

**TOWN OF COLCHESTER,  
CONNECTICUT**

FINANCIAL REPORT  
June 30, 2011



# TOWN OF COLCHESTER, CONNECTICUT

## FINANCIAL REPORT

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**Financial Section**



## INDEPENDENT AUDITOR'S REPORT

To the Honorable First Selectman and  
Members of the Board of Finance  
Town of Colchester, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Connecticut (the "Town") as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Connecticut as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated December 27, 2011, on our consideration of the Town of Colchester, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management discussion and analysis, the schedules of funding progress and schedules of employer contributions for the pension trust fund and other post employment benefit plans, and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary detail, combining and individual nonmajor fund statements, capital asset schedules and other schedule, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary detail, combining and individual nonmajor fund statements, capital asset schedules and other schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The prior year comparative information has been derived from the Town's 2010 financial statements and, in our report dated December 29, 2010, we expressed unqualified opinions on the respective financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

*McGladrey & Pullen, LLP*

New Haven, Connecticut  
December 27, 2011

**Town of Colchester, Connecticut  
Management's Discussion and Analysis  
June 30, 2011**

As management of the Town of Colchester, Connecticut we offer readers of the financial statements this overview and analysis of the financial performance of the Town of Colchester for the fiscal year ended June 30, 2011. Please read it in conjunction with the Town's financial statements, which immediately follow this section.

**Financial Highlights**

- The Town's total net assets at the close of the fiscal year were \$72,054,716, an increase of \$527,550 over the previous fiscal year. Total net assets of Governmental Activities at fiscal year-end were \$67,699,377 and total net assets for Business-Type Activities were \$4,355,339. Of the Town's total net assets at June 30, 2011, \$5,837,413 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$3,615,325, an increase of \$238,041 from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2011, \$3,518,813 represents unassigned fund balance of the General Fund. Unassigned General Fund fund balance represents 7.4% of total General Fund budgetary expenditures (\$47,445,166). The Town of Colchester's governmental funds reported combined ending fund balances of \$7,620,716, an increase of \$713,469 from the prior fiscal year.
- The Town of Colchester's total bonded debt had a decrease of \$2,935,000 from the prior fiscal year.

**Overview of the Financial Statements**

This annual report consists of three parts: 1) management's discussion and analysis (this section), 2) the basic financial statements and 3) an additional section that presents combining statements for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services such as police, fire and parks were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities the government operates like business, such as the water system.
- Fiduciary funds statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

It is important to note that the Town of Colchester implemented the new reporting requirements outlined in GASB 34 effective July 1, 2002 and this is the ninth report issued under the new reporting model.

		<b><u>Fund Financial Statements</u></b>		
<b><u>Type of Statements</u></b>	<b><u>Government-wide Financial Statements</u></b>	<b><u>Governmental Funds</u></b>	<b><u>Proprietary Funds</u></b>	<b><u>Fiduciary Funds</u></b>
<i>Scope</i>	Entire Town government (except fiduciary activities)	The activities of the Town that are not proprietary or fiduciary, such as police, fire and parks.	Activities the Town operates similar to businesses; the water system.	Instances in which the Town administers resources on behalf of someone else such as student activity funds.
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>➤ Statement of net assets</li> <li>➤ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Balance sheet</li> <li>➤ Statement of revenues, expenditures and changes in fund balances.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Statement of net assets.</li> <li>➤ Statement of revenues, expenses, changes in fund net assets.</li> <li>➤ Statement of cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Statement of fiduciary net assets.</li> <li>➤ Statement of changes in fiduciary net assets.</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both financial and capital, and short-term and long-term.
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash are received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during year, regardless of when cash is received or paid.	All additions and deductions during the year regardless of when cash is received or paid.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information that they contain. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Colchester's finances. The statement of net assets and the statement of activities present financial information on all of the Town's assets, liabilities, expenses and revenues regardless of actual collections or disbursements. The statements provide both long-term and short-term information about the Town's overall financial status.

The two government-wide statements report the Town's net assets and how they have changed. Net assets are the difference between the Town's assets and liabilities.

- Over time, increases or decreases in the Town's net assets can be an indicator of whether its financial health is improving or deteriorating, respectively.
- Other non-financial indicators need to be considered such as changes in the Town's property tax base, growth in school enrollment and the condition of the Town's infrastructure, i.e., roads, etc.

The statement of net assets presents information on all of Colchester's assets and liabilities with the difference reported as net assets. The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal year, such as uncollected receivables for tax revenue and earned but unpaid expenses.

The government-wide financial statements for the Town of Colchester are divided into two categories:

Governmental activities represent most of the Town's basic services such as fire and police protection, public works, social and human services, parks and recreation, education and general administration. Business-type activities represent charges for fees to customers to help cover the costs of certain services it provides. The Town's water operation is included here.

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 13-14 of this report.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds and not the Town as a whole. Funds are a method of providing an accounting mechanism in order to provide accountability over resources that have been segregated for specific activities or objectives. The Town of Colchester uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town of Colchester has three types of funds:

- **Governmental funds** include most of the Town's basic services which focus on how much cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. These statements provide a detailed short-term view that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the town's programs. The government-wide statement of activities provides a broader view of the governmental activities than the governmental fund focus. The statement of net activities can be compared with the fund financial statements to 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.
- **Proprietary funds** are generally used for reporting services for which the Town charges a fee such as the water operations for the Town. They are reported in the same way as the government-wide statements. The Town has two types of proprietary funds. One is the enterprise fund and the other is the internal service fund.

- The enterprise fund is the same as the business-type activities. Although it provides the same type of information as the government-wide financial statements, it includes more detail and has additional information reported such as cash flows.
- The internal service fund is used to report activities that provide self-insured medical services funded by other Town programs or activities. The internal service fund transactions are included in the government-wide financial statements.
- **Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to provide services to the Town's constituency. The Town has one agency fund for student activities and one pension trust fund. The accounting for fiduciary funds is much like that used for proprietary funds.

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

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial status. The Town's combined assets exceeded liabilities by \$72,054,716 at the close of the recent fiscal year.

Net assets of the Town's Governmental Activities increased approximately .6% to \$67,699,377 and total net assets for Business-type Activities increased approximately 2.9% to \$4,355,339. The amount of \$66,217,303 (\$62,615,481 for Governmental Activities and \$3,601,822 for Business-type Activities) of combined net assets at June 30, 2011, is restricted as to the purposes they can be used for or are invested in capital assets, net of related debt (buildings, roads, bridges, and so on). The remaining balance of \$5,837,413 (\$5,083,896 for Governmental Activities and \$753,517 for Business-type Activities) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

The most significant portion of the Town of Colchester's net assets (90.5%) reflects its investment in capital assets (i.e., land, buildings, vehicles, machinery & equipment and infrastructure). The Town uses these capital assets to provide services to citizens. Although the Town of Colchester'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 capital assets themselves may not be used to liquidate these liabilities.

**TOWN OF COLCHESTER, CONNECTICUT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011 AND 2010**

	June 30, 2011			June 30, 2010		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 12,480,621	\$ 869,852	\$ 13,350,473	\$ 13,271,267	\$ 767,940	\$ 14,039,207
Capital assets	79,435,193	5,850,598	85,285,791	81,423,578	5,969,648	87,393,226
<b>Total assets</b>	<b>91,915,814</b>	<b>6,720,450</b>	<b>98,636,264</b>	<b>94,694,845</b>	<b>6,737,588</b>	<b>101,432,433</b>
Current Liabilities	2,439,843	116,335	2,556,178	3,279,027	100,492	3,379,519
Long-Term liabilities outstanding	21,776,594	2,248,776	24,025,370	24,122,473	2,403,275	26,525,748
<b>Total liabilities</b>	<b>24,216,437</b>	<b>2,365,111</b>	<b>26,581,548</b>	<b>27,401,500</b>	<b>2,503,767</b>	<b>29,905,267</b>
Net Assets:						
Invested in capital assets, net of related debt	61,575,557	3,601,822	65,177,379	61,620,441	3,566,373	65,186,814
Restricted	1,039,924	-	1,039,924	-	-	-
Unrestricted	5,083,896	753,517	5,837,413	5,672,904	667,448	6,340,352
<b>Total Net Assets</b>	<b>\$ 67,699,377</b>	<b>\$ 4,355,339</b>	<b>\$ 72,054,716</b>	<b>\$ 67,293,345</b>	<b>\$ 4,233,821</b>	<b>\$ 71,527,166</b>

**Change in net assets.** The Town's total net assets increased by \$527,550 during the fiscal year, with net assets of Governmental Activities increasing by \$406,032, and net assets of Business-type Activities increasing by \$121,518.

	Year Ended June 30, 2011			Year Ended June 30, 2010		
	Primary Govt.			Primary Govt.		
	Governmental	Business-		Governmental	Business-	
	Activities	Type	Total	Activities	Type	Total
	Activities	Activities		Activities	Activities	
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 3,149,160	\$ 1,020,647	\$ 4,169,807	\$ 3,148,685	\$ 1,045,966	\$ 4,194,651
Operating Grants and Contributions	19,908,710	-	19,908,710	19,749,778	-	19,749,778
Capital Grants and Contributions	-	-	-	-	-	-
	1,566,180	-	1,566,180	353,672	-	353,672
General Revenues:						
Property Tax	32,364,590	-	32,364,590	30,414,172	-	30,414,172
Grants not restricted to specific programs	178,430	-	178,430	220,219	-	220,219
Unrestricted investment earnings	29,557	606	30,163	27,001	650	27,651
Miscellaneous	57,259	-	57,259	794,310	-	794,310
<b>Total Revenues</b>	<b>57,253,886</b>	<b>1,021,253</b>	<b>58,275,139</b>	<b>54,707,837</b>	<b>1,046,616</b>	<b>55,754,453</b>
<b>Expenses</b>						
General Government	4,570,077	-	4,570,077	4,948,196	-	4,948,196
Public Safety	2,395,948	-	2,395,948	2,479,751	-	2,479,751
Public Works	3,498,615	-	3,498,615	3,381,190	-	3,381,190
Public Health & Welfare	511,551	-	511,551	529,356	-	529,356
Civic and Cultural	1,890,367	-	1,890,367	1,951,877	-	1,951,877
Education	43,183,908	-	43,183,908	42,422,365	-	42,422,365
Other	-	847,982	847,982	-	741,230	741,230
Interest on long-term debt	797,388	51,753	849,141	1,205,062	78,544	1,283,606
<b>Total Expenses</b>	<b>56,847,854</b>	<b>899,735</b>	<b>57,747,589</b>	<b>56,917,797</b>	<b>819,774</b>	<b>57,737,571</b>
<b>Change in Net Assets</b>	<b>406,032</b>	<b>121,518</b>	<b>527,550</b>	<b>(2,209,960)</b>	<b>226,842</b>	<b>(1,983,118)</b>
Net Assets Beginning	67,293,345	4,233,821	71,527,166	69,503,305	4,006,979	73,510,284
Net Assets Ending	\$ 67,699,377	\$ 4,355,339	\$ 72,054,716	\$ 67,293,345	\$ 4,233,821	\$ 71,527,166

## Governmental Activities

Approximately 56.5% of the revenues were generated from property taxes, followed by 43% from program revenues, which include governmental revenues for Education, then .3% was derived from other unrestricted grants, .1% from miscellaneous revenues, and .1% from unrestricted investment earnings.

Major revenue factors include the receipt of final school construction grant progress payments for the completion of the elementary and intermediate school projects, and increased tax revenues resulting from a 1.42 mill increase in the property tax rate.

The Town's current levy collected tax rate was 98.62%, an increase of .34% from the previous year current levy collected tax rate of 98.28%.

For governmental activities, 76.0% of the Town's expenditures relate to education, 8.0% relate to general government, 4.2% relate to public safety, 6.2% relate to public works, 3.3% relate to civic and cultural, .9% relate to public health and welfare and the remaining 1.4% relate to interest payments on long-term debt.

Major expenditure factors include an increase in education, mainly as a result of an approved education budget increase of 3.31% over the 2009-2010 budget (including Federal ARRA State Fiscal Stabilization Funds). In addition, there is a significant decrease in interest on long-term debt as final payments have been made on various general obligation bond issues.

### **Business-Type Activities**

Business-type activities increased the Town's net assets by \$121,518. Key elements of this increase are:

- Establishment of water use fees sufficient to fund operating costs and depreciation, and provide funding for future capital needs.

### **Financial Analysis of the Town's Fund Financial Statements**

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

As the Town completed the year, its governmental funds reported combined fund balances of \$7,620,716, an increase from \$6,907,247 as of June 30, 2010. This increase is mainly due to the receipt of final school construction grant progress payments for the completion of the elementary and intermediate school projects (Bonded Projects Fund), offset by bond project expenditures for the purchase of a firetruck and ambulance, road improvements, and reconstruction of the high school track (2009 Bond Referendum).

The general fund is the chief operating fund for the Town of Colchester. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,518,813, while total fund balance was \$3,615,325. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 7.4% of the total general fund budgetary expenditures.

At June 30, 2011, the Town of Colchester's General Fund increased by \$238,041 from the previous year. Key factors contributing to this increase were an increase in the property tax collection rate and delinquent tax collections, increase in Special Education Excess cost reimbursements from the State of Connecticut, and an increase in building permit fees. In addition, unexpended funds were reported in various departments from position vacancies during the year due to unanticipated resignations and hiring delays for new positions.

**Proprietary funds.** The Town of Colchester's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Fund at the end of the year amounted to \$753,517. The Water Fund experienced an increase in net assets of \$121,518. The explanations concerning the finances of the Water Fund were addressed earlier in the discussion of the Town of Colchester's Business-type activities.

## General Fund Budgetary Highlights

Additional appropriations from fund balance were approved during the year totaling \$83,873. These additional appropriations were for additional contributions to the Board of Education Capital Reserve Fund for the purchase and installation of virtual servers, and funding for the additional assessment imposed by the MIRMA insurance pool to its members.

Budget transfers approved during the year included additional funds for extensive snow removal costs, security and other improvements in Town Hall offices, building repairs and environmental issues in Town Hall, overtime for Police, Fire, and Transfer Station employees to provide staffing coverage of position vacancies, materials for additional paving and drainage work, capital repairs and improvements to various Town facilities and grounds, and payment of accrued termination benefits for Health department employees associated with the transition to membership in a regional Health District. Funds for these transfers were available from vacant positions throughout various Town departments, contingency funds, changes in departmental priorities, and bond interest savings resulting from a bond refunding and bond issue completed in June 2010.

## Capital Asset and Debt Administration

**Capital Assets.** The Town of Colchester's investment in capital assets for its governmental and business type activities as of June 30, 2011, amount to \$85,285,791 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, sidewalks, roads, highways, bridges and water and sewer lines (infrastructure). The total decrease in the Town of Colchester's investment in capital assets for the current fiscal year was \$2,107,435 or approximately 2.4 percent.

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

- Governmental Activities
  - Completed reconstruction of the High School track.
  - Purchase of firetruck and ambulance funded by bond proceeds.
  - Significant road improvements funded by bond proceeds and General Fund appropriations.
  - Replacement of various Public Works vehicles.

Town of Colchester Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,432,379	\$ 3,432,379	\$ -	\$ -	\$ 3,432,379	\$ 3,432,379
Land Improvements	806,974	244,582	4,983	5,979	811,957	250,561
Bldg. & Improvements	61,981,704	63,903,048	3,784,252	3,901,992	65,765,956	67,805,040
Machinery & Equipment	2,928,234	2,315,763	242,215	191,268	3,170,449	2,507,031
Infrastructure	10,285,902	11,105,653	1,819,148	1,870,409	12,105,050	12,976,062
Construction in Progress	-	422,153	-	-	-	422,153
<b>Total</b>	<b>\$ 79,435,193</b>	<b>\$ 81,423,578</b>	<b>\$ 5,850,598</b>	<b>\$ 5,969,648</b>	<b>\$ 85,285,791</b>	<b>\$ 87,393,226</b>

Additional information on the Town of Colchester's capital assets can be found in Note 6 of this report.

**Long-Term Debt.** At year-end the Town of Colchester had \$18,190,000 in bonds outstanding. Of this amount \$75,000 is debt, which is funded through the Water Enterprise fund. All the bonds carry bond insurance and are backed by the full faith and credit of the Town of Colchester.

**Town of Colchester Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation						
Bonds (backed by the Town)	\$ 18,115,000	\$ 21,000,000	\$ 75,000	\$ 125,000	\$ 18,190,000	\$ 21,125,000
Clean Water Fund						
Loan	\$ -	\$ -	\$ 2,173,776	\$ 2,278,275	\$ 2,173,776	\$ 2,278,275

Additional information on the Town of Colchester's long-term debt can be found in Note 7 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

As a result of the continuing national economic downturn, the Town of Colchester's unemployment rate increased to 7.9% as of June 2011, although it remained less than the State of Connecticut rate of 9.1% for the same time period. As of November 2011, the Town's unemployment rate decreased to 6.6% and the State's unemployment rate decreased to 7.9%. In response to the economic outlook, Town officials have been proactive in providing assistance to residents in need through energy assistance applications and property tax relief options. Steps have also been taken to closely monitor revenues and expenditures, implementing energy cost-saving measures, participating in energy rebate programs, pursuing grant opportunities, consolidation of services and regionalization efforts with surrounding Towns.

In June 2011, Moody's Investors Service downgraded the Town's bond rating to Aa3 from Aa2 mainly due to consistent declines in reserve levels from 2006 to 2010 driven by the Town's practice of appropriating General Fund reserves to balance annual operating budgets, and revenue shortfalls in those years. Moody's went on to note that the FY 2011-2012 adopted budget did not include a fund balance appropriation which will help prevent any further decline in reserves and stabilize the Town's financial position.

In August 2011, Fitch Ratings affirmed the Town's bond rating of AA. Fitch noted that Town finances are stabilizing after four years of planned draws on General Fund fund balance, and that the Town has a below average debt burden with a rapid payout, and a strong tax collection rate. Fitch also noted the recently approved fund balance policy which sets forth that reserve levels will be maintained within a range of 7-10% of total expenditures.

While Colchester remains a semi-rural residential community, the Town has focused on increasing its non-residential resources. Strategically, the Town has sought to focus on permitting non-residential growth in a smart growth manner and is developing a new land development regulation to replace those that were originally approved more than 30 years ago. The new product will respond to contemporary development needs of current non-residential projects and will include design and other performance requirements.

Included in this strategy were firm commitments to provide water and sewer to certain growth areas only and not other areas of the Town over the next 10 years. A master infrastructure plan was developed to address the phased expansion of the water and sewer system to serve expected non-residential development including design of a Phase 1 pump station, pipe sizes and specifications, other infrastructure needed and costs for each phase of the expansion. Already a 40,000 square foot retail development and a 50,000 square foot State facility were slated to begin construction in the Fall of 2011, and the State of Connecticut will finance the water and sewer system expansion to this area of Town.

During the last three years (2007 to 2010) over 40,000 square feet of commercial development has been developed and 375,000 square feet of commercial development has been approved and permitted (including a shopping center).

The Town also focused on maintaining a strong downtown and has built on the successful rehabilitation programs of the early part of the decade with new programs to redevelop and strengthen other central areas. The Lebanon Avenue corridor that includes significant properties such as the S&S Corporation, the Colchester Bakery and the Airline Trail (major rails to trails facility), has been targeted for streetscape and lighting improvements which were to begin in the Fall of 2011 (\$285,000). Several historic facilities in the downtown historical district are currently being renovated including extensive landscaping. The Stop & Shop center will expand with an additional 30,000 square feet of retail/restaurant space and the Galaxy Shoppes (35,000 square feet) has leased 33% of their space over the last 12 months.

The Town is also working with two existing manufacturers to develop larger spaces to house their expanding business including new developments of 80,000 square feet and 120,000 square feet, respectively. Those developments are now in the process of being permitted.

The Town is also focused on promoting rural “niche” agricultural uses. While Colchester does not have the large traditional “dairy type” mega farms, it does have significant agricultural enterprises such as cheese, wine, and herb production, horse training and breeding, livestock and egg farming. The Town recently adopted a “right to farm” regulation and has developed a “made in Colchester” marketing program. There are also firm plans to develop a farming corridor along Westchester Road as there are numerous agriculture interests that are serving wholesale as well as drive in retail clients.

The FY 2011-2012 final adopted budget of \$50,501,287 represents an increase of \$2,882,636 over the adopted budget for FY 2010-2011 of \$47,618,651 (as adjusted by \$1,932,716 in accordance with PA 09-1 which allowed the Board of Finance to reduce the Education budget by the amount of ARRA-SFSF funds paid directly to the Board of Education) with a .78 increase in the property tax mil rate.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Colchester's finances for all those with an interest in the government's finances. Questions concerning any of the 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 ASSETS

June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 10,032,873	\$ 512,282	\$ 10,545,155
Receivables (net of allowances for collection losses):			
Property taxes and interest	1,043,312	-	1,043,312
Assessments	367,335	-	367,335
Accounts receivable	60,680	298,873	359,553
Intergovernmental	926,751	-	926,751
Pension asset	20,234	-	20,234
Prepays	15,578	-	15,578
Inventory	13,858	58,697	72,555
Capital assets, non-depreciable	3,432,379	-	3,432,379
Capital assets, net of accumulated depreciation	76,002,814	5,850,598	81,853,412
<b>Total assets</b>	<b>91,915,814</b>	<b>6,720,450</b>	<b>98,636,264</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	2,012,674	116,335	2,129,009
Claims payable	381,211	-	381,211
Unearned revenues	45,958	-	45,958
Noncurrent liabilities:			
Due within one year	2,606,000	156,735	2,762,735
Due in more than one year	19,170,594	2,092,041	21,262,635
<b>Total liabilities</b>	<b>24,216,437</b>	<b>2,365,111</b>	<b>26,581,548</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	61,575,557	3,601,822	65,177,379
Restricted	1,039,924	-	1,039,924
Unrestricted	5,083,896	753,517	5,837,413
<b>Total net assets</b>	<b>\$ 67,699,377</b>	<b>\$ 4,355,339</b>	<b>\$ 72,054,716</b>

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

TOWN OF COLCHESTER, CONNECTICUT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>							
General government	\$ (4,570,077)	\$ 478,748	\$ 235,260	\$ -	\$ (3,856,069)	\$ -	\$ (3,856,069)
Public safety	(2,395,948)	537,487	134,551	-	(1,723,910)	-	(1,723,910)
Public works	(3,498,615)	1,112,533	290,107	173,139	(1,922,836)	-	(1,922,836)
Civic and cultural	(1,890,367)	343,051	57,879	-	(1,489,437)	-	(1,489,437)
Public health and welfare	(511,551)	13,560	118,786	-	(379,205)	-	(379,205)
Education	(43,183,908)	663,781	19,072,127	1,393,041	(22,054,959)	-	(22,054,959)
Interest on long-term debt	(797,388)	-	-	-	(797,388)	-	(797,388)
<b>Total governmental activities</b>	<b>(56,847,854)</b>	<b>3,149,160</b>	<b>19,908,710</b>	<b>1,566,180</b>	<b>(32,223,804)</b>	<b>-</b>	<b>(32,223,804)</b>
<b>Business-Type Activities:</b>							
Water	(899,735)	1,020,647	-	-	-	120,912	120,912
<b>Total business-type activities</b>	<b>(899,735)</b>	<b>1,020,647</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,912</b>	<b>120,912</b>
<b>Total primary government</b>	<b>\$ (57,747,589)</b>	<b>\$ 4,169,807</b>	<b>\$ 19,908,710</b>	<b>\$ 1,566,180</b>	<b>(32,223,804)</b>	<b>120,912</b>	<b>(32,102,892)</b>
General revenues:							
Property taxes					32,364,590	-	32,364,590
Grants and contributions not restricted to specific programs					178,430	-	178,430
Unrestricted investment earnings					29,557	606	30,163
Miscellaneous					57,259	-	57,259
Total general revenues					32,629,836	606	32,630,442
Change in net assets					406,032	121,518	527,550
Net assets - beginning					67,293,345	4,233,821	71,527,166
Net assets - ending					<u>\$ 67,699,377</u>	<u>\$ 4,355,339</u>	<u>\$ 72,054,716</u>

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

TOWN OF COLCHESTER, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Bonded Projects Fund	Sewer Capital		
<b>Assets</b>					
Cash and cash equivalents	\$ 4,790,571	\$ 753,333	\$ 1,147,463	\$ 2,324,100	\$ 9,015,467
Receivables (net of allowances for collection losses):					
Property taxes	1,043,312	-	-	-	1,043,312
Assessments and user charges	-	-	-	367,335	367,335
Intergovernmental	695,253	-	-	231,498	926,751
Accounts receivable	38,616	-	-	22,023	60,639
Prepays	15,578	-	-	-	15,578
Inventory	8,162	-	-	5,696	13,858
	<u>\$ 6,591,492</u>	<u>\$ 753,333</u>	<u>\$ 1,147,463</u>	<u>\$ 2,950,652</u>	<u>\$ 11,442,940</u>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 1,507,965	\$ 8,788	\$ -	\$ 409,452	\$ 1,926,205
Retainage payable	-	-	-	44,322	44,322
Deferred revenue	1,468,202	-	-	337,537	1,805,739
Unearned revenue	-	-	-	45,958	45,958
<b>Total liabilities</b>	<u>2,976,167</u>	<u>8,788</u>	<u>-</u>	<u>837,269</u>	<u>3,822,224</u>
<b>Fund balances</b>					
Nonspendable	23,740	-	-	5,696	29,436
Restricted	-	-	-	1,039,924	1,039,924
Committed	32,000	744,545	1,147,463	1,173,005	3,097,013
Assigned	40,772	-	-	-	40,772
Unassigned	3,518,813	-	-	(105,242)	3,413,571
<b>Total fund balances</b>	<u>3,615,325</u>	<u>744,545</u>	<u>1,147,463</u>	<u>2,113,383</u>	<u>7,620,716</u>
<b>Total liabilities and fund balances</b>	<u>\$ 6,591,492</u>	<u>\$ 753,333</u>	<u>\$ 1,147,463</u>	<u>\$ 2,950,652</u>	

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

Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds.	79,435,193
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,805,739
Pension asset	20,234
Internal service funds are used by management to charge the costs of health insurance premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	619,396
Accrued interest payable	(25,307)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(21,776,594)

Net assets of governmental activities \$ 67,699,377

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

TOWN OF COLCHESTER, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011**

	Major Funds			Nonmajor	Total
	General	Bonded	Sewer	Governmental	Governmental
	Fund	Projects	Capital	Funds	Funds
<b>REVENUES</b>					
Property taxes	\$ 32,548,912	\$ -	\$ -	\$ -	\$ 32,548,912
Intergovernmental revenues	16,821,153	1,328,757	-	4,079,742	22,229,652
Revenues from use of money	27,499	-	1,390	668	29,557
Fees, permits and sales	638,568	-	22,320	574,287	1,235,175
Charges for services and assessments	497,629	-	-	1,348,576	1,846,205
Other	131,475	-	-	335,361	466,836
<b>Total revenues</b>	<b>50,665,236</b>	<b>1,328,757</b>	<b>23,710</b>	<b>6,338,634</b>	<b>58,356,337</b>
<b>EXPENDITURES</b>					
Current:					
General government	3,427,070	22,843	-	32,023	3,481,936
Public safety	1,943,222	-	-	226,684	2,169,906
Public works	2,468,024	-	-	964,921	3,432,945
Public health and welfare	422,047	-	-	82,714	504,761
Civic and cultural	1,196,544	-	-	468,803	1,665,347
Education	36,998,747	-	-	4,161,411	41,160,158
Debt service	3,693,538	-	-	-	3,693,538
Capital outlay	-	770	28,638	1,504,869	1,534,277
<b>Total expenditures</b>	<b>50,149,192</b>	<b>23,613</b>	<b>28,638</b>	<b>7,441,425</b>	<b>57,642,868</b>
<b>Revenue over (under) expenditures</b>	<b>516,044</b>	<b>1,305,144</b>	<b>(4,928)</b>	<b>(1,102,791)</b>	<b>713,469</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	50,000	20,000	230,193	300,193
Transfers out	(278,003)	-	-	(22,190)	(300,193)
<b>Total other financing sources (uses)</b>	<b>(278,003)</b>	<b>50,000</b>	<b>20,000</b>	<b>208,003</b>	<b>-</b>
<b>Net change in fund balances (deficits)</b>	<b>238,041</b>	<b>1,355,144</b>	<b>15,072</b>	<b>(894,788)</b>	<b>713,469</b>
<b>FUND BALANCES (DEFICITS), beginning</b>	<b>3,377,284</b>	<b>(610,599)</b>	<b>1,132,391</b>	<b>3,008,171</b>	<b>6,907,247</b>
<b>FUND BALANCES (DEFICITS), ending</b>	<b>\$ 3,615,325</b>	<b>\$ 744,545</b>	<b>\$ 1,147,463</b>	<b>\$ 2,113,383</b>	<b>\$ 7,620,716</b>

The notes to the 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 (DEFICITS) OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2011

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

Net change in fund balances – total governmental funds	\$ 713,469
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. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,988,385)
Net changes in revenues and receivables in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,102,451)
Change in pension asset	(7,196)
The issuance of long-term debt (e.g., bonds, leases) 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,885,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(527,971)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>433,566</u>
Change in net assets of governmental activities	<u>\$ 406,032</u>

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

**TOWN OF COLCHESTER, CONNECTICUT**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**June 30, 2011**

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 512,282	\$ 1,017,406
Accounts receivable	298,873	41
Inventory	58,697	-
<b>Total current assets</b>	<b>869,852</b>	<b>1,017,447</b>
Capital Assets, net of accumulated depreciation	5,850,598	-
<b>Total assets</b>	<b>6,720,450</b>	<b>1,017,447</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	116,335	16,840
Claims payable	-	381,211
Bonds payable - current	50,000	-
Loan payable- current	106,735	-
<b>Total current liabilities</b>	<b>273,070</b>	<b>398,051</b>
Noncurrent Liabilities:		
Bonds payable	25,000	-
Loan payable	2,067,041	-
<b>Total noncurrent liabilities</b>	<b>2,092,041</b>	<b>-</b>
<b>Total liabilities</b>	<b>2,365,111</b>	<b>398,051</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,601,822	-
Unrestricted	753,517	619,396
<b>Total net assets</b>	<b>\$ 4,355,339</b>	<b>\$ 619,396</b>

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

**TOWN OF COLCHESTER, CONNECTICUT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS**

**For the Year Ended June 30, 2011**

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
<b>OPERATING REVENUES</b>		
Water use fees and charges	\$ 1,020,647	\$ -
Premiums	-	6,251,417
<b>Total operating revenues</b>	<b>1,020,647</b>	<b>6,251,417</b>
<b>OPERATING EXPENSES</b>		
Claims/operating	653,553	4,997,567
Depreciation	194,429	-
Administration	-	820,814
<b>Total operating expenses</b>	<b>847,982</b>	<b>5,818,381</b>
<b>Operating income</b>	<b>172,665</b>	<b>433,036</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	606	530
Interest expense	(51,753)	-
<b>Total nonoperating revenue (expenses)</b>	<b>(51,147)</b>	<b>530</b>
<b>Change in net assets</b>	<b>121,518</b>	<b>433,566</b>
<b>FUND NET ASSETS, beginning</b>	<b>4,233,821</b>	<b>185,830</b>
<b>FUND NET ASSETS, ending</b>	<b>\$ 4,355,339</b>	<b>\$ 619,396</b>

The notes to the 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, 2011**

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
<b>Cash Flows From Operating Activities</b>		
Cash received from charges for services	\$ 1,058,579	\$ 6,269,696
Cash paid to vendors and beneficiaries	(637,275)	(5,896,204)
<b>Net cash provided by operating activities</b>	<b>421,304</b>	<b>373,492</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of capital assets	(75,379)	-
Interest paid	(52,188)	-
Principal payments of debt	(154,499)	-
<b>Net cash used in capital and related financing activities</b>	<b>(282,066)</b>	<b>-</b>
<b>Cash Flows From Investing Activities</b>		
Interest on cash and cash equivalents	606	530
<b>Net increase in cash and cash equivalents</b>	<b>139,844</b>	<b>374,022</b>
<b>Cash and Cash Equivalents</b>		
Beginning	372,438	643,384
Ending	<u>\$ 512,282</u>	<u>\$ 1,017,406</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 172,665	\$ 433,036
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	194,429	-
Changes in assets and liabilities:		
Decrease in accounts receivable	28,016	18,279
Decrease in inventories	9,916	-
Increase in accounts payable	16,278	3,149
Decrease in claims payable	-	(80,972)
<b>Net cash provided by operating activities</b>	<b>\$ 421,304</b>	<b>\$ 373,492</b>

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

**TOWN OF COLCHESTER, CONNECTICUT**

**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

**June 30, 2011**

	Pension Trust Fund	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 463	\$ 290,169
Investments	607,165	-	-
<b>Total assets</b>	<b>607,165</b>	<b>463</b>	<b>290,169</b>
<b>LIABILITIES</b>			
Accounts payable	47,217	-	-
Deposits held for others	-	-	290,169
<b>Total liabilities</b>	<b>47,217</b>	<b>-</b>	<b>290,169</b>
<b>Net Assets Held in Trust for Pension Benefits and Other Purposes</b>	<b>\$ 559,948</b>	<b>\$ 463</b>	<b>\$ -</b>

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

**TOWN OF COLCHESTER, CONNECTICUT**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

**For the Year Ended June 30, 2011**

	Pension Trust Fund	Private Purpose Trust Fund
<b>ADDITIONS</b>		
Contributions		
Employee	\$ 42,895	\$ -
Employer	86,428	-
<b>Total contributions</b>	<u>129,323</u>	<u>-</u>
Investment Income		
Net appreciation in fair value of investments	91,124	-
<b>Investment income</b>	<u>91,124</u>	<u>-</u>
<b>Total additions</b>	<u>220,447</u>	<u>-</u>
<b>DEDUCTIONS</b>		
Refund of employee contributions	34,987	-
<b>Change in net assets</b>	185,460	-
<b>Net Assets Held in Trust</b>		
Beginning of year	<u>374,488</u>	<u>463</u>
End of year	<u>\$ 559,948</u>	<u>\$ 463</u>

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

##### Reporting entity

The Town of Colchester, Connecticut (the "Town") was incorporated as a town in 1698. The Town operates under a Board of Selectmen, Board of Finance and Town Meeting form of government and provides a full range of services including public safety, roads, sanitation, health, youth and social services, culture and recreation, education, planning, zoning, and general administrative services to its residents. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board Codification Section 2100 have been considered and there are no agencies or entities which should be presented with the Town.

##### Government-wide fund and financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

##### 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. Agency funds have no measurement focus. 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 when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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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, landfill closure costs, and claims and judgments, are recorded only when payment is due (matured).

Property taxes, when levied for, intergovernmental revenues when the eligibility requirements are met, licenses, charges for services, 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, if available. All other revenue items are considered to be measurable only when cash is received by the Town.

The Town reports the following major governmental funds:

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

The *Bonded Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities or improvements, which are financed by the issuance of general obligation bonds.

The *Sewer Capital Fund* accounts for and reports financial resources to be used for the capital expenditures for the sewer facility.

The Town reports the following major proprietary fund:

The *Water Fund* accounts for the operations of the water department.

Additionally, the Town reports the following fund types:

*Special Revenue Funds* are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for particular purposes other than debt services or capital projects.

*Capital Projects Funds* are used to account for and report the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

The *Debt Service fund* is used for the accumulation of resources for, and payment of, general long-term bonded debt, principal, interest and related costs.

The *Internal Service fund* is used to account for the Town and Board of Education's medical self-insurance fund.

The *Pension Trust Fund* is used to account for the accumulation of resources to be used for retirement benefits.

The *Private-purpose trust fund* is used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments.

*Agency funds* account for monies held as a custodian for outside groups and agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for business-

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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type activities and enterprise fund financial statements, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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 Town's internal service funds are charges to other Town funds for medical insurance premiums. Operating expenses for internal service funds include the cost of claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Accounting estimates

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

#### Property taxes

Property taxes are assessed as of October 1, levied on the following July 1, and billed and generally due in two installments, July 1 and the following January 1. Liens are filed on June 1 following the due date.

#### Cash equivalents

The Town considers all highly liquid investments and those investments with a maturity of three months or less when purchased to be cash equivalents.

#### Allowances for doubtful accounts

Accounts and notes receivable are reported net of allowance for doubtful accounts of approximately \$976,000. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's ability to pay.

#### Investments

Investments are stated at fair value based upon quoted market prices. All of the Town's investments are recorded in the Pension Trust Fund. Fixed income funds are reported at fair value based on the unit prices quoted by the fund representing the fair value of the underlying investment. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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#### Inventories

Inventories are stated at the lower of cost or market determined on the first-in, first-out basis.

#### Capital assets

Capital assets, which include property, buildings, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Buildings	40-50
Building improvements	20
Distribution and collection systems	50-100
Public domain infrastructure	50
System infrastructure	30
Machinery and equipment	5-20

In the governmental fund financial statements, capital outlay (assets) is reported as expenditures and no depreciation expense is recorded.

#### Compensated absences

Town and Board of Education employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for amounts expected to be paid (matured), for example, as a result of employee resignations and retirements. The general fund is typically used to liquidate the liability.

#### Long-term obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the terms of the related debt.

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balance as they do not constitute either expenditures or liabilities.

#### Pension accounting

##### ***Pension Trust Fund***

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when paid. Stand-alone statements are not issued.

##### ***Governmental Funds***

Expenditures are recognized when they are paid or are expected to be paid with current available resources.

##### ***Funding Policy***

The Town funds the contributions to its defined benefit pension plan based on an actuarial valuation, which amount is included in the budget.

#### OPEB accounting

Employer contributions are recognized in the period in which the contributions are due, and the Town has made a commitment to provide the contributions.

In fiscal year 2009, the Town implemented GASB Statement No. 45, *“Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions.”* This pronouncement required the Town to calculate and record a net other post-employment benefit obligation (NOPEBO) at June 30, 2011. The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2008.

#### Fund equity and net assets

In the government-wide and proprietary fund financial statements, net assets are classified in the following categories:

***Invested in Capital Assets, Net of Related Debt*** – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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**Unrestricted Net Assets** – This category represents the net assets of the Town, which are not restricted for any project or other purpose by third parties.

In the fund financial statements, the Town reported the following governmental fund balances:

- **Nonspendable Fund Balance** - These amounts cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- **Restricted Fund Balance** - These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- **Committed Fund Balance** – This represents amounts constrained prior to year-end for a specific purpose by a government using its highest level of decision making authority (Town of Colchester Board of Finance/Board of Selectmen).
- **Assigned Fund Balance** – Amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts.
- **Unassigned Fund Balance** – The residual amount not allocated to any other fund balance category in the General Fund and any residual deficit balance of any other governmental funds.

When both restricted and unrestricted amounts are available for use, it is the Town's practice to use restricted resources first. Additionally, the Town would first use committed, then assigned, and lastly unassigned.

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

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

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

Bonds payable	\$ 18,115,000
Landfill closure costs	195,000
Compensated absences	2,690,000
OPEB obligation	<u>776,594</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>\$ 21,776,594</u></u>

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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#### Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this difference are as follows:

Capital outlay	\$ 1,900,947
Depreciation expense	(3,879,548)
Loss on disposal	<u>(9,784)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,988,385)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) 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 assets. Also, governmental funds report the effect of issuance costs, premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Principal repayments: General obligation debt	<u>\$ 2,885,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,885,000</u>

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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Another element of that reconciliation states that "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." The details of this difference are as follows:

Compensated absences	\$ (290,000)
Landfill closure	15,000
Accrued interest	11,150
OPEB obligation	<u>(264,121)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (527,971)</u></u>

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

Deposits: The Town has a policy that deposits can include demand and savings accounts and certificates of deposit with Connecticut banks. The Town's custodial credit risk 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.

Investments: The Town and the Pension Trust Fund do not have a custodial credit risk policy for investments, however, it is their practice to follow State statutes. The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short Term Investment Fund and the Tax Exempt Proceeds Fund. Other provisions of the Statutes cover specific municipal funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan.

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

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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#### Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2011, approximately \$5,027,000 of the Town's bank balance of approximately \$7,134,000 was uninsured and uncollateralized.

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town has no investments subject to this risk.

Cash and cash equivalents and investments of the Town consist of the following at June 30, 2011:

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

Deposits with financial institutions	\$ 7,016,401
State of Connecticut Short-Term Investment fund	3,696,488
Cutwater-Connecticut CLASS Plus	122,898
<b>Total cash and cash equivalents</b>	<u>10,835,787</u>

#### **Investments**

Pension Trust Funds:	
Mutual Funds	<u>607,165</u>
<b>Total cash, cash equivalents, and investments</b>	<u>\$ 11,442,952</u>

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

#### **Statement of Net Assets**

Cash and cash equivalents	<u>\$ 10,545,155</u>
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#### **Fiduciary Funds**

Cash and cash equivalents	290,632
Investments	<u>607,165</u>
<b>Total cash, cash equivalents, and investments</b>	<u>\$ 11,442,952</u>

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the Town's debt type investments to this risk using the segmented time distribution model is as follows:

	Fair Value	Investment Maturities (in Years) Less Than 1 Year
Pooled Income Funds	\$ 3,819,386	\$ 3,819,386

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

	Standard & Poors	Pooled Income Fund
State Short-Term Investment Fund	AAAm	\$ 3,696,488
Cutwater-Connecticut CLASS Plus	AAAm	122,898
		<u>\$ 3,819,386</u>

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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#### Note 4. Unearned Revenue/Deferred Revenue

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

	Deferred Revenue	Unearned Revenue
<b>General Fund:</b>		
Taxes and accrued interest on delinquent property taxes	\$ 892,445	\$ -
School construction grants	575,757	-
<b>Nonmajor Funds:</b>		
Assessments receivable	337,537	-
Grants and other	-	45,958
<b>Total</b>	<u>\$ 1,805,739</u>	<u>\$ 45,958</u>

#### Note 5. Interfund Transfers

Interfund transfers during the year ended June 30, 2011 were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ (278,003)
Bonded Projects	50,000	-
Sewer Capital Fund	20,000	-
Nonmajor Governmental Funds	230,193	(22,190)
<b>Total</b>	<u>\$ 300,193</u>	<u>\$ (300,193)</u>

Transfers are used to account for financing by the General Fund of programs accounted for in other funds in accordance with budgetary authorizations.

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

### Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,432,379	\$ -	\$ -	\$ 3,432,379
Construction in progress	422,153	213,537	(635,690)	-
Total capital assets, not being depreciated	3,854,532	213,537	(635,690)	3,432,379
Capital assets, being depreciated:				
Improvements other than buildings	1,492,409	647,288	(103,597)	2,036,100
Buildings	89,330,882	31,595	-	89,362,477
Machinery and equipment	10,971,222	1,230,923	(417,831)	11,784,314
Infrastructure	35,418,135	413,294	-	35,831,429
Total capital assets being depreciated	137,212,648	2,323,100	(521,428)	139,014,320
Less accumulated depreciation for:				
Improvements other than buildings	1,247,827	77,088	(95,789)	1,229,126
Buildings	25,427,834	1,952,939	-	27,380,773
Machinery and equipment	8,655,459	616,476	(415,855)	8,856,080
Infrastructure	24,312,482	1,233,045	-	25,545,527
Total accumulated depreciation	59,643,602	3,879,548	(511,644)	63,011,506
Total capital assets, being depreciated, net	77,569,046	(1,556,448)	(9,784)	76,002,814
Governmental activities capital assets, net	\$ 81,423,578	\$ (1,342,911)	\$ (645,474)	\$ 79,435,193

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Buildings	\$ 4,979,851	\$ -	\$ -	\$ 4,979,851
Machinery and equipment	252,153	75,379	-	327,532
Improvements other than buildings	21,391	-	-	21,391
Infrastructure	3,184,825	-	-	3,184,825
Total capital assets, being depreciated	8,438,220	75,379	-	8,513,599
Less accumulated depreciation for:				
Buildings	1,077,859	117,740	-	1,195,599
Machinery and equipment	60,885	24,432	-	85,317
Improvements other than buildings	15,412	996	-	16,408
Infrastructure	1,314,416	51,261	-	1,365,677
Total accumulated depreciation	2,468,572	194,429	-	2,663,001
Total capital assets, being depreciated, net	5,969,648	(119,050)	-	5,850,598
Business-type activities capital assets, net	\$ 5,969,648	\$ (119,050)	\$ -	\$ 5,850,598

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

### Governmental Activities:

General government	\$ 1,043,181
Public works	454,590
Public safety	223,506
Civic and cultural	229,628
Public health and welfare	8,111
Education	1,920,532

Total depreciation expense – governmental activities	<u>\$ 3,879,548</u>
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### Business-Type Activities:

Water Fund	<u>\$ 194,429</u>
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# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

### Note 7. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 21,000,000	\$ -	\$ 2,885,000	\$ 18,115,000	\$ 2,510,000
Landfill post-closure monitoring	210,000	-	15,000	195,000	15,000
Compensated absences	2,400,000	290,000	-	2,690,000	81,000
OPEB obligation	512,473	264,121	-	776,594	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 24,122,473</b>	<b>\$ 554,121</b>	<b>\$ 2,900,000</b>	<b>\$ 21,776,594</b>	<b>\$ 2,606,000</b>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 125,000	\$ -	\$ 50,000	\$ 75,000	\$ 50,000
CWF loans	2,278,275	-	104,499	2,173,776	106,735
<b>Business-type long-term liabilities</b>	<b>\$ 2,403,275</b>	<b>\$ -</b>	<b>\$ 154,499</b>	<b>\$ 2,248,776</b>	<b>\$ 156,735</b>

All bonds are general obligations of the Town and are secured by the taxing authority powers of the Town.

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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General obligation bonds outstanding as of June 30, 2011 consisted of the following:

	<u>Outstanding Amount</u>
<b>General obligation bonds payable:</b>	
\$10,800,000 bond, issue of 2005 due 2025, annual principal payments range from \$540,000 to \$645,000 plus interest due semi-annually at 3.25% to 4.5%	\$ 7,575,000
\$5,180,000 bond, issue of 2002 due 2012, annual principal payments range from \$465,000 to \$475,000 plus interest due semiannually at 2.0% to 4.5%	465,000
\$6,595,000 bond, issue 2010 due 2021, annual principal payments range from \$390,000 to \$720,000 plus interest due semiannually at 2.25% to 5.0%	6,595,000
\$4,000,000 bond, issue of 1991 due 2012, annual principal payments range from \$130,000 to \$215,000 plus interest due semiannually at 5.6% to 6.5%	130,000
\$5,985,000 bond, issue of 2002 due 2022, annual principal payments of \$270,000 plus interest due semiannually at 3.0% to 4.7%	2,970,000
\$13,455,000 bond, issue of 1997 due 2012, annual principal payments range from \$380,000 to \$885,000 plus interest due semiannually at 3.5% to 5.5%	<u>380,000</u>
<b>Total general obligation bonds payable</b>	<u><u>\$ 18,115,000</u></u>

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

The following is a summary as of June 30, 2011, of the future principal and interest requirements for the Town's general obligation bonds:

	Principal	Interest	Total
2012	\$ 2,510,000	\$ 700,034	\$ 3,210,034
2013	1,525,000	618,332	2,143,332
2014	1,525,000	560,597	2,085,597
2015	1,500,000	512,047	2,012,047
2016	1,490,000	455,977	1,945,977
2017	1,490,000	398,672	1,888,672
2018	1,485,000	340,422	1,825,422
2019	1,480,000	281,328	1,761,328
2020	1,480,000	214,213	1,694,213
2021	1,200,000	146,828	1,346,828
2022	810,000	99,090	909,090
2023	540,000	64,800	604,800
2024	540,000	43,200	583,200
2025	540,000	21,600	561,600
Total	<u>\$ 18,115,000</u>	<u>\$ 4,457,140</u>	<u>\$ 22,572,140</u>

Outstanding  
Amount

### Enterprise fund general obligation bonds:

\$640,000 bond issue of October 2002, due 2013, annual principal payments ranging from \$25,000 to \$70,000 plus interest due semiannually at 3.00% to 4.00%

\$ 75,000

The annual debt service requirements of the bonds payable in the enterprise fund are as follows:

	Principal	Interest	Total
2012	\$ 50,000	\$ 3,000	\$ 53,000
2013	25,000	1,000	26,000
Total	<u>\$ 75,000</u>	<u>\$ 4,000</u>	<u>\$ 79,000</u>

The Town received Clean Water Fund Project loans that are recorded as a loan payable in the Water Fund. The balance at June 30, 2011 is approximately \$2,174,000. These loans accrue interest at 2%.

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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#### School bond reimbursements

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of such reimbursement for the year ended June 30, 2011 was \$943,448. Additional payments for principal and interest aggregating \$595,358 are expected to be received through the bonds' maturity dates.

#### Debt limitation

The Town's statement of debt limitation under Connecticut General Statutes, Section 7-434(b) as of June 30, 2011, is as follows:

Total tax collections (including interest and lien fees) for the year ended June 30, 2011	\$ 32,565,863
Reimbursement for revenue loss:	
Tax relief for elderly	47,773
Base	<u>\$ 32,613,636</u>

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

The Connecticut General Statutes provides that total authorized debt of the Town shall not exceed seven times the above base cash receipts of \$228,295,452 nor shall the total authorized particular purpose debt exceed the individual debt limitations reflected in the table below:

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 73,380,681	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	146,761,362	-	-	-
3-3/4 times base	-	-	122,301,135	-	-
3-1/4 times base	-	-	-	105,994,317	-
3 times base	-	-	-	-	97,840,908
Total debt limitation	73,380,681	146,761,362	122,301,135	105,994,317	97,840,908
Debt as defined by statute:					
Bonds payable <sup>(1)</sup>	3,690,900	14,424,100	-	-	-
Authorized and unissued	140,000	63,741	-	-	-
Total indebtedness	3,830,900	14,487,841	-	-	-
School construction grants receivable	-	(575,757)	-	-	-
Net indebtedness	3,830,900	13,912,084	-	-	-
Debt limitation in excess of outstanding and authorized debt	\$ 69,549,781	\$ 132,849,278	\$ 122,301,135	\$ 105,994,317	\$ 97,840,908

<sup>(1)</sup> Water bonds and Clean Water Fund interim financing totaling \$2,248,776 are excluded from this calculation pursuant to Connecticut General Statutes.

### Note 8. Contingent Liabilities

#### Lawsuits

The Town is currently involved in several litigation matters. In the opinion of the Town's management, the final settlement of these matters will not have a material adverse effect on the financial condition of the Town.

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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#### Note 9. Pension Fund

##### Police Department Defined Benefit Plan

The Town contributes to a defined benefit pension plan - the Town of Colchester Police Retirement Plan (the Plan), a single employer plan, effective July 1, 2005. The Plan is presented in the accompanying financial statements as a pension trust fund. A stand-alone report is not available for this plan.

##### 1. Classes of Employees Covered

At July 1, 2010, PERS membership consisted of:

Retirees and beneficiaries receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>7</u>
Total	<u><u>7</u></u>

##### 2. Benefit Provisions

###### a. Benefit Provisions

The Town contributes to the Town of Colchester Police Pension plan, a single employer Public Employee Retirement System (PERS) established and administered by the Town to provide pension benefits for its police employees. The responsibility for holding and investment of plan assets lies with the trustee appointed by the Retirement Board. The trustees shall be the bank or Trust company having the power to act as trustee in the State of Connecticut. The current trustee is ING. The PERS is considered part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. Employees are eligible to participate on the date the employee commences making employee contributions.

The retirement benefit is calculated at 2.5% of Final Average Salary during the highest 3 plan years of active employment multiplied by years of service, with a maximum pension of 60% of Final Average Salary. Years of service is computed in whole years. Participants are 100% vested after 10 years of service. If an employee leaves covered employment or dies before 10 years of service, accumulated employee contributions are refunded with retirement income being forfeited. Benefits and contributions are established by the Town and may be amended only by the Town. The latest actuarial valuation reflects no material changes in funding method or assumptions and no material changes in plan provisions or coverage.

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

### b. Funding Policy

Employees are required to contribute 8% of their weekly pay and the employer picks up mandatory contributions of 8% of pay on behalf of each participant. The Town is required to contribute the remaining amounts necessary to finance the coverage for its employees.

### 3. Annual Pension Cost and Net Pension Asset

The Town's annual pension cost and the change in the net pension asset to the Town of Colchester's Employee Retirement Plan for the current year were:

Annual required contribution	\$ 93,178
Interest on net pension obligation	(2,057)
Adjustment to annual required contribution	<u>2,503</u>
Annual pension cost	93,624
Contributions made	<u>86,428</u>
Increase in net pension asset	7,196
Net pension asset, July 1, 2010	<u>(27,430)</u>
Net pension asset, June 30, 2011	<u><u>\$ (20,234)</u></u>

### Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
06/30/09	\$45,793	141.7%	\$(24,691)
06/30/10	78,059	103.5%	(27,430)
06/30/11	93,624	92.3%	(20,234)

### 4. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2010	\$ 374,488	\$ 599,560	\$ 225,072	62.5	\$ 421,643	53.4%

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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Actuarial assumptions are as follows:

Valuation Date:	July 1, 2010
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Dollar
Remaining Amortization Period	19 Years Closed
Asset Valuation Method:	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	4.5%

#### **Defined Contribution Retirement Savings Plan**

Town employees are eligible to participate in a defined contribution retirement savings plan administered by the Town. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. Employer contributions are based on union contracts. Employees may make additional contributions subject to IRS regulations. The Plan is not reported as a fiduciary fund by the Town as it does not meet the reporting criterion.

#### Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, at least twenty-five of which are service in the public schools of Connecticut. The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not, and is not legally responsible to, contribute to the plan.

The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual city/town basis.

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$2,955,000 for the year ended June 30, 2011.

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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#### Note 10. Other Postemployment Benefits

In addition to providing pension benefits, the Town provides 40% to 50% of certain health care benefits for retired employees. Substantially all of the Town's employees may become eligible for those benefits, if they retire under a normal retirement or with disability.

##### Post employment benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the Town recognizes the cost of postemployment healthcare in the year when the employee services are received, discloses the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

##### Plan description

The Town provides post-employment benefits for certain employees for current and future health and life insurance benefit expenses. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made June 30, 2009.

The contribution requirements of plan members and the Town are established and may be amended by the Town. The Town determines the required contribution using the Projected Unit Credit Method.

Membership in the plan consisted of the following at June 30, 2009, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	28
Active plan members	426
Total	<u>454</u>

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Town's contributions represent payments made for premiums for insured individuals on a pay-as-you-go method.

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

Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 442,121	\$ 178,000	40.3%	\$ 776,594

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

### OPEB Obligation

Annual required contribution	\$ 440,000
Interest on net pension obligation	20,499
Adjustment of ARC	(18,378)
Annual OPEB cost	442,121
Contributions made	178,000
Increase in net OPEB liability	264,121
Net OPEB obligation, beginning of year	512,473
Net OPEB obligation, end of year	<u>\$ 776,594</u>

### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liability AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	\$ -	\$ 4,306,000	\$ (4,306,000)	0.0%	N/A	N/A

Actuarial assumptions are as follows:

Valuation Date:	June 30, 2009
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value
Amortization Method:	Level Percent of Pay Closed
Remaining Amortization Period	30 Years - decreasing
Actuarial Assumptions:	
Discount rate	4.00%
Health cost trend rates	Average annual healthcare cost trend rates are assumed to be as follows:

Year	Decrease
2010	8%
2011	7%
2012	6%
2013 and later	5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

#### **Note 11. Risk Management**

The Town is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors and omissions, health of and/or injury to employees, natural disasters, and owners and contractors protective liability. The Town generally obtains commercial insurance for these risks, but has chosen to retain the risk for employee health and medical claims.

The Medical Self-Insurance Fund is funded by monthly contributions from all funds incurring payroll charges. Anthem Blue Cross/Blue Shield, administrator of the claims process, aids the Town in calculating "premium" rates per contract. Under the Town's current policy, the Medical Self-Insurance Fund covers all employee claims up to \$125,000 per claim with an aggregate stop loss of 125% of expected claims paid which was approximately \$5,300,000 for the year ended June 30, 2011.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency, and amount of payouts and other economic and social factors.

Changes in the balance of claim liabilities are as follows:

	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2010-2011	\$ 462,183	\$ 5,218,803	\$ 5,299,775	\$ 381,211
2009-2010	\$ 508,007	\$ 5,177,706	\$ 5,223,530	\$ 462,183

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Coverage has not been materially reduced, nor have settled claims exceeded coverage in any of the past three years.

#### **Note 12. Landfill Postclosure Care Cost**

The Town's municipal solid waste landfill stopped accepting waste in 1994. State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the site for thirty years after closure. The remaining postclosure costs are estimated to be \$195,000 (\$15,000 per year for 13 years). Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The responsibility for postclosure monitoring will remain with the Town.

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

### Note 13. Fund Balance

In fiscal year 2011, the Town adopted GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The details for the Town's fund balance are the following:

	General Fund	Bonded Projects Fund	Sewer Capital Fund	Nonmajor Governmental Funds
Fund balances:				
Non-spendable:				
Prepays	\$ 15,578	\$ -	\$ -	\$ -
Inventory	8,162	-	-	5,696
	<u>23,740</u>	<u>-</u>	<u>-</u>	<u>5,696</u>
Restricted:				
General government	-	-	-	76,189
Education	-	-	-	279,694
Civic and cultural	-	-	-	106,964
Capital projects	-	-	-	363,966
Public safety	-	-	-	62,431
Public health and welfare	-	-	-	150,680
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,039,924</u>
Committed:				
General government	32,000	-	-	-
Debt service	-	-	-	198,504
Capital outlay	-	744,545	1,147,463	573,246
Education	-	-	-	2,844
Public safety	-	-	-	18,205
Public works	-	-	-	380,206
	<u>32,000</u>	<u>744,545</u>	<u>1,147,463</u>	<u>1,173,005</u>
Assigned:				
General government	2,566	-	-	-
Public safety	3,477	-	-	-
Public health and welfare	30	-	-	-
Education	34,699	-	-	-
	<u>40,772</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	3,518,813	-	-	(105,242)
	<u>3,518,813</u>	<u>-</u>	<u>-</u>	<u>(105,242)</u>
<b>Total fund balance</b>	<u>\$ 3,615,325</u>	<u>\$ 744,545</u>	<u>\$ 1,147,463</u>	<u>\$ 2,113,383</u>

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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#### Fund Deficits

The following funds had fund deficits as of June 30, 2011:

Parks and Recreation Activities	\$	(19,631)
Adult Education		(4,090)
Benefits Assessment		(81,521)

The fund deficits are expected to be repaid with future revenues, future bonding or transfers.

#### **Note 14. Governmental Accounting Standards Board (GASB) Statements**

The Town adopted the following statements during the year ended June 30, 2011:

- **GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.** This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. As explained in Note 13 to the basic financial statements, the Town reclassified the fund balances for governmental funds.
- **GASB Statement No. 59, *Financial Instruments Omnibus*.** This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, Accounting and Financial Reporting for Derivative Instruments, and applying the reporting provisions for interest-earning investment contracts of GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

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

- **GASB Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*,** was issued in December 2009. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This Statement amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, to permit certain OPEB plans to use an alternative measurement method. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, requirement that a defined benefit OPEB plan obtain an actuarial valuation. In addition, this

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2012.

- **GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements***, issued November 2010, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- **GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34***, issued November 2010, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- **GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, issued January 2011, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- **GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***, issued July 2011, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2011

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Statements-and Management's Discussion and Analysis-for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

- **GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*** (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the Town beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectibility of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

**Required Supplementary  
Information**



**TOWN OF COLCHESTER, CONNECTICUT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS – PENSION PLAN**

**June 30, 2011**

***Schedule of Funding Progress - Pension Trust***

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded/ (Overfunded) AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/06	\$ 43,732	\$ 193,242	\$ 149,510	22.6%	\$ 397,531	37.6%
07/01/07	113,736	239,836	126,100	47.4%	410,312	30.7%
07/01/08	175,781	364,546	188,765	48.2%	557,408	33.9%
07/01/09	229,699	535,745	306,046	42.9%	550,743	55.6%
07/01/10	374,488	599,560	225,072	62.5%	421,643	53.4%

***Schedule of Employer Contributions - Pension Trust***

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2006	\$ 32,201	115%
2007	44,587	94%
2008	44,587	108%
2009	45,732	142%
2010	77,704	104%
2011	93,178	93%

**TOWN OF COLCHESTER, CONNECTICUT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS - OPEB**

**June 30, 2011**

***Schedule of Funding Progress - OPEB***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (C)	UAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2009	\$ -	\$ 4,306,000	\$ (4,306,000)	0%	N/A	N/A

***Schedule of Employer Contributions - OPEB***

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	\$ 413,000	35.4%
2010	413,000	40.9%
2011	440,000	40.5%

TOWN OF COLCHESTER, CONNECTICUT

STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>REVENUES</b>				
Property taxes, interest and lien fees	\$ 32,423,701	\$ 32,423,701	\$ 32,548,912	\$ 125,211
Intergovernmental revenues	13,610,370	13,610,370	13,866,153	255,783
Revenues from the use of money	50,000	50,000	27,499	(22,501)
Charges for services	515,600	515,600	497,629	(17,971)
Fees, permits and other	608,899	608,899	638,568	29,669
Other revenues	110,081	110,081	132,766	22,685
<b>Total revenues</b>	<b>47,318,651</b>	<b>47,318,651</b>	<b>47,711,527</b>	<b>392,876</b>
<b>EXPENDITURES</b>				
General government	3,589,507	3,503,270	3,428,828	74,442
Public works	2,339,519	2,475,070	2,464,274	10,796
Public safety	2,030,638	2,030,519	1,942,915	87,604
Civic and cultural	1,283,038	1,234,505	1,196,544	37,961
Public health and welfare	419,843	438,554	422,077	16,477
Education	34,049,000	34,049,000	34,018,987	30,013
Debt service	3,752,603	3,693,603	3,693,538	65
<b>Total expenditures</b>	<b>47,464,148</b>	<b>47,424,521</b>	<b>47,167,163</b>	<b>257,358</b>
<b>Revenues over (under)</b>				
<b>expenditures</b>	<b>(145,497)</b>	<b>(105,870)</b>	<b>544,364</b>	<b>650,234</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(154,503)	(278,003)	(278,003)	-
<b>Total other financing (uses)</b>	<b>(154,503)</b>	<b>(278,003)</b>	<b>(278,003)</b>	<b>-</b>
<b>Revenues and other financing</b>				
<b>sources over (under)</b>				
<b>expenditures and other</b>				
<b>financing uses</b>	<b>\$ (300,000)</b>	<b>\$ (383,873)</b>	<b>\$ 266,361</b>	<b>\$ 650,234</b>

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2011

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#### **Note 1. Budgets and Budgetary Accounting**

The Town's general budget policies are as follows:

##### General Fund

The Chief Financial Officer compiles preliminary budgets for all departments and agencies, with the exception of the Board of Education, for presentation by the First Selectman to the Board of Selectmen. After making such alterations or changes as it deems necessary, the Board of Selectmen presents the compiled budget to the Board of Finance. The Board of Education submits its budget directly to the Board of Finance.

The Board of Finance may make such revisions to the Selectmen's and Education budget estimates as it deems desirable, holds one or more public hearings and presents a proposed budget to the Annual Town Meeting which then goes to an automatic referendum.

The legal budget of the Town is a departmental budget.

Subject to certain restrictions, additional appropriations may be approved by the Board of Finance upon recommendations of the Board of Selectmen.

Classification of certain revenues and expenditures under accounting principles generally accepted in the United States of America ("GAAP") differ from classifications used for budgetary purposes.

A reconciliation of General Fund revenues as presented in accordance with GAAP and revenues and other sources presented on the budgetary basis is as follows:

Revenues and transfers, budgetary basis	\$ 47,711,527
Prior year encumbrances cancelled	(1,291)
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	<u>2,955,000</u>
Revenues and transfers, GAAP basis	<u>\$ 50,665,236</u>

## TOWN OF COLCHESTER, CONNECTICUT

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION, Continued June 30, 2011

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A reconciliation of expenditures of the General Fund presented in accordance with GAAP and expenditures and other uses and encumbrances presented on the budgetary basis is as follows:

Expenditures, transfers and encumbrances budgetary basis	\$ 47,445,166
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	2,955,000
Encumbrances:	
June 30, 2010	37,572
June 30, 2011	<u>(10,543)</u>
Expenditures and transfers, GAAP basis	<u>\$ 50,427,195</u>

#### Special revenue funds

The Town does not have legally adopted annual budgets for its special revenue funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets are non-lapsing and may comprise more than one fiscal year.

#### Capital project funds

Legal authorization for expenditures of the capital project funds is provided by the related bond ordinances. Capital appropriations do not lapse until completion of the applicable projects.

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**Supplemental and Combining  
Fund Statements and Schedules**



**General Fund**



**TOWN OF COLCHESTER, CONNECTICUT**

**GENERAL FUND  
BALANCE SHEET**

**June 30, 2011 With Comparative Amounts For 2010**

	<b>2011</b>	<b>2010*</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,790,571	\$ 4,297,125
Property taxes and interest receivable, net	1,043,312	1,261,935
Grants and other receivables	38,616	180,070
Inventory	8,162	22,906
Prepaid Expenses	15,578	-
School construction grant receivable and other grants	695,253	1,462,261
<b>Total assets</b>	<b>\$ 6,591,492</b>	<b>\$ 7,224,297</b>
<b>Liabilities</b>		
Liabilities:		
Accounts payable and accrued liabilities	1,507,965	1,307,985
Deferred revenue	1,468,202	2,539,028
<b>Total liabilities</b>	<b>2,976,167</b>	<b>3,847,013</b>
<b>Fund Balance</b>		
Nonspendable prepaids	15,578	-
Nonspendable inventory	8,162	22,906
Committed	32,000	300,000
Assigned	40,772	79,903
Unassigned	3,518,813	2,974,475
<b>Total fund balance</b>	<b>3,615,325</b>	<b>3,377,284</b>
<b>Total liabilities and fund balance</b>	<b>\$ 6,591,492</b>	<b>\$ 7,224,297</b>

\* Restated for GASB 54 implementation.

**TOWN OF COLCHESTER, CONNECTICUT**

**GENERAL FUND REVENUES AND TRANSFERS IN -  
BUDGETARY BASIS - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>PROPERTY TAXES</b>				
Current year levy	\$ 31,723,701	\$ 31,723,701	\$ 31,793,600	\$ 69,899
Prior years levy	450,000	450,000	486,405	36,405
Interest and lien fees	250,000	250,000	268,907	18,907
<b>Total property taxes</b>	<b>32,423,701</b>	<b>32,423,701</b>	<b>32,548,912</b>	<b>125,211</b>
<b>INTERGOVERNMENTAL</b>				
State of Connecticut:				
In lieu of taxes	49,516	49,516	49,800	284
Elderly freeze	2,000	2,000	2,000	-
Elderly circuit breaker	54,000	54,000	47,773	(6,227)
Disability exemption	1,300	1,300	1,604	304
Additional veteran exemption	5,800	5,800	4,791	(1,009)
Property tax relief/manufacturing	13,312	13,312	31,069	17,757
Boat registration	1,600	1,600	2,641	1,041
Local Capital Improvement Program	118,684	118,684	119,496	812
Mashantucket Pequot/Mohegan Grant	69,570	69,570	71,152	1,582
Emergency Management	-	-	2,538	2,538
Distribution to towns	10,000	10,000	9,930	(70)
Youth Services Grant	18,750	18,750	18,753	3
Library Grant	7,000	7,000	6,821	(179)
<b>Total State of Connecticut</b>	<b>351,532</b>	<b>351,532</b>	<b>368,368</b>	<b>16,836</b>
Education:				
Special Education	350,000	350,000	682,530	332,530
Education cost sharing	11,614,515	11,614,515	11,631,081	16,566
School transportation	349,375	349,375	240,726	(108,649)
School building grants	943,448	943,448	943,448	-
Educational services for the blind	1,500	1,500	-	(1,500)
<b>Total education</b>	<b>13,258,838</b>	<b>13,258,838</b>	<b>13,497,785</b>	<b>238,947</b>
<b>Total intergovernmental</b>	<b>13,610,370</b>	<b>13,610,370</b>	<b>13,866,153</b>	<b>255,783</b>
<b>REVENUES FROM USE OF MONEY</b>				
Investment income	50,000	50,000	27,499	(22,501)

TOWN OF COLCHESTER, CONNECTICUT

GENERAL FUND REVENUES AND TRANSFERS IN -  
BUDGETARY BASIS - BUDGET AND ACTUAL, Continued  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>CHARGES FOR SERVICES</b>				
Sanitarian fees	14,000	14,000	11,415	(2,585)
Restaurant inspection fees	8,500	8,500	1,510	(6,990)
Recreation	18,100	18,100	12,067	(6,033)
Ambulance	475,000	475,000	472,637	(2,363)
<b>Total charges for services</b>	<b>515,600</b>	<b>515,600</b>	<b>497,629</b>	<b>(17,971)</b>
<b>LICENSES, PERMITS AND FEES</b>				
Fire Marshal inspection fees	100	100	150	50
Sports licenses	1,600	1,600	589	(1,011)
Transfer station fees	134,500	134,500	126,969	(7,531)
Conservation Commission fees	5,500	5,500	3,835	(1,665)
Road inspection fees	25,499	25,499	8,183	(17,316)
Building code fees	160,000	160,000	216,244	56,244
Conveyance tax	122,900	122,900	120,941	(1,959)
Zoning and planning fees	10,000	10,000	15,195	5,195
Zoning appeal fees	2,000	2,000	-	(2,000)
Copier fees	16,300	16,300	16,041	(259)
Town Clerk fees	99,000	99,000	103,375	4,375
Vendor permits	600	600	635	35
Pistol permits	3,000	3,000	5,390	2,390
Library fines and fees	21,500	21,500	13,773	(7,727)
Dial-A-Ride	3,500	3,500	4,131	631
Recording Fees	2,900	2,900	3,117	217
<b>Total licenses, permits and fees</b>	<b>608,899</b>	<b>608,899</b>	<b>638,568</b>	<b>29,669</b>
<b>OTHER REVENUES</b>				
Tuition - regular	-	-	16,036	16,036
Telecommunications tax	83,381	83,381	43,871	(39,510)
State Fund for building inspection	1,200	1,200	103	(1,097)
Elderly housing	13,500	13,500	14,867	1,367
Miscellaneous	12,000	12,000	14,309	2,309
Insurance reimbursement	-	-	870	870
Recovery	-	-	41,592	41,592
Lebanon share probate fee	-	-	1,118	1,118
<b>Total other revenues</b>	<b>110,081</b>	<b>110,081</b>	<b>132,766</b>	<b>22,685</b>
<b>Total</b>	<b>\$ 47,318,651</b>	<b>\$ 47,318,651</b>	<b>\$ 47,711,527</b>	<b>\$ 392,876</b>

TOWN OF COLCHESTER, CONNECTICUT

GENERAL FUND EXPENDITURES AND TRANSFERS OUT -  
BUDGETARY BASIS - BUDGET AND ACTUAL  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>GENERAL GOVERNMENT</b>				
Board of Finance	\$ 76,638	\$ 16,809	\$ 14,620	\$ 2,189
First Selectman	210,069	212,148	199,926	12,222
Ethics Commission	360	360	54	306
Information Technology	72,363	72,363	68,568	3,795
Tax Collector	156,880	158,681	157,880	801
Assessor	239,125	238,915	236,428	2,487
Board of Assessment Appeals	1,876	2,086	1,904	182
Finance	256,258	257,806	253,416	4,390
Economic Development	1,230	1,230	255	975
Historic District Commission	1,230	1,230	821	409
Town Clerk	183,078	183,078	177,326	5,752
Elections	52,777	52,777	43,328	9,449
Legal and Insurance	1,696,379	1,667,596	1,654,628	12,968
Probate	7,820	7,820	6,013	1,807
Planning/Code Administration	453,480	435,551	420,396	15,155
Facilities	176,064	190,940	189,965	975
Fair Rent Commission	290	290	-	290
Police Retirement Board	3,590	3,590	3,300	290
<b>Total general government</b>	<b>3,589,507</b>	<b>3,503,270</b>	<b>3,428,828</b>	<b>74,442</b>
<b>PUBLIC WORKS</b>				
Highway	1,337,591	1,292,224	1,292,185	39
Fleet maintenance	322,074	323,624	322,931	693
Snow removal	299,130	530,758	530,756	2
Transfer Station	283,042	230,781	222,654	8,127
Engineering	97,682	97,683	95,748	1,935
<b>Total public works</b>	<b>2,339,519</b>	<b>2,475,070</b>	<b>2,464,274</b>	<b>10,796</b>
<b>PUBLIC SAFETY</b>				
Police	1,058,088	1,057,969	1,020,079	37,890
Fire	867,763	867,032	822,956	44,076
Fire Substation	14,309	15,040	10,134	4,906
Civil preparedness	9,037	9,037	8,305	732
Central Dispatch	81,441	81,441	81,441	-
<b>Total public safety</b>	<b>2,030,638</b>	<b>2,030,519</b>	<b>1,942,915</b>	<b>87,604</b>

TOWN OF COLCHESTER, CONNECTICUT

GENERAL FUND EXPENDITURES AND TRANSFERS OUT -  
BUDGETARY BASIS - BUDGET AND ACTUAL, Continued  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>CIVIC AND CULTURAL</b>				
Library services	508,540	508,547	492,162	16,385
Parks and recreation	540,580	492,040	474,100	17,940
Senior Services	233,918	233,918	230,282	3,636
<b>Total civic and cultural</b>	<b>1,283,038</b>	<b>1,234,505</b>	<b>1,196,544</b>	<b>37,961</b>
<b>PUBLIC HEALTH AND WELFARE</b>				
Health & Safety Committee	2,290	2,290	678	1,612
Social services	25,599	-	-	-
Youth services	241,770	268,869	258,619	10,250
Health services	150,184	167,395	162,780	4,615
<b>Total health and welfare</b>	<b>419,843</b>	<b>438,554</b>	<b>422,077</b>	<b>16,477</b>
<b>BOARD OF EDUCATION</b>	<b>34,049,000</b>	<b>34,049,000</b>	<b>34,018,987</b>	<b>30,013</b>
<b>DEBT SERVICE</b>				
Principal	2,885,000	2,885,000	2,885,000	-
Interest	867,603	808,603	808,538	65
<b>Total debt service</b>	<b>3,752,603</b>	<b>3,693,603</b>	<b>3,693,538</b>	<b>65</b>
<b>OTHER FINANCING USES</b>				
Transfers out	154,503	278,003	278,003	-
<b>Total</b>	<b>\$ 47,618,651</b>	<b>\$ 47,702,524</b>	<b>\$ 47,445,166</b>	<b>\$ 257,358</b>

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## **Nonmajor Governmental Funds**



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TOWN OF COLCHESTER, CONNECTICUT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue					
	Dog License Fund	Town Aid Road Fund	Small Cities Grants	Sewer Operating Fund	Parks and Recreation Activities Fund	School Cafeteria Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 57,383	\$ 391,675	\$ 46,004	\$ 367,701	\$ 9,797	\$ 246,387
Assessments and user charges receivable	-	-	-	244,523	-	-
Other receivables	3,373	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-	58,695
Inventory	-	-	-	-	-	5,696
<b>Total assets</b>	<b>\$ 60,756</b>	<b>\$ 391,675</b>	<b>\$ 46,004</b>	<b>\$ 612,224</b>	<b>\$ 9,797</b>	<b>\$ 310,778</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 4,085	\$ 27,709	\$ -	\$ 13,393	\$ 29,428	\$ 88,901
Retainage payable	-	-	-	-	-	-
Deferred revenue	-	-	-	218,625	-	-
Unearned revenue	-	-	45,958	-	-	-
<b>Total liabilities</b>	<b>4,085</b>	<b>27,709</b>	<b>45,958</b>	<b>232,018</b>	<b>29,428</b>	<b>88,901</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	5,696
Restricted	56,671	363,966	46	-	-	216,181
Committed	-	-	-	380,206	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	(19,631)	-
<b>Total fund balances (deficits)</b>	<b>56,671</b>	<b>363,966</b>	<b>46</b>	<b>380,206</b>	<b>(19,631)</b>	<b>221,877</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 60,756</b>	<b>\$ 391,675</b>	<b>\$ 46,004</b>	<b>\$ 612,224</b>	<b>\$ 9,797</b>	<b>\$ 310,778</b>

Special Revenue								
Educational Grants Fund	Miscellaneous Grants Fund	Adult Education	Special Gifts Fund	Benefits Assessment Fund	Pay to Play	Bacon Academy Summer School	Police Special Duty	
\$ -	\$ 56,641	\$ -	\$ 301,923	\$ -	\$ 168	\$ 2,844	\$ 15,736	
-	-	-	-	118,912	-	-	3,900	
14,564	4,086	-	-	-	-	-	-	
164,303	8,500	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
<u>\$ 178,867</u>	<u>\$ 69,227</u>	<u>\$ -</u>	<u>\$ 301,923</u>	<u>\$ 118,912</u>	<u>\$ 168</u>	<u>\$ 2,844</u>	<u>\$ 19,636</u>	
\$ 115,354	\$ 28,835	\$ 4,090	\$ 2,768	\$ 81,521	\$ 168	\$ -	\$ 1,431	
-	-	-	-	-	-	-	-	
-	-	-	-	118,912	-	-	-	
-	-	-	-	-	-	-	-	
<u>115,354</u>	<u>28,835</u>	<u>4,090</u>	<u>2,768</u>	<u>200,433</u>	<u>168</u>	<u>-</u>	<u>1,431</u>	
-	-	-	-	-	-	-	-	
63,513	40,392	-	299,155	-	-	-	-	
-	-	-	-	-	-	2,844	18,205	
-	-	-	-	-	-	-	-	
-	-	(4,090)	-	(81,521)	-	-	-	
<u>63,513</u>	<u>40,392</u>	<u>(4,090)</u>	<u>299,155</u>	<u>(81,521)</u>	<u>-</u>	<u>2,844</u>	<u>18,205</u>	
<u>\$ 178,867</u>	<u>\$ 69,227</u>	<u>\$ -</u>	<u>\$ 301,923</u>	<u>\$ 118,912</u>	<u>\$ 168</u>	<u>\$ 2,844</u>	<u>\$ 19,636</u>	

TOWN OF COLCHESTER, CONNECTICUT

COMBINING BALANCE SHEET, Continued  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011

	Capital Projects					
	2009 Bond Referendum	Capital Reserve Fund	Use of Schools	BOE Capital Reserve Fund	Debt Service	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 102,755	\$ 392,816	\$ 33,239	\$ 100,527	\$ 198,504	\$ 2,324,100
Assessments and user charges receivable	-	-	-	-	-	367,335
Other receivables	-	-	-	-	-	22,023
Intergovernmental receivable	-	-	-	-	-	231,498
Inventory	-	-	-	-	-	5,696
<b>Total assets</b>	<b>\$ 102,755</b>	<b>\$ 392,816</b>	<b>\$ 33,239</b>	<b>\$ 100,527</b>	<b>\$ 198,504</b>	<b>\$ 2,950,652</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 2,376	\$ 3,372	\$ 193	\$ 5,828	\$ -	\$ 409,452
Retainage payable	44,322	-	-	-	-	44,322
Deferred revenue	-	-	-	-	-	337,537
Unearned revenue	-	-	-	-	-	45,958
<b>Total liabilities</b>	<b>46,698</b>	<b>3,372</b>	<b>193</b>	<b>5,828</b>	<b>-</b>	<b>837,269</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	5,696
Restricted	-	-	-	-	-	1,039,924
Committed	56,057	389,444	33,046	94,699	198,504	1,173,005
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(105,242)
<b>Total fund balances (deficits)</b>	<b>56,057</b>	<b>389,444</b>	<b>33,046</b>	<b>94,699</b>	<b>198,504</b>	<b>2,113,383</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 102,755</b>	<b>\$ 392,816</b>	<b>\$ 33,239</b>	<b>\$ 100,527</b>	<b>\$ 198,504</b>	<b>\$ 2,950,652</b>

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TOWN OF COLCHESTER, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (DEFICITS)  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011

	Special Revenue					
	Dog License Fund	Town Aid Road Fund	Small Cities Grants	Sewer Operating Fund	Parks and Recreation Activities Fund	School Cafeteria Fund
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ 173,139	\$ -	\$ -	\$ -	\$ 267,706
Food sales, charges for services	-	-	-	-	-	513,972
Fines and fees	25,510	-	-	-	-	-
Interest income	-	-	46	354	-	268
Sewer assessments, use and charges for services	-	-	-	903,419	307,208	-
Other local revenue	-	-	-	1,453	5,283	-
<b>Total revenues</b>	<b>25,510</b>	<b>173,139</b>	<b>46</b>	<b>905,226</b>	<b>312,491</b>	<b>781,946</b>
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Public works	-	-	-	793,970	-	-
Education	-	-	-	-	-	767,383
Public safety	85,420	-	-	-	-	-
Civic and cultural	-	-	-	-	375,261	-
Public health and welfare	-	-	-	-	-	-
Capital outlay	-	193,351	-	22,165	-	-
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<b>85,420</b>	<b>193,351</b>	<b>-</b>	<b>816,135</b>	<b>375,261</b>	<b>767,383</b>
<b>Revenues over (under) expenditures</b>	<b>(59,910)</b>	<b>(20,212)</b>	<b>46</b>	<b>89,091</b>	<b>(62,770)</b>	<b>14,563</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	44,503	-	-	-	1,849	-
Transfers out	-	-	-	(20,000)	-	-
<b>Total other financing sources (uses)</b>	<b>44,503</b>	<b>-</b>	<b>-</b>	<b>(20,000)</b>	<b>1,849</b>	<b>-</b>
<b>Net change in fund balances (deficits)</b>	<b>(15,407)</b>	<b>(20,212)</b>	<b>46</b>	<b>69,091</b>	<b>(60,921)</b>	<b>14,563</b>
<b>FUND BALANCES (DEFICITS), beginning</b>	<b>72,078</b>	<b>384,178</b>	<b>-</b>	<b>311,115</b>	<b>41,290</b>	<b>207,314</b>
<b>FUND BALANCES (DEFICITS), ending</b>	<b>\$ 56,671</b>	<b>\$ 363,966</b>	<b>\$ 46</b>	<b>\$ 380,206</b>	<b>\$ (19,631)</b>	<b>\$ 221,877</b>

Special Revenue							
Educational Grants Fund	Miscellaneous Grants Fund	Adult Education	Special Gifts Fund	Benefits Assessment Fund	Pay to Play	Bacon Academy Summer School	Police Special Duty
\$ 3,196,732	\$ 442,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1,005	-	-	-	-	33,800
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	5,181	83,485	-	-
98,352	26,050	-	120,250	-	-	-	-
3,295,084	468,215	1,005	120,250	5,181	83,485	-	33,800
-	28,000	-	4,023	-	-	-	-
-	170,611	-	-	340	-	-	-
3,257,497	-	640	1,598	-	83,485	11,770	-
-	112,422	-	-	-	-	-	28,842
-	47,077	-	46,465	-	-	-	-
-	34,737	-	47,977	-	-	-	-
-	59,659	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,257,497	452,506	640	100,063	340	83,485	11,770	28,842
37,587	15,709	365	20,187	4,841	-	(11,770)	4,958
-	-	-	-	-	-	-	-
-	(341)	-	(1,849)	-	-	-	-
-	(341)	-	(1,849)	-	-	-	-
37,587	15,368	365	18,338	4,841	-	(11,770)	4,958
25,926	25,024	(4,455)	280,817	(86,362)	-	14,614	13,247
\$ 63,513	\$ 40,392	\$ (4,090)	\$ 299,155	\$ (81,521)	\$ -	\$ 2,844	\$ 18,205

(Continued)

TOWN OF COLCHESTER, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (DEFICITS), Continued  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011

	Capital Projects					
	2009 Bond Referendum	Capital Reserve Fund	Use of Schools	BOE Capital Reserve Fund	Debt Service	Totals
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,079,742
Food sales, charges for services	-	-	-	-	-	548,777
Fines and fees	-	-	-	-	-	25,510
Interest income	-	-	-	-	-	668
Sewer assessments, use and charges for services	-	-	49,283	-	-	1,348,576
Other local revenue	-	76,633	-	7,340	-	335,361
<b>Total revenues</b>	-	76,633	49,283	7,340	-	6,338,634
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	32,023
Public works	-	-	-	-	-	964,921
Education	-	-	39,038	-	-	4,161,411
Public safety	-	-	-	-	-	226,684
Civic and cultural	-	-	-	-	-	468,803
Public health and welfare	-	-	-	-	-	82,714
Capital outlay	942,272	181,093	-	106,329	-	1,504,869
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	942,272	181,093	39,038	106,329	-	7,441,425
<b>Revenues over (under) expenditures</b>	(942,272)	(104,460)	10,245	(98,989)	-	(1,102,791)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	119,341	-	64,500	-	230,193
Transfers out	-	-	-	-	-	(22,190)
<b>Total other financing sources (uses)</b>	-	119,341	-	64,500	-	208,003
<b>Net change in fund balances (deficits)</b>	(942,272)	14,881	10,245	(34,489)	-	(894,788)
<b>FUND BALANCES (DEFICITS), beginning</b>	998,329	374,563	22,801	129,188	198,504	3,008,171
<b>FUND BALANCES (DEFICITS), ending</b>	\$ 56,057	\$ 389,444	\$ 33,046	\$ 94,699	\$ 198,504	\$ 2,113,383

## **Capital Assets Schedules**



**TOWN OF COLCHESTER, CONNECTICUT**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -  
SCHEDULE BY CATEGORY**

**June 30, 2011**

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Governmental funds capital assets:

Land	\$ 3,432,379
Buildings	89,362,477
Improvements other than buildings	2,036,100
Machinery and equipment	11,784,314
Infrastructure	35,831,429
<b>Total governmental funds capital assets</b>	<b><u>\$ 142,446,699</u></b>

**TOWN OF COLCHESTER, CONNECTICUT**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**

**SCHEDULE BY FUNCTION AND ACTIVITY**

**June 30, 2011**

	Land	Buildings	Improvements Other Than Buildings	Infrastructure	Machinery and Equipment	Total
General government	\$ 3,432,379	\$ 2,487,509	\$ 1,478,624	\$ 20,975,409	\$ 360,310	\$ 28,734,231
Public safety	-	943,898	-	24,342	4,273,809	5,242,049
Public works	-	397,929	-	14,562,899	2,516,327	17,477,155
Civic and cultural	-	7,508,839	5,385	268,779	815,194	8,598,197
Education	-	77,917,513	552,091	-	3,741,592	82,211,196
Public health and welfare	-	106,789	-	-	77,082	183,871
<b>Total</b>	<b>\$ 3,432,379</b>	<b>\$ 89,362,477</b>	<b>\$ 2,036,100</b>	<b>\$ 35,831,429</b>	<b>\$ 11,784,314</b>	<b>\$ 142,446,699</b>

**Other Schedule**



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TOWN OF COLCHESTER, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

For the Year Ended June 30, 2011

Grand List Year	Balance Uncollected July 1, 2010	Current Levy	Lawful Corrections and Transfers to Suspense		Transfer to Suspense	Balance To Be Collected
			Additions	Deletions		
1994	\$ 2,931	\$ -	\$ -	\$ -	\$ (2,931)	\$ -
1995	2,577	-	-	-	-	2,577
1996	5,697	-	-	-	-	5,697
1997	10,001	-	-	-	-	10,001
1998	18,298	-	-	-	(2,820)	15,478
1999	30,760	-	-	(85)	(1,404)	29,271
2000	36,304	-	5	-	(8,642)	27,667
2001	42,516	-	-	(1)	(3,649)	38,866
2002	78,655	-	-	(403)	(3,447)	74,805
2003	95,728	-	-	(1,297)	(10,005)	84,426
2004	93,744	-	11	(1,863)	(2,827)	89,065
2005	141,332	-	3	(4,233)	(2,849)	134,253
2006	117,127	-	5	(3,143)	(2,581)	111,408
2007	131,057	-	9,049	(3,046)	(2,595)	134,465
2008	515,724	-	10,135	(11,709)	(2,668)	511,482
2009	-	32,252,564	93,735	(104,754)	(2,831)	32,238,714
	<u>\$ 1,322,451</u>	<u>\$ 32,252,564</u>	<u>\$ 112,943</u>	<u>\$ (130,534)</u>	<u>\$ (49,249)</u>	<u>\$ 33,508,175</u>

Collections						Balance Uncollected June 30, 2011
Taxes	Interest	Fees	Total			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-	2,577
197	96	-	293	-	-	5,500
-	-	-	-	-	-	10,001
255	513	-	768	-	-	15,223
1,067	2,284	-	3,351	-	-	28,204
1,696	2,518	24	4,238	-	-	25,971
3,460	5,605	48	9,113	-	-	35,406
3,829	5,156	24	9,009	-	-	70,976
7,414	9,216	24	16,654	-	-	77,012
8,033	7,617	24	15,674	-	-	81,032
18,160	8,931	78	27,169	-	-	116,093
27,047	14,119	48	41,214	-	-	84,361
38,150	9,842	1,038	49,030	-	-	96,315
405,350	63,952	3,294	472,596	-	-	106,132
31,793,600	121,977	1,177	31,916,754	-	-	445,114
\$ 32,308,258	\$ 251,826	\$ 5,779	\$ 32,565,863	\$ -	\$ -	1,199,917

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