

Annual Financial Report
of the
Town of Colchester, Connecticut
For the Year Ended June 30, 2021

Town of Colchester, Connecticut

**Annual Financial Report
For the Year Ended June 30, 2021**

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Introductory Section

Town of Colchester, Connecticut

Principal Officials June 30, 2021

First Selectman

Mary Bylone

Board of Selectmen

Rosemary Coyle, Vice Chair
Denise Mizla, Selectman
Taras Rudko, Selectman
Denise Turner, Selectman

Board of Finance

Rob Tarlov, Chair
Bernard Dennler III, Vice Chair
Michael Hayes
Andreas Bisbikos
Andrea Migliaccio
Mike Egan

Chief Financial Officer

N. Maggie Cosgrove

Administration

Gayle Furman, Town Clerk
Jennifer Pulse, Town Treasurer
Michele Wyatt, Tax Collector
Shannon Ramsby, Director of Human Resources

Board of Education

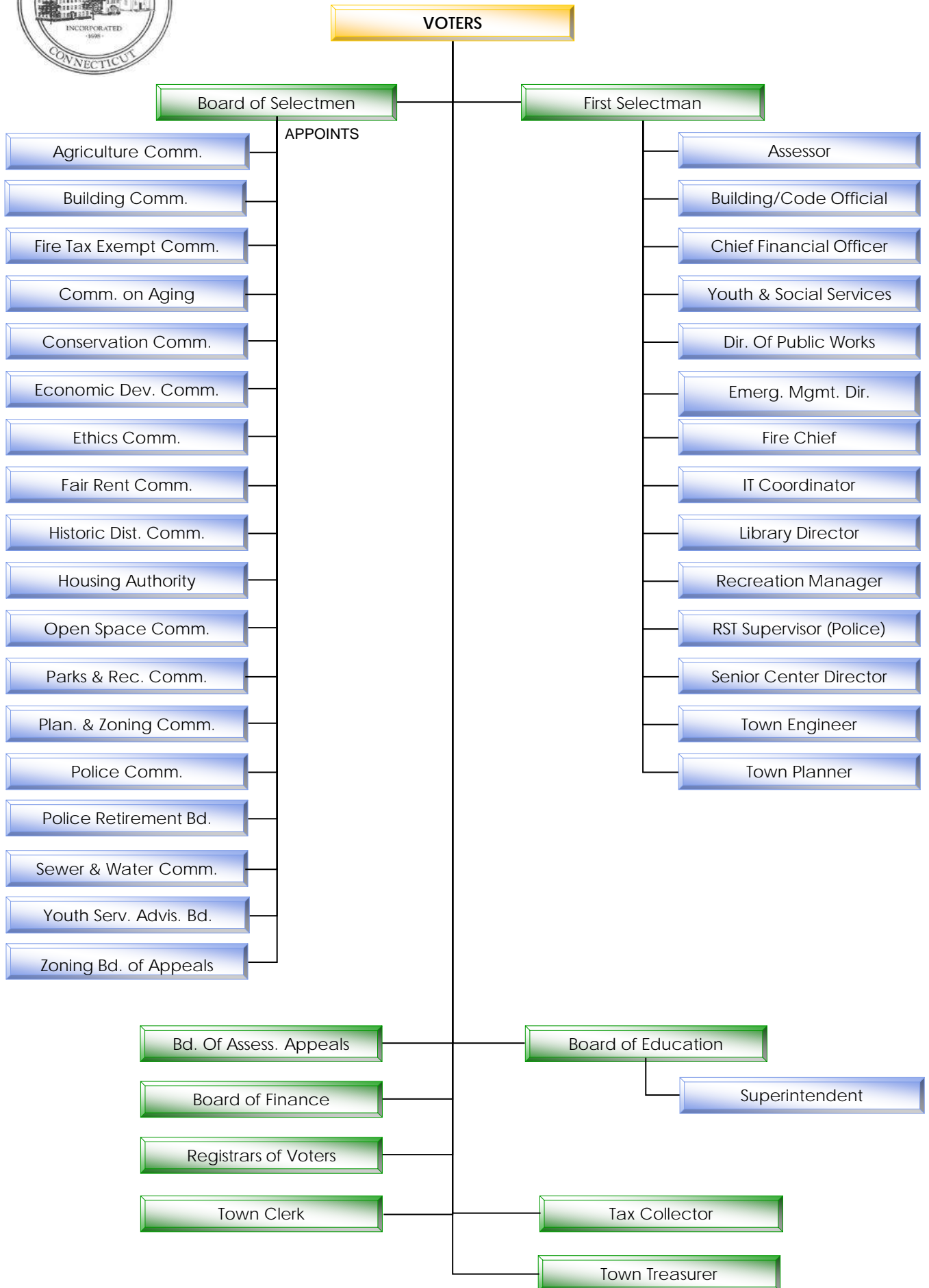
Mary Tomasi, Chair
Christopher McGlynn, Vice Chair
Amy Domeika
Mitchell L. Koziol
Jessica Morozowich
Sue Hickey
Joanne Rose

Administration

Jeffrey E. Burt, Superintendent
N. Maggie Cosgrove, Chief Financial Officer
Shannon Ramsby, Director of Human Resources



ORGANIZATIONAL CHART



Financial Section

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, supplemental schedules and trend information section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2022, 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
February 25, 2022



Town of Colchester, Connecticut

127 Norwich Avenue, Colchester, Connecticut 06415

Management's Discussion and Analysis For the Year Ended June 30, 2021

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, 2021. 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	\$ 921,763	\$ 116,048	\$ 1,037,811
Total net position	82,114,281	5,404,238	87,518,519
Unrestricted net position	8,037,784	1,066,846	9,104,630

- The Town's total net position increased by \$1,037,811. The increase is due to the following:

Governmental fund activity:

➤ positive operations of the general fund of	\$ 572,195
➤ positive operations of the capital reserve fund of	557,514
➤ positive operations of the internal service fund of	730,799

The positive operations were offset by:

➤ negative operations of the other governmental funds of	(657,758)
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Conversion to accrual basis on Exhibit E:

➤ capital outlay net of depreciation expense of	(1,619,794)
➤ net principal debt activity of	1,866,261
➤ change in net pension liability of	348,347
➤ change in OPEB liability of	(306,581)
➤ change in pension and OPEB deferred outflows/inflows of resources of	(532,075)

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$15,297,967, an increase of \$341,968 in comparison with the prior year. The majority of the increase is due to the positive operations of the general fund and capital reserve fund of \$572,195 and \$557,514 respectively, offset by deficit operations of the Johnston building project fund, sewer capital fund and debt service fund of \$129,983, \$292,028 and \$317,600 respectively.

- At year end, the unassigned fund balance for the general fund was \$7,831,625 or 13.97% of total general fund budgetary basis expenditures and transfers out.
- Net capital assets decreased in the current year by \$1,322,811 due to depreciation expense exceeding capital additions.
- The Town's long-term debt decreased by \$2,009,637 due to scheduled principal payments.

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 statements 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 \$87,518,519 at the close of the fiscal year.

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 (2.50%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totals \$9,104,630.

The analysis below focuses on the net position and changes in net position. Unrestricted net position increased by \$216,640 from the prior year.

Summary Statement of Net Position June 30

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020 (as restated)	2021	2020 (as restated)	2021	2020 (as restated)
Current and other assets	\$ 28,437,923	\$ 24,962,138	\$ 1,137,218	\$ 1,432,600	\$ 29,575,141	\$ 26,394,738
Capital assets (net)	98,292,259	99,912,913	5,363,897	5,066,054	103,656,156	104,978,967
Total assets	126,730,182	124,875,051	6,501,115	6,498,654	133,231,297	131,373,705
Deferred outflows of resources	1,657,812	1,839,063	-	-	1,657,812	1,839,063
Long-term liabilities outstanding	34,336,148	36,479,012	865,589	997,505	35,201,737	37,476,517
Other liabilities	11,233,172	8,709,529	231,288	212,959	11,464,460	8,922,488
Total liabilities	45,569,320	45,188,541	1,096,877	1,210,464	46,666,197	46,399,005
Deferred inflows of resources	704,393	333,055	-	-	704,393	333,055
Net investment in capital assets	71,887,446	71,626,791	4,337,392	3,939,398	76,224,838	75,566,189
Restricted	2,189,051	2,026,529	-	-	2,189,051	2,026,529
Unrestricted	8,037,784	7,539,198	1,066,846	1,348,792	9,104,630	8,887,990
Total net position	\$ 82,114,281	\$ 81,192,518	\$ 5,404,238	\$ 5,288,190	\$ 87,518,519	\$ 86,480,708

Management's Discussion and Analysis

Net position may serve over time as a useful indicator of a Town's financial position. The Town's net position increased \$1,037,811 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	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 4,000,381	\$ 4,349,229	\$ 1,151,888	\$ 1,097,778	\$ 5,152,269	\$ 5,447,007
Operating grants and contributions	21,245,742	20,898,651	-	-	21,245,742	20,898,651
Capital grants and contributions	1,673,385	698,140	-	-	1,673,385	698,140
General revenues:						
Property taxes	41,206,401	40,914,790	-	-	41,206,401	40,914,790
Grants and contributions not restricted to specific programs	312,674	283,687	-	-	312,674	283,687
Income from investments	32,667	284,859	1,248	11,767	33,915	296,626
Gain on sale of assets	25,764	38,680	-	-	25,764	38,680
Total revenues	68,497,014	67,468,036	1,153,136	1,109,545	69,650,150	68,577,581
Expenses:						
General government	3,852,637	3,733,189	-	-	3,852,637	3,733,189
Public safety	3,739,138	3,879,685	-	-	3,739,138	3,879,685
Public works	5,656,168	5,086,478	-	-	5,656,168	5,086,478
Community and human services	2,061,992	2,291,884	-	-	2,061,992	2,291,884
Education	51,478,374	51,872,879	-	-	51,478,374	51,872,879
Interest	800,522	905,331	-	-	800,522	905,331
Water	-	-	1,023,508	1,032,414	1,023,508	1,032,414
Total expenses	67,588,831	67,769,446	1,023,508	1,032,414	68,612,339	68,801,860
Change in net position before transfers	908,183	(301,410)	129,628	77,131	1,037,811	(224,279)
Transfers	13,580	13,580	(13,580)	(13,580)	-	-
Change in net position	921,763	(287,830)	116,048	63,551	1,037,811	(224,279)
Net position - July 1	81,192,518	81,039,901	5,288,190	5,257,449	86,480,708	86,297,350
Restatements (Note VI)	-	440,447	-	(32,810)	-	407,637
Net position - June 30	\$ 82,114,281	\$ 81,192,518	\$ 5,404,238	\$ 5,288,190	\$ 87,518,519	\$ 86,480,708

The key elements of the increase are as follows:

Governmental activities – revenues

- Charges for services decreased by \$348,848 primarily due to a decrease in police special duty fees of \$193,220 and cafeteria sales of \$246,268. Police special duty fees decreased because of a major gas pipeline that was installed in fiscal year 2020, causing an increase last year. Cafeteria sales decreased because all student lunches were free as a result of the pandemic. This decrease in cafeteria sales was offset by an increase in grants.
- Operating grants and contributions increased by \$347,091 primarily due to an increase in COVID-19 related grants including school lunch and breakfast of \$329,308, ESSER of \$249,622 and Coronavirus Relief Fund (education) of \$158,090. This was partially offset by a decrease in the State's on behalf payments for pension and OPEB of \$358,435.
- Capital grants and contributions increased by \$975,245 primarily due to an increase in LOTCIP revenues of \$749,039 and the local bridge grant as the funds were spent in fiscal year 2021.

Governmental activities - expenses

- Public works expenses increased by \$569,690 primarily due to increases in snow removal costs and roads maintenance expenses.
- Community and human services expenses decreased \$229,892 primarily due to a \$163,539 decrease in recreation program expenses as a result of fewer programs being run due to COVID-19.
- Education expenses decreased by \$394,505 primarily due to a decrease in the State's on behalf payments for pension and OPEB of \$358,435.

Business-type activities - revenues

- Charges for services increased \$54,110 over the prior year due to an increase in usage as a result of the pandemic.

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 \$15,297,967. Fund balance has been classified as:

Restricted	\$ 2,189,051
Committed	6,566,827
Assigned	2,588,498
Unassigned	<u>3,953,591</u>
Total	<u>\$ 15,297,967</u>

The total fund balance increased by \$341,968 to \$15,297,967. 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, \$7,831,625 was unassigned. During the current fiscal year, the fund balance of the Town's general fund increased by \$572,195. The increase was substantially attributable to the expenditure budget which was underspent by \$893,386. This was partially offset by revenues and other financing sources under budget by \$543,075. 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. At the end of the current fiscal year, the entire amount of the grant received of \$2,339,341 was reported as unearned revenue as no grant expenditures were made 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 \$3,055,244. This was the result of positive operations of \$557,514 due to transfers in from general fund of \$742,125 in excess of capital outlay of \$202,463.

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 \$3,660,865 in the prior year to \$3,790,848. This was the result of expenditures in excess of revenues of \$129,983. 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 \$116,048 in the water fund due to an increase in charges for services of \$54,110 due to an increase in usage as a result of the pandemic and people working from home. Unrestricted net position of the water fund was \$1,066,846 at year end.

Internal Service Funds. The internal service funds are used to account for medical self-insurance claims. The internal service fund had an increase to its net position of \$730,799. This is primarily due to continued lower than expected claims due to COVID-19. The internal service funds had an unrestricted net position of \$3,221,505 at year end.

General fund budgetary highlights

Significant budget transfers made during the year include:

- There were additional appropriations of fund balance totaling \$463,565 for education and transfers out.
- Transfers out to other funds was increased by \$419,412. Significant transfers were:
 - \$37,178 from public works snow removal to the snow reserve fund
 - \$217,800 from additional appropriations for the replacement of an ambulance
 - \$62,635 from additional appropriations for future debt payments
 - \$87,000 from additional appropriations for open space
- Education was increased by \$81,331 from additional appropriations to transfers out for Education capital reserve.

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

- Public works was underspent by \$180,540 due to decreases in highway and grounds maintenance costs due to vacant positions and less use of fields due to programs being shut down due to the COVID-19 pandemic.
- Education was underspent by \$436,955 due to the use of the hybrid model due to the COVID-19 pandemic. The Town's practice has been to assign the unexpended balance for future appropriation to Education related capital and nonrecurring expenditures.

Capital assets and debt administration

Capital assets

The Town's investment in capital assets amounts to \$103,656,156 (net of accumulated depreciation). This investment in capital assets is as follows:

Capital Assets (Net)						
June 30						
	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,626,879	\$ 3,626,879	\$ -	\$ -	\$ 3,626,879	\$ 3,626,879
Construction in progress	735,600	500,718	-	-	735,600	500,718
Improvements other than buildings	497,396	450,644	2,310	2,520	499,706	453,164
Buildings	77,778,027	80,197,301	3,831,510	3,463,907	81,609,537	83,661,208
Machinery and equipment	4,753,737	5,509,304	117,776	135,838	4,871,513	5,645,142
Infrastructure	10,900,620	9,628,067	1,412,301	1,463,789	12,312,921	11,091,856
Total	\$ 98,292,259	\$ 99,912,913	\$ 5,363,897	\$ 5,066,054	\$ 103,656,156	\$ 104,978,967

The capital assets (net of depreciation) decreased in the current year by \$1,322,811. The decrease is due to depreciation expense exceeding capital additions. In the current year, the Town had net capital asset additions totaling \$3,257,623.

Major capital asset events during the current fiscal year included the following:

Governmental activities:

Construction in progress additions of:

➤ Sewer - pipeline replacement project	\$ 303,221
➤ Paper Mill Road bridge	340,152
➤ Halls Hill Road	765,270

Building additions of:

➤ William J. Johnston middle school project	110,015
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Machinery and equipment additions of:

➤ Fuel tank replacement - fire department	81,255
➤ Crack sealer	76,076
➤ Police and fire vehicles	70,535

Infrastructure additions from construction in progress of:

➤ Paper Mill Road bridge	387,462
➤ Halls Hill Road	786,299

Business-type activities:

Buildings additions of:

➤ Redevelopment of wellhouse #3A	517,336
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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 \$23,456,368. All debt is backed by the full faith and credit of the Town.

**Long-Term Debt
June 30**

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 21,140,000	\$ 22,690,000	\$ -	\$ -	\$ 21,140,000	\$ 22,690,000
Equipment financing notes	1,318,863	1,649,349	-	-	1,318,863	1,649,349
Clean water note	-	-	997,505	1,126,656	997,505	1,126,656
Total	<u>\$ 22,458,863</u>	<u>\$ 24,339,349</u>	<u>\$ 997,505</u>	<u>\$ 1,126,656</u>	<u>\$ 23,456,368</u>	<u>\$ 25,466,005</u>

During the current fiscal year, the Town's total debt decreased by \$2,009,637 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 \$286,073,277, 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

- As of June 2021, the unemployment rate for the Town was at 5.2%, which is a decrease from a rate of 7.7% a year ago. Town unemployment rate is lower than the State rate of 7.7% and a national unemployment rate of 5.9% as of June 2021.
- The potential impact of the pandemic on the local economy, businesses and Town revenues is being continually monitored. For fiscal year 2021, there was a negative impact on income from investments, but other revenues such as building permits and conveyance taxes were positively impacted. The Town did not see any impact on tax collections for the prior fiscal year and there is no indication that there will be an impact on 2022 collections.

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 Chief Financial Officer, Town of Colchester, 127 Norwich Avenue, Suite 203, Colchester, CT 06415.

Basic Financial Statements

Town of Colchester, Connecticut

Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current assets:			
Cash	\$ 17,680,282	\$ 630,153	\$ 18,310,435
Investments	8,004,169	-	8,004,169
Receivables (net):			
Property taxes	628,695	-	628,695
Intergovernmental	621,277	-	621,277
Assessments and use charges	404,548	407,935	812,483
Loan	7,000	-	7,000
Accounts	163,322	-	163,322
Other	269,674	-	269,674
Inventory	-	99,130	99,130
Other	32,143	-	32,143
Total current assets	27,811,110	1,137,218	28,948,328
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash	142,903	-	142,903
Receivables (net):			
Property taxes	422,250	-	422,250
Loan	61,660	-	61,660
Total receivables (net)	483,910	-	483,910
Capital assets (net of accumulated depreciation):			
Land	3,626,879	-	3,626,879
Construction in progress	735,600	-	735,600
Improvements other than building	497,396	2,310	499,706
Buildings	77,778,027	3,831,510	81,609,537
Machinery and equipment	4,753,737	117,776	4,871,513
Infrastructure	10,900,620	1,412,301	12,312,921
Total capital assets (net of accumulated depreciation)	98,292,259	5,363,897	103,656,156
Total noncurrent assets	98,919,072	5,363,897	104,282,969
Total assets	126,730,182	6,501,115	133,231,297
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	37,227	-	37,227
Pension related	327,225	-	327,225
OPEB related	1,293,360	-	1,293,360
Total deferred outflows of resources	1,657,812	-	1,657,812

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

(Continued)

Town of Colchester, Connecticut

Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 1,926,600	\$ 50,182	\$ 1,976,782
Retainage payable	51,665	29,000	80,665
Accrued payroll	596,629	19,158	615,787
Unearned revenue	2,458,973	-	2,458,973
Accrued interest payable	182,459	-	182,459
Bond anticipation notes	2,845,000	-	2,845,000
Other	129,916	1,032	130,948
Bonds and notes payable	1,831,585	131,916	1,963,501
Landfill postclosure liability	15,000	-	15,000
Compensated absences	674,200	-	674,200
Claims payable	521,145	-	521,145
Total current liabilities	11,233,172	231,288	11,464,460
Noncurrent liabilities:			
Performance bonds	142,453	-	142,453
Bonds, notes, and related liabilities	21,713,720	865,589	22,579,309
Landfill postclosure liability	30,000	-	30,000
Compensated absences	3,158,607	-	3,158,607
Net pension liability	270,760	-	270,760
OPEB liability	9,020,608	-	9,020,608
Total noncurrent liabilities	34,336,148	865,589	35,201,737
Total liabilities	45,569,320	1,096,877	46,666,197
<u>Deferred Inflows of Resources</u>			
Advance property tax collections	42,842	-	42,842
Pension related	585,041	-	585,041
OPEB related	76,510	-	76,510
Total deferred inflows of resources	704,393	-	704,393
<u>Net Position</u>			
Net investment in capital assets	71,887,446	4,337,392	76,224,838
Restricted for:			
Cemetery	450	-	450
Small cities	68,682	-	68,682
General government	105,151	-	105,151
Public safety	14,955	-	14,955
Public works	1,379,807	-	1,379,807
Community and human services	520,297	-	520,297
Education	99,709	-	99,709
Unrestricted	8,037,784	1,066,846	9,104,630
Total net position	\$ 82,114,281	\$ 5,404,238	\$ 87,518,519

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

(Concluded)

Town of Colchester, Connecticut

Statement of Activities
For the Year Ended June 30, 2021

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	\$ 3,852,637	\$ 956,815	\$ 17,915	\$ -	\$ (2,877,907)	\$ -	\$ (2,877,907)
Public safety	3,739,138	782,627	137,905	-	(2,818,606)	-	(2,818,606)
Public works	5,656,168	1,410,237	-	1,542,376	(2,703,555)	-	(2,703,555)
Community and human services	2,061,992	121,652	339,489	-	(1,600,851)	-	(1,600,851)
Education	51,478,374	729,050	20,750,433	131,009	(29,867,882)	-	(29,867,882)
Interest	800,522	-	-	-	(800,522)	-	(800,522)
Total governmental activities	67,588,831	4,000,381	21,245,742	1,673,385	(40,669,323)	-	(40,669,323)
Business-type activities:							
Water	1,023,508	1,151,888	-	-	-	128,380	128,380
Total	<u>\$ 68,612,339</u>	<u>\$ 5,152,269</u>	<u>\$ 21,245,742</u>	<u>\$ 1,673,385</u>	<u>(40,669,323)</u>	<u>128,380</u>	<u>(40,540,943)</u>
General revenues:							
Property taxes					41,206,401	-	41,206,401
Grants and contributions not restricted to specific programs					312,674	-	312,674
Income from investments					32,667	1,248	33,915
Gain on sale of assets					25,764	-	25,764
Total general revenues					41,577,506	1,248	41,578,754
Transfers in (out)					13,580	(13,580)	-
Change in net position					921,763	116,048	1,037,811
Net position - July 1, 2020 (as restated)					81,192,518	5,288,190	86,480,708
Net position - June 30, 2021					<u>\$ 82,114,281</u>	<u>\$ 5,404,238</u>	<u>\$ 87,518,519</u>

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

Town of Colchester, Connecticut

Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	American Rescue Plan Act Fund	Capital Reserve Fund	Johnston Building Project Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash	\$ 5,505,031	\$ -	\$ 2,338,541	\$ -	\$ 6,309,844	\$ 14,153,416
Restricted cash	142,453	-	-	-	-	142,453
Investments	4,931,073	2,339,341	733,755	-	-	8,004,169
Receivables (net):						
Property taxes	1,050,945	-	-	-	-	1,050,945
Intergovernmental	120,881	-	-	-	500,396	621,277
Assessments and use charges	-	-	-	-	404,548	404,548
Loan	-	-	-	-	68,660	68,660
Accounts	-	-	-	-	163,322	163,322
Other	52,799	-	18	-	-	52,817
Due from other funds	1,613,082	-	-	-	-	1,613,082
Other	25,759	-	-	-	6,384	32,143
Total assets	<u>\$ 13,442,023</u>	<u>\$ 2,339,341</u>	<u>\$ 3,072,314</u>	<u>\$ -</u>	<u>\$ 7,453,154</u>	<u>\$ 26,306,832</u>
<u>Liabilities</u>						
Accounts payable	\$ 1,629,452	\$ -	\$ 17,070	\$ 70	\$ 280,008	\$ 1,926,600
Retainage payable	-	-	-	-	51,665	51,665
Accrued payroll	542,782	-	-	-	53,847	596,629
Due to other funds	-	-	-	945,778	667,304	1,613,082
Unearned revenue	3,660	2,339,341	-	-	114,449	2,457,450
Bond anticipation notes	-	-	-	2,845,000	-	2,845,000
Performance bonds	142,453	-	-	-	-	142,453
Other	123,886	-	-	-	6,030	129,916
Total liabilities	<u>2,442,233</u>	<u>2,339,341</u>	<u>17,070</u>	<u>3,790,848</u>	<u>1,173,303</u>	<u>9,762,795</u>
<u>Deferred Inflows of Resources</u>						
Unavailable revenue:						
Advance property tax collections	42,842	-	-	-	-	42,842
Property taxes	921,861	-	-	-	-	921,861
Assessments and use charges	-	-	-	-	281,367	281,367
Total deferred inflows of resources	<u>964,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>281,367</u>	<u>1,246,070</u>
<u>Fund Balances</u>						
Restricted	-	-	-	-	2,189,051	2,189,051
Committed	301,108	-	3,055,244	-	3,210,475	6,566,827
Assigned	1,902,354	-	-	-	686,144	2,588,498
Unassigned	7,831,625	-	-	(3,790,848)	(87,186)	3,953,591
Total fund balances	<u>10,035,087</u>	<u>-</u>	<u>3,055,244</u>	<u>(3,790,848)</u>	<u>5,998,484</u>	<u>15,297,967</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,442,023</u>	<u>\$ 2,339,341</u>	<u>\$ 3,072,314</u>	<u>\$ -</u>	<u>\$ 7,453,154</u>	<u>\$ 26,306,832</u>

(Continued)

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

Town of Colchester, Connecticut
Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2021

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)	\$ 15,297,967
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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	99,912,913
Capital assets additions (net of construction in progress)	2,726,893
Depreciation expense	(4,346,687)
Disposal of capital assets	(860)
Total	98,292,259

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	921,861
Sewer assessments and use charges - accrual basis change	281,367
Deferred charge on refunding	37,227
Deferred outflows related to pensions	327,225
Deferred outflows related to OPEB	1,293,360
Total	2,861,040

Internal service funds are used by management for risk financing activities:

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	3,221,505
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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	(22,458,863)
Premium	(1,086,442)
Landfill postclosure liability	(45,000)
Compensated absences	(3,832,807)
Net pension liability	(270,760)
OPEB liability	(9,020,608)
Accrued interest payable	(182,459)
Deferred inflows related to pensions	(585,041)
Deferred inflows related to OPEB	(76,510)
Total	(37,558,490)

Net position of governmental activities (Exhibit A)	\$ 82,114,281
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The notes to financial statements are an integral part of this statement.

(Concluded)

Town of Colchester, Connecticut
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Capital Reserve Fund	Johnston Building Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 41,165,635	\$ -	\$ -	\$ -	\$ 41,165,635
Intergovernmental	19,045,300	-	-	3,938,741	22,984,041
Charges for services	1,594,455	6,117	-	1,897,239	3,497,811
Income from investments	31,381	-	-	1,286	32,667
Contributions	-	-	-	247,760	247,760
Other	445,022	-	-	1,637	446,659
Total revenues	62,281,793	6,117	-	6,086,663	68,374,573
Expenditures:					
Current:					
General government	3,685,824	-	-	52,752	3,738,576
Public safety	3,067,974	-	-	379,410	3,447,384
Public works	3,457,413	-	-	1,368,023	4,825,436
Community and human services	1,549,759	-	-	269,816	1,819,575
Education	46,211,815	-	-	2,838,270	49,050,085
Debt service	2,075,164	-	-	715,987	2,791,151
Capital outlay	-	202,463	129,983	2,082,381	2,414,827
Total expenditures	60,047,949	202,463	129,983	7,706,639	68,087,034
Excess (deficiency) of revenues over expenditures	2,233,844	(196,346)	(129,983)	(1,619,976)	287,539
Other financing sources (uses):					
Sale of capital assets	-	26,624	-	-	26,624
Premium	-	-	-	14,225	14,225
Transfers in	7,974	742,125	-	955,967	1,706,066
Transfers out	(1,669,623)	(14,889)	-	(7,974)	(1,692,486)
Net other financing sources (uses)	(1,661,649)	753,860	-	962,218	54,429
Net change in fund balances	572,195	557,514	(129,983)	(657,758)	341,968
Fund balances - July 1, 2020 (as restated)	9,462,892	2,497,730	(3,660,865)	6,656,242	14,955,999
Fund balances - June 30, 2021	\$ 10,035,087	\$ 3,055,244	\$ (3,790,848)	\$ 5,998,484	\$ 15,297,967

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, 2021

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)	\$ 341,968
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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	2,726,893
Depreciation expense	<u>(4,346,687)</u>

Total	<u>(1,619,794)</u>
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position. In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold or donated:

Loss on disposal of assets	<u>(860)</u>
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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	40,766
Change in sewer assessment receivable - accrual basis change	<u>55,911</u>

Total	<u>96,677</u>
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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	(14,225)
Principal repayments:	
General obligation bonds	1,550,000
Notes payable	<u>330,486</u>

Total	<u>1,866,261</u>
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(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, 2021**

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:

Amortization of premium	\$ 104,007
Amortization of deferred charge on refunding	(37,224)
Change in:	
Landfill postclosure liability	15,000
Compensated absences	(113,122)
Net pension liability	348,347
OPEB liability	(306,581)
Accrued interest payable	28,360
Deferred outflows related to pension	101,948
Deferred inflows related to pension	(405,436)
Deferred outflows related to OPEB	(245,975)
Deferred inflows related to OPEB	17,388
Total	<u>(493,288)</u>
Internal service funds are used by management for risk financing activities:	
The net revenue (expense) of the activities of the internal service funds is reported with governmental activities	<u>730,799</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 921,763</u>
	(Concluded)

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

Town of Colchester, Connecticut

Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
<u>Assets</u>		
Current assets:		
Cash	\$ 630,153	\$ 3,527,316
Receivables:		
Usage	407,935	-
Accounts	-	216,857
Inventory	99,130	-
Total current assets	<u>1,137,218</u>	<u>3,744,173</u>
Noncurrent assets:		
Capital assets (net):		
Improvements other than buildings	2,310	-
Buildings	3,831,510	-
Machinery and equipment	117,776	-
Infrastructure	1,412,301	-
Total capital assets (net)	<u>5,363,897</u>	<u>-</u>
Total assets	<u>6,501,115</u>	<u>3,744,173</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	50,182	-
Retainage payable	29,000	-
Accrued payroll	19,158	-
Unearned revenue	-	1,523
Other	1,032	-
Claims payable	-	521,145
Notes payable	131,916	-
Total current liabilities	231,288	522,668
Noncurrent liabilities:		
Notes payable	865,589	-
Total liabilities	<u>1,096,877</u>	<u>522,668</u>
<u>Net Position</u>		
Net investment in capital assets	4,337,392	-
Unrestricted	1,066,846	3,221,505
Total net position	<u>\$ 5,404,238</u>	<u>\$ 3,221,505</u>

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

Town of Colchester, Connecticut

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
Operating revenues:		
Charges for services	\$ 1,151,888	\$ 8,080,297
Operating expenses:		
Personnel services	480,710	-
Repairs and maintenance	90,028	-
Contracted services	67,014	-
Materials and supplies	14,557	-
Utilities	98,382	-
Insurance	17,295	-
Claims incurred	-	5,822,535
Administration	-	1,038,960
HSA contributions	-	494,250
Depreciation and amortization	231,039	-
Total operating expenses	999,025	7,355,745
Operating income (loss)	152,863	724,552
Nonoperating revenues (expenses):		
Income from investments	1,248	6,247
Loss on disposal of capital assets	(1,848)	-
Interest expense	(22,635)	-
Net nonoperating revenues (expenses)	(23,235)	6,247
Income (loss) before transfers	129,628	730,799
Transfers out	(13,580)	-
Change in net position	116,048	730,799
Total net position - July 1, 2020 (as restated)	5,288,190	2,490,706
Total net position - June 30, 2021	\$ 5,404,238	\$ 3,221,505

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, 2021

	Business-type Activities <u>Enterprise Fund</u>	Governmental Activities <u>Internal Service Fund</u> <u>Medical Self- Insurance Fund</u>
	<u>Water Fund</u>	
Cash flows from (used in) operating activities:		
Cash received for charges for services	\$ 1,121,878	\$ 7,875,502
Cash paid for benefits and claims	-	(5,819,032)
Cash paid for administration	-	(1,038,960)
Cash paid for HSA contributions	-	(494,250)
Cash paid to suppliers	(105,983)	-
Cash paid to employees	(478,677)	-
Cash paid for repairs and maintenance and utilities	(188,410)	-
Net cash from (used in) operating activities	<u>348,808</u>	<u>523,260</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	(530,730)	-
Principal payments on debt	(129,151)	-
Interest payments	<u>(22,635)</u>	<u>-</u>
Net cash from (used in) capital and related financing activities	<u>(682,516)</u>	<u>-</u>
Cash flows from (used in) investing activities:		
Income from investments	<u>1,248</u>	<u>6,247</u>
Increase (decrease) in cash	(346,040)	529,507
Cash - July 1, 2020	<u>976,193</u>	<u>2,997,809</u>
Cash - June 30, 2021	<u><u>\$ 630,153</u></u>	<u><u>\$ 3,527,316</u></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, 2021**

	Business-type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
Reconciliation of operating income (loss) to net cash from (used in) operating activities:		
Operating income (loss)	\$ 152,863	\$ 724,552
Adjustments to reconcile operating income (loss) to net cash from (used in) operating activities:		
Depreciation and amortization	231,039	-
(Increase) decrease in:		
Receivables	(31,042)	(206,318)
Inventory	(19,616)	-
Increase (decrease) in:		
Accounts payable	(14,110)	-
Accrued payroll	2,033	-
Retainage payable	26,609	-
Unearned revenue	-	1,523
Other	1,032	-
Claims payable	-	3,503
Net cash from (used in) operating activities	<u>\$ 348,808</u>	<u>\$ 523,260</u>
Non cash capital and related financing activities:		
Loss on disposal of capital assets	<u>\$ 1,848</u>	<u>\$ -</u>
		(Concluded)

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

Town of Colchester, Connecticut
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	<u>Pension Trust Fund</u>
<u>Assets</u>	
Investments:	
Private mutual funds	\$ 3,890,020
Prepays	<u>3,163</u>
Total assets	<u>3,893,183</u>
<u>Net Position</u>	
Restricted for:	
Pensions	<u><u>\$ 3,893,183</u></u>

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

Town of Colchester, Connecticut
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 150,866
Plan members	<u>87,811</u>
Total contributions	238,677
Investment income (loss):	
Interest and dividends	<u>700,730</u>
Total additions	<u>939,407</u>
Deductions:	
Benefits	37,957
Administration	<u>150</u>
Total deductions	<u>38,107</u>
Change in net position	901,300
Net position - July 1, 2020	<u>2,991,883</u>
Net position - June 30, 2021	<u><u>\$ 3,893,183</u></u>

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, 2021**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, 2021

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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. In addition, 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.

Property taxes, 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 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, 2021

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, 2021

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% 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, 2021

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

Concentration of credit risk	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.
Custodial credit risk	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.

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 33% to 62% 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 within 60 days 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. Taxes collected during the 60-day period have been recorded as revenue.

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, 2021

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 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, which include construction in progress, property, plant, equipment, and infrastructure assets are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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. Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years	Capitalization Threshold
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

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

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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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

Deferred outflows of resources also include deferred outflows relating to advance refunding of debt. These amounts are deferred and are amortized over the shorter of the life of the old or new debt.

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. 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 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, 2021

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, 2021

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**10. 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.

11. 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. 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	\$ 130,129	\$ 58,086	\$ 72,043
Equipment	1,572,914	1,324,075	248,839
Vehicles	3,483,926	1,104,011	2,379,915
Facilities and grounds maintenance	609,674	413,303	196,371
Johnston building project	48,890,000	44,141,589	4,748,411
Totals	<u>\$ 54,686,643</u>	<u>\$ 47,041,064</u>	<u>\$ 7,645,579</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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

At year end, the Town's bank balance was \$19,344,639 and was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 13,529,063
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>4,815,576</u>
Total amount subject to custodial credit risk	<u><u>\$ 18,344,639</u></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:

Type of Investment	Fair Value	Investment Maturities (In Years)	
		N/A	Less Than 1
Private mutual funds - diversified	\$ 3,890,020	\$ 3,890,020	\$ -
Certificates of deposit	427,867	-	427,867
Bank money market	305,888	305,888	-
Pooled fixed income	<u>7,270,414</u>	<u>-</u>	<u>7,270,414</u>
Total	<u><u>\$11,894,189</u></u>	<u><u>\$ 4,195,908</u></u>	<u><u>\$ 7,698,281</u></u>

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

Investments measured at net asset value (NAV)

Private mutual funds - diversified	<u>\$ 3,890,020</u>
<u>Other investments</u>	
Certificates of deposit	427,867
Bank money market	305,888
Pooled fixed income	<u>7,270,414</u>
Total other investments	<u>8,004,169</u>
Total investments	<u><u>\$11,894,189</u></u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

A. Cash and investments (continued)**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	<u>\$ 3,890,020</u>	<u>\$ -</u>	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.

1. Target date funds: The target date funds invest at least 80% of their net assets in underlying funds. Up to 20% 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%, 48%, and 70% equity securities and 65%, 52% and 30% debt instruments.
2. Balanced fund: The balanced fund invests in approximately 50-75% 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
	<u>AAA</u>
Pooled fixed income	<u>\$ 7,270,414</u>

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

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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		
	<u>Taxes</u>	<u>Interest and Lien Fees</u>	<u>Total</u>
Current portion	<u>\$ 453,817</u>	<u>\$ 174,878</u>	<u>\$ 628,695</u>
Long-term portion	723,096	526,206	1,249,302
Less allowance for uncollectibles	<u>(396,660)</u>	<u>(430,392)</u>	<u>(827,052)</u>
Net long-term portion	<u>\$ 326,436</u>	<u>\$ 95,814</u>	<u>\$ 422,250</u>

C. Interfund accounts**1. Interfund payables and receivables**

A summary of interfund balances is as follows:

	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund:			
Johnston building project fund	N/A	\$ 945,778	\$ -
Miscellaneous grants fund	N/A	403,152	-
Police special duty fund	N/A	15,112	-
School cafeteria fund	N/A	249,040	-
Total general fund		<u>1,613,082</u>	<u>-</u>
Johnston building project fund	General fund	<u>-</u>	<u>945,778</u>
Other governmental funds:			
Miscellaneous grants fund	General fund	-	403,152
Police special duty fund	General fund	-	15,112
School cafeteria fund	General fund	-	249,040
Total other governmental funds		<u>-</u>	<u>667,304</u>
Total		<u>\$ 1,613,082</u>	<u>\$ 1,613,082</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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	\$ -	\$ 742,125
Miscellaneous grants fund	N/A	1,844	-
School cafeteria fund	N/A	-	43,304
Educational grants fund	N/A	6,130	60,000
Capital projects fund	N/A	-	254,799
Education capital reserve fund	N/A	-	198,813
Debt service fund	N/A	-	370,582
Total general fund		7,974	1,669,623
Capital reserve fund	General fund	742,125	-
Capital reserve fund	Miscellaneous grants fund	-	14,889
Total capital reserve fund		742,125	14,889
Other governmental funds:			
Special revenue funds:			
Miscellaneous grants fund	General fund	-	1,844
Miscellaneous grants fund	Capital reserve fund	14,889	-
School cafeteria fund	General fund	43,304	-
Educational grants fund	General fund	60,000	6,130
Capital projects funds:			
Capital projects fund	General fund	254,799	-
Education capital reserve fund	General fund	198,813	-
Debt service fund	General fund	370,582	-
Debt service fund	Water fund	13,580	-
Total other governmental funds		955,967	7,974
Enterprise funds:			
Water fund	Debt service fund	-	13,580
Total		\$ 1,706,066	\$ 1,706,066

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, 2021

D. Capital assets

Capital asset activity for the fiscal year was as follows:

Governmental Activities:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
<u>Capital assets, not being depreciated:</u>				
Land	\$ 3,626,879	\$ -	\$ -	\$ 3,626,879
Construction in progress	500,718	1,408,643	1,173,761	735,600
Total capital assets, not being depreciated	4,127,597	1,408,643	1,173,761	4,362,479
<u>Capital assets, being depreciated:</u>				
Improvements other than buildings	2,171,269	100,960	-	2,272,229
Buildings	122,385,408	188,746	-	122,574,154
Machinery and equipment	19,300,984	400,496	171,870	19,529,610
Infrastructure	41,273,012	1,801,809	-	43,074,821
Total capital assets, being depreciated	185,130,673	2,492,011	171,870	187,450,814
Total capital assets	189,258,270	3,900,654	1,345,631	191,813,293
<u>Less accumulated depreciation for:</u>				
Improvements other than buildings	1,720,625	54,208	-	1,774,833
Buildings	42,188,107	2,608,020	-	44,796,127
Machinery and equipment	13,791,680	1,155,203	171,010	14,775,873
Infrastructure	31,644,945	529,256	-	32,174,201
Total accumulated depreciation	89,345,357	4,346,687	171,010	93,521,034
Total capital assets, being depreciated, net	95,785,316	(1,854,676)	860	93,929,780
Capital assets, net	<u>\$ 99,912,913</u>	<u>\$ (446,033)</u>	<u>\$ 1,174,621</u>	<u>\$ 98,292,259</u>

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

General government	\$ 83,754
Public safety	277,105
Public works	1,122,119
Community and human services	228,266
Education	2,635,443
Total depreciation expense	<u>\$ 4,346,687</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

D. Capital assets (continued)Business-Type Activities:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
<u>Capital assets, being depreciated:</u>				
Improvements other than buildings	\$ 25,591	\$ -	\$ -	\$ 25,591
Buildings	5,851,559	517,336	51,344	6,317,551
Machinery and equipment	434,586	13,394	14,510	433,470
Infrastructure	3,303,842	-	21,688	3,282,154
Total capital assets, being depreciated	9,615,578	530,730	87,542	10,058,766
<u>Less accumulated depreciation for:</u>				
Improvements other than buildings	23,071	210	-	23,281
Buildings	2,387,652	149,733	51,344	2,486,041
Machinery and equipment	298,748	29,608	12,662	315,694
Infrastructure	1,840,053	51,488	21,688	1,869,853
Total accumulated depreciation	4,549,524	231,039	85,694	4,694,869
Business-type capital assets, net	<u>\$ 5,066,054</u>	<u>\$ 299,691</u>	<u>\$ 1,848</u>	<u>\$ 5,363,897</u>

Depreciation expense of \$231,039 was charged to the Water Fund.

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.

Description	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
William J. Johnston Middle School Project	10/16/2019	10/15/2020	2.00%	\$ 2,845,000	\$ -	\$ 2,845,000	\$ -
William J. Johnston Middle School Project	10/15/2020	10/14/2021	1.00%	-	2,845,000	-	2,845,000
Total				<u>\$ 2,845,000</u>	<u>\$ 2,845,000</u>	<u>\$ 2,845,000</u>	<u>\$ 2,845,000</u>

In October 2021, the Town issued \$2,845,000 of general obligation bond anticipation notes. These notes mature in October 2022 and have an interest rate of 2.00%.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

F. Changes in long-term liabilities**1. Summary of changes**Governmental Activities:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Current Portion	Long-Term Portion
<u>Bonds:</u>										
General purpose:										
Refunding bonds	\$ 2,075,900	05/20/10	06/01/21	2.25%-5.00%	\$ 175,000	\$ -	\$ 175,000	\$ -	\$ -	\$ -
School bonds:										
Bonds	1,994,100	05/20/10	06/01/21	2.25%-5.00%	215,000	-	215,000	-	-	-
Refunding bonds	8,339,800	02/23/12	06/15/25	2.00%-4.00%	3,260,000	-	810,000	2,450,000	800,000	1,650,000
School bonds	12,000,000	10/03/18	10/15/45	3.00%-5.00%	12,000,000	-	350,000	11,650,000	350,000	11,300,000
School bonds	7,040,000	10/08/19	10/15/45	2.50%-5.00%	7,040,000	-	-	7,040,000	345,000	6,695,000
Total school bonds	29,373,900				22,515,000	-	1,375,000	21,140,000	1,495,000	19,645,000
Total bonds	31,449,800				22,690,000	-	1,550,000	21,140,000	1,495,000	19,645,000
<u>Notes:</u>										
Equipment financing notes (direct borrowings):										
Energy project	3,126,409	03/29/13	01/05/25	1.77%	1,464,296	-	282,651	1,181,645	287,665	893,980
Heavy rescue	460,890	01/27/14	01/27/24	2.25%	185,053	-	47,835	137,218	48,920	88,298
Total notes	3,587,299				1,649,349	-	330,486	1,318,863	336,585	982,278
Total bonds/notes	\$ 35,037,099				24,339,349	-	1,880,486	22,458,863	1,831,585	20,627,278
Premium					1,176,224	14,225	104,007	1,086,442	-	1,086,442
Total bonds/notes and related liabilities					25,515,573	14,225	1,984,493	23,545,305	1,831,585	21,713,720
Landfill post closure liability					60,000	-	15,000	45,000	15,000	30,000
Compensated absences					3,719,685	2,134,377	2,021,255	3,832,807	674,200	3,158,607
Net pension liability					619,107	754,539	1,102,886	270,760	-	270,760
OPEB liability					8,714,027	641,917	335,336	9,020,608	-	9,020,608
Total long-term liabilities					\$ 38,628,392	\$ 3,545,058	\$ 5,458,970	\$ 36,714,480	\$ 2,520,785	\$ 34,193,695

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, 2020	Additions	Deductions	Balance June 30, 2021	Current Portion	Long-Term Portion
<u>Notes:</u>										
Clean Water	\$ 2,496,990	07/31/09	07/31/28	2.12%	\$ 1,126,656	\$ -	\$ 129,151	\$ 997,505	\$ 131,916	\$ 865,589

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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
2022	\$ 1,495,000	\$ 336,585	\$ 783,748	\$ 131,916	\$ 19,870
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>\$ 21,140,000</u>	<u>\$ 1,318,863</u>	<u>\$ 8,489,351</u>	<u>\$ 997,505</u>	<u>\$ 77,648</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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

The Town's outstanding equipment financing notes of \$1,318,863 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:

Category	Debit Limit	Net Indebtedness	Balance
General purpose	\$ 91,952,125	\$ -	\$ 91,952,125
Schools	183,904,250	23,985,000	159,919,250
Sewer	153,253,541	-	153,253,541
Urban renewal	132,819,736	-	132,819,736
Pension deficit	122,602,833	-	122,602,833

The total overall statutory debt limit for the Town is equal to seven times prior year annual receipts from taxation, \$286,073,277.

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, is as follows:

Schools	<u>\$5,719,547</u>
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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 \$45,000 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, 2021

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	\$ -	\$ -	\$ -	\$ 68,682	\$ 68,682
Cemetery maintenance	-	-	-	450	450
General government programs	-	-	-	105,151	105,151
Public safety programs	-	-	-	14,955	14,955
Public works:					
Sewer facility operations *	-	-	-	277,708	277,708
Road infrastructure programs	-	-	-	1,102,099	1,102,099
Community and human services programs	-	-	-	520,297	520,297
Education programs	-	-	-	99,709	99,709
Total restricted	-	-	-	2,189,051	2,189,051
<u>Committed:</u>					
Snow reserve program	301,108	-	-	-	301,108
Public safety programs	-	-	-	110,426	110,426
Recreation programs	-	-	-	263,354	263,354
Education programs	-	-	-	463,755	463,755
Capital projects	-	3,055,244	-	2,372,940	5,428,184
Total committed	301,108	3,055,244	-	3,210,475	6,566,827
<u>Assigned:</u>					
General government	8,304	-	-	-	8,304
Public safety	16,813	-	-	-	16,813
Public works	14,255	-	-	-	14,255
Community and human services	3,543	-	-	-	3,543
Education	1,478,439	-	-	-	1,478,439
Debt service	-	-	-	686,144	686,144
Subsequent year's budget	381,000	-	-	-	381,000
Total assigned	1,902,354	-	-	686,144	2,588,498
<u>Unassigned</u>	7,831,625	-	(3,790,848)	(87,186)	3,953,591
Total	<u>\$10,035,087</u>	<u>\$3,055,244</u>	<u>\$ (3,790,848)</u>	<u>\$5,998,484</u>	<u>\$15,297,967</u>

General Fund encumbrances totaled \$394,237.

* The amount of restricted net position, which was restricted by enabling legislation, totaled \$277,708.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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>
Animal control fund	\$ (524)	Transfers in
Miscellaneous grants fund	(62,217)	Future intergovernmental revenues and transfers in
School cafeteria fund	(24,969)	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% 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>Claims Payable July 1</u>	<u>Current year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
<u>Medical insurance</u>				
2019-2020	\$481,000	\$5,885,857	\$5,849,215	\$517,642
2020-2021	517,642	5,822,535	5,819,032	521,145

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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 is not expected to have a material adverse effect on the financial condition of the Town.

C. Contingencies*Coronavirus*

In March 2020, the United States declared the outbreak of Coronavirus a national emergency. Similarly, the Governor of the State of Connecticut declared a state of emergency. Although the national shut down has ended, the Coronavirus continues to have an impact on the economy including effects on the Town's economically sensitive revenues such as park and recreation program fees, interest earnings and certain other charges for services. This has been offset to varying degrees by increases in building permit fees and conveyance taxes. In addition, the supply chain has been disrupted and prices have increased for various type of items, including construction costs. The pandemic has also resulted in labor shortages.

In response to the pandemic and the economic impact on local governments, the federal government has provided the following funding beginning in April 2020 and April 2021. The Town was awarded grants from the federal government for the costs and impact of the pandemic as follows:

Grant Name	Amount
Coronavirus Relief Fund ("CRF")	\$ 364,294
Education Stabilization Fund ("ESF")	3,508,027
American Rescue Plan Act ("ARPA")	<u>2,339,341</u>
Total	<u>\$ 6,211,662</u>

The second payment of the ARPA grant of \$2,339,341 is to be received in fiscal year 2022.

The Town is continuously monitoring its financial condition and will take proactive measures as necessary to maintain operations and meet its obligations. Given this level of uncertainty, management cannot reasonably estimate the complete impact on the Town's future financial position at this time.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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>

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

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

A. Town pension plans (continued)

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 covered payroll was	22.72%

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.

The following is the Board's adopted asset allocation policy for the plans:

Asset Class	Target Allocation
Cash	4.00%
Equities	64.00%
Fixed income	32.00%
Total	100.00%

b. Concentrations

There were no investments in any one organization that represented 5% or more of the pension plan's net position.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

A. Town pension plans (continued)**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 as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	0.00%
Equities	5.25%
Fixed income	1.25%
Long-term expected nominal rate of return	6.31%

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 22.74%.

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

5. Net pension liability

The components of the net pension liability were as follows:

Total pension liability	\$ 4,163,943
Plan fiduciary net position	<u>3,893,183</u>
Net pension liability	<u>\$ 270,760</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>93.50%</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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

- Investment rate of return changed from 7.00% to 6.75%.
- Projected salary increases changed from 2.60% to 2.40%.
- The inflation rate changed from 2.60% to 2.40%.
- The mortality table was updated from RP-2014 mortality table projected to valuation date with Scale MP-2018 to Pub-2010 mortality table projected to valuation date with Scale MP-2020.

b. Changes in benefit terms

There were no changes in benefit terms.

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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

A. Town pension plans (continued)**9. Changes in the net pension liability**

The Town's net pension liability was measured at June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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)
Balance at July 1, 2020	\$ 3,610,990	\$ 2,991,883	\$ 619,107
Service cost	201,664	-	201,664
Interest	265,228	-	265,228
Differences between expected and actual experience	(163,479)	-	(163,479)
Changes in assumptions	287,497	-	287,497
Contributions - employer	-	150,866	(150,866)
Contributions - member	-	87,811	(87,811)
Net investment income	-	700,730	(700,730)
Benefit payments, including refunds of member contributions	(37,957)	(37,957)	-
Administration	-	(150)	150
Net change	552,953	901,300	(348,347)
Balance at June 30, 2021	\$ 4,163,943	\$ 3,893,183	\$ 270,760

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 of 6.75%:

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability (asset)	\$ 1,033,960	\$ 270,760	\$ (335,720)

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

A. Town pension plans (continued)**11. Pension expense and deferred outflows and inflows of resources**

The Town recognized pension expense of \$106,007 for the plan.

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

Police Plan	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	\$ -	\$ 269,763	\$ (269,763)
Changes in assumptions	327,225	35,401	291,824
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>279,877</u>	<u>(279,877)</u>
Total	<u>\$ 327,225</u>	<u>\$ 585,041</u>	<u>\$ (257,816)</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.

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,	
2022	\$ (50,075)
2023	(57,361)
2024	(67,756)
2025	(94,333)
2026	2,588
Thereafter	<u>9,121</u>
Total	<u>\$ (257,816)</u>

Town of Colchester, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2021****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% 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 \$477,558 and employee contributions were \$674,749.

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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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

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 salary for the pension benefit.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

C. Connecticut state teachers' retirement system (continued)**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 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 net pension liability, the related state support, and the total portion of the 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>85,864,105</u>
Total	<u><u>\$ 85,864,105</u></u>

The net pension liability was measured as of June 30, 2020, 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.

During the year, the Town recognized pension expense and revenue of \$5,507,465 for on-behalf amounts for contributions to the plan by the State.

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%.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

C. Connecticut state teachers' retirement system (continued)

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 salary increases assumption was decreased from 3.25% to 3.00%.
- The mortality tables were changed from the RPH-2014 White Collar Table, projected to the year 2020 using the BB improvement scale to the PubT-2010 Table, projected generationally with MP-2019.

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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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>	

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

C. Connecticut state teachers' retirement system (continued)**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, 2020.

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, 2019, the plan's membership consisted of:

	Town
Retirees and beneficiaries receiving benefits	24
Active members	459
Total	483

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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

D. Other post-employment benefit ("OPEB") plan (continued)**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

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, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percent
Discount rate	2.16%
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	6.40%
Ultimate medical trend rate	4.10%

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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

Mortality rates	Teachers and Administrators: RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80 projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80
	Police and Fire: PubS-2010 Mortality Table with generational projection per MP ultimate scale
	All Others: PubG-2010 Mortality Table with generational projection per MP 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:

- The discount rate decreased from 2.21% to 2.16%.

b. Changes in benefit terms

There were no changes in benefit terms.

6. Changes in the total OPEB liability

The Town's OPEB liability was measured at June 30, 2021 and was determined by an actuarial valuation as of July 1, 2019.

Balance at July 1, 2020	<u>\$ 8,714,027</u>
Service cost	397,018
Interest	197,669
Changes in assumptions	47,230
Benefit payments, including refunds of member contributions	<u>(335,336)</u>
Net change	<u>306,581</u>
Balance at June 30, 2021	<u><u>\$ 9,020,608</u></u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

D. Other post-employment benefit ("OPEB") plan (continued)**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 of 2.16%:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
OPEB Liability	<u>\$10,051,353</u>	<u>\$ 9,020,608</u>	<u>\$ 8,143,122</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 of 6.40% decreasing to 4.10%:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
OPEB Liability	<u>\$ 7,776,838</u>	<u>\$ 9,020,608</u>	<u>\$ 10,552,292</u>

9. OPEB expense and deferred outflows/inflows of resources related to OPEB

For the fiscal year, the Town recognized OPEB expense of \$870,504. 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	\$ 360,846	\$ -	\$ 360,846
Changes in assumptions	932,514	76,510	856,004
Total	<u>\$ 1,293,360</u>	<u>\$ 76,510</u>	<u>\$ 1,216,850</u>

Experience losses (gains) and changes in assumption are amortized over the average remaining service period of actives and inactive, which was 5.4 years.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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

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

Year Ended June 30,	
2022	\$ 275,817
2023	275,817
2024	275,817
2024	275,817
2025	113,582
Total	<u>\$ 1,216,850</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.

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

Town of Colchester, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2021**

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

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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

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

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 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 net OPEB liability, the related state support, and the total portion of the 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	<u>12,806,634</u>
Total	<u>\$ 12,806,634</u>

The net OPEB liability was measured as of June 30, 2020, 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.

The Town recognized OPEB expense and revenue of \$132,914 for on-behalf amounts for contributions to the plan by the State.

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%
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	2021

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.

Town of Colchester, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2021**

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

Changes in assumptions and inputs

- The Medicare health care cost trend rate changed from 5.00% decreasing to 4.75% by 2028 to 5.125% decreasing to 4.50% by 2023.
- The salary increases assumption was decreased from 3.25% to 3.00%.
- The mortality tables were changed from the RPH-2014 White Collar Table, projected to the year 2020 using the BB improvement scale to the PubT-2010 Table, projected generationally with MP-2019.
- The discount rate was decreased from 3.50% to 2.21% to reflect the change in the Municipal Bond Index rate.

Additionally, expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on January 1, 2019. Further, the expected rate of inflation was decreased and the real wage growth assumption was increased.

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, 2020.

6. Discount rate

The discount rate used to measure the total OPEB liability was 2.21%. The Municipal Bond Index Rate 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.

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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2021

E. Connecticut state teachers' retirement board retiree health insurance plan (continued)**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, 2020.

VI. Prior period adjustments

The government-wide proprietary funds and fiduciary funds net position and other governmental funds fund balance were restated as follows:

	Governmental Activities	Water Fund	Other Governmental Funds	Private- Purpose Trust Fund
Net position/fund balance as previously reported at June 30, 2020	\$80,752,071	\$ 5,321,000	\$ 4,608,641	\$ 450
Correction of receivable balance	-	(32,810)	-	-
Reclassification from major to nonmajor funds:				
Educational grants fund	-	-	124,191	-
Capital projects fund	-	-	1,482,963	-
Reclassification of funds as a result of the implementation of GASB No. 84:				
School activity fund	439,997	-	439,997	-
Cemetery fund	450	-	450	(450)
Net position/fund balance as restated at July 1, 2020	<u>\$81,192,518</u>	<u>\$ 5,288,190</u>	<u>\$ 6,656,242</u>	<u>\$ -</u>

VII. New accounting standards

Effective for the June 30, 2022, financial statements and thereafter, the Town will be required to implement the new accounting standard GASB No. 87, Leases. This standard will require the Town to recognize and record an asset and liability for all operating leases on the government-wide and proprietary fund financial statements.

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 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 Net OPEB Liability
	Schedule of Contributions
	Notes to Required Supplementary Information

Town of Colchester, Connecticut
Required Supplementary Information

General Fund
Schedule of Revenues, Other Financing Sources, Expenditures and Other Financing Uses
Budget and Actual
For the Year Ended June 30, 2021

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
<u>Revenues and other financing sources:</u>					
Property taxes:					
Current taxes	\$ 40,785,675	\$ -	\$ 40,785,675	\$ 40,489,380	\$ (296,295)
Arrears taxes	375,000	-	375,000	395,132	20,132
Interest and liens	250,000	-	250,000	281,123	31,123
Total property taxes	41,410,675	-	41,410,675	41,165,635	(245,040)
Intergovernmental:					
Education grants:					
Special education	500,000	-	500,000	523,729	23,729
Education cost sharing	12,040,218	-	12,040,218	12,184,854	144,636
Total education grants	12,540,218	-	12,540,218	12,708,583	168,365
State of Connecticut:					
Municipal stabilization grant	134,167	-	134,167	134,167	-
Payment in lieu of taxes	74,928	-	74,928	74,928	-
Disability exemption	1,888	-	1,888	1,499	(389)
Additional veteran exemption	7,255	-	7,255	4,349	(2,906)
Local capital improvement program	116,454	-	116,454	114,912	(1,542)
Mashantucket Pequot/Mohegan grant	23,167	-	23,167	23,167	-
Distribution to towns	5,000	-	5,000	2,625	(2,375)
Youth services grant	17,732	-	17,732	17,921	189
Emergency management	8,065	-	8,065	71,939	63,874
Total State of Connecticut	388,656	-	388,656	445,507	56,851
Total intergovernmental	12,928,874	-	12,928,874	13,154,090	225,216
Charges for services:					
Ambulance	500,000	-	500,000	501,165	1,165
Recreation	6,000	-	6,000	3,091	(2,909)
Licenses, permits and fees:					
Fire Marshal inspection fees	100	-	100	60	(40)
Sports licenses	250	-	250	251	1
Transfer station fees	130,000	-	130,000	156,669	26,669
Conservation commission fees	5,500	-	5,500	7,349	1,849
Road inspection fees	17,750	-	17,750	4,055	(13,695)
Building code fees	245,000	-	245,000	423,158	178,158
Conveyance tax	186,000	-	186,000	278,153	92,153
Zoning and planning fees	13,000	-	13,000	17,501	4,501
Zoning appeal fees	700	-	700	350	(350)
Copier fees - tax collector	200	-	200	165	(35)
Copier fees - assessor	500	-	500	241	(259)
Copier fees - town clerk	17,000	-	17,000	19,150	2,150
Copier fees - planning and code administration	150	-	150	4	(146)
Town clerk fees	102,000	-	102,000	155,755	53,755
Vendor permits	1,200	-	1,200	635	(565)
Pistol permits	5,000	-	5,000	15,470	10,470

(Continued)

Town of Colchester, Connecticut
Required Supplementary Information

General Fund
Schedule of Revenues, Other Financing Sources, Expenditures and Other Financing Uses
Budget and Actual
For the Year Ended June 30, 2021

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Charges for services: (continued)					
Library fines and fees	\$ 7,000	\$ -	\$ 7,000	\$ 2,738	\$ (4,262)
Dial-a-ride	3,500	-	3,500	830	(2,670)
Recording fees	1,800	-	1,800	2,073	273
Total charges for services	1,242,650	-	1,242,650	1,588,863	346,213
Income from investments	196,200	-	196,200	31,381	(164,819)
Other:					
Tuition	329,400	-	329,400	387,767	58,367
Telecommunications tax	26,000	-	26,000	28,915	2,915
State fund for building inspection	1,000	-	1,000	-	(1,000)
CCM/CIRMA member equity distribution	4,326	-	4,326	4,326	-
Elderly housing	14,350	-	14,350	15,619	1,269
Miscellaneous	5,000	-	5,000	8,395	3,395
Total other	380,076	-	380,076	445,022	64,946
Total revenues	56,158,475	-	56,158,475	56,384,991	226,516
Other financing sources:					
Transfers in	-	-	-	7,974	7,974
Appropriation of fund balance	314,000	463,565	777,565	-	(777,565)
Total other financing sources	314,000	463,565	777,565	7,974	(769,591)
Total revenues and other financing sources	56,472,475	463,565	56,936,040	56,392,965	(543,075)
<u>Expenditures and other financing uses:</u>					
General government:					
Boards and commissions	27,424	3,075	30,499	30,101	398
Contingency	60,992	(60,992)	-	-	-
First selectman	241,464	-	241,464	237,949	3,515
Human resources	107,712	(46,292)	61,420	46,137	15,283
Finance	302,751	-	302,751	295,099	7,652
Tax collector	175,769	-	175,769	173,647	2,122
Assessor	303,569	-	303,569	287,902	15,667
Planning and code administration	479,597	-	479,597	471,368	8,229
Town clerk	167,018	-	167,018	166,920	98
Elections	72,820	-	72,820	59,988	12,832
Insurances	1,721,911	105,344	1,827,255	1,822,426	4,829
Probate	5,347	-	5,347	5,347	-
Information technology	114,541	-	114,541	97,244	17,297
Total general government	3,780,915	1,135	3,782,050	3,694,128	87,922
Public safety:					
Police	1,637,859	17,502	1,655,361	1,654,253	1,108
Fire	1,443,925	-	1,443,925	1,349,772	94,153
Emergency management	18,988	-	18,988	17,633	1,355
Total public safety	3,100,772	17,502	3,118,274	3,021,658	96,616

See Notes to Required Supplementary Information.

(Continued)

Town of Colchester, Connecticut

Required Supplementary Information

General Fund
Schedule of Revenues, Other Financing Sources, Expenditures and Other Financing Uses
Budget and Actual
For the Year Ended June 30, 2021

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Public works:					
Public works administration	\$ 181,328	\$ 5,261	\$ 186,589	\$ 180,661	\$ 5,928
Highway	1,545,998	(14,786)	1,531,212	1,449,265	81,947
Fleet maintenance	393,807	8,351	402,158	400,066	2,092
Grounds maintenance	507,679	1,765	509,444	459,804	49,640
Snow removal	495,165	(37,178)	457,987	457,985	2
Transfer station	312,246	2,173	314,419	295,104	19,315
Facilities	129,820	-	129,820	109,705	20,115
Engineering	120,579	-	120,579	119,078	1,501
Total public works	3,686,622	(34,414)	3,652,208	3,471,668	180,540
Community and human services:					
Cragin memorial library	610,419	5,949	616,368	604,956	11,412
Parks and recreation	158,771	(15,730)	143,041	108,427	34,614
Senior services	302,601	(11,620)	290,981	281,166	9,815
Youth and social services	394,383	-	394,383	359,872	34,511
Community agencies	25,000	-	25,000	25,000	-
Health services	199,882	-	199,882	198,881	1,001
Total community and human services	1,691,056	(21,401)	1,669,655	1,578,302	91,353
Education	41,316,610	81,331	41,397,941	40,960,986	436,955
Debt service	2,075,164	-	2,075,164	2,075,164	-
Total expenditures	55,651,139	44,153	55,695,292	54,801,906	893,386
Other financing uses:					
Transfers out	821,336	419,412	1,240,748	1,240,747	1
Total expenditures and other financing uses	56,472,475	463,565	56,936,040	56,042,653	893,387
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ -	\$ 350,312	\$ 350,312

(Concluded)

Town of Colchester, Connecticut

Notes to Required Supplementary Information
For the Year Ended June 30, 2021

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 does not budget for the revenue or expenditures for the excess cost grant.
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.

Reconciliation to Exhibit D

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary Basis - RSI-1	\$ 56,384,991	\$ 54,801,906
Prior year encumbrances liquidated in the current year	-	211,081
Current year encumbrances charged to budgetary expenditures	-	(394,237)
Excess cost grant	250,831	250,831
Transfers out budgeted as expenditures	-	(514,453)
Other funds (Schedule 2)	5,592	52,442
State Teachers' pension on behalf amount	5,507,465	5,507,465
State Teachers' OPEB on behalf amount	132,914	132,914
GAAP Basis - Exhibit D	<u>\$ 62,281,793</u>	<u>\$ 60,047,949</u>

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 Selectmen. The First Selectmen 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.

Town of Colchester, Connecticut

**Notes to Required Supplementary Information
For the Year Ended June 30, 2021**

Budgets and Budgetary Accounting

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 \$463,565 from fund balance.

(Concluded)

Town of Colchester, Connecticut

Required Supplementary Information

Police Retirement Plan
Last Eight Years (1)

	2021	2020	2019	2018	2017	2016	2015	2014
<u>Schedule of Changes in Net Pension Liability and Related Ratios</u>								
Total pension liability:								
Service cost	\$ 201,664	\$ 192,980	\$ 196,330	\$ 187,875	\$ 183,453	\$ 175,553	\$ 167,993	\$ 178,216
Interest	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	(37,957)	(37,031)	-	-	-	-	(23,169)	-
Net change in total pension liability	552,953	393,189	303,373	378,538	348,570	328,156	275,341	162,663
Total pension liability - July 1	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>\$4,163,943</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	\$ 150,866	\$ 145,500	\$ 148,899	\$ 142,578	\$ 121,754	\$ 105,755	\$ 100,616	\$ 105,624
Contributions - member	87,811	82,692	90,458	88,107	85,202	82,346	81,805	86,864
Net investment income (loss)	700,730	65,083	122,568	113,723	167,058	(5,796)	26,378	149,423
Benefit payments, including refunds of member contributions	(37,957)	(37,031)	-	-	-	-	(23,169)	-
Administration	(150)	(200)	-	-	-	-	-	-
Net change in plan fiduciary net position	901,300	256,044	361,925	344,408	374,014	182,305	185,630	341,911
Plan fiduciary net position - July 1	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>\$3,893,183</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>\$ 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	93.50%	82.85%	85.02%	81.45%	80.03%	75.69%	79.24%	81.29%
Covered payroll	<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>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>

Schedule of Investment Returns

Annual money weighted rate of return, net of investment expense	<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>
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(1) 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

Required Supplementary Information

**Police Retirement Plan
Schedule of Contributions
Last Ten Years**

	<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>	<u>2012</u>
Actuarially determined contributions	\$ 150,425	\$ 147,856	\$ 149,560	\$ 145,300	\$ 123,370	\$ 119,514	\$ 106,914	\$ 101,215	\$ 82,202	\$ 74,068
Contributions in relation to the actuarially determined contribution	<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>	<u>101,034</u>
Contribution excess (deficiency)	<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>	<u>\$ 26,966</u>
Covered payroll	<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>	<u>\$ 571,675</u>
Contributions as a percentage of covered payroll	<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>	<u>17.67%</u>

Town of Colchester, Connecticut

Notes to Required Supplementary Information

Police Retirement Plan
Schedule of Contributions
Last Ten Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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, 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	July 1, 2010
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	Projected unit credit	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	2.60%	2.60%	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%	N/A	N/A
Salary Increases	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)	5.00% (3.50% cost-of living, 1.50% steps)	5.00% (3.50% cost-of living, 1.50% steps)	5.00% (3.50% cost-of living, 1.50% steps)	4.50%	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)	7.00%	7.00%	7.00%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Mortality	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

N/A - not available

Town of Colchester, Connecticut

Required Supplementary Information

Connecticut State Teachers' Retirement System
Last Seven Years (3)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Schedule of Proportionate Share of the Net Pension Liability</u>							
Town's proportion of the net pension liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the net pension liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State of Connecticut's proportionate share of the net pension liability associated with the Town	<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>
Total	<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>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Town's proportionate share of the net pension 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>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>49.24%</u>	<u>52.00%</u>	<u>57.69%</u>	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.56%</u>

Schedule of Contributions

Contractually required contribution (1)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	<u>(2)</u>	<u>(2)</u>	<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>	<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 net pension 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 System
Schedule of Contributions
Last Seven Years (1)

	2021	2020	2019	2018	2017	2016	2015
Changes of Benefit Terms	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
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
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
Remaining Amortization Period	27.8 years	30 years	30 years	20.4 years	20.4 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
Inflation	2.50%	2.50%	2.75%	2.75%	2.75%	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
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
Investment Rate of Return (Net)	6.90%	6.90%	8.00%	8.00%	8.00%	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

(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 Four Years (1)

	2021	2020	2019	2018
OPEB liability:				
Service cost	\$ 397,018	\$ 298,808	\$ 266,608	\$ 284,046
Interest	197,669	244,424	248,540	225,136
Differences between expected and actual experience	-	524,866	-	-
Changes in assumptions	47,230	1,087,333	244,148	(146,062)
Benefit payments, including refunds of member contributions	(335,336)	(250,148)	(210,314)	(214,186)
Net change in OPEB liability	306,581	1,905,283	548,982	148,934
OPEB liability - July 1	8,714,027	6,808,744	6,259,762	6,110,828
OPEB liability - June 30 *	<u>\$ 9,020,608</u>	<u>\$ 8,714,027</u>	<u>\$ 6,808,744</u>	<u>\$ 6,259,762</u>
Covered employee payroll	<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>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 Four Years (3)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Schedule of Proportionate Share of the Net OPEB Liability</u>				
Town's proportion of the net OPEB liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the net OPEB liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State of Connecticut's proportionate share of the net OPEB liability associated with the Town	<u>12,806,634</u>	<u>12,030,700</u>	<u>11,890,600</u>	<u>16,229,300</u>
Total	<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>
Town's proportionate share of the 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>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>2.50%</u>	<u>2.08%</u>	<u>1.49%</u>	<u>1.79%</u>

Schedule of Contributions

Contractually required contribution (1)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	<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>

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

(2) Not applicable since 0% proportional share of the 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 Four Years (1)

	2021	2020	2019	2018
Changes of Benefit Terms	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
Actuarial methods and assumptions used to determine contribution rates:				
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age
Amortization Method	Level percentage, closed	Level percentage, open	Level percentage, open	Level percentage, open
Amortization Period	30 years	30 years	30 years	30 years
Asset Valuation Method	Fair value	Fair value	Fair value	Fair value
Inflation	2.50%	2.75%	2.75%	2.75%
Healthcare Inflation Rate	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	3.25% 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%	4.25%
Mortality Rate	PubT-2010 Table projected generationally with MP-2019	RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, 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.

Supplemental Schedules

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.

Fund	Funding Source	Function
Snow Reserve Fund	Transfers in	Snow removal
Animal Control Fund	Fees and transfers in	Animal control programs

Town of Colchester, Connecticut

**General Fund
Combining Balance Sheet
June 30, 2021**

	<u>General Fund</u>	<u>Snow Reserve Fund</u>	<u>Animal Control Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 5,197,577	\$ 301,108	\$ 6,346	\$ 5,505,031
Restricted cash	142,453	-	-	142,453
Investments	4,931,073	-	-	4,931,073
Receivables (net):				
Property taxes	1,050,945	-	-	1,050,945
Intergovernmental	120,881	-	-	120,881
Other	52,313	-	486	52,799
Due from other funds	1,613,082	-	-	1,613,082
Other	25,759	-	-	25,759
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 13,134,083</u>	<u>\$ 301,108</u>	<u>\$ 6,832</u>	<u>\$ 13,442,023</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,622,096	\$ -	\$ 7,356	\$ 1,629,452
Accrued payroll	542,782	-	-	542,782
Unearned revenue	3,660	-	-	3,660
Performance bonds	142,453	-	-	142,453
Other	123,886	-	-	123,886
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>2,434,877</u>	<u>-</u>	<u>7,356</u>	<u>2,442,233</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Advance property tax collections	42,842	-	-	42,842
Property taxes	921,861	-	-	921,861
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>964,703</u>	<u>-</u>	<u>-</u>	<u>964,703</u>
<u>Fund Balances</u>				
Committed		301,108	-	301,108
Assigned	1,902,354	-	-	1,902,354
Unassigned	7,832,149	-	(524)	7,831,625
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>9,734,503</u>	<u>301,108</u>	<u>(524)</u>	<u>10,035,087</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,134,083</u>	<u>\$ 301,108</u>	<u>\$ 6,832</u>	<u>\$ 13,442,023</u>

Town of Colchester, Connecticut

General Fund

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Snow Reserve Fund</u>	<u>Animal Control Fund</u>	<u>Eliminations</u>	<u>Total</u>
Revenues:					
Property taxes	\$41,165,635	\$ -	\$ -	\$ -	\$41,165,635
Intergovernmental	19,045,300	-	-	-	19,045,300
Charges for services	1,588,863	-	5,592	-	1,594,455
Income from investments	31,381	-	-	-	31,381
Other	445,022	-	-	-	445,022
Total revenues	<u>62,276,201</u>	<u>-</u>	<u>5,592</u>	<u>-</u>	<u>62,281,793</u>
Expenditures:					
Current:					
General government	3,685,824	-	-	-	3,685,824
Public safety	3,015,532	-	52,442	-	3,067,974
Public works	3,457,413	-	-	-	3,457,413
Community and human services	1,549,759	-	-	-	1,549,759
Education	46,211,815	-	-	-	46,211,815
Debt service	2,075,164	-	-	-	2,075,164
Total expenditures	<u>59,995,507</u>	<u>-</u>	<u>52,442</u>	<u>-</u>	<u>60,047,949</u>
Excess (deficiency) of revenues over expenditures	<u>2,280,694</u>	<u>-</u>	<u>(46,850)</u>	<u>-</u>	<u>2,233,844</u>
Other financing sources (uses):					
Transfers in	7,974	37,178	48,399	(85,577)	7,974
Transfers out	(1,755,200)	-	-	85,577	(1,669,623)
Net other financing sources (uses)	<u>(1,747,226)</u>	<u>37,178</u>	<u>48,399</u>	<u>-</u>	<u>(1,661,649)</u>
Net change in fund balances	533,468	37,178	1,549	-	572,195
Fund balances - July 1, 2020	<u>9,201,035</u>	<u>263,930</u>	<u>(2,073)</u>	<u>-</u>	<u>9,462,892</u>
Fund balances - June 30, 2021	<u>\$ 9,734,503</u>	<u>\$ 301,108</u>	<u>\$ (524)</u>	<u>\$ -</u>	<u>\$ 10,035,087</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.

Town of Colchester, Connecticut

Report of Tax Collector
For the Year Ended June 30, 2021

Grand List Year	Uncollected Taxes July 1, 2020	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Amount Collectible	Collections			Uncollected Taxes June 30, 2021
			Additions	Deductions			Net Taxes Collected	Interest, Liens and Other Fees	Total	
2004	\$ 11,889	\$ -	\$ -	\$ 11,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005	10,721	-	-	-	-	10,721	494	38	532	10,227
2006	38,428	-	4	2,243	32	36,157	3,568	10,216	13,784	32,589
2007	34,751	-	10	2,117	-	32,644	2,809	7,124	9,933	29,835
2008	38,512	-	4	258	77	38,181	2,019	4,984	7,003	36,162
2009	26,790	-	2	299	214	26,279	2,278	4,273	6,551	24,001
2010	25,618	-	8	523	347	24,756	3,373	5,716	9,089	21,383
2011	30,771	-	6	-	591	30,186	3,847	6,433	10,280	26,339
2012	34,464	-	2	-	1,362	33,104	2,976	4,740	7,716	30,128
2013	39,531	-	7	-	3,251	36,287	5,013	6,037	11,050	31,274
2014	42,789	-	10	-	-	42,799	5,671	6,505	12,176	37,128
2015	51,737	-	331	1,374	1,078	49,616	7,955	6,308	14,263	41,661
2016	61,795	-	9,277	1,663	2,141	67,268	19,663	12,500	32,163	47,605
2017	156,023	-	4,327	3,000	1,191	156,159	51,297	27,672	78,969	104,862
2018	<u>460,933</u>	<u>-</u>	<u>4,986</u>	<u>39,997</u>	<u>2,745</u>	<u>423,177</u>	<u>216,422</u>	<u>63,876</u>	<u>280,298</u>	<u>206,755</u>
Subtotal	1,064,752	-	18,974	63,363	13,029	1,007,334	327,385	166,422	493,807	679,949
2019	<u>-</u>	<u>41,139,803</u>	<u>109,355</u>	<u>227,697</u>	<u>5,427</u>	<u>41,016,034</u>	<u>40,519,070</u>	<u>97,442</u>	<u>40,616,512</u>	<u>496,964</u>
Total	<u>\$ 1,064,752</u>	<u>\$ 41,139,803</u>	<u>\$ 128,329</u>	<u>\$ 291,060</u>	<u>\$ 18,456</u>	<u>\$ 42,023,368</u>	<u>\$ 40,846,455</u>	<u>\$ 263,864</u>	<u>\$ 41,110,319</u>	1,176,913

* Amount written off based upon state statues requirements

Tax interest and liens receivable 701,084

Allowance for doubtful accounts (827,052)

Net taxes receivable - General Fund \$ 1,050,945

Other Governmental Funds

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

Combining Balance Sheet
Other Governmental Funds
June 30, 2021

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	\$ 1,171,177	\$ 22	\$ 175,535	\$ 276,578	\$ -	\$ 646,837	\$ -
Receivables:							
Intergovernmental	-	-	-	-	354,550	-	-
Assessments and use charges	-	-	404,548	-	-	-	-
Loan	-	68,660	-	-	-	-	-
Accounts	-	-	-	-	-	12	138,160
Other	-	-	-	-	-	-	-
Total assets	<u>\$ 1,171,177</u>	<u>\$ 68,682</u>	<u>\$ 580,083</u>	<u>\$ 276,578</u>	<u>\$ 354,550</u>	<u>\$ 646,849</u>	<u>\$ 138,160</u>
<u>Liabilities</u>							
Accounts payable	\$ 69,078	\$ -	\$ 10,009	\$ 5,834	\$ 6,391	\$ 6,446	\$ -
Retainage payable	-	-	-	-	-	-	-
Accrued payroll	-	-	4,969	7,390	7,224	-	12,622
Due to other funds	-	-	-	-	403,152	-	15,112
Unearned revenue	-	-	-	-	-	-	-
Other	-	-	6,030	-	-	-	-
Total liabilities	<u>69,078</u>	<u>-</u>	<u>21,008</u>	<u>13,224</u>	<u>416,767</u>	<u>6,446</u>	<u>27,734</u>
<u>Deferred Inflows of Resources</u>							
Unavailable revenue:							
Assessments and use charges	-	-	281,367	-	-	-	-
<u>Fund Balances</u>							
Restricted	1,102,099	68,682	277,708	-	-	640,403	-
Committed	-	-	-	263,354	-	-	110,426
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(62,217)	-	-
Total fund balances	<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>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,171,177</u>	<u>\$ 68,682</u>	<u>\$ 580,083</u>	<u>\$ 276,578</u>	<u>\$ 354,550</u>	<u>\$ 646,849</u>	<u>\$ 138,160</u>

(Continued)

Town of Colchester, Connecticut

Combining Balance Sheet
Other Governmental Funds
June 30, 2021

	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	2009 Bond Referendum Fund
<u>Assets</u>							
Cash	\$117,260	\$ 121,998	\$ 42,035	\$ 46,365	\$ 9,797	\$412,606	\$ 56,057
Receivables:							
Intergovernmental	136,187	9,659	-	-	-	500,396	-
Assessments and use charges	-	-	-	-	-	404,548	-
Loan	-	-	-	-	-	68,660	-
Accounts	-	23,170	-	1,980	-	163,322	-
Other	6,384	-	-	-	-	6,384	-
Total assets	<u>\$259,831</u>	<u>\$ 154,827</u>	<u>\$ 42,035</u>	<u>\$ 48,345</u>	<u>\$ 9,797</u>	<u>\$412,606</u>	<u>\$ 56,057</u>
<u>Liabilities</u>							
Accounts payable	\$ 46	\$ 20,719	\$ -	\$ 48,212	\$ -	\$ 16	\$ -
Retainage payable	-	-	-	-	-	-	-
Accrued payroll	10,369	10,266	-	133	-	667	-
Due to other funds	249,040	-	-	-	-	667,304	-
Unearned revenue	25,345	24,133	-	-	-	49,478	-
Other	-	-	-	-	-	6,030	-
Total liabilities	<u>284,800</u>	<u>55,118</u>	<u>-</u>	<u>48,345</u>	<u>-</u>	<u>683</u>	<u>-</u>
<u>Deferred Inflows of Resources</u>							
Unavailable revenue:							
Assessments and use charges	-	-	-	-	-	281,367	-
<u>Fund Balances</u>							
Restricted	-	99,709	-	-	-	2,188,601	-
Committed	-	-	42,035	-	9,797	411,923	56,057
Assigned	-	-	-	-	-	-	-
Unassigned	(24,969)	-	-	-	-	(87,186)	-
Total fund balances	<u>(24,969)</u>	<u>99,709</u>	<u>42,035</u>	<u>-</u>	<u>9,797</u>	<u>411,923</u>	<u>56,057</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$259,831</u>	<u>\$ 154,827</u>	<u>\$ 42,035</u>	<u>\$ 48,345</u>	<u>\$ 9,797</u>	<u>\$412,606</u>	<u>\$ 56,057</u>

(Continued)

Town of Colchester, Connecticut

Combining Balance Sheet
Other Governmental Funds
June 30, 2021

	Capital Projects Funds						Permanent Fund		
	Capital Projects Fund	Sewer Capital Fund	Energy Project Fund	Use of Schools Fund	Education Capital Reserve Fund	Total Capital Projects Funds	Debt Service Fund	Cemetery Fund	Total Other Governmental Funds
<u>Assets</u>									
Cash	\$ 1,514,099	\$ 598,709	\$ 95,608	\$ 37,547	\$ 301,020	\$ 2,603,040	\$ 686,144	\$ 450	\$ 6,309,844
Receivables:									
Intergovernmental	-	-	-	-	-	-	-	-	500,396
Assessments and use charges	-	-	-	-	-	-	-	-	404,548
Loan	-	-	-	-	-	-	-	-	68,660
Accounts	-	-	-	-	-	-	-	-	163,322
Other	-	-	-	-	-	-	-	-	6,384
Total assets	<u>\$ 1,514,099</u>	<u>\$ 598,709</u>	<u>\$ 95,608</u>	<u>\$ 37,547</u>	<u>\$ 301,020</u>	<u>\$ 2,603,040</u>	<u>\$ 686,144</u>	<u>\$ 450</u>	<u>\$ 7,453,154</u>
<u>Liabilities</u>									
Accounts payable	\$ 17,419	\$ 88,838	\$ -	\$ -	\$ 7,000	\$ 113,257	\$ -	\$ -	\$ 280,008
Retainage payable	51,665	-	-	-	-	51,665	-	-	51,665
Accrued payroll	-	-	-	207	-	207	-	-	53,847
Due to other funds	-	-	-	-	-	-	-	-	667,304
Unearned revenue	64,971	-	-	-	-	64,971	-	-	114,449
Other	-	-	-	-	-	-	-	-	6,030
Total liabilities	<u>134,055</u>	<u>88,838</u>	<u>-</u>	<u>207</u>	<u>7,000</u>	<u>230,100</u>	<u>-</u>	<u>-</u>	<u>1,173,303</u>
<u>Deferred Inflows of Resources</u>									
Unavailable revenue:									
Assessments and use charges	-	-	-	-	-	-	-	-	281,367
<u>Fund Balances</u>									
Restricted	-	-	-	-	-	-	-	450	2,189,051
Committed	1,380,044	509,871	95,608	37,340	294,020	2,372,940	-	-	3,210,475
Assigned	-	-	-	-	-	-	686,144	-	686,144
Unassigned	-	-	-	-	-	-	-	-	(87,186)
Total fund balances	<u>1,380,044</u>	<u>509,871</u>	<u>95,608</u>	<u>37,340</u>	<u>294,020</u>	<u>2,372,940</u>	<u>686,144</u>	<u>450</u>	<u>5,998,484</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,514,099</u>	<u>\$ 598,709</u>	<u>\$ 95,608</u>	<u>\$ 37,547</u>	<u>\$ 301,020</u>	<u>\$ 2,603,040</u>	<u>\$ 686,144</u>	<u>\$ 450</u>	<u>\$ 7,453,154</u>

(Concluded)

Town of Colchester, Connecticut

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2021

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	\$ 388,091	\$ -	\$ -	\$ -	\$ 328,710	\$ 16,049	\$ -
Charges for services	-	-	1,133,256	99,123	-	10,645	260,340
Income from investments	-	-	177	-	-	-	-
Contributions	-	-	-	1,091	950	209,131	-
Other	-	-	-	-	-	-	-
Total revenues	388,091	-	1,133,433	100,214	329,660	235,825	260,340
Expenditures:							
Current:							
General government	-	-	-	-	17,965	120	-
Public safety	-	-	-	-	135,432	1,400	242,578
Public works	92,788	-	1,178,486	-	80,803	-	-
Community and human services	-	-	-	70,669	98,827	100,320	-
Education	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	171,367	-	-	-	-	-	-
Total expenditures	264,155	-	1,178,486	70,669	333,027	101,840	242,578
Excess (deficiency) of revenues over expenditures	123,936	-	(45,053)	29,545	(3,367)	133,985	17,762
Other financing sources (uses):							
Premium	-	-	-	-	-	-	-
Transfers in	-	-	-	-	14,889	-	-
Transfers out	-	-	-	-	(1,844)	-	-
Net other financing sources (uses)	-	-	-	-	13,045	-	-
Net change in fund balances	123,936	-	(45,053)	29,545	9,678	133,985	17,762
Fund balances - July 1, 2020 (as restated)	978,163	68,682	322,761	233,809	(71,895)	506,418	92,664
Fund balances - June 30, 2021	\$ 1,102,099	\$ 68,682	\$ 277,708	\$ 263,354	\$ (62,217)	\$ 640,403	\$ 110,426

(Continued)

Town of Colchester, Connecticut

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2021

	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	2009 Bond Referendum Fund
Revenues:							
Intergovernmental	\$ 609,398	\$ 1,635,663	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	99,090	54,531	29,140	99	156,531	-
Income from investments	-	-	-	-	-	-	-
Contributions	-	36,588	-	-	-	-	-
Other	1,337	-	-	-	-	-	-
Total revenues	610,735	1,771,341	54,531	29,140	99	156,531	-
Expenditures:							
Current:							
General government	-	-	-	-	-	-	18,085
Public safety	-	-	-	-	-	-	379,410
Public works	-	-	-	-	-	-	1,352,077
Community and human services	-	-	-	-	-	-	269,816
Education	704,872	1,849,693	54,531	29,140	3,430	184,605	2,826,271
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	171,367
Total expenditures	704,872	1,849,693	54,531	29,140	3,430	184,605	5,017,026
Excess (deficiency) of revenues over expenditures	(94,137)	(78,352)	-	-	(3,331)	(28,074)	52,914
Other financing sources (uses):							
Premium	-	-	-	-	-	-	-
Transfers in	43,304	60,000	-	-	-	-	118,193
Transfers out	-	(6,130)	-	-	-	-	(7,974)
Net other financing sources (uses)	43,304	53,870	-	-	-	-	110,219
Net change in fund balances	(50,833)	(24,482)	-	-	(3,331)	(28,074)	163,133
Fund balances - July 1, 2020 (as restated)	25,864	124,191	42,035	-	13,128	439,997	2,775,817
Fund balances - June 30, 2021	\$ (24,969)	\$ 99,709	\$ 42,035	\$ -	\$ 9,797	\$ 411,923	\$ 2,938,950

(Continued)

Town of Colchester, Connecticut

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2021

	Capital Projects Funds						Permanent Fund		
	Capital Projects Fund	Sewer Capital Fund	Energy Project Fund	Use of Schools Fund	Education Capital Reserve Fund	Total Capital Projects Funds	Debt Service Fund	Cemetery Fund	Total Other Governmental Funds
Revenues:									
Intergovernmental	\$ 960,830	\$ -	\$ -	\$ -	\$ -	\$ 960,830	\$ -	\$ -	\$ 3,938,741
Charges for services	28,199	26,030	-	255	-	54,484	-	-	1,897,239
Income from investments	-	1,109	-	-	-	1,109	-	-	1,286
Contributions	-	-	-	-	-	-	-	-	247,760
Other	-	-	-	-	300	300	-	-	1,637
Total revenues	989,029	27,139	-	255	300	1,016,723	-	-	6,086,663
Expenditures:									
Current:									
General government	34,667	-	-	-	-	34,667	-	-	52,752
Public safety	-	-	-	-	-	-	-	-	379,410
Public works	-	15,946	-	-	-	15,946	-	-	1,368,023
Community and human services	-	-	-	-	-	-	-	-	269,816
Education	-	-	-	11,999	-	11,999	-	-	2,838,270
Debt service	-	-	-	-	-	-	715,987	-	715,987
Capital outlay	1,312,080	303,221	-	-	295,713	1,911,014	-	-	2,082,381
Total expenditures	1,346,747	319,167	-	11,999	295,713	1,973,626	715,987	-	7,706,639
Excess (deficiency) of revenues over expenditures	(357,718)	(292,028)	-	(11,744)	(295,413)	(956,903)	(715,987)	-	(1,619,976)
Other financing sources (uses):									
Premium	-	-	-	-	-	-	14,225	-	14,225
Transfers in	254,799	-	-	-	198,813	453,612	384,162	-	955,967
Transfers out	-	-	-	-	-	-	-	-	(7,974)
Net other financing sources (uses)	254,799	-	-	-	198,813	453,612	398,387	-	962,218
Net change in fund balances	(102,919)	(292,028)	-	(11,744)	(96,600)	(503,291)	(317,600)	-	(657,758)
Fund balances - July 1, 2020 (as restated)	1,482,963	801,899	95,608	49,084	390,620	2,876,231	1,003,744	450	6,656,242
Fund balances - June 30, 2021	\$ 1,380,044	\$ 509,871	\$ 95,608	\$ 37,340	\$ 294,020	\$ 2,372,940	\$ 686,144	\$ 450	\$ 5,998,484

(Concluded)

Table 1

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

	June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	(as restated)									
General fund:										
Nonspendable	\$ -	\$ -	\$ 6,578	\$ 25,687	\$ 27,610	\$ 37,820	\$ 30,655	\$ 19,510	\$ 28,351	\$ 20,945
Committed	301,108	360,060	477,401	273,318	110,303	418,455	67,500	120,829	44,936	32,000
Assigned	1,902,354	1,268,155	585,619	1,238,154	612,254	502,848	370,685	250,730	698,770	176,476
Unassigned	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	4,334,548
Total general fund	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	4,563,969
All other governmental funds:										
Restricted	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	941,379
Committed	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	2,689,738
Assigned	686,144	1,003,744	463,150	540,307	243,239	162,415	91,014	91,013	52,314	52,313
Unassigned	(3,878,034)	(3,732,760)	(2,931,730)	(3,049,757)	(4,219,300)	(560,823)	(81,082)	(33,654)	(3,810)	(33,226)
Total all other governmental funds	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	3,650,204
Grand total	\$ 15,297,967	\$14,955,999	\$14,189,755	\$13,469,495	\$10,017,031	\$12,455,836	\$11,282,119	\$11,105,542	\$10,706,814	\$8,214,173

Source: Current and prior year financial statements

Notes:

General fund:

 Assigned Increased due to the current year unspent education budget which will be appropriated for future needs

All other governmental funds:

 Assigned Decreased due to a decrease in the Debt Service Fund fund balance

Certain balances were reclassified for fiscal year 2020. Prior years were not completely restated for restricted and committed categories.

Table 2

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Property taxes	\$ 41,165,635	\$ 40,759,158	\$ 40,028,244	\$ 39,539,056	\$ 38,500,512	\$ 37,712,051	\$ 37,226,671	\$ 36,248,381	\$ 34,364,251	\$ 33,794,551
Intergovernmental	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	19,517,186
Charges for services	1,594,455	1,486,816	1,466,221	1,345,172	1,400,766	1,411,092	1,172,041	1,176,826	1,190,469	1,159,237
Income from investments	31,381	269,519	348,258	272,088	88,500	61,139	48,566	51,533	47,491	48,747
Other	445,022	593,302	530,869	447,926	134,404	120,528	122,212	238,247	104,759	122,060
Total revenues	62,281,793	62,500,326	62,141,857	62,636,786	62,116,969	58,880,023	58,053,271	57,442,798	55,054,432	54,641,781
Expenditures:										
Current:										
General government	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	3,649,080
Public safety	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	2,139,001
Public works	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	2,440,714
Community and human services (1)	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	1,688,846
Education	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	40,492,902
Debt service - principal	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	2,411,925
Debt service - interest	525,164	585,164	215,415	266,665	327,265	371,465	422,865	469,607	520,890	502,357
Total expenditures	60,047,949	60,051,921	59,513,022	59,632,042	59,553,817	56,640,623	56,554,639	56,825,708	53,462,248	53,324,825
Excess (deficiency) of revenues over expenditures	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	1,316,956
Other financing sources (uses):										
Transfers in	7,974	-	-	-	8,240	-	-	-	-	214,746
Transfers out	(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)	(583,058)
Net other financing sources (uses)	(1,661,649)	(1,869,317)	(2,150,994)	(1,770,601)	(2,061,408)	(1,292,550)	(1,053,867)	(868,439)	(625,363)	(368,312)
Net change in fund balances	\$ 572,195	\$ 579,088	\$ 477,841	\$ 1,234,143	\$ 501,744	\$ 946,850	\$ 444,765	\$ (251,349)	\$ 966,821	\$ 948,644
Debt service as a percentage of noncapital expenditures (2)	3.46%	3.46%	2.87%	3.00%	3.09%	3.36%	3.49%	3.62%	3.92%	5.47%

Source: Current and prior year financial statements

Notes:

(1) Included grounds maintenance in 2012, reported in public works for fiscal years beginning 2013

(2) Excludes amount paid from Debt Service Fund

Table 3

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>
2012	25.85	\$ 33,774,748	\$ 33,249,659	98.45%	\$ 21,383
2013	28.80	34,157,365	33,608,023	98.39%	26,339
2014	30.28	36,156,049	35,565,318	98.37%	30,128
2015	30.57	36,891,618	36,333,194	98.49%	31,274
2016	30.76	37,393,155	36,947,219	98.81%	37,128
2017	30.91	38,112,513	37,743,244	99.03%	41,661
2018	32.37	39,244,661	38,812,483	98.90%	47,605
2019	32.28	39,552,832	39,110,538	98.88%	104,862
2020	32.84	40,643,426	40,182,493	98.87%	206,755
2021	32.84	41,016,034	40,519,070	98.79%	496,964

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, 2021
(Unaudited)

Tax base:

Total tax collections (including interest and lien fees) for prior year \$ 40,867,611

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 91,952,125	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	183,904,250	-	-	-
3 3/4 times base	-	-	153,253,541	-	-
3 1/4 times base	-	-	-	132,819,736	-
3 times base	-	-	-	-	122,602,833
Total limitations	<u>91,952,125</u>	<u>183,904,250</u>	<u>153,253,541</u>	<u>132,819,736</u>	<u>122,602,833</u>
Indebtedness:					
Bonds	-	21,140,000	-	-	-
Bond anticipation notes	-	2,845,000	-	-	-
Total indebtedness	<u>-</u>	<u>23,985,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding debt	<u>\$ 91,952,125</u>	<u>\$ 159,919,250</u>	<u>\$ 153,253,541</u>	<u>\$ 132,819,736</u>	<u>\$ 122,602,833</u>

The total net indebtedness above amounts to: \$ 23,985,000

In no event shall total indebtedness exceed seven time the base for debt limitation computation: \$ 286,073,277

There is no overlapping debt for the Town

Source: Current and prior year financial statements