		
Receivables	5,154	12,202
Inventory	(50,199)	-
Increase (decrease) in:		
Accounts payable	11,574	-
Accrued payroll	7,423	-
Retainage payable	(29,000)	-
Unearned revenue	-	(1,523)
Other	3,003	-
Claims payable	-	57,345
Net cash from (used in) operating activities	<u>\$ 447,108</u>	<u>\$ (247,874)</u>

(Concluded)

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

Town of Colchester, Connecticut  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2022**

	Pension Trust Fund
<u>Assets</u>	
Investments:	
Private mutual funds	\$ 3,544,037
<u>Net Position</u>	
Restricted for:	
Pensions	\$ 3,544,037

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

**Town of Colchester, Connecticut**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2022**

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 172,150
Plan members	80,393
Total contributions	252,543
Investment income (loss):	
Change in fair value of investments	(517,099)
Interest and dividends	481
Total investment income (loss)	(516,618)
Total additions	(264,075)
Deductions:	
Benefits	85,021
Administration	50
Total deductions	85,071
Change in net position	(349,146)
Net position - July 1, 2021	3,893,183
Net position - June 30, 2022	\$ 3,544,037

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

## Town of Colchester, Connecticut

**Notes to Financial Statements  
As of and for the Year Ended June 30, 2022****History and organization**

The Town of Colchester, Connecticut ("Town") operates under the Selectmen - Town Meeting form of government established by a charter. The Town offers a full range of services authorized by the Connecticut General Statutes, including public safety, public works, community and human services, and education, to its residents.

The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. The Town is financially accountable for the pension trust fund and therefore, it is considered a fiduciary component unit. The financial statements of the fiduciary component units are reported as pension trust funds in the fiduciary fund financial statements. The pension trust funds do not issue separate financial statements.

**I. Summary of significant accounting policies****A. 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. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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 are reported as separate columns in the fund financial statements.

**B. Measurement focus, basis of accounting and financial statement presentation**

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

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. The Town considers reimbursement grants to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension and OPEB benefits, certain other employee benefits, and certain other long-term liabilities, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds.

Expenditure reimbursement type grants, certain intergovernmental revenues, charges for services, transfers and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items, including property taxes, 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	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.
American Rescue Plan Act Fund	Accounts for and reports the proceeds and expenditures of the American Rescue Plan Act grant.
Capital Reserve Fund	Accounts for financial resources to be used for the acquisition of vehicles and equipment which are financed by General Fund appropriations and issuance of equipment financing notes.
Johnston Building Project Fund	Accounts for and reports financial resources to be used for the William J. Johnston construction and renovation project.

The Town reports the following major proprietary fund:

Water Fund	Accounts for the operating activity of the water operations. The major source of revenues for this fund is charges for services.
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Additionally, the Town reports the following fund types:

Special Revenue Funds	Accounts for and report the proceeds of specific revenue resources that are restricted, committed or assigned to expenditures for specified purposes other than debt.
Capital Project Funds	Accounts for and report resources and expenditures that are restricted, committed or assigned for the acquisition and construction of capital facilities, including those that are financed through special assessments.

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

Debt Service Fund	Accounts for and report resources and expenditures that are assigned for the repayment of debt.
Permanent Fund	Accounts for the receipt of private donations to be used for cemetery maintenance.
Internal Service Fund	Accounts for risk financing activities for medical insurance benefits.
Pension Trust Fund	Accounts for the activities of the Town of Colchester Police Retirement Plan which accumulates resources for pension benefit payments to qualified employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between certain Town functions because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds and of the Town’s internal service fund are charges to customers for sales and services, and premiums for medical and dental insurance.

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the Town’s pension and OPEB plan, the Connecticut State Teachers’ Retirement System (“TRS”), and the Connecticut State Retiree Health Insurance Plan (“RHIP”) have been determined on the same basis as they are reported by the Town’s pension and OPEB plan, TRS, and RHIP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

**C. Assets, liabilities, deferred outflows/inflows of resources and equity**

**1. Cash and investments**

**a. Cash**

The Town considers cash as cash on hand and demand deposits.

For cash flow purposes the Town considers cash equivalents money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)

b. Investments

In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital reserve fund, not more than 31.00% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

State Treasurers 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 - 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 fund investment allocation policy is to target allocations of 4.00% cash, 64.00% equities, and 32.00% fixed income.

c. Method used to value investments

Investments for the Town are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Fair value of investments

The Town measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1	Quoted prices for identical investments in active markets
Level 2	Quoted prices for identical investments in markets that are not active
Level 3	Unobservable inputs

d. Risk policies

Interest rate risk	Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
Credit risk	Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity’s complete failure. The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)

<p>Concentration of credit risk</p>	<p>Concentration of credit risk is the risk attributed to the magnitude of an entity's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital in any one depository.</p>
<p>Custodial credit risk</p>	<p>Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Town's policy follows the State of Connecticut requirements 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.</p>

2. Receivables and payables

a. Interfunds

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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

b. Property taxes and other receivables

In the fund financial and government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 30.00% to 65.00% of outstanding receivable balances and are calculated based upon prior collections.

In the fund financial statements, all property taxes receivable, which have not been collected as of June 30, have been recorded as deferred inflows of resources, since they are not considered to be available to finance expenditures of the current fiscal year.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, on July 1, and supplemental motor vehicle taxes are due in full January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

3. Inventory

Inventories in the water fund consist of repairs and maintenance supplies and are carried at cost using the first in, first out method.

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)****4. Restricted assets**

The restricted assets for the Town are restricted for performance bonds and perpetual care for cemeteries. Performance bonds are temporarily restricted until the monies are returned to the vendor after satisfactory completion of the contract or the Town calls the bond for nonperformance. Perpetual care monies are restricted for expenditure for the designated purpose.

**5. Capital assets**

Capital assets are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost as noted in the table below 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 acquisition 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 the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Improvements other than buildings	20	\$ 5,000
Buildings	40-50	5,000
Machinery and equipment	5-20	5,000
Infrastructure:		
Distribution and collection system	50-100	5,000
Public domain infrastructure	50	5,000
System infrastructure	30	5,000
Intangible right-to-use leased assets	Lease term	20,000

**6. Deferred outflows/inflows of resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

## Town of Colchester, Connecticut

**Notes to Financial Statements  
As of and for the Year Ended June 30, 2022****C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**

The Town reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide statements for differences between expected and actual experience, changes in assumptions and net difference between projected and actual earnings on plan investments. The deferred outflow or inflow related to differences between expected and actual experience and changes in assumptions, will be amortized over the average remaining service life of all plan members. The deferred outflow or inflow related to the net difference between projected and actual earnings on plan investments will be amortized over a five-year period.

Advance tax collections represent taxes associated with a future period. This amount is recognized during the period in which the revenue is associated.

For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from property taxes (including advance collections, if any) and sewer assessments and use charges. These amounts are recognized as an inflow of resources in the period that the amounts become available.

**7. Compensated absences**

Town and Education employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources. A liability for these amounts has been recorded in the government-wide financial statements.

**8. Long-term liabilities**

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the governmental activities' 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 the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**9. Lease liabilities**

The Town is a lessee for noncancellable leases of buildings and equipment. The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Town recognizes lease liabilities with an initial, individual value of \$20,000 or more.

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include:

Discount Rate	The Town uses the interest rate charged by the lessor as the discount rate to discount the expected lease payments to the present value. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
Lease Term	The lease term includes the noncancellable period of the lease.
Lease Payments	Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**10. Net position and fund balances**

In the government-wide financial statements, net position is classified into the following categories:

Net investment in capital assets	This category presents the net position that reflects capital assets net of depreciation/amortization and net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.
Restricted net position	This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).
Unrestricted net position	This category presents the net position of the Town which is not classified in the preceding two categories.

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable	This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
Restricted	This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
Committed	This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the Town. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Selectmen and the Board of Finance.
Assigned	This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town’s fund balance policy, the Board of Finance has authorized the Chief Financial Officer to assign fund balance. Intent is also expressed by a properly approved purchase order (encumbrance).
Unassigned	This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless, the Board of Selectmen and Board of Finance has provided otherwise in its commitment or assignment actions.

**Minimum fund balance policy**

The Board of Selectmen and Board of Finance have adopted a minimum fund balance policy for the General Fund. The policy establishes the intent to maintain a level of unassigned fund balance of 10.00% to 15.00% of annual budgeted expenditures.

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)****11. Use of estimates**

The preparation of the 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, deferred outflows and inflows of resources including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Actual results could differ from those estimates.

**12. Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**II. Stewardship, compliance and accountability****A. Basis of budgeting**

Only the General Fund has a legally adopted annual budget.

The Town uses the budgetary basis of accounting under which purchase orders for contracts or other commitments are recorded in order to reserve that portion of the applicable appropriation. 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 the budgetary statements included as required supplementary information.

**B. Excess expenditures over appropriations**

During the year, general fund expenditures exceeded appropriations in the town clerk department by \$15.

**C. Capital projects authorizations**

The following is a summary of certain capital projects:

<u>Project</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Balance</u>
Local capital improvement	\$ 136,591	\$ 58,086	\$ 78,505
Equipment	1,579,690	1,277,361	302,329
Vehicles	3,472,160	999,768	2,472,392
Facilities and grounds maintenance	723,967	560,776	163,191
Fire apparatus	4,500,000	-	4,500,000
Senior center	9,561,790	349,229	9,212,561
Johnston building project	48,890,000	44,158,014	4,731,986
Totals	<u>\$ 68,864,198</u>	<u>\$ 47,403,234</u>	<u>\$ 21,460,964</u>

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**III. Detailed notes****A. Cash and investments****1. Deposits – custodial credit risk**

At year end, the Town's bank balance was exposed to custodial credit risk as follows:

Bank balance	<u>\$ 14,556,274</u>
Uninsured and uncollateralized	\$ 9,937,215
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>3,619,059</u>
Total amount subject to custodial credit risk	<u>\$ 13,556,274</u>

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist primarily of cash. From time to time, the Town's cash account balances exceeded the Federal Deposit Insurance Corporation limit. The Town reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

**2. Investments**

- a. The Town's investments consisted of the following types and maturities. Specific identification was used to determine maturities:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>	
		<u>N/A</u>	<u>Less Than 1</u>
Private mutual funds - diversified	\$ 3,544,037	\$ 3,544,037	\$ -
Bank money market	306,654	-	306,654
Certificates of deposit	429,357	-	429,357
Pooled fixed income	<u>12,581,528</u>	<u>-</u>	<u>12,581,528</u>
Total	16,861,576	<u>\$ 3,544,037</u>	<u>\$ 13,317,539</u>
Less pension trust fund	<u>(3,544,037)</u>		
Other funds	<u>\$ 13,317,539</u>		

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**A. Cash and investments (continued)**

b. The Town had the following recurring fair value measurements:

	Amount
Investments measured at the net asset value (NAV)	
Private mutual funds - diversified	\$ 3,544,037
Other investments	
Bank money market	306,654
Certificates of deposit	429,357
Pooled fixed income	12,581,528
Total other investments	13,317,539
Total investments	\$ 16,861,576

**c. Investments measured at the net asset value (NAV)**

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of private mutual funds (“funds”). The Town values these investments based on the funds’ audited financial statements. If June 30 statements are available, those values are used preferentially.

However, some funds have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is estimated from the most recently available valuation taking into account subsequent calls and distributions. The following table represents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the Town’s alternative investments measured at the NAV:

Investment Description	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private mutual funds - diversified	\$ 3,544,037	\$ -	Daily	Daily

*Private mutual funds:* This type includes investments in three target date fund of funds, one balanced fund and one fixed account. The fair values of the investments in this type have been determined using the NAV per share of the investment.

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**A. Cash and investments (continued)**

1. Target date funds: The target date funds invest at least 80.00% of their net assets in underlying funds. Up to 20.00% of the net assets may be invested in funding agreements with insurance companies. Of the underlying funds, the target asset allocation for the three funds is 35.00%, 48.00%, and 70.00% equity securities and 65.00%, 52.00% and 30.00% debt instruments.
2. Balanced fund: The balanced fund invests in approximately 50.00% to 75.00% equities with the remaining balance invested in fixed income, generally investment-grade bonds.
3. Fixed account: The fixed account guarantees principal and a minimum fixed interest rate for the life of the contract.

- d. The Town's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Type of Investment	Ratings		
	AAA	Unrated	Total
Mutual Funds			
Private mutual funds - diversified	\$ -	\$ 3,544,037	\$ 3,544,037
Pooled fixed income	12,581,528	-	12,581,528
Total	<u>\$ 12,581,528</u>	<u>\$ 3,544,037</u>	<u>\$ 16,125,565</u>

- e. The Town's investments are not subject to custodial credit risk.

**B. Receivables**

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes		
	Taxes	Interest and Lien Fees	Total
Current portion	<u>\$ 461,916</u>	<u>\$ 155,091</u>	<u>\$ 617,007</u>
Long-term portion	704,833	588,228	1,293,061
Less allowance for uncollectibles	<u>(390,060)</u>	<u>(474,419)</u>	<u>(864,479)</u>
Net long-term portion	<u>\$ 314,773</u>	<u>\$ 113,809</u>	<u>\$ 428,582</u>

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

C. Interfund accounts

1. Interfund payables and receivables

A summary of interfund balances is as follows:

	Corresponding Fund	Due From	Due To
	<u>                    </u>	<u>                    </u>	<u>                    </u>
General fund:			
Johnston building project fund	N/A	\$ 962,273	\$ -
Miscellaneous grants fund	N/A	134,599	-
School cafeteria fund	N/A	<u>495,312</u>	<u>-</u>
 Total general fund		<u>1,592,184</u>	<u>-</u>
 Johnston building project fund	General fund	<u>-</u>	<u>962,273</u>
 Other governmental funds:			
Miscellaneous grants fund	General fund	-	134,599
School cafeteria fund	General fund	<u>-</u>	<u>495,312</u>
 Total other governmental funds		<u>-</u>	<u>629,911</u>
 Total		<u><u>\$ 1,592,184</u></u>	<u><u>\$ 1,592,184</u></u>

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**C. Interfund accounts (continued)****2. Interfund transfers**

A summary of interfund transfers for the fiscal year is as follows:

	Corresponding Fund	Transfers In	Transfers Out
General fund:			
Capital reserve fund	N/A	\$ -	\$ 561,525
Educational grants fund	N/A	-	60,000
Capital projects fund	N/A	-	139,725
Debt service fund	N/A	-	346,646
Total general fund		-	1,107,896
Capital reserve fund	General fund	561,525	-
Other governmental funds:			
Special revenue funds:			
School cafeteria fund	Education capital reserve fund	-	302,565
Educational grants fund	General fund	60,000	-
Capital projects funds:			
Capital projects fund	General fund	139,725	-
Education capital reserve fund	School cafeteria fund	302,565	-
Debt service fund	General fund	346,646	-
Debt service fund	Water fund	13,580	-
Total other governmental funds		862,516	302,565
Enterprise funds:			
Water fund	Debt service fund	-	13,580
Total		<u>\$ 1,424,041</u>	<u>\$ 1,424,041</u>

Transfers are used to move budgeted appropriations from the general fund for funding of capital projects and various programs and activities in other funds.

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**D. Capital assets**

Capital asset activity for the fiscal year was as follows:

Governmental Activities:

	Balance July 1, 2021 <i>(as restated)</i>	Increases	Decreases	Balance June 30, 2022
<u>Capital assets, not being depreciated/amortized:</u>				
Land	\$ 3,626,879	\$ 291,535	\$ -	\$ 3,918,414
Construction in progress	735,600	1,065,834	1,316,227	485,207
Total capital assets, not being depreciated/amortized	<u>4,362,479</u>	<u>1,357,369</u>	<u>1,316,227</u>	<u>4,403,621</u>
<u>Capital assets, being depreciated/amortized:</u>				
Intangible right-to-use assets	535,662	-	-	535,662
Improvements other than buildings	2,272,229	160,573	-	2,432,802
Buildings	122,574,154	57,833	-	122,631,987
Machinery and equipment	19,529,610	1,010,426	471,250	20,068,786
Infrastructure	43,074,821	1,770,000	-	44,844,821
Total capital assets, being depreciated/amortized	<u>187,986,476</u>	<u>2,998,832</u>	<u>471,250</u>	<u>190,514,058</u>
Total capital assets	<u>192,348,955</u>	<u>4,356,201</u>	<u>1,787,477</u>	<u>194,917,679</u>
<u>Less accumulated depreciation/amortization for:</u>				
Intangible right-to-use assets	-	107,001	-	107,001
Improvements other than buildings	1,774,833	51,852	-	1,826,685
Buildings	44,796,127	2,610,302	-	47,406,429
Machinery and equipment	14,775,873	1,161,056	471,250	15,465,679
Infrastructure	32,174,201	549,124	-	32,723,325
Total accumulated depreciation/amortization	<u>93,521,034</u>	<u>4,479,335</u>	<u>471,250</u>	<u>97,529,119</u>
Total capital assets, being depreciated/amortized, net	<u>94,465,442</u>	<u>(1,480,503)</u>	<u>-</u>	<u>92,984,939</u>
Capital assets, net	<u>\$ 98,827,921</u>	<u>\$ (123,134)</u>	<u>\$ 1,316,227</u>	<u>\$ 97,388,560</u>

Intangible right-to-use assets by category are as follows:

	Amount	Accumulated Amortization
Intangible right-to-use buildings	\$ 267,829	\$ 29,759
Intangible right-to-use machinery and equipment	267,833	77,242
Total intangible right-to-use assets	<u>\$ 535,662</u>	<u>\$ 107,001</u>

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**D. Capital assets (continued)**

Depreciation/amortization expense was charged to functions/programs of the Town as follows:

General government	\$ 98,402
Public safety	301,028
Public works	1,146,695
Community and human services	225,446
Education	<u>2,707,764</u>
Total depreciation/amortization expense	<u>\$4,479,335</u>

Business-Type Activities:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2022</u>
<u>Capital assets, being depreciated/amortized:</u>				
Improvements other than buildings	\$ 25,591	\$ -	\$ -	\$ 25,591
Buildings	6,317,551	39,163	-	6,356,714
Machinery and equipment	433,470	35,475	-	468,945
Infrastructure	<u>3,282,154</u>	<u>-</u>	<u>-</u>	<u>3,282,154</u>
Total capital assets, being depreciated/amortized	<u>10,058,766</u>	<u>74,638</u>	<u>-</u>	<u>10,133,404</u>
<u>Less accumulated depreciation/amortization for:</u>				
Improvements other than buildings	23,281	210	-	23,491
Buildings	2,486,041	150,673	-	2,636,714
Machinery and equipment	315,694	30,218	-	345,912
Infrastructure	<u>1,869,853</u>	<u>50,855</u>	<u>-</u>	<u>1,920,708</u>
Total accumulated depreciation/amortization	<u>4,694,869</u>	<u>231,956</u>	<u>-</u>	<u>4,926,825</u>
Business-type capital assets, net	<u>\$5,363,897</u>	<u>\$(157,318)</u>	<u>\$ -</u>	<u>\$ 5,206,579</u>

Depreciation/amortization expense of \$231,956 was charged to the Water Fund.

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

**E. Short-term liabilities – bond anticipation notes**

The Town uses bond anticipation notes (“BANs”) during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

<u>Purpose</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>
William J. Johnston Middle School Project	10/15/2020	10/14/2021	1.00%	\$ 2,845,000	\$ -	\$ 2,845,000	\$ -
William J. Johnston Middle School Project	10/14/2021	10/13/2022	2.00%	-	2,845,000	-	2,845,000
<b>Total</b>				<u>\$ 2,845,000</u>	<u>\$ 2,845,000</u>	<u>\$ 2,845,000</u>	<u>\$ 2,845,000</u>

In October 2022, the Town issued \$2,845,000 of bond anticipation notes. These notes mature in October 2023 and have an interest rate of 3.50%.

In October 2023, the Town issued \$14,345,000 of bond anticipation notes. These notes mature in April 2024 and have an interest rate of 5.00%.

**Town of Colchester, Connecticut**  
**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**F. Changes in long-term liabilities**

Bonds, notes and leases are direct obligations and pledge the full faith and credit of the Town.

**1. Summary of changes**

The following is a summary of changes in long-term liabilities during the fiscal year:

Governmental Activities:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2021 <i>(as restated)</i>	Additions	Deductions	Balance June 30, 2022	Current Portion	Long-Term Portion
<u>Bonds:</u>										
School bonds:										
Refunding bonds	\$ 8,339,800	02/23/12	06/15/25	2.00%-4.00%	\$ 2,450,000	\$ -	\$ 800,000	\$ 1,650,000	\$ 560,000	\$ 1,090,000
School bonds	12,000,000	10/03/18	10/15/45	3.00%-5.00%	11,650,000	-	350,000	11,300,000	350,000	10,950,000
School bonds	<u>7,040,000</u>	10/08/19	10/15/45	2.50%-5.00%	<u>7,040,000</u>	-	<u>345,000</u>	<u>6,695,000</u>	<u>280,000</u>	<u>6,415,000</u>
49 Total school bonds	<u>27,379,800</u>				<u>21,140,000</u>	-	<u>1,495,000</u>	<u>19,645,000</u>	<u>1,190,000</u>	<u>18,455,000</u>
<u>Notes:</u>										
Equipment financing notes (direct borrowings):										
Energy project	3,126,409	03/29/13	01/05/25	1.77%	1,181,645	-	287,665	893,980	292,769	601,211
Heavy rescue	<u>460,890</u>	01/27/14	01/27/24	2.25%	<u>137,218</u>	-	<u>48,920</u>	<u>88,298</u>	<u>50,031</u>	<u>38,267</u>
Total notes	<u>3,587,299</u>				<u>1,318,863</u>	-	<u>336,585</u>	<u>982,278</u>	<u>342,800</u>	<u>639,478</u>
Total bonds/notes	<u>\$ 30,967,099</u>				<u>22,458,863</u>	-	<u>1,831,585</u>	<u>20,627,278</u>	<u>1,532,800</u>	<u>19,094,478</u>
Leases payable					<u>535,662</u>	-	<u>94,389</u>	<u>441,273</u>	<u>97,606</u>	<u>343,667</u>
Total long-term debt					<u>22,994,525</u>	-	<u>1,925,974</u>	<u>21,068,551</u>	<u>1,630,406</u>	<u>19,438,145</u>
Premium					<u>1,086,442</u>	<u>47,398</u>	<u>137,180</u>	<u>996,660</u>	-	<u>996,660</u>
Total long-term debt and related liabilities					<u>24,080,967</u>	<u>47,398</u>	<u>2,063,154</u>	<u>22,065,211</u>	<u>1,630,406</u>	<u>20,434,805</u>

**Town of Colchester, Connecticut**  
**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**F. Changes in long-term liabilities (continued)**

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2021 <i>(as restated)</i>	Additions	Deductions	Balance June 30, 2022	Current Portion	Long-Term Portion
Landfill post closure liability					\$ 45,000	\$ -	\$ 15,000	\$ 30,000	\$ 15,000	\$ 15,000
Compensated absences					3,832,807	1,951,074	2,121,376	3,662,505	282,915	3,379,590
Net pension liability					270,760	1,005,084	252,543	1,023,301	-	1,023,301
OPEB liability					9,020,608	595,509	4,409,644	5,206,473	-	5,206,473
<b>Total long-term liabilities</b>					<b>\$ 37,250,142</b>	<b>\$ 3,599,065</b>	<b>\$ 8,861,717</b>	<b>\$ 31,987,490</b>	<b>\$ 1,928,321</b>	<b>\$ 30,059,169</b>

All long-term liabilities are generally liquidated by the general fund.

Business-Type Activities:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Current Portion	Long-Term Portion
<u>Notes:</u>										
Clean Water	<u>\$ 2,496,990</u>	07/31/09	07/31/28	2.12%	<u>\$ 997,505</u>	<u>\$ -</u>	<u>\$ 131,916</u>	<u>\$ 865,589</u>	<u>\$ 134,740</u>	<u>\$ 730,849</u>

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**F. Changes in long-term liabilities (continued)**

2. The following is a summary of principal and interest amounts of bond and note maturities:

Year Ended June 30,	Governmental Activities			Business-Type Activities	
	Bond Principal	Note Principal	Total Interest	Note Principal	Note Interest
2023	\$ 1,190,000	\$ 342,800	\$ 720,410	\$ 134,740	\$ 17,046
2024	1,180,000	336,229	670,260	137,624	14,162
2025	1,170,000	303,249	620,669	140,571	11,216
2026	780,000	-	567,619	143,580	8,206
2027	780,000	-	531,119	146,654	5,133
2028	780,000	-	497,119	149,793	1,993
2029	780,000	-	463,119	12,627	22
2030	780,000	-	431,619	-	-
2031	780,000	-	402,619	-	-
2032	780,000	-	373,306	-	-
2033	780,000	-	345,081	-	-
2034	780,000	-	317,944	-	-
2035	780,000	-	290,181	-	-
2036	780,000	-	262,106	-	-
2037	780,000	-	235,119	-	-
2038	780,000	-	209,219	-	-
2039	780,000	-	183,006	-	-
2040	780,000	-	156,481	-	-
2041	780,000	-	130,656	-	-
2042	725,000	-	106,500	-	-
2043	725,000	-	83,313	-	-
2044	725,000	-	59,953	-	-
2045	725,000	-	36,141	-	-
2046	725,000	-	12,044	-	-
Total	<u>\$ 19,645,000</u>	<u>\$ 982,278</u>	<u>\$ 7,705,603</u>	<u>\$ 865,589</u>	<u>\$ 57,778</u>

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**F. Changes in long-term liabilities (continued)****3. Assets pledged as collateral**

The Town's outstanding equipment financing notes of \$982,278 are secured with collateral of the equipment purchased.

**4. Statutory debt limitations**

The Town's indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes as reflected in the following schedule:

<u>Category</u>	<u>Debit Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 92,498,218	\$ -	\$ 92,498,218
Schools	184,996,436	22,490,000	162,506,436
Sewer	154,163,696	-	154,163,696
Urban renewal	133,608,537	-	133,608,537
Pension deficit	123,330,957	-	123,330,957

The total overall statutory debt limit for the Town is equal to 7 times the annual receipts for the prior year taxation

\$ 287,772,233

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

**5. Authorized/unissued bonds**

The amount of authorized, unissued bonds, net of grants received, is as follows:

General purpose	\$ 14,000,000
Schools	<u>5,719,547</u>
Total	<u>\$ 19,719,547</u>

**6. Landfill post-closure care costs**

State and Federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for 30 years. Estimated total current costs of landfill post-closure care is \$30,000 which is based on the amount estimated to be paid for all equipment, facilities and services required to monitor and maintain the landfill. However, the actual cost of monitoring and other post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**F. Changes in long-term liabilities (continued)****7. Leases**

Lease agreements are summarized as follows:

Governmental Activities:

Description	Year	Lease Term (years)	Interest Rate*	Original Amount	Balance June 30, 2022
Old Bacon Academy	2022	9	2.46%	\$ 267,829	\$ 244,564
Copiers	2022	2-5	2.46%	240,791	179,035
Postage machines	2022	2-4	2.46%	27,042	17,674
Total				<u>\$ 535,662</u>	<u>\$ 441,273</u>

\*All interest rates have been imputed based on the rate from recently issued debt as there were no interest rates specified in the lease agreement.

Description	Terms
Old Bacon Academy	The Town leases the first floor of the Old Bacon Academy building. The lease is in the last extension period and can only be terminated by the Town which the Town does not plan to do.
Copiers	The Town leases several copiers for the Town and Education offices. These leases are not renewable and the Town will not acquire the equipment at the end of the term.
Postage machines	The Town leases several postage machines for the Town and Education offices. These leases are not renewable and the Town will not acquire the equipment at the end of the term.

The following is a summary of principal and interest payments to maturity:

Governmental Activities:

Year Ending June 30	Principal	Interest
2023	\$ 97,606	\$ 10,855
2024	85,119	8,454
2025	76,445	6,360
2026	45,921	4,480
2027	31,258	3,350
2028	33,066	2,581
2029	34,949	1,768
2030	36,909	908
Totals	<u>\$ 441,273</u>	<u>\$ 38,756</u>

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**G. Fund balances and restricted net position**

Fund balances are composed of the following:

Fund Balance Component	General Fund	Capital Reserve Fund	Johnston Building Project Fund	Other Governmental Funds	Total
<u>Restricted:</u>					
Small cities program	\$ -	\$ -	\$ -	\$ 69,533	\$ 69,533
Cemetery maintenance	-	-	-	450	450
General government programs	-	-	-	104,224	104,224
Public safety programs	-	-	-	273,066	273,066
Public works:					
Sewer facility operations *	-	-	-	203,500	203,500
Road infrastructure programs	-	-	-	1,239,924	1,239,924
Other public works programs	-	-	-	13,375	13,375
Community and human services programs	-	-	-	1,103,027	1,103,027
Food service program*	-	-	-	182,102	182,102
Education programs	-	-	-	87,959	87,959
Total restricted	-	-	-	3,277,160	3,277,160
<u>Committed:</u>					
Snow reserve program	319,469	-	-	-	319,469
Public safety programs	-	-	-	138,293	138,293
Animal control programs	463	-	-	-	463
Recreation programs	-	-	-	336,684	336,684
Education programs	-	-	-	537,360	537,360
Capital projects	124,402	3,174,499	-	1,674,929	4,973,830
Total committed	444,334	3,174,499	-	2,687,266	6,306,099
<u>Assigned:</u>					
Public safety	53,410	-	-	-	53,410
Education	1,546,342	-	-	-	1,546,342
Debt service	-	-	-	525,227	525,227
Subsequent year's budget	90,000	-	-	-	90,000
Total assigned	1,689,752	-	-	525,227	2,214,979
<u>Unassigned</u>	7,960,638	-	(3,807,273)	(101,664)	4,051,701
Total	<u>\$ 10,094,724</u>	<u>\$ 3,174,499</u>	<u>\$ (3,807,273)</u>	<u>\$ 6,387,989</u>	<u>\$ 15,849,939</u>
General Fund encumbrances totaled:	<u>\$ 53,410</u>				

\*The amount of net position restricted by enabling legislation totaled:

\$ 385,602

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**H. Deficit fund balances**

The Town had deficit fund balances in the following funds:

<u>Fund</u>	<u>Deficit</u>	<u>Deficit will be eliminated by</u>
Johnston building project fund	\$(3,807,273)	Future intergovernmental revenues and transfers in
Miscellaneous grants fund	(101,664)	Future intergovernmental revenues and transfers in

**IV. Other information****A. Risk management**

The Town is exposed to various risks of loss including torts, theft of, damage to and destruction of assets; errors or omissions; injuries to employees and natural disasters. Generally, the Town obtains commercial insurance for these risks, but has chosen to retain limited risks for employee medical claims. The Town contracts with outside organizations to pay claims and provide administrative services. Additionally, insurance coverage has been purchased to limit the Town's liability for worker's compensation and general liability claims. Settled claims have not exceeded commercial coverage in any of the past three years, and there has not been any significant reductions in insurance coverage from amounts held in prior years.

The Town utilizes a risk management fund (the Internal Service Fund) to account for and finance its uninsured risks of loss for medical claims. The fund records all claim expenditures and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. All Town departments and agencies are charged premiums by the Internal Service Fund, which are included in department and agency expenditures, to cover the estimated cost of claims payment based on historical cost estimates of the amounts needed to pay prior and current year claims. Maximum liability to the Town per covered participant is \$125,000 with an aggregate stop loss of 125.00% of expected claims paid. A third party administers the plan for which the Town pays an administrative fee. Claims liabilities include an estimate of claims incurred but not reported and are the Town's best estimate based on available information.

The Town records all claim expenditures and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated in the government-wide statements. The claims liability reported is based upon accounting principles, which require that a liability for estimated claims incurred but not reported be accrued. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and social factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

<u>Medical insurance</u>	<u>Claims Payable July 1</u>	<u>Current year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
2020-2021	\$517,642	\$5,822,535	\$5,819,032	\$521,145
2021-2022	521,145	6,420,363	6,363,018	578,490

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**B. Commitments and litigation**

Amounts received or receivable from Federal and State grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is a defendant in various lawsuits and the outcome of these lawsuits is not presently determinable. The resolution of these matters are not expected to have a material adverse effect on the financial condition of the Town.

**V. Pensions and other post-employment benefit (“OPEB”) plans****A. Town pension plans****1. Plan description****a. Plan administration**

The Town is the administrator of a single-employer defined benefit pension plan established and administered by the Town to provide benefits that covers the Police department employees of the Town, the Town of Colchester Police Department Retirement Plan (“plan”). The plan is considered to be part of the Town’s financial reporting entity and is included in the Town’s financial reports as a pension trust fund. The plan was established by Town Meeting. The plan does not issue a standalone report. Benefits and refunds of post-employment defined benefit plans are recognized when due and payable in accordance with the terms of the plan. The Town’s General Fund contributes an amount as recommended by their Actuary to fund the net pension obligations.

Benefits and contributions are established by the Town, via negotiated contracts, and may be amended only by the approval of the Board of Selectmen, and as agreed upon with the appropriate bargaining unit. The plan is closed to employees hired on or after January 1, 2012.

The general administration and management of the plan and the responsibility for carrying out the provisions of the plan shall be placed in the Colchester Retirement Board. This Board is appointed by the Board of Selectmen and consists of a representative of the Board of Selectmen, a representative of the Board of Finance, the Town Treasurer, and two electors of the Town. The Chief Financial Officer is a nonvoting ex officio member.

**b. Plan membership**

As of July 1, 2020, the membership in the plan is comprised of the following:

Retirees and beneficiaries	
receiving benefits	1
Active members	<u>8</u>
Total	<u><u>9</u></u>

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

A. Town pension plans (continued)

2. Benefit provisions

Normal retirement	20 years of service
Benefit calculation	2.50% of final average salary multiplied by years of service. Maximum benefit of 60% of final average salary
Final average compensation	Highest 3 years of base salary
Vesting - service	10 years
Vesting - amount	100% of accrued benefit
Pre-retirement death benefit amount	Lump sum equal to the participant's employee contributions
Post-retirement death benefit amount	100%, 75% or 50% depending on the participant's annuity selection
Cost of living increases	2.5%

3. Contributions

Contribution requirements of the plan members and the Town are established, and may be amended, by the Board of Selectmen and collectively bargained contracts.

The Town is required to contribute amounts necessary to fund benefits. The Town's contributions to the plan are actuarially determined on an annual basis. Administrative costs are financed through investment earnings.

Employee contributions	12.50%
Town average contribution rate as a percentage of pensionable wages was	25.07%

4. Investments

a. Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Town's Retirement Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**A. Town pension plans (continued)**

The following is the Board's adopted asset allocation policy and long-term expected rate of return for the plan:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	4.00%	(0.25%)
Equities	64.00%	5.50%
Fixed income	<u>32.00%</u>	1.25%
Total	<u>100.00%</u>	
Long-term inflation expectation		<u>2.40%</u>
Long-term expected nominal rate of return		<u>6.31%</u>

**b. Concentrations**

There were no investments in any one organization that represented 5.00% or more of the pension plan's net position.

**c. 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 (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plan's investment policy) are summarized above.

**d. Annual money-weighted rate of return**

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (13.04)%.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

A. Town pension plans (continued)

5. Net pension liability

The components of the net pension liability were as follows:

Total pension liability	\$ 4,567,338
Plan fiduciary net position	<u>3,544,037</u>
Net pension liability	<u>\$ 1,023,301</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77.60%</u>

6. Actuarial methods and significant assumptions

The net pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2020
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Investment rate of return	6.75%
Inflation	2.40%
Salary increases	2.40% plus Service Merit Scale
Cost of living adjustments	2.50%
Mortality rates	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables projected to the valuation date with Scale MP-2020

7. Changes from prior year

a. Changes in assumptions

There were no changes in assumptions.

b. Changes in benefit terms

There were no changes in benefit terms.

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**A. Town pension plans (continued)****8. Discount rate**

The discount rate used to measure the total pension liability was 6.75%.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's projected fiduciary net position will be sufficient to cover projected benefit payments and administrative expenses indefinitely. Therefore, the long-term expected rate of return on pension plan investments was used to discount plan liabilities.

**9. Changes in the net pension liability**

The Town's net pension liability was measured at June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated as noted below. The changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<u>Valuation date: July 1, 2020</u>			
Balance at July 1, 2021	<u>\$ 4,163,943</u>	<u>\$ 3,893,183</u>	<u>\$ 270,760</u>
Service cost	197,026	-	197,026
Interest	291,390	-	291,390
Contributions - employer	-	172,150	(172,150)
Contributions - member	-	80,393	(80,393)
Net investment income	-	(516,618)	516,618
Benefit payments, including refunds of member contributions	(85,021)	(85,021)	-
Administration	-	(50)	50
Net change	<u>403,395</u>	<u>(349,146)</u>	<u>752,541</u>
Balance at June 30, 2022	<u><u>\$ 4,567,338</u></u>	<u><u>\$ 3,544,037</u></u>	<u><u>\$ 1,023,301</u></u>

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**A. Town pension plans (continued)****10. Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability, calculated using the discount rate as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Discount Rate</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability (asset)	<u>6.75%</u>	<u>\$ 1,849,740</u>	<u>\$ 1,023,301</u>	<u>\$ 365,502</u>

**11. Pension expense and deferred outflows and inflows of resources**

The Town recognized pension expense of \$246,654 for the plan.

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Police Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
Differences between expected and actual experience	\$ -	\$ 236,268	\$ (236,268)
Changes in assumptions	286,717	30,976	255,741
Net difference between projected and actual earnings on pension plan investments	<u>400,749</u>	<u>-</u>	<u>400,749</u>
Total	<u>\$ 687,466</u>	<u>\$ 267,244</u>	<u>\$ 420,222</u>

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Changes of assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactive employees, which was 9.1 years.

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**A. Town pension plans (continued)**

The amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2023	\$ 99,630
2024	89,235
2025	62,658
2026	159,578
2027	2,588
Thereafter	<u>6,533</u>
Total	<u>\$ 420,222</u>

**B. Defined contribution retirement savings plan and deferred compensation plan**

Town employees are eligible to participate in a defined contribution plan administered by the Town. The benefits and contribution requirements are established by approval of the Board of Selectmen.

**Defined contribution plan**

All Town employees, other than police officers hired prior to January 1, 2012, who are regularly scheduled to work at least 35 hours per week, must participate in a Section 401(a) defined contribution plan. Employees who are regularly scheduled to work at least 30 hours per week are eligible to participate in the plan.

The contribution from both the Town and employees ranges from 6.00% to 8.00% of base pay for full-time employees and from 3.00% to 5.50% for part-time employees.

The Town contributions for each employee are vested 20.00% per year over five years. Voluntary contributions are allowed in combination with the Town's contribution up to the maximum amount allowed by IRS regulations.

**Deferred compensation plan**

All full-time and part-time Town employees have the option of contributing to the Town's Section 457 plan. The Town does not make matching contributions to the 457 plan.

Education employees participate in a Section 457 plan. This plan covers all regular full-time employees except teachers and administrators covered by the Connecticut Teachers' Retirement System. As defined by union contracts and non-union employee salary and benefit agreements, the Board of Education will make contributions ranging from 3.00% to 7.00% of base pay. The Education employees may also participate on a voluntary basis in a 403(b) plan. With the exception of the Superintendent of Schools and the members of the School Administrators union, the Board of Education does not make contributions to the employees' 403(b) plan.

During the year, the employer contributions for both plans were \$574,046 and employee contributions were \$878,606.

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**C. Connecticut state teachers' retirement system****1. Plan description**

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System ("TRS"), a cost sharing multiple-employer defined benefit pension plan administered by the Teachers' Retirement Board ("TRB"). Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at [www.ct.gov/trb](http://www.ct.gov/trb).

**2. Benefit provisions**

Normal retirement	Age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut
Benefit calculation	2.00% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary)
Early retirement	25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service
Early retirement amount	Benefit amounts are reduced by 6.00% per year for the first 5 years preceding normal retirement age and 4.00% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.00% per year by which retirement precedes normal retirement date
Service connected disability amount	2.00% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of annual average salary
Non-service connected disability service requirement	Five years of credited service
Vesting - service	10 years of service
Vesting - amount	100%
Pre-retirement death benefit amount	Lump-sum return of contributions with interest or surviving spouse benefit depending on length of service

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**C. Connecticut state teachers' retirement system (continued)****3. Contributions****State of Connecticut**

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

**Employer (school districts)**

School district employers are not required to make contributions to the plan.

**Employees**

Each teacher is required to contribute 7.00% of their pensionable wages for the pension benefit.

**4. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions**

The Town reports no amounts for its proportionate share of the collective net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the collective net pension liability, the related State support, and the total portion of the collective net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>68,005,099</u>
Total	<u><u>\$ 68,005,099</u></u>
During the year, the Town recognized pension expense and revenue for on-behalf amounts for contributions to the plan by the State:	<u><u>\$ 5,694,337</u></u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The Town has no proportionate share of the net pension liability.

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**C. Connecticut state teachers' retirement system (continued)****5. Actuarial assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.90%
Inflation	2.50%
Salary increases	3.00-6.50%, including inflation
Mortality rates	Mortality rates were based on the PubT-2010 Table, projected generationally with MP-2019

Future cost-of-living increases - For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3.00% and a maximum of 5.00% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 6.00% per annum. If the return on assets in the previous year was less than 8.50%, the maximum increase is 1.50%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 5.00% per annum. If the return on assets in the previous year was less than 11.50%, the maximum increase is 3.00%, and if the return on the assets in the previous year was less than 8.50%, the maximum increase is 1.00%.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the 5-year period ending June 30, 2019.

**Changes in assumptions and inputs**

There were no changes in assumptions from the prior measurement date.

**Long-term expected rate of return**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**C. Connecticut state teachers' retirement system (continued)**

The target asset allocation and best estimates of geometric rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity fund	20.00%	5.60%
Developed market international stock fund	11.00%	6.00%
Emerging market international stock fund	9.00%	7.90%
Core fixed income fund	16.00%	2.10%
Inflation linked bond fund	5.00%	1.10%
Emerging market debt fund	5.00%	2.70%
High yield bond fund	6.00%	4.00%
Real estate fund	10.00%	4.50%
Private equity	10.00%	7.30%
Alternative investments	7.00%	2.90%
Liquidity fund	1.00%	0.40%
Total	<u>100.00%</u>	

**6. Discount rate**

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**7. Sensitivity of the net pension liability to changes in the discount rate**

The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**8. Plan fiduciary net position**

Detailed information about the Connecticut State Teachers' Retirement Plan fiduciary net position is available in the separately issued State of Connecticut Annual Comprehensive Financial Report as of and for the year ended June 30, 2021.

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

D. Other post-employment benefit (“OPEB”) plan

1. Plan description

a. Plan administration

The Town administers a single-employer, post-retirement healthcare plan for the Town and Board of Education Other Post-Employment Benefits (“OPEB”). The Town and the Board of Education plan provides medical, dental and life insurance benefits for eligible retirees and their spouses. The plan does not have assets accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan does not issue a stand-alone financial report.

b. Plan membership

As of July 1, 2021, the plan’s membership consisted of:

	<u>Town</u>
Retirees and beneficiaries receiving benefits	15
Active members	<u>519</u>
Total	<u><u>534</u></u>

2. Benefit provisions

The plan provides for medical, dental and life insurance benefits for all eligible retirees and their spouses. Benefits and contributions are established by contract and State Statutes and may be amended by union negotiations.

3. Contributions

Employees	0%
Library, Town Hall retirees	Non-Medicare eligible employees hired prior to July 1, 2009 with 10 years of service - access to medical coverage for up to 5 years or upon retiree's eligibility for Medicare D coverage. Retiree pays 100% of the cost
Municipal, Town Administrators retirees	Non-Medicare eligible employees - access to medical coverage for up to 5 years or upon retiree's eligibility for Medicare D coverage. Retiree pays 100% of the cost
Noncertified education retirees	20 years of service - access to medical plan. Retiree pays 100% of the cost
Teachers and administrators	Teachers who no longer work for the Board of Education are allowed by State Statute to participate in the Town's group medical insurance plan until they formally begin receiving benefits from the State Teachers' Retirement Plan. These retirees are required to contribute the cost of the insurance to the Town
Employer	Funding the plan on a pay as you go basis

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

D. Other post-employment benefit (“OPEB”) plan (continued)

4. Actuarial methods and significant assumptions:

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation date	July 1, 2021
Actuarial cost method	Entry age normal
Amortization method	Level percent
Discount rate	3.54%
Salary increases	Graded based on service for teachers and administrators; 3.50% for all others
Healthcare cost trend rates: Inflation	2.60%
Initial medical trend rate	5.30%
Ultimate medical trend rate	4.10%
Mortality rates	<b>Teachers and Administrators:</b> PubT-2010 Mortality Table with generational projection per MP-2021 ultimate scale
	<b>Police and Fire:</b> PubS-2010 Mortality Table with generational projection per MP-2021 ultimate scale
	<b>All Others:</b> PubG-2010 Mortality Table with generational projection per MP-2021 ultimate scale

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index as of the measurement date.

5. Changes from prior year

a. Changes in assumptions

The Town’s plan had the following changes in assumptions:

Town Plan	From	To
Discount rate	2.16%	3.54%
Medical trend rate	6.40% - 4.10% over 55 years	5.30% - 4.10% over 53 years
Mortality rate - teachers and administrators	RPH-2014 White Collar mortality table	PubT-2010 Mortality Table

b. Changes in benefit terms

There were no changes in benefit terms.

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

D. Other post-employment benefit (“OPEB”) plan (continued)

6. Changes in the total OPEB liability

The Town’s OPEB liability was measured at June 30, 2022 and was determined by an actuarial valuation dated as noted below.

Balance at July 1, 2021	<u>\$ 9,020,608</u>
Service cost	393,699
Interest	201,810
Differences between expected and actual experience	(3,299,826)
Changes in assumptions	(966,508)
Benefit payments, including refunds of member contributions	<u>(143,310)</u>
Net change	<u>(3,814,135)</u>
Balance at June 30, 2022	<u><u>\$ 5,206,473</u></u>

7. Sensitivity of the OPEB liability to changes in the discount rate

The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>Discount Rate</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
OPEB Liability	<u>3.54%</u>	<u>\$ 5,822,799</u>	<u>\$ 5,206,473</u>	<u>\$4,681,551</u>

8. Sensitivity of the OPEB liability to changes in the healthcare cost trend rate

The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates:

	<u>Trend Rate</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
OPEB Liability	<u>5.30% - 4.10%</u>	<u>\$ 4,496,726</u>	<u>\$ 5,206,473</u>	<u>\$6,086,939</u>

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**D. Other post-employment benefit (“OPEB”) plan (continued)****9. OPEB expense and deferred outflows/inflows of resources related to OPEB**

For the fiscal year, the Town recognized OPEB expense of \$363,430. The Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description of Inflows</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
Differences between expected and actual experience	\$ 278,836	\$ 2,906,990	\$ (2,628,154)
Changes in assumptions	<u>721,319</u>	<u>910,570</u>	<u>(189,251)</u>
Total	<u>\$ 1,000,155</u>	<u>\$ 3,817,560</u>	<u>\$ (2,817,405)</u>

Experience losses (gains) and changes in assumption are amortized over the average remaining service period of actives and inactive, which was 8.4 years.

Amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	
2023	\$ (232,079)
2024	(232,079)
2025	(232,079)
2026	(394,314)
2027	(507,896)
Thereafter	<u>(1,218,958)</u>
Total	<u>\$ (2,817,405)</u>

**E. Connecticut state teachers’ retirement board retiree health insurance plan****1. Plan description**

Teachers, principals, superintendents or supervisors engaged in service of public schools that are currently receiving a retirement or disability benefit through the Connecticut Teachers’ Retirement System are eligible to participate in the Connecticut State Teachers’ Retirement System Retiree Health Insurance Plan (“TRS-RHIP”) - a cost sharing multiple-employer defined benefit other post-employment benefit plan administered by the Teachers’ Retirement Board (“TRB”). Chapter 167a Section 10-183t of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at [www.ct.gov/trb](http://www.ct.gov/trb).

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

E. Connecticut state teachers' retirement board retiree health insurance plan (continued)

2. Benefit provisions

The Plan provides for retiree health insurance benefits. Eligibility is as follows:

Normal retirement	Age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut
Early retirement	25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service
Service connected disability service requirement	No service requirement
Non-service connected disability service requirement	Five years of credited service
Vesting - service	10 years of service

**Retiree health care coverage**

Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Plan. There are two types of the health care benefits offered. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost.

The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

## Town of Colchester, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2022**

**E. Connecticut state teachers' retirement board retiree health insurance plan (continued)**

Those participants electing vision, hearing, and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the Plan for these benefits.

**Survivor health care coverage**

Survivors of former employees or retirees remain eligible to participate in the Plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplemental Plans, as long as they do not remarry.

**3. Contributions****State of Connecticut**

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State pays for one third of plan costs through an annual appropriation in the General Fund.

**Employer (school districts)**

School district employers are not required to make contributions to the plan.

**Employees**

Each member is required to contribute 1.25% of their annual pensionable wages.

**4. OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB**

The Town reports no amounts for its proportionate share of the collective net OPEB liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the collective net OPEB liability, the related State support, and the total portion of the collective net OPEB liability that was associated with the Town were as follows:

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	7,409,031
Total	<u>\$ 7,409,031</u>
During the year, the Town recognized OPEB expense and revenue for on- behalf amounts for contributions to the plan by the State:	<u>\$ 133,999</u>

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The Town has no proportionate share of the net OPEB liability.

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

E. Connecticut state teachers' retirement board retiree health insurance plan (continued)

5. Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	3.00%
Discount rate	2.17%
Inflation	2.50%
Health care cost trend rate (Medicare)	5.125% decreasing to 4.50% by 2023
Salary increases	3.00-6.50%, including inflation
Mortality rates	Mortality rates were based on the PubT-2010 Table, projected generationally with MP-2019
Year fund net position will be depleted	2023

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the 5-year period ending June 30, 2019.

Changes in assumptions and inputs

- The discount rate was decreased from 2.21% to 2.17% to reflect the change in the Municipal Bond Index rate.

Long-term expected rate of return

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

All the plan assets are assumed to be invested in cash equivalents due to the need for liquidity. The expected rate of return is 2.00%. Since there have not been any changes to the asset allocation and the recent economic downturn is expected to be temporary, the funding rate of 3.00% continues to be used for the long-term investment rate of return as of June 30, 2021.

6. Discount rate

The discount rate used to measure the total OPEB liability was 2.17%. The Municipal Bond Index Rate of 2.16% was used in the determination in the discount rate. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that annual State contributions will equal the most recent 5-year average of state contributions.

Town of Colchester, Connecticut

Notes to Financial Statements  
As of and for the Year Ended June 30, 2022

**E. Connecticut state teachers' retirement board retiree health insurance plan (continued)**

**7. Sensitivity of the OPEB liability to changes in the discount rate and the health care cost trend rate**

The Town's proportionate share of the net OPEB liability is \$0 and, therefore, the change in the discount rate and the healthcare cost trend rate would only impact the amount recorded by the State of Connecticut.

**8. Plan fiduciary net position**

Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Annual Comprehensive Financial Report as of and for the year ended June 30, 2021.

**VI. Prior period adjustments**

As a result of the implementation of GASB No. 87, a right-to-use leased assets and lease liability were recorded. There was no impact on beginning net position or fund balance. The amounts recorded are as follows:

	<u>Governmental Activities</u>
Capital assets:	
Intangible right-to-use leased assets	\$ 535,662
Long-term liabilities:	
Lease liability	(535,662)

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# Required Supplementary Information

Type	Description
Budgetary	Schedule of Revenues, Other Financing Sources, Expenditures and Other Financing Uses - Budget and Actual - General Fund
	Notes to Required Supplementary Information - Budgets and Budgetary Accounting
<u>Pension Plans</u> Police State Teachers' Retirement System	Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Investment Returns
	Schedule of Proportionate Share of the Collective Net Pension Liability
	Schedule of Contributions
	Notes to Required Supplementary Information
<u>Other Post-Employment Benefits Plans</u> Town State Teacher's Retirement Board Retiree Health Insurance Plan	Schedule of Changes in OPEB Liability and Related Ratios
	Schedule of Proportionate Share of the Collective Net OPEB Liability
	Schedule of Contributions
	Notes to Required Supplementary Information

Town of Colchester, Connecticut  
Required Supplementary Information

General Fund  
Schedule of Revenues and Other Financing Sources -  
Budget and Actual  
For the Year Ended June 30, 2022

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Property taxes:					
Current taxes	\$ 41,751,042	\$ -	\$ 41,751,042	\$ 41,859,722	\$ 108,680
Arrears taxes	400,000	-	400,000	311,903	(88,097)
Interest and liens	275,000	-	275,000	277,061	2,061
Telecommunications tax	28,000	-	28,000	24,399	(3,601)
Total property taxes	42,454,042	-	42,454,042	42,473,085	19,043
Intergovernmental:					
Education grants:					
Special education	450,000	-	450,000	323,458	(126,542)
Education cost sharing	12,040,218	-	12,040,218	11,974,619	(65,599)
Total education grants	12,490,218	-	12,490,218	12,298,077	(192,141)
State of Connecticut:					
Municipal stabilization grant	134,167	-	134,167	134,167	-
Payment in lieu of taxes	127,245	-	127,245	127,245	-
Disability exemption	1,855	-	1,855	1,511	(344)
Additional veteran exemption	5,679	-	5,679	5,789	110
Local capital improvement program	115,954	-	115,954	115,651	(303)
Mashantucket Pequot/Mohegan grant	23,167	-	23,167	23,167	-
Distribution to towns	5,000	-	5,000	5,570	570
Youth services grant	17,500	-	17,500	17,918	418
Emergency management	-	-	-	7,486	7,486
CARES Act DOL unemployment	15,000	-	15,000	10,583	(4,417)
Total State of Connecticut	445,567	-	445,567	449,087	3,520
Total intergovernmental	12,935,785	-	12,935,785	12,747,164	(188,621)
Charges for services:					
Ambulance	500,000	-	500,000	652,960	152,960
Recreation	12,000	-	12,000	3,975	(8,025)
Licenses, permits and fees:					
Fire marshal inspection fees	100	-	100	230	130
Sports licenses	160	-	160	229	69
Transfer station fees	138,000	-	138,000	165,694	27,694
Conservation commission fees	5,500	-	5,500	3,667	(1,833)
Road inspection fees	4,800	-	4,800	51,284	46,484
Building code fees	300,000	-	300,000	461,364	161,364
Conveyance tax	240,000	-	240,000	291,706	51,706
Zoning and planning fees	13,000	-	13,000	11,009	(1,991)
Zoning appeal fees	700	-	700	-	(700)
Copier fees	14,550	-	14,550	20,062	5,512
Town clerk fees	128,000	-	128,000	142,252	14,252
Vendor permits	1,200	-	1,200	800	(400)
Pistol permits	8,000	-	8,000	7,000	(1,000)

(Continued)

See Notes to Required Supplementary Information.

Town of Colchester, Connecticut  
Required Supplementary Information

**General Fund**  
**Schedule of Revenues and Other Financing Sources -**  
**Budget and Actual**  
**For the Year Ended June 30, 2022**

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Charges for services: (continued)					
Library fines and fees	\$ 4,500	\$ -	\$ 4,500	\$ 2,782	\$ (1,718)
Dial-a-ride	2,500	-	2,500	1,815	(685)
Recording fees	1,800	-	1,800	2,299	499
Tuition	333,060	-	333,060	502,582	169,522
Total charges for services	<u>1,707,870</u>	<u>-</u>	<u>1,707,870</u>	<u>2,321,710</u>	<u>613,840</u>
Income from investments	<u>34,920</u>	<u>-</u>	<u>34,920</u>	<u>59,591</u>	<u>24,671</u>
Other:					
State fund for building inspection	900	-	900	1,271	371
Insurance proceeds	-	-	-	9,467	9,467
Elderly housing	15,000	-	15,000	14,841	(159)
Miscellaneous	2,500	-	2,500	4,858	2,358
Total other	<u>18,400</u>	<u>-</u>	<u>18,400</u>	<u>30,437</u>	<u>12,037</u>
Total revenues	<u>57,151,017</u>	<u>-</u>	<u>57,151,017</u>	<u>57,631,987</u>	<u>480,970</u>
Other financing sources:					
Cancellation of encumbrances	-	-	-	33,944	33,944
Appropriation of fund balance	381,000	174,217	555,217	-	(555,217)
Total other financing sources	<u>381,000</u>	<u>174,217</u>	<u>555,217</u>	<u>33,944</u>	<u>(521,273)</u>
Total revenues and other financing sources	<u>\$ 57,532,017</u>	<u>\$ 174,217</u>	<u>\$ 57,706,234</u>	<u>\$ 57,665,931</u>	<u>\$ (40,303)</u>

(Concluded)

See Notes to Required Supplementary Information.

**Town of Colchester, Connecticut**  
**Required Supplementary Information**  
**General Fund**  
**Schedule of Expenditures and Other Financing Uses -**  
**Budget and Actual**  
**For the Year Ended June 30, 2022**

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
General government:					
Boards and commissions	\$ 26,076	\$ (2,756)	\$ 23,320	\$ 23,317	\$ 3
Contingency	63,766	(63,766)	-	-	-
First selectman	240,358	23,536	263,894	263,889	5
Human resources	198,640	(140,470)	58,170	58,168	2
Finance	309,008	22,617	331,625	331,619	6
Tax collector	177,616	(2,003)	175,613	175,609	4
Assessor	303,731	(238)	303,493	303,488	5
Planning and code administration	489,042	(2,736)	486,306	484,238	2,068
Town clerk	167,752	5,711	173,463	173,478	(15)
Elections	81,582	(947)	80,635	80,631	4
Insurances	1,863,938	(18,252)	1,845,686	1,845,685	1
Probate	5,342	-	5,342	5,342	-
Information technology	106,500	(11,852)	94,648	94,647	1
<b>Total general government</b>	<b>4,033,351</b>	<b>(191,156)</b>	<b>3,842,195</b>	<b>3,840,111</b>	<b>2,084</b>
Public safety:					
Police	1,730,541	74,402	1,804,943	1,804,935	8
Fire	1,451,776	98,531	1,550,307	1,550,292	15
Emergency management	18,733	(624)	18,109	18,102	7
<b>Total public safety</b>	<b>3,201,050</b>	<b>172,309</b>	<b>3,373,359</b>	<b>3,373,329</b>	<b>30</b>
Public works:					
Public works administration	191,676	(10,409)	181,267	181,263	4
Highway	1,557,179	163,585	1,720,764	1,720,757	7
Fleet maintenance	406,754	7,010	413,764	413,751	13
Grounds maintenance	527,111	12,261	539,372	539,366	6
Snow removal	556,565	(18,361)	538,204	538,202	2
Transfer station	320,914	247	321,161	321,154	7
Facilities	134,188	9,582	143,770	143,765	5
Engineering	120,134	1,445	121,579	121,577	2
<b>Total public works</b>	<b>3,814,521</b>	<b>165,360</b>	<b>3,979,881</b>	<b>3,979,835</b>	<b>46</b>
Community and human services:					
Cragin memorial library	630,500	(3,730)	626,770	626,756	14
Parks and recreation	137,299	6,546	143,845	143,840	5
Senior services	301,453	(6,433)	295,020	295,013	7
Youth and social services	397,181	12,960	410,141	410,132	9
Community agencies	25,000	-	25,000	25,000	-
Health services	206,624	-	206,624	206,624	-
<b>Total community and human services</b>	<b>1,698,057</b>	<b>9,343</b>	<b>1,707,400</b>	<b>1,707,365</b>	<b>35</b>
Education	41,827,055	-	41,827,055	41,407,831	419,224
Debt service	2,075,164	-	2,075,164	2,075,164	-
<b>Total expenditures</b>	<b>56,649,198</b>	<b>155,856</b>	<b>56,805,054</b>	<b>56,383,635</b>	<b>421,419</b>
Other financing uses:					
Transfers out	882,819	18,361	901,180	901,180	-
<b>Total expenditures and other financing uses</b>	<b>\$ 57,532,017</b>	<b>\$ 174,217</b>	<b>\$ 57,706,234</b>	<b>\$ 57,284,815</b>	<b>\$ 421,419</b>

See Notes to Required Supplementary Information.

Town of Colchester, Connecticut

Notes to Required Supplementary Information  
For the Year Ended June 30, 2022

Budgets and Budgetary Accounting

The Town adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. The operating budget, which is prepared by function and department, includes proposed expenditures and the means of financing them.

This budget is adopted on a basis consistent with generally accepted accounting principles (modified accrual basis) with the following exceptions:

1. Encumbrances are recognized as valid and proper charges against budget appropriations in the year in which the order is issued and, accordingly, encumbrances outstanding at year-end are reflected in the required supplementary information general fund budget and actual as expenditures in the current year but are reported as assigned fund balance on a GAAP basis.
2. The Town budgets for the excess cost grant net with education expenditures.
3. Certain transfers out are budgeted as expenditures.
4. Certain funds that are required to be reported as part of the general fund under the requirement of GASB No. 54.
5. The Town does not budget for as revenue or expenditures payments made for the State Teachers' pension and OPEB by the State of Connecticut on the Town's behalf.

<u>Reconciliation to Exhibit D</u>	<u>Revenues</u>	<u>Expenditures</u>
Budgetary Basis - RSI-1	\$ 57,631,987	\$ 56,383,635
Prior year encumbrances liquidated in the current year	-	360,293
Current year encumbrances charged to budgetary expenditures	-	(53,410)
Excess cost grant	346,448	346,448
Transfers out budgeted as expenditures	-	(272,336)
Other funds (Schedule 2)	5,547	51,819
State Teachers' pension on behalf amount	5,694,337	5,694,337
State Teachers' OPEB on behalf amount	133,999	133,999
GAAP Basis - Exhibit D	<u>\$ 63,812,318</u>	<u>\$ 62,644,785</u>

(Continued)

**Town of Colchester, Connecticut**

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2022**

**Budgets and Budgetary Accounting**

Formal budgetary integration is employed as a management control device during the year.

Town department heads, except for education, submit expenditure requests to the First Selectman. The First Selectman after review of these initial estimates, compiles the revised estimates and submits them to the Board of Finance. The Education Department submits its requests directly to the Board of Finance.

At least two public hearings are held on the budget before the annual budget meeting. At the annual budget meeting, the Town voters in attendance may reduce, but not increase, the Board of Selectmen budget and/or the Board of Education budget. The annual budget meeting is automatically continued to the annual budget referendum. The budget becomes effective when approved at the annual budget referendum.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

Supplemental budget appropriations must be approved by the Board of Finance and, if in excess of 2.00% of the budget to which the supplemental appropriation is being made, recommended to the Town Meeting for approval. Supplemental budget appropriations equal to or in excess of 3.00% require a special budget referendum.

The Board of Finance is authorized to transfer budgeted amounts between departments as recommended by the Board of Selectmen.

The Board of Education is authorized under state law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education and Board of Finance approval and, if over 2.00% of the annual budget, Town Meeting approval. Supplemental budget appropriations equal to or in excess of 3.00% require a special budget referendum.

There were additional appropriations of \$174,217 from fund balance.

(Concluded)

**Town of Colchester, Connecticut**  
**Required Supplementary Information**

**Police Retirement Plan**  
**Last Nine Years (1)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Schedule of Changes in Net Pension Liability and Related Ratios</u></b>									
Total pension liability:									
Service cost	\$ 197,026	\$ 201,664	\$ 192,980	\$ 196,330	\$ 187,875	\$ 183,453	\$ 175,553	\$ 167,993	\$ 178,216
Interest	291,390	265,228	237,240	217,753	190,663	177,808	152,603	130,517	106,587
Differences between expected and actual experience	-	(163,479)	-	(62,034)	-	(128,587)	-	-	234,034
Changes in assumptions	-	287,497	-	(48,676)	-	115,896	-	-	(356,174)
Benefit payments, including refunds of member contributions	(85,021)	(37,957)	(37,031)	-	-	-	-	(23,169)	-
Net change in total pension liability	403,395	552,953	393,189	303,373	378,538	348,570	328,156	275,341	162,663
Total pension liability - July 1	4,163,943	3,610,990	3,217,801	2,914,428	2,535,890	2,187,320	1,859,164	1,583,823	1,421,160
Total pension liability - June 30 (a)	<u>\$ 4,567,338</u>	<u>\$ 4,163,943</u>	<u>\$ 3,610,990</u>	<u>\$ 3,217,801</u>	<u>\$ 2,914,428</u>	<u>\$ 2,535,890</u>	<u>\$ 2,187,320</u>	<u>\$ 1,859,164</u>	<u>\$ 1,583,823</u>
Plan fiduciary net position:									
Contributions - employer	\$ 172,150	\$ 150,866	\$ 145,500	\$ 148,899	\$ 142,578	\$ 121,754	\$ 105,755	\$ 100,616	\$ 105,624
Contributions - member	80,393	87,811	82,692	90,458	88,107	85,202	82,346	81,805	86,864
Net investment income (loss)	(516,618)	700,730	65,083	122,568	113,723	167,058	(5,796)	26,378	149,423
Benefit payments, including refunds of member contributions	(85,021)	(37,957)	(37,031)	-	-	-	-	(23,169)	-
Administration	(50)	(150)	(200)	-	-	-	-	-	-
Net change in plan fiduciary net position	(349,146)	901,300	256,044	361,925	344,408	374,014	182,305	185,630	341,911
Plan fiduciary net position - July 1	3,893,183	2,991,883	2,735,839	2,373,914	2,029,506	1,655,492	1,473,187	1,287,557	945,646
Plan fiduciary net position - June 30 (b)	<u>\$ 3,544,037</u>	<u>\$ 3,893,183</u>	<u>\$ 2,991,883</u>	<u>\$ 2,735,839</u>	<u>\$ 2,373,914</u>	<u>\$ 2,029,506</u>	<u>\$ 1,655,492</u>	<u>\$ 1,473,187</u>	<u>\$ 1,287,557</u>
Net pension liability - June 30 (a)-(b)	<u>\$ 1,023,301</u>	<u>\$ 270,760</u>	<u>\$ 619,107</u>	<u>\$ 481,962</u>	<u>\$ 540,514</u>	<u>\$ 506,384</u>	<u>\$ 531,828</u>	<u>\$ 385,977</u>	<u>\$ 296,266</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77.60%</u>	<u>93.50%</u>	<u>82.85%</u>	<u>85.02%</u>	<u>81.45%</u>	<u>80.03%</u>	<u>75.69%</u>	<u>79.24%</u>	<u>81.29%</u>
Covered payroll	<u>\$ 686,638</u>	<u>\$ 663,974</u>	<u>\$ 732,871</u>	<u>\$ 705,453</u>	<u>\$ 693,575</u>	<u>\$ 665,300</u>	<u>\$ 743,711</u>	<u>\$ 694,695</u>	<u>\$ 662,403</u>
Net pension liability as a percentage of covered payroll	<u>149.03%</u>	<u>40.78%</u>	<u>84.48%</u>	<u>68.32%</u>	<u>77.93%</u>	<u>76.11%</u>	<u>71.51%</u>	<u>55.56%</u>	<u>44.73%</u>
<b><u>Schedule of Investment Returns</u></b>									
Annual money weighted rate of return, net of investment expense	<u>(13.04)%</u>	<u>22.74%</u>	<u>2.31%</u>	<u>4.94%</u>	<u>5.33%</u>	<u>9.56%</u>	<u>(0.37)%</u>	<u>1.93%</u>	<u>14.47%</u>

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

## Town of Colchester, Connecticut

## Required Supplementary Information

Police Retirement Plan  
Schedule of Contributions  
Last Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contributions	\$ 172,885	\$ 150,425	\$ 147,856	\$ 149,560	\$ 145,300	\$ 123,370	\$ 119,514	\$ 106,914	\$ 101,215	\$ 82,202
Contributions in relation to the actuarially determined contribution	<u>172,150</u>	<u>150,866</u>	<u>145,500</u>	<u>148,899</u>	<u>142,578</u>	<u>121,754</u>	<u>105,755</u>	<u>100,616</u>	<u>105,624</u>	<u>88,321</u>
Contribution excess (deficiency)	<u>\$ (735)</u>	<u>\$ 441</u>	<u>\$ (2,356)</u>	<u>\$ (661)</u>	<u>\$ (2,722)</u>	<u>\$ (1,616)</u>	<u>\$ (13,759)</u>	<u>\$ (6,298)</u>	<u>\$ 4,409</u>	<u>\$ 6,119</u>
Covered payroll	<u>\$ 686,638</u>	<u>\$ 663,974</u>	<u>\$ 732,871</u>	<u>\$ 705,453</u>	<u>\$ 693,575</u>	<u>\$ 665,300</u>	<u>\$ 743,711</u>	<u>\$ 694,695</u>	<u>\$ 662,403</u>	<u>\$ 633,878</u>
Contributions as a percentage of covered payroll	<u>25.07%</u>	<u>22.72%</u>	<u>19.85%</u>	<u>21.11%</u>	<u>20.56%</u>	<u>18.30%</u>	<u>14.22%</u>	<u>14.48%</u>	<u>15.95%</u>	<u>13.93%</u>

Town of Colchester, Connecticut

Notes to Required Supplementary Information

Police Retirement Plan  
Schedule of Contributions  
Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Changes of benefit terms	None	None	None	None	None	None	None	None	None	None
The actuarially determined contribution rates are calculated as of	July 1, 2020	July 1, 2018	July 1, 2018	July 1, 2016	July 1, 2016	July 1, 2014	July 1, 2014	July 1, 2012	July 1, 2012	July 1, 2011
Actuarial methods and assumptions used to determine contribution rates:										
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar
Asset valuation method	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Inflation rate	2.40%	2.60%	2.60%	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%	N/A
Salary increases	2.40% plus Service Merit Scale	2.50% plus Service Merit Scale	2.50% plus Service Merit Scale	2.75% plus Service Merit Scale	2.75% plus Service Merit Scale	5.00% (3.50% cost-of living, 1.50% steps)	4.50%			
Post-retirement cost of living adjustments	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Investment rate of return (net)	6.75%	7.00%	7.00%	7.00%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%
Mortality rate	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (Public Safety), projected to the valuation date with Scale MP-2020	RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2018	RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2018	RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2016	RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2016	RP-2000 Mortality Table projected to the valuation date with Scale AA	RP-2000 Mortality Table projected to the valuation date with Scale AA	RP-2000 Mortality Table projected to the valuation date with Scale AA	RP-2000 Mortality Table projected to the valuation date with Scale AA	N/A

N/A - not available

**Town of Colchester, Connecticut**  
**Required Supplementary Information**  
**Connecticut State Teachers' Retirement System**  
**Last Eight Years (3)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>Schedule of Proportionate Share of the Collective Net Pension Liability</u></b>								
Town's proportion of the collective net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the collective pension liability associated with the Town	68,005,099	85,864,105	77,141,798	59,480,808	63,053,688	66,522,123	53,087,310	49,068,579
Total	<u>\$ 68,005,099</u>	<u>\$ 85,864,105</u>	<u>\$ 77,141,798</u>	<u>\$ 59,480,808</u>	<u>\$ 63,053,688</u>	<u>\$ 66,522,123</u>	<u>\$ 53,087,310</u>	<u>\$ 49,068,579</u>
Town's covered payroll	<u>(2)</u>							
Town's proportionate share of the collective net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the collective total pension liability	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.56%

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**Schedule of Contributions**

Contractually required contribution (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>							
Town's covered payroll	<u>(2)</u>							
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Local employers are not required to contribute to the plan.

(2) Not applicable since 0% proportional share of the collective net pension liability.

(3) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

**Town of Colchester, Connecticut**  
**Notes to Required Supplementary Information**  
**Connecticut State Teachers' Retirement System**  
**Schedule of Contributions**  
**Last Eight Years (1)**

	2022	2021	2020	2019	2018	2017	2016	2015
Changes of benefit terms	None	None	None	Beginning January 1, 2018, member contributions increased from 6.00% to 7.00% of salary	None	None	None	None
The actuarially determined contribution rates are calculated as of	June 30, 2020	June 30, 2018	June 30, 2018	June 30, 2016	June 30, 2016	June 30, 2014	June 30, 2014	June 30, 2012
Actuarial methods and assumptions used to determine contribution rates:								
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percent of salary, closed, grading to a level dollar	Level percent of salary, closed, grading to a level dollar	Level percent of salary, closed, grading to a level dollar	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed
Remaining amortization period	27.8 years	30 years	30 years	20.4 years	20.4 years	21.4 years	21.4 years	22.4 years
Asset valuation method	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing
Inflation rate	2.50%	2.50%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%
Salary increases	3.00%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.75%-7.00%, average, including inflation	3.75%-7.00%, average, including inflation	3.75%-7.00%, average, including inflation
Cost-of-living adjustments	1.75%-3.00% based on retirement date	1.75%-3.00% based on retirement date	1.75%-3.00% based on retirement date	1.75%-3.00% based on retirement date	1.75%-3.00% based on retirement date	2.00%-3.00% based on retirement date	2.00%-3.00% based on retirement date	2.00%-3.00% based on retirement date
Investment rate of return (net)	6.90%	6.90%	6.90%	8.00%	8.00%	8.50%	8.50%	8.50%
Mortality rate	PubT-2010 Table projected generationally with MP-2019	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2000 Combined Mortality Table projected 19 years using scale AA	RP-2000 Combined Mortality Table projected 19 years using scale AA	RP-2000 Combined Mortality Table projected 19 years using scale AA

(1) This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

**Town of Colchester, Connecticut**  
**Required Supplementary Information**  
**Other Post-Employment Benefit Plan**  
**Schedule of Changes in OPEB Liability and Related Ratios**  
**Last Five Years (1)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPEB liability:					
Service cost	\$ 393,699	\$ 397,018	\$ 298,808	\$ 266,608	\$ 284,046
Interest	201,810	197,669	244,424	248,540	225,136
Differences between expected and actual experience	(3,299,826)	-	524,866	-	-
Changes in assumptions	(966,508)	47,230	1,087,333	244,148	(146,062)
Benefit payments, including refunds of member contributions	<u>(143,310)</u>	<u>(335,336)</u>	<u>(250,148)</u>	<u>(210,314)</u>	<u>(214,186)</u>
Net change in OPEB liability	(3,814,135)	306,581	1,905,283	548,982	148,934
OPEB liability - July 1	<u>9,020,608</u>	<u>8,714,027</u>	<u>6,808,744</u>	<u>6,259,762</u>	<u>6,110,828</u>
OPEB liability - June 30 *	<u>\$ 5,206,473</u>	<u>\$ 9,020,608</u>	<u>\$ 8,714,027</u>	<u>\$ 6,808,744</u>	<u>\$ 6,259,762</u>
Covered employee payroll	<u>\$33,268,653</u>	<u>\$29,339,464</u>	<u>\$ 29,339,464</u>	<u>\$ 21,277,152</u>	<u>\$ 21,277,152</u>
OPEB liability as a percentage of covered employee payroll	<u>15.65%</u>	<u>30.75%</u>	<u>29.70%</u>	<u>32.00%</u>	<u>29.42%</u>

(1) These schedules are intended to present information for 10 years.  
Additional years will be presented as the information becomes available.

\* There are no assets that are being accumulated in a trust that meets the criteria in GASB No. 75 to pay benefits.

## Town of Colchester, Connecticut

## Required Supplementary Information

Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan  
Last Five Years (3)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b><u>Schedule of Proportionate Share of the Collective Net OPEB Liability</u></b>					
Town's proportion of the collective net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the collective net OPEB liability associated with the Town	7,409,031	12,806,634	12,030,700	11,890,600	16,229,300
Total	<u>\$ 7,409,031</u>	<u>\$ 12,806,634</u>	<u>\$ 12,030,700</u>	<u>\$ 11,890,600</u>	<u>\$ 16,229,300</u>
Town's covered payroll	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
85 Town's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the collective total OPEB liability	<u>6.11%</u>	<u>2.50%</u>	<u>2.08%</u>	<u>1.49%</u>	<u>1.79%</u>

**Schedule of Contributions**

Contractually required contribution (1)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>				
Town's covered payroll	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Contributions as a percentage of covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

(1) Local employers are not required to contribute to the plan.

(2) Not applicable since 0% proportional share of the collective net OPEB liability.

(3) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

See Notes to Required Supplementary Information.

**Town of Colchester, Connecticut**  
**Notes to Required Supplementary Information**  
**Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan**  
**Schedule of Contributions**  
**Last Five Years (1)**

	2022	2021	2020	2019	2018
Changes of benefit terms	None	None	None	None	None
The actuarially determined contribution rates are calculated as of	June 30, 2020	June 30, 2020	June 30, 2018	June 30, 2018	June 30, 2016
Actuarial methods and assumptions used to determine contribution rates:					
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage, open	Level percentage, closed	Level percentage, open	Level percentage, open	Level percentage, open
Amortization period	30 years	30 years	30 years	30 years	30 years
Asset valuation method	Fair value	Fair value	Fair value	Fair value	Fair value
Inflation rate	2.50%	2.50%	2.75%	2.75%	2.75%
Healthcare inflation rate	Initial 5.125% decreasing to 4.50% (ultimate) by 2023	Initial 5.125% decreasing to 4.50% (ultimate) by 2023	Initial 5.95% decreasing to 4.75% (ultimate) by 2025	Initial 5.95% decreasing to 4.75% (ultimate) by 2025	Initial 7.25% decreasing to 5.00% (ultimate) by 2022
Salary increases	3.00% to 6.50%, including inflation	3.00% to 6.50%, including inflation	3.25% to 6.50%, including inflation	3.25% to 6.50%, including inflation	3.25% to 6.50%, including inflation
Investment rate of return (net)	3.00%	3.00%	3.00%	3.00%	4.25%
Mortality rate	PubT-2010 Table projected generationally with MP-2019	PubT-2010 Table projected generationally with MP-2019	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

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# **Supplemental Schedules**

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# General Fund

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, community and human services, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

For reporting in accordance with generally accepted accounting principles, the general fund includes certain funds that are required to be reported as part of the general fund under the requirements of GASB No. 54.

<b>Fund</b>	<b>Function</b>
Snow Reserve Fund	Snow removal
Animal Control Fund	Animal control programs

## Town of Colchester, Connecticut

**General Fund  
Combining Balance Sheet  
June 30, 2022**

	<u>General Fund</u>	<u>Snow Reserve Fund</u>	<u>Animal Control Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 2,173,320	\$ 319,469	\$ 7,635	\$ 2,500,424
Restricted cash	75,923	-	-	75,923
Investments	8,114,647	-	-	8,114,647
Receivables (net):				
Property taxes	1,045,589	-	-	1,045,589
Intergovernmental	117,086	-	-	117,086
Accounts	140,181	-	398	140,579
Due from other funds	1,592,184	-	-	1,592,184
Other	51,049	-	-	51,049
	<u>13,309,979</u>	<u>319,469</u>	<u>8,033</u>	<u>13,637,481</u>
Total assets	<u>\$ 13,309,979</u>	<u>\$ 319,469</u>	<u>\$ 8,033</u>	<u>\$ 13,637,481</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,484,590	\$ -	\$ 7,570	\$ 1,492,160
Accrued payroll	776,191	-	-	776,191
Unearned revenue	1,220	-	-	1,220
Performance bonds	75,923	-	-	75,923
Other	149,467	-	-	149,467
	<u>2,487,391</u>	<u>-</u>	<u>7,570</u>	<u>2,494,961</u>
Total liabilities	<u>2,487,391</u>	<u>-</u>	<u>7,570</u>	<u>2,494,961</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Advance property tax collections	2,207	-	-	2,207
Property taxes	1,045,589	-	-	1,045,589
	<u>1,047,796</u>	<u>-</u>	<u>-</u>	<u>1,047,796</u>
Total deferred inflows of resources	<u>1,047,796</u>	<u>-</u>	<u>-</u>	<u>1,047,796</u>
<u>Fund Balances</u>				
Committed	124,402	319,469	463	444,334
Assigned	1,689,752	-	-	1,689,752
Unassigned	7,960,638	-	-	7,960,638
	<u>9,774,792</u>	<u>319,469</u>	<u>463</u>	<u>10,094,724</u>
Total fund balances	<u>9,774,792</u>	<u>319,469</u>	<u>463</u>	<u>10,094,724</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,309,979</u>	<u>\$ 319,469</u>	<u>\$ 8,033</u>	<u>\$ 13,637,481</u>

## Town of Colchester, Connecticut

## General Fund

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Snow Reserve Fund</u>	<u>Animal Control Fund</u>	<u>Eliminations</u>	<u>Total</u>
Revenues:					
Property taxes	\$ 42,473,085	\$ -	\$ -	\$ -	\$ 42,473,085
Intergovernmental	18,921,948	-	-	-	18,921,948
Charges for services	2,321,710	-	5,547	-	2,327,257
Income from investments	59,591	-	-	-	59,591
Other	30,437	-	-	-	30,437
	<u>63,806,771</u>	<u>-</u>	<u>5,547</u>	<u>-</u>	<u>63,812,318</u>
Total revenues					
Expenditures:					
Current:					
General government	3,845,716	-	-	-	3,845,716
Public safety	3,324,904	-	51,819	-	3,376,723
Public works	3,979,835	-	-	-	3,979,835
Community and human services	1,685,388	-	-	-	1,685,388
Education	47,681,959	-	-	-	47,681,959
Debt service	2,075,164	-	-	-	2,075,164
	<u>62,592,966</u>	<u>-</u>	<u>51,819</u>	<u>-</u>	<u>62,644,785</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>1,213,805</u>	<u>-</u>	<u>(46,272)</u>	<u>-</u>	<u>1,167,533</u>
Other financing sources (uses):					
Transfers in	-	18,361	47,259	(65,620)	-
Transfers out	(1,173,516)	-	-	65,620	(1,107,896)
	<u>(1,173,516)</u>	<u>18,361</u>	<u>47,259</u>	<u>-</u>	<u>(1,107,896)</u>
Net other financing sources (uses)					
Net change in fund balances	40,289	18,361	987	-	59,637
Fund balances - July 1, 2021	<u>9,734,503</u>	<u>301,108</u>	<u>(524)</u>	<u>-</u>	<u>10,035,087</u>
Fund balances - June 30, 2022	<u>\$ 9,774,792</u>	<u>\$ 319,469</u>	<u>\$ 463</u>	<u>\$ -</u>	<u>\$ 10,094,724</u>

**Town of Colchester, Connecticut**  
**General Fund**  
**Report of Tax Collector**  
**For the Year Ended June 30, 2022**

Grand List Year	Uncollected Taxes July 1, 2021	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Amount Collectible	Collections			Uncollected Taxes June 30, 2022
			Additions	Deductions			Net Taxes Collected	Interest, Liens and Other Fees	Total	
2005	\$ 10,227	\$ -	\$ -	\$ 10,227	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2006	32,589	-	2	-	-	32,591	2,541	4,214	6,755	30,050
2007	29,835	-	12	-	-	29,847	2,726	5,958	8,684	27,121
2008	36,162	-	253	-	-	36,415	1,855	3,437	5,292	34,560
2009	24,001	-	-	-	85	23,916	1,625	3,415	5,040	22,291
2010	21,383	-	-	-	-	21,383	1,361	2,161	3,522	20,022
2011	26,339	-	36	-	-	26,375	1,322	2,038	3,360	25,053
2012	30,128	-	-	775	-	29,353	2,858	2,411	5,269	26,495
2013	31,274	-	2	804	-	30,472	4,365	5,501	9,866	26,107
2014	37,128	-	379	1,472	671	35,364	4,153	4,383	8,536	31,211
2015	41,661	-	2	301	936	40,426	911	856	1,767	39,515
2016	47,605	-	162	301	289	47,177	4,814	2,459	7,273	42,363
2017	104,862	-	22,893	161	160	127,434	45,784	10,719	56,503	81,650
2018	206,755	-	60	1,519	163	205,133	93,377	31,870	125,247	111,756
2019	<u>496,964</u>	<u>-</u>	<u>16,844</u>	<u>15,095</u>	<u>286</u>	<u>498,427</u>	<u>301,207</u>	<u>66,857</u>	<u>368,064</u>	<u>197,220</u>
Subtotal	1,176,913	-	40,645	30,655	2,590	1,184,313	468,899	146,279	615,178	715,414
2020	<u>-</u>	<u>42,392,718</u>	<u>83,587</u>	<u>216,529</u>	<u>7,150</u>	<u>42,252,626</u>	<u>41,801,291</u>	<u>123,121</u>	<u>41,924,412</u>	<u>451,335</u>
Total	<u>\$ 1,176,913</u>	<u>\$ 42,392,718</u>	<u>\$ 124,232</u>	<u>\$ 247,184</u>	<u>\$ 9,740</u>	<u>\$ 43,436,939</u>	<u>\$ 42,270,190</u>	<u>\$ 269,400</u>	<u>\$ 42,539,590</u>	\$ 1,166,749
								Tax interest and liens receivable		743,319
								Allowance for doubtful accounts		<u>(864,479)</u>
								Net taxes receivable - General Fund		<u>\$ 1,045,589</u>

# Other Governmental Funds

## Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted, committed, or assigned to expenditures for particular purposes.

Fund	Funding Source	Function
Town Aid Road Fund	Grants	Road improvements
Small Cities Grants Fund	Fees and grants	Housing rehabilitation
Sewer Operating Fund	Fees	Sewer operations
Recreation Activities Fund	Fees and contributions	Recreation programs
Miscellaneous Grants Fund	Grants and contributions	Various specified purposes
Special Gifts Fund	Fees and contributions	Various specified purposes
Police Special Duty Fund	Fees	Public safety programs
School Cafeteria Fund	Fees and grants	School lunch and breakfast program
Educational Grants Fund	Grants, fees and contributions	Education programs
Out of District Tuition Fund	Fees	Education programs
Pay to Play Fund	Fees	Athletic programs
Bacon Academy Summer School Fund	Fees	Summer school operations
School Activity Fund	Fees	Student activity funds and school scholarships

## Capital Projects Funds

Capital projects funds are used to account for acquisition and construction of major capital assets other than those financed by proprietary and trust funds.

Fund	Funding Source	Function
2009 Bond Referendum Fund	Bonds	Various capital projects
Capital Projects Fund	Grants, fees and transfers in	Various capital projects
Sewer Capital Fund	Fees	Sewer capital projects
Energy Project Fund	Fees and equipment financing notes	Energy project
Use of Schools Fund	Fees and contributions	Custodial, facility improvements, equipment and other rental related costs
Education Capital Reserve Fund	Transfers in	Education maintenance and capital projects

## Debt Service Fund

The debt service fund is used to account for and report resources for the payment of future debt service payments.

## Permanent Fund

The permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for cemetery maintenance.

Town of Colchester, Connecticut

Other Governmental Funds  
Combining Balance Sheet  
June 30, 2022

Special Revenue Funds

	Town Aid Road Fund	Small Cities Grants Fund	Sewer Operating Fund	Recreation Activities Fund	Miscellaneous Grants Fund	Special Gifts Fund	Police Special Duty Fund
<u>Assets</u>							
Cash	\$ 1,239,924	\$ 10,723	\$ 282,628	\$ 353,506	\$ -	\$ 1,505,924	\$ 10,463
Receivables:							
Intergovernmental	-	-	-	-	461,552	-	-
Assessments and use charges	-	-	313,736	-	-	-	-
Loan	-	58,810	-	-	-	-	-
Accounts	-	-	-	-	-	1,879	162,618
Other	-	-	-	-	-	-	-
Total assets	<u>\$ 1,239,924</u>	<u>\$ 69,533</u>	<u>\$ 596,364</u>	<u>\$ 353,506</u>	<u>\$ 461,552</u>	<u>\$ 1,507,803</u>	<u>\$ 173,081</u>
<u>Liabilities</u>							
Accounts payable	\$ -	\$ -	\$ 89,299	\$ 2,549	\$ 24,508	\$ 14,111	\$ -
Accrued payroll	-	-	3,837	14,273	6,432	-	34,788
Due to other funds	-	-	-	-	134,599	-	-
Unearned revenue	-	-	-	-	397,677	-	-
Other	-	-	8,749	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>101,885</u>	<u>16,822</u>	<u>563,216</u>	<u>14,111</u>	<u>34,788</u>
<u>Deferred Inflows of Resources</u>							
Unavailable revenue:							
Assessments and use charges	-	-	290,979	-	-	-	-
<u>Fund Balances</u>							
Restricted	1,239,924	69,533	203,500	-	-	1,493,692	-
Committed	-	-	-	336,684	-	-	138,293
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(101,664)	-	-
Total fund balances	<u>1,239,924</u>	<u>69,533</u>	<u>203,500</u>	<u>336,684</u>	<u>(101,664)</u>	<u>1,493,692</u>	<u>138,293</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,239,924</u>	<u>\$ 69,533</u>	<u>\$ 596,364</u>	<u>\$ 353,506</u>	<u>\$ 461,552</u>	<u>\$ 1,507,803</u>	<u>\$ 173,081</u>

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(Continued)

Town of Colchester, Connecticut

Other Governmental Funds  
Combining Balance Sheet  
June 30, 2022

	Special Revenue Funds						Capital Projects Funds	
	School Cafeteria Fund	Educational Grants Fund	Out of District Tuition Fund	Pay to Play Fund	Bacon Academy Summer School Fund	School Activity Fund	Total Special Revenue Funds	2009 Bond Referendum Fund
<u>Assets</u>								
Cash	\$463,627	\$ 60,893	\$ 42,035	\$ 19,280	\$ 9,797	\$ 485,110	\$ 4,483,910	\$ 56,057
Receivables:								
Intergovernmental	248,362	230,622	-	-	-	-	940,536	-
Assessments and use charges	-	-	-	-	-	-	313,736	-
Loan	-	-	-	-	-	-	58,810	-
Accounts	-	34,048	-	-	-	917	199,462	-
Other	10,056	-	-	-	-	-	10,056	-
Total assets	<u>\$722,045</u>	<u>\$ 325,563</u>	<u>\$ 42,035</u>	<u>\$ 19,280</u>	<u>\$ 9,797</u>	<u>\$ 486,027</u>	<u>\$ 6,006,510</u>	<u>\$ 56,057</u>
<u>Liabilities</u>								
Accounts payable	\$ 10,302	\$ 204,639	\$ -	\$ 19,280	\$ -	\$ 395	\$ 365,083	\$ -
Accrued payroll	15,254	22,337	-	-	-	104	97,025	-
Due to other funds	495,312	-	-	-	-	-	629,911	-
Unearned revenue	19,075	10,628	-	-	-	-	427,380	-
Other	-	-	-	-	-	-	8,749	-
Total liabilities	<u>539,943</u>	<u>237,604</u>	<u>-</u>	<u>19,280</u>	<u>-</u>	<u>499</u>	<u>1,528,148</u>	<u>-</u>
<u>Deferred Inflows of Resources</u>								
Unavailable revenue:								
Assessments and use charges	-	-	-	-	-	-	290,979	-
<u>Fund Balances</u>								
Restricted	182,102	87,959	-	-	-	-	3,276,710	-
Committed	-	-	42,035	-	9,797	485,528	1,012,337	56,057
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(101,664)	-
Total fund balances	<u>182,102</u>	<u>87,959</u>	<u>42,035</u>	<u>-</u>	<u>9,797</u>	<u>485,528</u>	<u>4,187,383</u>	<u>56,057</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$722,045</u>	<u>\$ 325,563</u>	<u>\$ 42,035</u>	<u>\$ 19,280</u>	<u>\$ 9,797</u>	<u>\$ 486,027</u>	<u>\$ 6,006,510</u>	<u>\$ 56,057</u>

(Continued)

Town of Colchester, Connecticut

Other Governmental Funds  
Combining Balance Sheet  
June 30, 2022

	Capital Projects Funds						Debt Service Fund	Permanent Fund	Total Other Governmental Funds
	Capital Projects Fund	Sewer Capital Fund	Energy Project Fund	Use of Schools Fund	Education Capital Reserve Fund	Total Capital Projects Funds		Cemetery Fund	
<u>Assets</u>									
Cash	\$ 1,038,571	\$ 416,051	\$ 95,608	\$ 28,699	\$ 314,509	\$ 1,949,495	\$ 525,227	\$ 450	\$ 6,959,082
Receivables:									
Intergovernmental	-	-	-	-	-	-	-	-	940,536
Assessments and use charges	-	-	-	-	-	-	-	-	313,736
Loan	-	-	-	-	-	-	-	-	58,810
Accounts	7,553	-	-	304	-	7,857	-	-	207,319
Other	-	-	-	-	-	-	-	-	10,056
<b>Total assets</b>	<b>\$ 1,046,124</b>	<b>\$ 416,051</b>	<b>\$ 95,608</b>	<b>\$ 29,003</b>	<b>\$ 314,509</b>	<b>\$ 1,957,352</b>	<b>\$ 525,227</b>	<b>\$ 450</b>	<b>\$ 8,489,539</b>
<u>Liabilities</u>									
Accounts payable	\$ 125,954	\$ 5,508	\$ -	\$ -	\$ 88,479	\$ 219,941	\$ -	\$ -	\$ 585,024
Accrued payroll	-	-	-	253	-	253	-	-	97,278
Due to other funds	-	-	-	-	-	-	-	-	629,911
Unearned revenue	62,229	-	-	-	-	62,229	-	-	489,609
Other	-	-	-	-	-	-	-	-	8,749
<b>Total liabilities</b>	<b>188,183</b>	<b>5,508</b>	<b>-</b>	<b>253</b>	<b>88,479</b>	<b>282,423</b>	<b>-</b>	<b>-</b>	<b>1,810,571</b>
<u>Deferred Inflows of Resources</u>									
Unavailable revenue:									
Assessments and use charges	-	-	-	-	-	-	-	-	290,979
<u>Fund Balances</u>									
Restricted	-	-	-	-	-	-	-	450	3,277,160
Committed	857,941	410,543	95,608	28,750	226,030	1,674,929	-	-	2,687,266
Assigned	-	-	-	-	-	-	525,227	-	525,227
Unassigned	-	-	-	-	-	-	-	-	(101,664)
<b>Total fund balances</b>	<b>857,941</b>	<b>410,543</b>	<b>95,608</b>	<b>28,750</b>	<b>226,030</b>	<b>1,674,929</b>	<b>525,227</b>	<b>450</b>	<b>6,387,989</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,046,124</b>	<b>\$ 416,051</b>	<b>\$ 95,608</b>	<b>\$ 29,003</b>	<b>\$ 314,509</b>	<b>\$ 1,957,352</b>	<b>\$ 525,227</b>	<b>\$ 450</b>	<b>\$ 8,489,539</b>

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(Concluded)

Town of Colchester, Connecticut

Other Governmental Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2022

Special Revenue Funds

	Town Aid Road Fund	Small Cities Grants Fund	Sewer Operating Fund	Recreation Activities Fund	Miscellaneous Grants Fund	Special Gifts Fund	Police Special Duty Fund
Revenues:							
Intergovernmental	\$ 387,637	\$ -	\$ -	\$ -	\$ 393,488	\$ 11,941	\$ -
Charges for services	-	-	1,314,757	193,006	-	30,837	211,912
Income from investments	-	-	141	-	-	-	-
Contributions	-	-	-	1,669	1,322	986,815	-
Other	-	851	-	-	-	-	-
Total revenues	<u>387,637</u>	<u>851</u>	<u>1,314,898</u>	<u>194,675</u>	<u>394,810</u>	<u>1,029,593</u>	<u>211,912</u>
Expenditures:							
Current:							
General government	-	-	-	-	19,950	10,670	-
Public safety	-	-	-	-	7,459	2,480	171,970
Public works	-	-	1,350,297	-	15,934	-	-
Community and human services	-	-	-	121,345	233,386	163,154	-
Education	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	249,812	-	38,809	-	157,528	-	12,075
Total expenditures	<u>249,812</u>	<u>-</u>	<u>1,389,106</u>	<u>121,345</u>	<u>434,257</u>	<u>176,304</u>	<u>184,045</u>
Excess (deficiency) of revenues over expenditures	<u>137,825</u>	<u>851</u>	<u>(74,208)</u>	<u>73,330</u>	<u>(39,447)</u>	<u>853,289</u>	<u>27,867</u>
Other financing sources (uses):							
Premium	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	137,825	851	(74,208)	73,330	(39,447)	853,289	27,867
Fund balances - July 1, 2021	<u>1,102,099</u>	<u>68,682</u>	<u>277,708</u>	<u>263,354</u>	<u>(62,217)</u>	<u>640,403</u>	<u>110,426</u>
Fund balances - June 30, 2022	<u>\$ 1,239,924</u>	<u>\$ 69,533</u>	<u>\$ 203,500</u>	<u>\$ 336,684</u>	<u>\$ (101,664)</u>	<u>\$ 1,493,692</u>	<u>\$ 138,293</u>

(Continued)

Town of Colchester, Connecticut

Other Governmental Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2022

	Special Revenue Funds						Capital Projects Funds	
	School Cafeteria Fund	Educational Grants Fund	Out of District Tuition Fund	Pay to Play Fund	Bacon Academy Summer School Fund	School Activity Fund	Total Special Revenue Funds	2009 Bond Referendum Fund
Revenues:								
Intergovernmental	\$ 1,377,988	\$ 2,519,168	\$ -	\$ -	\$ -	\$ -	\$ 4,690,222	\$ -
Charges for services	53,023	103,965	106,954	85,248	-	392,907	2,492,609	-
Income from investments	-	-	-	-	-	-	141	-
Contributions	-	33,090	-	-	-	-	1,022,896	-
Other	-	-	-	-	-	-	851	-
Total revenues	<u>1,431,011</u>	<u>2,656,223</u>	<u>106,954</u>	<u>85,248</u>	<u>-</u>	<u>392,907</u>	<u>8,206,719</u>	<u>-</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	-	30,620	-
Public safety	-	-	-	-	-	-	181,909	-
Public works	-	-	-	-	-	-	1,366,231	-
Community and human services	-	-	-	-	-	-	517,885	-
Education	921,375	2,314,234	106,954	85,248	-	319,302	3,747,113	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	413,739	-	-	-	-	871,963	-
Total expenditures	<u>921,375</u>	<u>2,727,973</u>	<u>106,954</u>	<u>85,248</u>	<u>-</u>	<u>319,302</u>	<u>6,715,721</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>509,636</u>	<u>(71,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,605</u>	<u>1,490,998</u>	<u>-</u>
Other financing sources (uses):								
Premium	-	-	-	-	-	-	-	-
Transfers in	-	60,000	-	-	-	-	60,000	-
Transfers out	(302,565)	-	-	-	-	-	(302,565)	-
Net other financing sources (uses)	<u>(302,565)</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(242,565)</u>	<u>-</u>
Net change in fund balances	207,071	(11,750)	-	-	-	73,605	1,248,433	-
Fund balances - July 1, 2021	(24,969)	99,709	42,035	-	9,797	411,923	2,938,950	56,057
Fund balances - June 30, 2022	<u>\$ 182,102</u>	<u>\$ 87,959</u>	<u>\$ 42,035</u>	<u>\$ -</u>	<u>\$ 9,797</u>	<u>\$ 485,528</u>	<u>\$ 4,187,383</u>	<u>\$ 56,057</u>

(Continued)

Town of Colchester, Connecticut

Other Governmental Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2022

	Capital Projects Funds					Total Capital Projects Funds	Debt Service Fund	Permanent Fund	Total Other Governmental Funds
	Capital Projects Fund	Sewer Capital Fund	Energy Project Fund	Use of Schools Fund	Education Capital Reserve Fund			Cemetary Fund	
Revenues:									
Intergovernmental	\$ 2,742	\$ -	\$ -	\$ -	\$ -	\$ 2,742	\$ -	\$ -	\$ 4,692,964
Charges for services	26,066	508,734	-	22,405	-	557,205	-	-	3,049,814
Income from investments	-	366	-	-	-	366	-	-	507
Contributions	-	-	-	-	-	-	-	-	1,022,896
Other	-	-	-	-	-	-	-	-	851
<b>Total revenues</b>	<b>28,808</b>	<b>509,100</b>	<b>-</b>	<b>22,405</b>	<b>-</b>	<b>560,313</b>	<b>-</b>	<b>-</b>	<b>8,767,032</b>
Expenditures:									
Current:									
General government	132,338	-	-	-	-	132,338	-	-	162,958
Public safety	-	-	-	-	-	-	-	-	181,909
Public works	-	21,181	-	-	-	21,181	-	-	1,387,412
Community and human services	-	-	-	-	-	-	-	-	517,885
Education	-	-	-	25,812	-	25,812	-	-	3,772,925
Debt service	-	-	-	-	-	-	568,541	-	568,541
Capital outlay	558,298	587,247	-	5,183	370,555	1,521,283	-	-	2,393,246
<b>Total expenditures</b>	<b>690,636</b>	<b>608,428</b>	<b>-</b>	<b>30,995</b>	<b>370,555</b>	<b>1,700,614</b>	<b>568,541</b>	<b>-</b>	<b>8,984,876</b>
Excess (deficiency) of revenues over expenditures	(661,828)	(99,328)	-	(8,590)	(370,555)	(1,140,301)	(568,541)	-	(217,844)
Other financing sources (uses):									
Premium	-	-	-	-	-	-	47,398	-	47,398
Transfers in	139,725	-	-	-	302,565	442,290	360,226	-	862,516
Transfers out	-	-	-	-	-	-	-	-	(302,565)
<b>Net other financing sources (uses)</b>	<b>139,725</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>302,565</b>	<b>442,290</b>	<b>407,624</b>	<b>-</b>	<b>607,349</b>
<b>Net change in fund balances</b>	<b>(522,103)</b>	<b>(99,328)</b>	<b>-</b>	<b>(8,590)</b>	<b>(67,990)</b>	<b>(698,011)</b>	<b>(160,917)</b>	<b>-</b>	<b>389,505</b>
Fund balances - July 1, 2021	1,380,044	509,871	95,608	37,340	294,020	2,372,940	686,144	450	5,998,484
<b>Fund balances - June 30, 2022</b>	<b>\$ 857,941</b>	<b>\$ 410,543</b>	<b>\$ 95,608</b>	<b>\$ 28,750</b>	<b>\$ 226,030</b>	<b>\$ 1,674,929</b>	<b>\$ 525,227</b>	<b>\$ 450</b>	<b>\$ 6,387,989</b>

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(Concluded)

# Trend Information

This part of the Town's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

<b>Table</b>	<b>Description</b>
Financial Trends (Tables 1-2)	These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time
Revenue Capacity (Table 3)	This schedule contains information to help the reader assess the Town's most significant local revenue source, the property tax
Debt Capacity (Table 4)	This schedule presents information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the fiscal year.

**Town of Colchester, Connecticut**  
**Fund Balances - Governmental Funds**  
**Last Ten Years**  
**(Modified Accrual Basis Accounting)**  
**(Unaudited)**

June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ 6,578	\$ 25,687	\$ 27,610	\$ 37,820	\$ 30,655	\$ 19,510	\$ 28,351
Committed	444,334	301,108	360,060	477,401	273,318	110,303	418,455	67,500	120,829	44,936
Assigned	1,689,752	1,902,354	1,268,155	585,619	1,238,154	612,254	502,848	370,685	250,730	698,770
Unassigned	7,960,638	7,831,625	7,834,677	7,815,186	6,869,784	6,422,633	5,711,933	5,255,366	4,888,372	4,758,733
Total general fund	10,094,724	10,035,087	9,462,892	8,884,784	8,406,943	7,172,800	6,671,056	5,724,206	5,279,441	5,530,790
All other governmental funds:										
Restricted	3,277,160	2,189,051	2,026,529	1,707,827	1,757,015	1,604,738	1,538,464	1,344,735	1,291,700	988,019
Committed	5,861,765	6,265,719	6,195,594	6,065,724	5,814,987	5,215,554	4,644,724	4,203,246	4,477,042	4,139,501
Assigned	525,227	686,144	1,003,744	463,150	540,307	243,239	162,415	91,014	91,013	52,314
Unassigned	(3,908,937)	(3,878,034)	(3,732,760)	(2,931,730)	(3,049,757)	(4,219,300)	(560,823)	(81,082)	(33,654)	(3,810)
Total all other governmental funds	5,755,215	5,262,880	5,493,107	5,304,971	5,062,552	2,844,231	5,784,780	5,557,913	5,826,101	5,176,024
Grand total	<u>\$ 15,849,939</u>	<u>\$ 15,297,967</u>	<u>\$14,955,999</u>	<u>\$14,189,755</u>	<u>\$13,469,495</u>	<u>\$10,017,031</u>	<u>\$12,455,836</u>	<u>\$11,282,119</u>	<u>\$11,105,542</u>	<u>\$10,706,814</u>

Source: Current and prior year financial statements

Notes:

General fund:

  Assigned                      Decreased due to a decrease in fund balance assigned to balance next year's budget.

All other governmental funds:

  Restricted                    Increase due to an increase in the Special Gifts Fund fund balance due to donations received during the year.

  Committed                    Decreased due to expenditures in the Capital Project Funds from funds received in a prior year.

  Assigned                        Decreased due to current year activity.

## Town of Colchester, Connecticut

**General Fund**  
**Changes in Fund Balances**  
**Last Ten Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

For the Year Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenues:										
Property taxes	\$ 42,473,085	\$ 41,194,550	\$ 40,786,499	\$ 40,055,967	\$ 39,568,433	\$ 38,538,798	\$ 37,750,547	\$ 37,265,322	\$ 36,288,384	\$ 34,405,139
Intergovernmental	18,921,948	19,045,300	19,391,531	19,768,265	21,032,544	21,992,787	19,575,213	19,483,781	19,727,811	19,347,462
Charges for services	2,327,257	1,982,222	1,974,317	1,892,999	1,690,066	1,418,201	1,444,931	1,229,322	1,245,432	1,199,359
Income from investments	59,591	31,381	269,519	348,258	272,088	88,500	61,139	48,566	51,533	47,491
Other	30,437	28,340	78,460	76,368	73,655	78,683	48,193	26,280	129,638	54,981
<b>Total revenues</b>	<b>63,812,318</b>	<b>62,281,793</b>	<b>62,500,326</b>	<b>62,141,857</b>	<b>62,636,786</b>	<b>62,116,969</b>	<b>58,880,023</b>	<b>58,053,271</b>	<b>57,442,798</b>	<b>55,054,432</b>
Expenditures:										
Current:										
General government	3,845,716	3,685,824	3,567,600	3,516,196	3,413,682	3,534,368	3,151,674	3,310,137	3,387,956	3,196,386
Public safety	3,376,723	3,067,974	2,928,968	2,872,691	2,761,914	2,699,729	2,676,389	2,438,800	2,403,418	2,204,883
Public works	3,979,835	3,457,413	3,325,588	3,447,196	3,153,130	3,312,050	3,133,633	3,489,369	3,695,205	2,849,686
Community and human services	1,685,388	1,549,759	1,569,794	1,534,894	1,491,049	1,534,864	1,480,902	1,434,099	1,404,709	1,286,636
Education	47,681,959	46,211,815	46,584,807	46,431,630	47,020,602	46,630,541	44,296,560	43,909,369	43,879,506	41,828,767
Debt service - principal	1,495,000	1,550,000	1,490,000	1,495,000	1,525,000	1,515,000	1,530,000	1,550,000	1,585,307	1,575,000
Debt service - interest	580,164	525,164	585,164	215,415	266,665	327,265	371,465	422,865	469,607	520,890
<b>Total expenditures</b>	<b>62,644,785</b>	<b>60,047,949</b>	<b>60,051,921</b>	<b>59,513,022</b>	<b>59,632,042</b>	<b>59,553,817</b>	<b>56,640,623</b>	<b>56,554,639</b>	<b>56,825,708</b>	<b>53,462,248</b>
Excess (deficiency) of revenues over expenditures	1,167,533	2,233,844	2,448,405	2,628,835	3,004,744	2,563,152	2,239,400	1,498,632	617,090	1,592,184
Other financing sources (uses):										
Transfers in	-	7,974	-	-	-	8,240	-	-	-	-
Transfers out	(1,107,896)	(1,669,623)	(1,869,317)	(2,150,994)	(1,770,601)	(2,069,648)	(1,292,550)	(1,053,867)	(868,439)	(625,363)
<b>Net other financing sources (uses)</b>	<b>(1,107,896)</b>	<b>(1,661,649)</b>	<b>(1,869,317)</b>	<b>(2,150,994)</b>	<b>(1,770,601)</b>	<b>(2,061,408)</b>	<b>(1,292,550)</b>	<b>(1,053,867)</b>	<b>(868,439)</b>	<b>(625,363)</b>
<b>Net change in fund balances</b>	<b>\$ 59,637</b>	<b>\$ 572,195</b>	<b>\$ 579,088</b>	<b>\$ 477,841</b>	<b>\$ 1,234,143</b>	<b>\$ 501,744</b>	<b>\$ 946,850</b>	<b>\$ 444,765</b>	<b>\$ (251,349)</b>	<b>\$ 966,821</b>
Debt service as a percentage of noncapital expenditures (1)	3.31%	3.46%	3.46%	2.87%	3.00%	3.09%	3.36%	3.49%	3.62%	3.92%

Source: Current and prior year financial statements

## Notes:

(1) Excludes amount paid from Debt Service Fund

**Town of Colchester, Connecticut**  
**Property Tax Rates, Levies and Collections**  
**Last Ten Years**  
**(Unaudited)**

<u>Year Ended June 30</u>	<u>(1) Mill Rate</u>	<u>Total Adjusted Tax Levy</u>	<u>Net Current Levy Tax Collections</u>	<u>Percentage of Current Taxes Collected</u>	<u>Current Delinquent Balance</u>
2013	28.80	\$ 34,157,365	\$ 33,608,023	98.39%	\$ 25,053
2014	30.28	36,156,049	35,565,318	98.37%	26,495
2015	30.57	36,891,618	36,333,194	98.49%	26,107
2016	30.76	37,393,155	36,947,219	98.81%	31,211
2017	30.91	38,112,513	37,743,244	99.03%	39,515
2018	32.37	39,244,661	38,812,483	98.90%	42,363
2019	32.28	39,552,832	39,110,538	98.88%	81,650
2020	32.84	40,643,426	40,182,493	98.87%	111,756
2021	32.84	41,016,034	40,519,070	98.79%	197,220
2022	33.05	42,252,626	41,801,291	98.93%	451,335

Source: Current and prior year financial statements

Note:

(1) This represents the Town's mill rate per \$1,000 of taxable property. There are no overlapping tax rates.

**Town of Colchester, Connecticut**  
**Schedule of Debt Limitation**  
**Connecticut Statutes, Section 7-374(b)**  
**For the Year Ended June 30, 2022**  
**(Unaudited)**

Tax base:					<u>\$ 41,110,319</u>
Total tax collections (including interest and lien fees) for prior year					<u>\$ 41,110,319</u>
	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 92,498,218	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	184,996,436	-	-	-
3 3/4 times base	-	-	154,163,696	-	-
3 1/4 times base	-	-	-	133,608,537	-
3 times base	-	-	-	-	123,330,957
Total limitations	<u>92,498,218</u>	<u>184,996,436</u>	<u>154,163,696</u>	<u>133,608,537</u>	<u>123,330,957</u>
Indebtedness:					
Bonds	-	19,645,000	-	-	-
Bond anticipation notes	<u>-</u>	<u>2,845,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>-</u>	<u>22,490,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding debt	<u>\$ 92,498,218</u>	<u>\$ 162,506,436</u>	<u>\$ 154,163,696</u>	<u>\$ 133,608,537</u>	<u>\$ 123,330,957</u>
The total net indebtedness above amounts to:					<u>\$ 22,490,000</u>
In no event shall total indebtedness exceed seven time the base for debt limitation computation:					<u>\$ 287,772,233</u>
There is no overlapping debt for the Town					
Source: Current and prior year financial statements					

**Federal Single Audit  
and  
State Single Audit  
of the  
Town of Colchester, Connecticut  
For the Year Ended June 30, 2022**

**Town of Colchester, Connecticut**  
**For the Year Ended June 30, 2022**

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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on  
an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

**Independent Auditors' Report**

**Board of Finance  
Town of Colchester, Connecticut**

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Connecticut ("Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 19, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Town of Colchester, Connecticut's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

Wethersfield, Connecticut  
December 19, 2023

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# **Federal Single Audit**

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**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance;  
and Report on Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**

**Independent Auditors' Report**

**Board of Finance  
Town of Colchester, Connecticut**

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Town of Colchester, Connecticut's ("Town") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2022. The Town's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**Board of Finance  
Town of Colchester, Connecticut**

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Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon, dated December 19, 2023, which contained unmodified opinions on those financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*PKF O'Connor Davies, LLP*

Wethersfield, Connecticut  
December 19, 2023

**Town of Colchester, Connecticut**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

Federal Awarding Agency/Program or Cluster Title	Federal AL Number	Name of Funder Pass Through Entity	Identifying Number Assigned by Funder Pass Through Entity	Provided to Subrecipients	Total Expenditures
<b><u>U.S. Department of Agriculture:</u></b>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	State Department of Education	12060-SDE64370-20508	\$ -	\$ 293,355
National School Lunch Program - Cash	10.555	State Department of Education	12060-SDE64370-20560	-	925,235
National School Lunch Program - Commodities	10.555	State Department of Education	N/A	-	60,041
National School Lunch Program Emergency Operating - Cost Reimbursement	10.555	State Department of Education	12060-SDE64370-23085	-	<u>20,807</u>
Total Child Nutrition Cluster					<u>\$ 1,299,438</u>
COVID-19 State Administrative Expense for Child Nutrition - Supply					
Chain Assistance Grants	10.560	State Department of Education	12060-SDE64370-23126	-	43,990
COVID-19 Pandemic EBT Administrative Costs	10.649	State Department of Education	12060-SDE64370-29802	-	<u>2,456</u>
Total U.S. Department of Agriculture					<u>1,345,884</u>
<b><u>U.S. Department of Justice:</u></b>					
Juvenile Justice and Delinquency Prevention	16.540	Connecticut Youth Services Association	N/A	-	<u>7,500</u>
<b><u>U.S. Department of Labor:</u></b>					
COVID-19 Unemployment Insurance	17.225	State Department of Labor	N/A	-	<u>10,583</u>
<b><u>U.S. Department of Transportation:</u></b>					
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	State Department of Transportation	12062-DOT57931-21361	-	59,530
Alcohol Open Container Requirements	20.607	State Department of Transportation	12062-DOT57513-22091	-	<u>7,459</u>
Total U.S. Department of Transportation					<u>66,989</u>
<b><u>U.S. Department of the Treasury:</u></b>					
Coronavirus State and Local Fiscal Recovery Funds		Direct	N/A	-	346,344
Coronavirus State and Local Fiscal Recovery Funds - Summer College Corps		Fairfield University	N/A	-	<u>9,000</u>
Total U.S. Department of the Treasury	21.027				<u>355,344</u>
<b><u>National Endowment for the Arts:</u></b>					
COVID-19 American Rescue Plan Grants to States	45.310	Connecticut State Library	12060-CSL66011-29642	-	<u>18,067</u>
<b><u>U.S. Department of Education:</u></b>					
Title I Grants to Local Educational Agencies					
Title I Grants to Local Educational Agencies		State Department of Education	12060-SDE64370-20679-2021	-	235,760
Title I Grants to Local Educational Agencies		State Department of Education	12060-SDE64370-20679-2022	-	<u>176,333</u>
Total Title I Grants to Local Educational Agencies	84.010				412,093
Special Education Cluster (IDEA):					
Special Education - Grants to States (IDEA, Part B)		State Department of Education	12060-SDE64370-20977-2021	-	70,435
Special Education - Grants to States (IDEA, Part B)		State Department of Education	12060-SDE64370-20977-2022	-	<u>452,836</u>
Total Special Education - Grants to States (IDEA, Part B)	84.027				<u>523,271</u>
Special Education - Preschool Grants (IDEA)		State Department of Education	12060-SDE64370-20983-2021	-	21,787
Special Education - Preschool Grants (IDEA)		State Department of Education	12060-SDE64370-20983-2022	-	<u>3,000</u>
Total Special Education - Preschool grant (IDEA)	84.173				<u>24,787</u>
Total Special Education Cluster (IDEA)					548,058
N/A - Not available or applicable.					

(Continued)

Town of Colchester, Connecticut

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

Federal Awarding Agency/Program or Cluster Title	Federal AL Number	Name of Funder Pass Through Entity	Identifying Number Assigned by Funder Pass Through Entity	Provided to Subrecipients	Total Expenditures
Career and Technical Education - Basic Grants to States - Supplemental		State Department of Education	12060-SDE64370-20742-170003-2020	\$ -	\$ 2,962
Career and Technical Education - Basic Grants to States		State Department of Education	12060-SDE64370-20742-170002-2022	-	26,448
<b>Total Career and Technical Education - Basic Grants to States</b>	<b>84.048</b>				<b>\$ 29,410</b>
English Language Acquisition State Grants (Title III, Part A)		Eastconn	12060-SDE64370-20868-2020	-	661
English Language Acquisition State Grants (Title III, Part A)		Eastconn	12060-SDE64370-20868-2023	-	1,087
<b>Total English Language Acquisition State Grants (Title III, Part A)</b>	<b>84.365</b>				<b>1,748</b>
Supporting Effective Instruction State Grants		State Department of Education	12060-SDE64370-20858-2019	-	2,126
Supporting Effective Instruction State Grants		State Department of Education	12060-SDE64370-20858-2021	-	52,757
Supporting Effective Instruction State Grants		State Department of Education	12060-SDE64370-20858-2022	-	7,407
<b>Total Supporting Effective Instruction State Grants</b>	<b>84.367</b>				<b>62,290</b>
Student Support and Academic Enrichment Program (Title IV)		State Department of Education	12060-SDE64370-22854-2021	-	10,197
Student Support and Academic Enrichment Program (Title IV)		State Department of Education	12060-SDE64370-22854-2022	-	10,344
<b>Total Student Support and Academic Enrichment Program (Title IV)</b>	<b>84.424</b>				<b>20,541</b>
Education Stabilization Fund					
COVID-19 Elementary and Secondary School Emergency Relief Fund - Special Education Recovery Activities Grant	84.425D	State Department of Education	12060-SDE64370-29571-82032-2021	-	59
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	State Department of Education	12060-SDE64370-29571-82079-2021	-	266,362
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) - Summer Enrichment	84.425U	State Department of Education	12060-SDE64370-29636-82065-2021	-	23,006
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	State Department of Education	12060-SDE64370-29636-82079-2021	-	821,373
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) - Homeless Children and Youth Program	84.425W	State Department of Education	12060-SDE64370-29650-82079-2021	-	8,649
<b>Total Education Stabilization Fund</b>	<b>84.425</b>				<b>1,119,449</b>
<b>Total U.S. Department of Education</b>					<b>2,193,589</b>
<u>U.S. Department of Health and Human Services:</u>					
Aging Cluster:					
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	Eastern Connecticut Area Agency on Aging	N/A	-	12,132
Drug-Free Communities Support Program Grants	93.276	Direct Program	N/A	-	115,530
Every Student Succeeds Act/Preschool Development Grants	93.434	CT Council for Philanthropy	N/A	-	29,697
<b>Total U.S. Department of Health and Human Services</b>					<b>157,359</b>

N/A - Not available or applicable.

(Continued)

Town of Colchester, Connecticut

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

Federal Awarding Agency/Program or Cluster Title	Federal AL Number	Name of Funder Pass Through Entity	Identifying Number Assigned by Funder Pass Through Entity	Provided to Subrecipients	Total Expenditures
<u>U.S. Department of Homeland Security</u>					
COVID-19 American Rescue Plan Emergency Food and Shelter National Board Program	97.024	United Way	N/A	\$ -	\$ 1,800
Emergency Management Performance Grant	97.042	State Department of Emergency Services and Homeland Security	12060-DPS32160-21881	-	<u>7,486</u>
Total U.S. Department of Homeland Security				<u>-</u>	<u>9,286</u>
Total Expenditures of Federal Awards				<u>\$ -</u>	<u>\$ 4,164,601</u>

(Concluded)

N/A - Not available or applicable.

**Town of Colchester, Connecticut**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022**

**1. Basis of presentation**

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of the Town of Colchester, Connecticut ("Town") under programs of the federal government. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position, changes in fund balance, or cash flows of the Town.

**2. Summary of significant accounting policies**

- A. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B. The Town has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**3. Noncash federal awards at fair value**

The Town received and expended \$60,041 of USDA donated commodities under the National School Lunch Program.

**4. Prior year findings and questioned costs**

There were no prior year audit findings or questioned costs.

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**Town of Colchester, Connecticut**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	<u>Unmodified opinion</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>  x  </u> yes	<u>        </u> no	<u>        </u> none
Significant deficiency(ies) identified?	<u>        </u> yes	<u>  x  </u> reported	
Noncompliance material to financial statements noted?	<u>        </u> yes	<u>  x  </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u>        </u> yes	<u>  x  </u> no	<u>        </u> none
Significant deficiency(ies) identified?	<u>        </u> yes	<u>  x  </u> reported	
Type of auditors' report issued on compliance for major programs:	<u>Unmodified opinion</u>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	<u>        </u> yes	<u>  x  </u> no	

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?	<u>  x  </u> yes	<u>        </u> no
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Town of Colchester, Connecticut

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2022

II. Findings – Financial Statement Audit

**Finding 2022-001 (Material Weakness)**

**Criteria**

The Town should have internal controls and related policies and procedures in place to ensure timely and accurate financial reporting. Monthly and year end closing procedures should be documented, communicated and monitored by the Finance Department.

**Condition**

The Town was unable to close their financial reporting system within a reasonable time frame. Additionally, the June 30, 2022 bank reconciliation was completed significantly after year end.

**Context**

Not applicable.

**Effect**

The effect is that the June 30, 2022 month end and subsequent monthly financial reporting may not be accurate as errors may not be detected and corrected on a timely basis. Therefore, the Board of Finance and Board of Selectmen are relying on reports to manage current operations that are neither timely nor accurate. Additionally, the lack of timeliness of closing at year end has caused delays in audit issuance.

**Cause**

The cause is lack of staffing and resources due to staff turnover.

**Recommendation**

The Town should develop, document, communicate and monitor a financial closing process in order to facilitate an effective monthly close as well as a year end close. The process should include the required procedures and analysis to be performed and the timeline in which they must be performed and completed. Bank reconciliations should be performed timely on a monthly basis.

**Views of responsible officials and planned corrective actions**

Staffing and turnover in the Finance Department has made it difficult to perform routine reconciliations on a monthly basis. However, the auditors' recommendation is appropriate and the Town will develop a closing and bank reconciliation process to be followed on a monthly basis to eliminate this comment in future audits.

III. Findings – Major Federal Award Programs Audit

None.

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**State  
Single  
Audit**

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**Report on Compliance for Each Major State Program;  
Report on Internal Control Over Compliance; and  
Report on the Schedule of Expenditures of State Financial  
Assistance Required by the State Single Audit Act**

**Independent Auditors' Report**

**Board of Finance  
Town of Colchester, Connecticut**

**Report on Compliance for Each Major State Program**

***Opinion on Each Major State Program***

We have audited the Town of Colchester, Connecticut's ("Town") compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2022. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's state programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**Board of Finance  
Town of Colchester, Connecticut**

Page 3

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

**Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon, dated December 19, 2023, which contained unmodified opinions on those financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

*PKF O'Connor Davies, LLP*

Wethersfield, Connecticut  
December 19, 2023

**Town of Colchester, Connecticut**

**Schedule of Expenditures of State Financial Assistance  
For the Year Ended June 30, 2022**

<u>State Grantor/Pass through Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Expenditures</u>
<u>Department of Social Services:</u>			
Medicaid	11000-DSS60000-16020	\$ -	\$ 50,080
<u>Department of Education:</u>			
Talent Development	11000-SDE64370-12552	-	4,461
Child Nutrition State Matching Grant	11000-SDE64370-16211	-	8,483
Healthy Foods Initiative	11000-SDE64370-16212	-	13,025
Adult Education	11000-SDE64370-17030	-	21,789
School Breakfast Program	11000-SDE64370-17046	-	10,596
<u>Department of Children and Families:</u>			
Youth Services Bureau	11000-DCF91141-17052	-	17,918
Youth Services Bureau Enhancement	11000-DCF91141-17107	-	8,693
<u>Department of Housing:</u>			
Bond Fund	12039-DOH46920-40233	-	14,450
<u>Department of Transportation:</u>			
Transit District Grants and Loans Transportation Fund - Bus Operations	12001-DOT57931-12175	-	33,320
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	-	124,906
Town Aid Road Grants Transportation Fund - STO	13033-DOT57131-43459	-	124,906
Local Transportation Capital Improvement Program	13033-DOT57197-43584	-	2,742
Community Connectivity Grant Program	13033-DOT57551-43667	-	7,306
<u>Department of Energy and Environmental Protection:</u>			
Open Space and Watershed Land Acquisition Grant Program	12052-DEP43153-43506	-	63,000
<u>Office of Early Childhood:</u>			
School Readiness Quality Enhancement	11000-OEC64845-16158	-	3,881
School Readiness in Competitive Grant Municipalities	11000-OEC64845-16274	-	159,795
School Readiness in Competitive Grant Municipalities - COLA	11000-OEC64845-16274	-	1,986
<u>Office of Policy and Management:</u>			
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	-	1,511
Property Tax Relief for Veterans	11000-OPM20600-17024	-	5,789
Tiered Payment in Lieu of Taxes (PILOT)	11000-OPM20600-17111	-	93,883
Tiered Payment in Lieu of Taxes (PILOT) - MRSA	12060-OPM20600-35691	-	33,362
Local Capital Improvement Program	12050-OPM20600-40254	-	115,651
<u>Connecticut State Library:</u>			
Connecticard Payments	11000-CSL66051-17010	-	11,941
Historic Documents Preservation Grants	12060-CSL66094-35150	-	5,500
Total State Financial Assistance before Exempt Programs			938,974

(Continued)

See Notes to Schedule of Expenditures of State Financial Assistance.

**Town of Colchester, Connecticut**

**Schedule of Expenditures of State Financial Assistance  
For the Year Ended June 30, 2022**

<u>State Grantor/Pass through Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Expenditures</u>
<u>Exempt Programs:</u>			
<u>Department of Education:</u>			
Education Cost Sharing	11000-SDE64370-17041	\$ -	\$ 11,974,619
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	-	669,906
<u>Office of Policy and Management:</u>			
Municipal Stabilization Grant	11000-OPM20600-17104	-	134,167
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	-	<u>23,167</u>
Total Exempt Programs		<u>                    </u>	<u>12,801,859</u>
Total State Financial Assistance		<u>\$ -</u>	<u>\$ 13,740,833</u>
			(Concluded)

See Notes to Schedule of Expenditures of State Financial Assistance.

**Town of Colchester, Connecticut**

**Notes to Schedule of Expenditures of State Financial Assistance  
For the Year Ended June 30, 2022**

**1. Basis of presentation**

The accompanying schedule of expenditures of state financial assistance (“Schedule”) includes state grant activity of the Town of Colchester, Connecticut (“Town”), under programs of the State of Connecticut. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including general government, public safety, public works, community and human services and education.

Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in fund balance, changes in net position, or cash flows of the Town.

**2. Summary of significant accounting policies**

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

The information in the Schedule is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The expenditures reported on the Schedule are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

**3. Loan program**

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the schedule of expenditures of state financial assistance shall include loans and loan activities. The following is a summary of the various loan program activity:

Department of Energy and Environmental Protection:

Clean Water Funds: (21015-DEP43000-42318)

Grant ID	Issue Date	Interest Rate	Original Amount	Balance July 1, 2021	Reductions	Balance June 30, 2022
CWF	07/31/09	2.12%	\$ 2,496,990	\$ 997,505	\$ 131,916	\$ 865,589

**4. Prior year findings and questioned costs**

There were no prior year audit findings or questioned costs.

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Town of Colchester, Connecticut

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2022

II. Financial Statement Findings

**Finding 2022-001 (Material Weakness)**

**Criteria**

The Town should have internal controls and related policies and procedures in place to ensure timely and accurate financial reporting. Monthly and year end closing procedures should be documented, communicated and monitored by the Finance Department.

**Condition**

The Town was unable to close their financial reporting system within a reasonable time frame. Additionally, the June 30, 2022 bank reconciliation was completed significantly after year end.

**Context**

Not applicable.

**Effect**

The effect is that the June 30, 2022 month end and subsequent monthly financial reporting may not be accurate as errors may not be detected and corrected on a timely basis. Therefore, the Board of Finance and Board of Selectmen are relying on reports to manage current operations that are neither timely nor accurate. Additionally, the lack of timeliness of closing at year end has caused delays in audit issuance.

**Cause**

The cause is lack of staffing and resources due to staff turnover.

**Recommendation**

The Town should develop, document, communicate and monitor a financial closing process in order to facilitate an effective monthly close as well as a year end close. The process should include the required procedures and analysis to be performed and the timeline in which they must be performed and completed. Bank reconciliations should be performed timely on a monthly basis.

**Views of responsible officials and planned corrective actions**

Staffing and turnover in the Finance Department has made it difficult to perform routine reconciliations on a monthly basis. However, the auditors' recommendation is appropriate and the Town will develop a closing and bank reconciliation process to be followed on a monthly basis to eliminate this comment in future audits.

III. State Financial Assistance Findings and Questioned Costs

None.