

**TOWN OF COLCHESTER,  
CONNECTICUT**

FINANCIAL REPORT  
June 30, 2013



# 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

### Report on the Financial Statements

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 fiscal year ended June 30, 2013, and the related notes thereto which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Connecticut as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3–11, the schedules of funding progress and employer contributions

on pages 49-50 and budgetary comparison information on pages 51-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Colchester, Connecticut as of and for the year ended June 30, 2012 (not presented herein), and have issued our report thereon dated December 28, 2012, which contained unqualified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information. The accompanying General Fund Balance Sheet as of and for the year ended June 30, 2012 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The accompanying General Fund Balance Sheet has been subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund Balance Sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



New Haven, Connecticut  
December 30, 2013



**Town of Colchester, Connecticut**  
**Management's Discussion and Analysis - *unaudited***  
**June 30, 2013**

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, 2013. Please read it in conjunction with the Town's financial statements, which immediately follow this section.

**Financial Highlights**

- The Town's total net position at the close of the fiscal year was \$70,247,892 a decrease of \$119,572 from the previous fiscal year. Total net position of Governmental Activities at fiscal year-end was \$65,656,130 and total net position for Business-Type Activities was \$4,591,762. Of the Town's total net position at June 30, 2013, \$7,341,682 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 \$5,530,790, an increase of \$966,821 from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2013, \$4,758,733 represents unassigned fund balance of the General Fund. Unassigned General Fund fund balance represents 9.5% of total General Fund budgetary expenditures and transfers out (\$50,120,665). The Town of Colchester's governmental funds reported combined ending fund balances of \$10,706,814, an increase of \$2,492,641 from the prior fiscal year.
- The Town of Colchester's total bonded debt had a decrease of \$1,600,000 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 eleventh 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 position</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 position.</li> <li>➤ Statement of revenues, expenses, changes in fund net position.</li> <li>➤ Statement of cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Statement of fiduciary net position.</li> <li>➤ Statement of changes in fiduciary net position.</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 position 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 position and how they have changed. Net position is the difference between the Town's assets and liabilities.

- Over time, increases or decreases in the Town's net position 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 position presents information on all of Colchester's assets and liabilities with the difference reported as net position. The statement of activities presents information showing how the Town's net position 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, community 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 position 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 position may serve over time as a useful indicator of the Town's financial status. The Town's combined assets exceeded liabilities by \$70,247,892 at the close of the recent fiscal year.

Net position of the Town's Governmental Activities decreased approximately 0.35% to \$65,656,130 and total net position for Business-type Activities increased approximately 2.52% to \$4,591,762. The amount of \$62,906,210 (\$59,317,595 for Governmental Activities and \$3,588,615 for Business-type Activities) of combined net position at June 30, 2013, 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 \$7,341,682 (\$6,338,535 for Governmental Activities and \$1,003,147 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 position (88.15%) 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 SUMMARY STATEMENT OF NET POSITION JUNE 30, 2013 AND 2012

	June 30, 2013			June 30, 2012		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 14,379,206	\$ 1,092,802	\$ 15,472,008	\$ 11,330,068	\$ 973,810	\$ 12,303,878
Capital assets	76,079,844	5,546,636	81,626,480	76,651,309	5,703,928	82,355,237
<b>Total assets</b>	<b>90,459,050</b>	<b>6,639,438</b>	<b>97,098,488</b>	<b>87,981,377</b>	<b>6,677,738</b>	<b>94,659,115</b>
Current Liabilities	2,497,641	89,655	2,587,296	2,030,606	106,783	2,137,389
Long-Term liabilities outstanding	22,305,279	1,958,021	24,263,300	20,062,221	2,092,041	22,154,262
<b>Total liabilities</b>	<b>24,802,920</b>	<b>2,047,676</b>	<b>26,850,596</b>	<b>22,092,827</b>	<b>2,198,824</b>	<b>24,291,651</b>
Net Position:						
Net invested in capital assets	58,336,990	3,588,615	61,925,605	60,638,175	3,611,887	64,250,062
Restricted	980,605		980,605	935,021	-	935,021
Unrestricted	6,338,535	1,003,147	7,341,682	4,315,354	867,027	5,182,381
<b>Total Net Position</b>	<b>\$ 65,656,130</b>	<b>\$ 4,591,762</b>	<b>\$ 70,247,892</b>	<b>\$ 65,888,550</b>	<b>\$ 4,478,914</b>	<b>\$ 70,367,464</b>

**Change in net position.** The Town's total net position decreased by \$119,572 during the fiscal year, with net position of Governmental Activities decreasing by \$232,420, and net position of Business-type Activities increasing by \$112,848.

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	Primary Govt.			Primary Govt.		
	Governmental	Business-	Total	Governmental	Business-	Total
	Activities	Type Activities		Activities	Type Activities	
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 3,259,696	\$ 1,019,958	\$ 4,279,654	\$ 3,230,100	\$ 1,063,099	\$ 4,293,199
Operating Grants and Contributions	21,173,353	-	21,173,353	20,962,445	-	20,962,445
Capital Grants and Contributions	213,921	-	213,921	193,277	-	193,277
General Revenues:						
Property Tax	34,378,658	-	34,378,658	33,924,422	-	33,924,422
Grants not restricted to specific programs	335,135	-	335,135	384,973	-	384,973
Unrestricted investment earnings	53,135	2,286	55,421	52,216	1,246	53,462
Miscellaneous	94,190	-	94,190	108,348	-	108,348
<b>Total Revenues</b>	<b>59,508,088</b>	<b>1,022,244</b>	<b>60,530,332</b>	<b>58,855,781</b>	<b>1,064,345</b>	<b>59,920,126</b>
<b>Expenses</b>						
General Government	3,384,249	-	3,384,249	4,864,185	-	4,864,185
Public Safety	2,584,415	-	2,584,415	2,653,914	-	2,653,914
Public Works	4,961,813	-	4,961,813	3,667,045	-	3,667,045
Community and Human Services	2,008,343	-	2,008,343	2,582,694	-	2,582,694
Education	46,285,691	-	46,285,691	45,899,856	-	45,899,856
Other	-	865,859	865,859	-	893,177	893,177
Interest on long-term debt	515,997	43,537	559,534	998,914	47,593	1,046,507
<b>Total Expenses</b>	<b>59,740,508</b>	<b>909,396</b>	<b>60,649,904</b>	<b>60,666,608</b>	<b>940,770</b>	<b>61,607,378</b>
<b>Change in Net Position</b>	<b>(232,420)</b>	<b>112,848</b>	<b>(119,572)</b>	<b>(1,810,827)</b>	<b>123,575</b>	<b>(1,687,252)</b>
Net Position - Beginning	65,888,550	4,478,914	70,367,464	67,699,377	4,355,339	72,054,716
Net Position - Ending	<b>\$ 65,656,130</b>	<b>\$ 4,591,762</b>	<b>\$ 70,247,892</b>	<b>\$ 65,888,550</b>	<b>\$ 4,478,914</b>	<b>\$ 70,367,464</b>

## Governmental Activities

Approximately 57.77% of the revenues were generated from property taxes, followed by 41.42% from program revenues, which include governmental revenues for Education, then 0.56% was derived from other unrestricted grants, 0.16% from miscellaneous revenues, and 0.09% from unrestricted investment earnings.

Major revenue factors include:

- Increase in Federal grant funding from Federal Emergency Management Agency (FEMA) reimbursements for two major storms.
- Increase in State grant funding from Small Town Economic Assistance Program (STEAP) grants to fund streetscape improvements on Lebanon Avenue.
- Increased tax revenues resulting from an increase in the property tax rate and the impact of revaluation on property assessments.
- Increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement System.

The Town's current levy collected tax rate was 98.39%, a decrease of 0.06% from the previous year current levy collected tax rate of 98.45%.

For governmental activities, 77.48% of the Town's expenditures relate to education, 5.66% relate to general government, 4.33% relate to public safety, 8.31% relate to public works, 3.36% relate to community and human services, and the remaining 0.86% relate to interest payments on long-term debt.

Major expenditure factors include:

- Increase in education, mainly as a result of an approved education budget increase of 1.91% over the 2011-2012 budget (excluding Federal Jobs Bill Funds received in FY 2011-2012), and an increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement System.
- Decrease in general government expenditures due to a decrease in contributions to the health insurance fund, decrease in depreciation costs related to the transfer of assets to public works, and a reclassification of the Facilities department to public works.
- Increase in public works expenditures reflects the transfer of assets from general government and the resulting increase in depreciation costs, and a reclassification of the Facilities department from general government, and the Grounds Maintenance department from Parks & Recreation (community and human services).

### **Business-Type Activities**

Business-type activities increased the Town's net position by \$112,848. 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 \$10,706,814, an increase from \$8,214,173 as of June 30, 2012. This increase is mainly due to the positive financial results in the Town's General Fund, which are described in greater detail in the following paragraphs, along with the positive financial results in the newly established Energy Fund.

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 \$4,758,733, while total fund balance was \$5,530,790. 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 9.5% of the total general fund budgetary expenditures and transfers out.

At June 30, 2013, the Town of Colchester's General Fund increased by \$966,821 from the previous year. On the revenue side, the Town received additional tax and interest payments on delinquent accounts, and additional building permit fees. On the expenditure side, the Town had lower payroll costs due to staff vacancies in various positions including management 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 position of the Water Fund at the end of the year amounted to \$1,003,147. The Water Fund experienced an increase in net position of \$112,848. 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 \$126,852. These additional appropriations were for school security improvements, architectural design services related to the Johnston Building Project, update to the plan of conservation and development, and an ambulance staffing incentive program.

Budget transfers approved during the year included additional funds for various legal matters, repairs to the Transfer Station loader to extend its useful life, overtime for Police to provide shift coverage for position vacancies and storm response, and additional costs associated with two significant storms not reimbursable by FEMA funding. Funds for these transfers were available from vacant positions throughout various Town departments, savings in Workers Compensation and Unemployment Compensation insurance payments, contingency funds included in the budget, and changes in departmental priorities.

### 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, 2013, amount to \$81,626,480 (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 \$728,757 or approximately 0.9 percent.

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

- Governmental Activities
- Energy improvements in various Town and School facilities funded by a capital lease financing.
- Streetscape improvements funded by a STEAP grant.
- Replacement of various vehicles including a police cruiser, plow truck, and senior center bus, funded by general fund appropriations, and State grant funds.
- Purchase of Rescue Tool System for the Fire Department.

Town of Colchester Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,432,379	\$ 3,432,379	\$ -	\$ -	\$ 3,432,379	\$ 3,432,379
Land Improvements	775,424	734,910	6,980	3,986	782,404	738,896
Building. & Improvements	58,074,704	60,028,204	3,569,232	3,666,836	61,643,936	63,695,040
Machinery & Equipment	2,783,959	2,966,140	218,602	229,061	3,002,561	3,195,201
Infrastructure	8,742,171	9,489,676	1,751,822	1,804,045	10,493,993	11,293,721
Construction in Process	2,271,207	-	-	-	2,271,207	-
<b>Total</b>	<b>\$ 76,079,844</b>	<b>\$ 76,651,309</b>	<b>\$ 5,546,636</b>	<b>\$ 5,703,928</b>	<b>\$ 81,626,480</b>	<b>\$ 82,355,237</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 \$14,330,000 in bonds outstanding. All of 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
	2013	2012	2013	2012	
General Obligation Bonds (backed by the Town)	\$ 14,330,000	\$ 15,905,000	\$ -	\$ 25,000	\$ 14,330,000 \$ 15,930,000
Clean Water Fund Loan	\$ -	\$ -	\$ 1,958,021	\$ 2,067,041	\$ 1,958,021 \$ 2,067,041

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

The Town of Colchester's unemployment rate decreased to 6.6% as of June 2013, which remains less than the State of Connecticut rate of 8.1% for the same time period. As of October 2013, the Town's unemployment rate decreased to 6.3% and the State's unemployment rate decreased to 7.5%. 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 February 2012, Moody's Investors Service assigned a bond rating of Aa3 to the Town's \$8.28 million General Obligation Refunding bonds, and affirmed the Aa3 rating on \$22.1 million of outstanding general obligation debt. Moody's noted that the rating reflects the Town's satisfactory financial position which is strengthened by strong management practices, and incorporates the Town's moderately sized tax base with average wealth levels and an affordable debt burden. Moody's also noted that the Town's financial position has started to stabilize following several consecutive years of decline.

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 Town's 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 mostly rural residential community, the Town has focused on increasing its non-residential resources. The Town made significant strides in that direction in 2013. A linchpin in the strategy to develop nonresidential lands was increased capacity to provide water and sewer infrastructure to designated growth areas. A master infrastructure plan was completed that addressed the phased expansion of the water and sewer system to serve future non-residential development including design and costing of required pump stations, pipe sizes and specifications, other infrastructure needed and costs for each phase of the expansion. Construction of a \$3.2 million water/sewer expansion program was completed in October 2013 which included a water line/sanitary sewer line and system lift station. The Town is now capable of serving a new development area to the south of the Town Center at the intersection of Route 2, Route 11 and Route 85.

Already several sites have been developed utilizing the new infrastructure. A 50,000 square foot State maintenance facility began construction and will be completed in mid-2014. The State facility will include construction of a regional truck and equipment facility to replace several outdated ones. A 40,000 square foot retail development with an additional 10,000 square foot building pad for expansion was completed in November 2013.



The Planning and Zoning Commission considered and permitted several new retail buildings in 2013. One, a Dollar General store of approximately 10,000 square feet will break ground in January and be completed by mid-2014. Over 375,000 square feet of commercial development have been approved and permitted during the last five years but not yet constructed. The majority of that is comprised of a retail center that first received development approval in 2001 but had been mired in court appeals. In 2010, litigation was concluded and the development again received development approval. The site was not subject to any additional appeals following the latest round of approvals. As the retail center depended on the water/sewer expansion for service, discussions have resumed toward finally constructing this project.

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 (a major rails to trails facility), had a major streetscape and lighting improvement installed in 2012 (\$285,000). The Town has recently received two State grants totaling over \$300,000 to continue the streetscape rehabilitation program from the Town Center down Linwood Avenue connecting to the Stop & Shop Plaza. The Town also received a grant to continue the enhancement of the Airline Trail entranceway.

Strategically the Town has sought to focus on promoting non-residential growth in a smart growth and design focused manner and is developing a new land development regulation that reflects that philosophy. The current regulation was originally developed thirty years ago and does not reflect current development practices. The new product will respond to contemporary development specifications by focusing on design and other performance requirements rather than restrictive proscriptive standards. Another key feature of the revised development regulations is the more comprehensive permitting of agriculture. Under the new regulation, farms would be treated as businesses and associated commercial buildings such as farm stores and restaurants are permitted. Already the Priam Vineyard has operated in this manner by hosting weddings, and other events. Public hearings on the revised regulations have commenced and adoption is projected to occur in early 2014. The Town is also updating its Plan of Conservation and Development with an expected completion date of mid-2014.

Colchester's residential growth remained constant, although at a slower pace than experienced in previous decades. Population growth declined from the 35% increase experienced during the 1990's to a steadier 6.5% during the last decade (2000 to 2010). In real terms the town grew by approximately 300 people annually between 1990 and 2000 as compared to 100 people annually between 2000 and 2010. This trend is projected to continue as several large subdivisions will continue to build out. In July 2012 the two largest permitted residential developments (White Oak Farm and the Northwood Project) in the Town began new phases of development including new roadways and infrastructure. Average home prices have been stable with the median sale price of \$240,000 in the top half of the State average.

The FY 2013-2014 final adopted budget of \$52,225,904 represents an increase of \$1,944,378 over the adopted budget for FY 2012-2013 of \$50,281,526 with a property tax mil rate of 30.28. The Town was presented with the Government Finance Officers Association Distinguished Budget Presentation Award for the adopted budget documents for both FY 2012-2013 and FY 2013-2014.

### **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.

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## **Basic Financial Statements**



**TOWN OF COLCHESTER, CONNECTICUT**

**STATEMENT OF NET POSITION**

**June 30, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 10,765,308	\$ 718,632	\$ 11,483,940
Receivables (net of allowances for collection losses):			
Property taxes and interest	1,155,988	-	1,155,988
Assessments	270,089	-	270,089
Accounts receivable	114,963	319,258	434,221
Intergovernmental	438,553	-	438,553
Pension asset	51,970	-	51,970
Restricted cash	1,546,570	-	1,546,570
Inventory	35,765	54,912	90,677
Capital assets, non-depreciable	5,703,586	-	5,703,586
Capital assets, net of accumulated depreciation	70,376,258	5,546,636	75,922,894
<b>Total assets</b>	<b>90,459,050</b>	<b>6,639,438</b>	<b>97,098,488</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	1,912,666	89,655	2,002,321
Claims payable	513,617	-	513,617
Unearned revenues	71,358	-	71,358
Noncurrent liabilities:			
Due within one year	1,945,214	111,354	2,056,568
Due in more than one year	20,360,065	1,846,667	22,206,732
<b>Total liabilities</b>	<b>24,802,920</b>	<b>2,047,676</b>	<b>26,850,596</b>
<b>Net Position</b>			
Net investment in capital assets	58,336,990	3,588,615	61,925,605
Restricted	980,605	-	980,605
Unrestricted	6,338,535	1,003,147	7,341,682
<b>Total net position</b>	<b>\$ 65,656,130</b>	<b>\$ 4,591,762</b>	<b>\$ 70,247,892</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>							
General government	\$ (3,384,249)	\$ 527,340	\$ 68,243	\$ -	\$ (2,788,666)	\$ -	\$ (2,788,666)
Public safety	(2,584,415)	619,738	39,277	-	(1,925,400)	-	(1,925,400)
Public works	(4,961,813)	1,054,411	439,849	173,921	(3,293,632)	-	(3,293,632)
Community & human services	(2,008,343)	373,954	181,238	40,000	(1,413,151)	-	(1,413,151)
Education	(46,285,691)	684,253	20,444,746	-	(25,156,692)	-	(25,156,692)
Interest on long-term debt	(515,997)	-	-	-	(515,997)	-	(515,997)
<b>Total governmental activities</b>	<b>(59,740,508)</b>	<b>3,259,696</b>	<b>21,173,353</b>	<b>213,921</b>	<b>(35,093,538)</b>	<b>-</b>	<b>(35,093,538)</b>
<b>Business-Type Activities:</b>							
Water	(909,396)	1,019,958	-	-	-	110,562	110,562
<b>Total business-type activities</b>	<b>(909,396)</b>	<b>1,019,958</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,562</b>	<b>110,562</b>
<b>Total primary government</b>	<b>\$ (60,649,904)</b>	<b>\$ 4,279,654</b>	<b>\$ 21,173,353</b>	<b>\$ 213,921</b>	<b>(35,093,538)</b>	<b>110,562</b>	<b>(34,982,976)</b>
General revenues:							
Property taxes					34,378,658	-	34,378,658
Grants and contributions not restricted to specific programs					335,135	-	335,135
Unrestricted investment earnings					53,135	2,286	55,421
Miscellaneous					94,190	-	94,190
<b>Total general revenues</b>					<b>34,861,118</b>	<b>2,286</b>	<b>34,863,404</b>
Change in net position					(232,420)	112,848	(119,572)
Net position - beginning					65,888,550	4,478,914	70,367,464
<b>Net position - ending</b>					<b>\$ 65,656,130</b>	<b>\$ 4,591,762</b>	<b>\$ 70,247,892</b>

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

**TOWN OF COLCHESTER, CONNECTICUT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2013**

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Bonded Projects Fund	Sewer Capital	Energy Fund		
<b>Assets</b>						
Cash and cash equivalents	\$ 5,992,880	\$ 546,757	\$ 1,301,206	\$ 1,546,570	\$ 2,565,220	\$ 11,952,633
Receivables (net of allowances for collection losses):						
Property taxes	1,155,988	-	-	-	-	1,155,988
Assessments and user charges		-	-	-	270,089	270,089
Intergovernmental	117,828	-	-	-	320,725	438,553
Accounts receivable	16,804	-	-	-	98,159	114,963
Inventory	28,351	-	-	-	7,414	35,765
	<u>\$ 7,311,851</u>	<u>\$ 546,757</u>	<u>\$ 1,301,206</u>	<u>\$ 1,546,570</u>	<u>\$ 3,261,607</u>	<u>\$ 13,967,991</u>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	744,338	-	-	717,568	434,115	1,896,021
Deferred revenue	1,036,723	-	-	-	257,075	1,293,798
Unearned revenue	-	-	-	-	71,358	71,358
<b>Total liabilities</b>	<u>1,781,061</u>	<u>-</u>	<u>-</u>	<u>717,568</u>	<u>762,548</u>	<u>3,261,177</u>
<b>Fund balances</b>						
Nonspendable	28,351	-	-	-	7,414	35,765
Restricted	-	-	-	-	980,605	980,605
Committed	44,936	546,757	1,301,206	829,002	1,514,850	4,236,751
Assigned	698,770	-	-	-	-	698,770
Unassigned	4,758,733	-	-	-	(3,810)	4,754,923
<b>Total fund balances</b>	<u>5,530,790</u>	<u>546,757</u>	<u>1,301,206</u>	<u>829,002</u>	<u>2,499,059</u>	<u>10,706,814</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,311,851</u>	<u>\$ 546,757</u>	<u>\$ 1,301,206</u>	<u>\$ 1,546,570</u>	<u>\$ 3,261,607</u>	

Amounts reported for governmental activities in the statement of  
net position 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.	76,079,844
Deferred revenues are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,293,798
Pension asset	51,970
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 position.	(154,372)
Accrued interest payable is not recorded in the funds	(16,645)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(22,305,279)

Net position of governmental activities \$ 65,656,130

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 -  
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2013

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Bonded Projects Fund	Sewer Capital	Energy Fund		
<b>REVENUES</b>						
Property taxes, interest & lien fees	\$ 34,364,251	\$ -	\$ -	\$ -	\$ -	\$ 34,364,251
Intergovernmental revenues	19,347,462	-	-	-	2,120,936	21,468,398
Revenues from use of money	47,491	-	4,146	-	1,498	53,135
Fees, permits and sales	683,481	-	26,880	-	498,548	1,208,909
Charges for services and assessments	506,988	-	-	-	1,493,662	2,000,650
Other	104,759	-	-	-	281,224	385,983
<b>Total revenues</b>	<b>55,054,432</b>	<b>-</b>	<b>31,026</b>	<b>-</b>	<b>4,395,868</b>	<b>59,481,326</b>
<b>EXPENDITURES</b>						
Current:						
General government	3,196,386	-	-	-	38,273	3,234,659
Public safety	2,204,883	-	-	-	214,754	2,419,637
Public works	2,849,686	-	-	26,200	1,220,839	4,096,725
Community & human services	1,286,636	-	-	-	469,697	1,756,333
Education	41,828,767	-	-	-	2,124,388	43,953,155
Debt service	2,095,890	-	-	-	49,777	2,145,667
Capital outlay	-	166,106	916	2,271,207	304,701	2,742,930
<b>Total expenditures</b>	<b>53,462,248</b>	<b>166,106</b>	<b>916</b>	<b>2,297,407</b>	<b>4,422,429</b>	<b>60,349,106</b>
<b>Revenue over (under) expenditures</b>	<b>1,592,184</b>	<b>(166,106)</b>	<b>30,110</b>	<b>(2,297,407)</b>	<b>(26,561)</b>	<b>(867,780)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	188,500	20,000	-	445,149	653,649
Transfers out	(625,363)	-	-	-	(28,286)	(653,649)
Issuance of capital lease	-	-	-	3,126,409	234,012	3,360,421
<b>Total other financing sources (uses)</b>	<b>(625,363)</b>	<b>188,500</b>	<b>20,000</b>	<b>3,126,409</b>	<b>650,875</b>	<b>3,360,421</b>
<b>Net change in fund balances</b>	<b>966,821</b>	<b>22,394</b>	<b>50,110</b>	<b>829,002</b>	<b>624,314</b>	<b>2,492,641</b>
<b>FUND BALANCES, beginning</b>	<b>4,563,969</b>	<b>524,363</b>	<b>1,251,096</b>	<b>-</b>	<b>1,874,745</b>	<b>8,214,173</b>
<b>FUND BALANCES, ending</b>	<b>\$ 5,530,790</b>	<b>\$ 546,757</b>	<b>\$ 1,301,206</b>	<b>\$ 829,002</b>	<b>\$ 2,499,059</b>	<b>\$ 10,706,814</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 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2013

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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	\$ 2,492,641
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.	(571,465)
Net changes in deferred revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	26,762
Change in pension asset	5,141
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 position. 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.	(1,729,720)
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.	(514,369)
The net income of certain activities of internal service funds is reported with governmental activities.	<u>58,590</u>
Change in net position of governmental activities	<u><u>\$ (232,420)</u></u>

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

TOWN OF COLCHESTER, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
June 30, 2013

	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	\$ 718,632	\$ 359,245
Accounts receivable	319,258	-
Inventory	54,912	-
<b>Total current assets</b>	<b>1,092,802</b>	<b>359,245</b>
Capital Assets, net of accumulated depreciation	5,546,636	-
<b>Total assets</b>	<b>6,639,438</b>	<b>359,245</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	89,655	-
Claims payable	-	513,617
Loan payable- current	111,354	-
<b>Total current liabilities</b>	<b>201,009</b>	<b>513,617</b>
Noncurrent Liabilities:		
Loan payable	1,846,667	-
<b>Total noncurrent liabilities</b>	<b>1,846,667</b>	<b>-</b>
<b>Total liabilities</b>	<b>2,047,676</b>	<b>513,617</b>
<b>NET POSITION (DEFICIT)</b>		
Net investment in capital assets	3,588,615	-
Unrestricted	1,003,147	(154,372)
<b>Total net position (deficit)</b>	<b>\$ 4,591,762</b>	<b>\$ (154,372)</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 POSITION -  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2013

	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	\$ 1,019,958	\$ -
Premiums	-	7,187,401
<b>Total operating revenues</b>	<u>1,019,958</u>	<u>7,187,401</u>
<b>OPERATING EXPENSES</b>		
Claims/operating	669,651	6,302,611
Depreciation	196,208	-
Administration	-	826,422
<b>Total operating expenses</b>	<u>865,859</u>	<u>7,129,033</u>
<b>Operating income</b>	<u>154,099</u>	<u>58,368</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	2,286	222
Interest expense	(43,537)	-
<b>Total nonoperating revenue (expenses)</b>	<u>(41,251)</u>	<u>222</u>
<b>Change in fund net position (deficit)</b>	112,848	58,590
<b>FUND NET POSITION (DEFICIT), beginning</b>	<u>4,478,914</u>	<u>(212,962)</u>
<b>FUND NET POSITION (DEFICITS), ending</b>	<u>\$ 4,591,762</u>	<u>\$ (154,372)</u>

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, 2013

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
<b>Cash Flows From Operating Activities</b>		
Cash received from charges for services	\$ 1,027,510	\$ 7,187,866
Cash paid to vendors and beneficiaries	(692,150)	(7,136,037)
<b>Net cash provided by operating activities</b>	<b>335,360</b>	<b>51,829</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of capital assets	(38,916)	-
Interest paid	(43,766)	-
Principal payments of debt	(134,020)	-
<b>Net cash used in capital and related financing activities</b>	<b>(216,702)</b>	<b>-</b>
<b>Cash Flows From Investing Activities</b>		
Interest on cash and cash equivalents	2,286	222
<b>Net increase in cash and cash equivalents</b>	<b>120,944</b>	<b>52,051</b>
<b>Cash and Cash Equivalents</b>		
Beginning	597,688	307,194
Ending	<u>\$ 718,632</u>	<u>\$ 359,245</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 154,099	\$ 58,368
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	196,208	-
Changes in assets and liabilities:		
Decrease in accounts receivable	7,552	465
Increase in inventories	(5,600)	-
Decrease in accounts payable	(16,899)	(3,987)
Decrease in claims payable	-	(3,017)
<b>Net cash provided by operating activities</b>	<b>\$ 335,360</b>	<b>\$ 51,829</b>

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

TOWN OF COLCHESTER, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2013

	Pension Trust Fund	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 463	\$ 304,997
Investments	945,646	-	-
<b>Total assets</b>	<u>945,646</u>	<u>463</u>	<u>304,997</u>
<b>LIABILITIES</b>			
Amounts held for student activities and other	-	-	304,997
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>304,997</u>
<b>Net Position Held in Trust for Pension Benefits and Other Purposes</b>	<u>\$ 945,646</u>	<u>\$ 463</u>	<u>\$ -</u>

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

TOWN OF COLCHESTER, CONNECTICUT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2013**

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	Pension Trust Fund	Private Purpose Trust Fund
<b>ADDITIONS</b>		
Contributions		
Employee	\$ 77,703	\$ -
Employer	88,321	-
<b>Total contributions</b>	<u>166,024</u>	<u>-</u>
Investment Income		
Net appreciation in fair value of investments	<u>77,045</u>	<u>-</u>
<b>Investment income</b>	<u>77,045</u>	<u>-</u>
<b>Total additions and change in net position</b>	<u>243,069</u>	<u>-</u>
<b>Net Position Held in Trust</b>		
Beginning of year	<u>702,577</u>	<u>463</u>
End of year	<u><u>\$ 945,646</u></u>	<u><u>\$ 463</u></u>

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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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.

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

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

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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.

## TOWN OF COLCHESTER, CONNECTICUT

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

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#### 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 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, OPEB, pension, 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.

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.

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 *Energy Fund* accounts for financial resources to be used for acquisition, installation, construction and equipment costs for an energy conservation savings program in various Town and



## TOWN OF COLCHESTER, CONNECTICUT

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

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Board of Education facilities, which are being financed by a lease-purchase financing and energy rebates from the electrical utility company.

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:

#### **Governmental 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.

#### **Proprietary Fund Types:**

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

#### **Fiduciary Fund Types:**

*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.

#### 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.

## TOWN OF COLCHESTER, CONNECTICUT

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

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#### Allowances for doubtful accounts

Accounts and notes receivable, including property taxes receivable, are reported net of allowance for doubtful accounts of approximately \$1,338,500. 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 the Cutwater-Connecticut CLASS Plus, a pool similar to a 2a-7 as defined by GASB 59, which operates under State Statutes. 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.

#### 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

## TOWN OF COLCHESTER, CONNECTICUT

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

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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.

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 and principal payments, are reported as debt service expenditures.

#### Restricted assets

At June 30, 2013 the Town had \$1,546,570 in restricted assets. The amount relates to unspent capital lease proceeds.

#### 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 and Governmental Activities***

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

##### ***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. The Town makes contributions based on management decisions.

## TOWN OF COLCHESTER, CONNECTICUT

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

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

##### **OPEB Plan:**

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.

##### ***Government Funds and Governmental Activities:***

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

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

The Town makes annual contributions based on management decisions.

#### Fund equity and net position

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

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

***Restricted Net Position*** - These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

***Unrestricted Net Position*** – This category represents the net position of the Town, which is not restricted for any project or other purpose.

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.

## TOWN OF COLCHESTER, CONNECTICUT

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

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- **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) in the form of a resolution/ordinance. Once adopted, the limitation imposed by the resolution/ordinance remains in place until similar action is taken to remove or revise the limitation.
- **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. The Chief Financial Officer has the authority to assign fund balances.
- **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 position

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

Bonds payable	\$ 14,330,000
Bond premium, net of amortization	432,339
Deferred loss, net of amortization	(335,019)
Capital lease obligation	3,315,534
Landfill closure costs	165,000
Compensated absences	3,065,612
OPEB obligation	<u>1,331,813</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u><u>\$ 22,305,279</u></u>

## TOWN OF COLCHESTER, CONNECTICUT

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

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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 reconciliation between net changes in fund balances – total governmental funds, and changes in net position 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	\$ 2,983,132
Depreciation expense	<u>(3,554,597)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (571,465)</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 position. 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:

Issuance of capital lease	\$ (3,360,421)
Principal repayments	1,619,887
Net amortization of premiums and deferred losses	<u>10,814</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,729,720)</u>

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	\$ (239,338)
Landfill closure	15,000
Accrued interest	(1,031)
OPEB obligation	<u>(289,000)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (514,369)</u>

## TOWN OF COLCHESTER, CONNECTICUT

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

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#### **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.

#### Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2013, approximately \$6,794,000 of the Town's bank balance of approximately \$9,348,000 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.

**TOWN OF COLCHESTER, CONNECTICUT**

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

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

**Cash and Cash Equivalents**

Deposits with financial institutions	\$ 9,124,188
State of Connecticut Short-Term Investment fund	4,057,050
Cutwater-Connecticut CLASS Plus	154,732
<b>Total cash and cash equivalents</b>	<b>13,335,970</b>

**Investments**

Pension Trust Funds:	
Mutual Funds	945,646
<b>Total cash, cash equivalents, and investments</b>	<b>\$ 14,281,616</b>

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

**Statement of Net Position**

Cash and cash equivalents	\$ 13,030,510
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**Fiduciary Funds**

Cash and cash equivalents	305,460
Investments	945,646
	1,251,106
<b>Total cash, cash equivalents, and investments</b>	<b>\$ 14,281,616</b>

**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	\$ 4,211,782	\$ 4,211,782



# TOWN OF COLCHESTER, CONNECTICUT

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

**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	\$ 4,057,050
Cutwater-Connecticut CLASS Plus	AAAm	154,732
		<u>\$ 4,211,782</u>

### 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	\$ 1,036,723	\$ -
<b>Nonmajor Funds:</b>		
Assessments receivable	232,075	-
Grants and other	25,000	71,358
<b>Total</b>	<u>\$ 1,293,798</u>	<u>\$ 71,358</u>

### Note 5. Interfund Transfers

Interfund transfers during the year ended June 30, 2013 were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ (625,363)
Bonded Projects	188,500	-
Sewer Capital Fund	20,000	-
Nonmajor Governmental Funds	445,149	(28,286)
<b>Total</b>	<u>\$ 653,649</u>	<u>\$ (653,649)</u>

Transfers are used to account for financing by the General Fund of programs accounted for in other funds in accordance with budgetary authorizations. Transfers from the General Fund to nonmajor governmental funds were primarily annual contributions related to vehicle and equipment replacements.

**TOWN OF COLCHESTER, CONNECTICUT**

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

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2013 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 process	-	2,271,207	-	2,271,207
Total capital assets, not being depreciated	3,432,379	2,271,207	-	5,703,586
Capital assets, being depreciated:				
Improvements other than buildings	2,043,195	96,998	-	2,140,193
Buildings	89,362,477	-	-	89,362,477
Machinery and equipment	12,205,492	412,058	(31,000)	12,586,550
Infrastructure	36,186,098	202,869	-	36,388,967
Total capital assets being depreciated	139,797,262	711,925	(31,000)	140,478,187
Less accumulated depreciation for:				
Improvements other than buildings	1,308,285	56,484	-	1,364,769
Buildings	29,334,273	1,953,500	-	31,287,773
Machinery and equipment	9,239,352	594,239	(31,000)	9,802,591
Infrastructure	26,696,422	950,374	-	27,646,796
Total accumulated depreciation	66,578,332	3,554,597	(31,000)	70,101,929
Total capital assets, being depreciated, net	73,218,930	(2,842,672)	-	70,376,258
Governmental activities capital assets, net	\$ 76,651,309	\$ (571,465)	\$ -	\$ 76,079,844

# TOWN OF COLCHESTER, CONNECTICUT

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Buildings	\$ 4,979,851	\$ 20,287	\$ -	\$ 5,000,138
Machinery and equipment	342,711	14,429	-	357,140
Improvements other than buildings	21,391	4,200	-	25,591
Infrastructure	3,232,929	-	-	3,232,929
Total capital assets, being depreciated	8,576,882	38,916	-	8,615,798
Less accumulated depreciation for:				
Buildings	1,313,015	117,891	-	1,430,906
Machinery and equipment	113,650	24,888	-	138,538
Improvements other than buildings	17,405	1,206	-	18,611
Infrastructure	1,428,884	52,223	-	1,481,107
Total accumulated depreciation	2,872,954	196,208	-	3,069,162
Total capital assets, being depreciated, net	5,703,928	(157,292)	-	5,546,636
Business-type activities capital assets, net	<u>\$ 5,703,928</u>	<u>\$ (157,292)</u>	<u>\$ -</u>	<u>\$ 5,546,636</u>

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

### Governmental Activities:

General government	\$ 109,801
Public works	1,077,799
Public safety	183,894
Community & human services	266,671
Education	1,916,432

Total depreciation expense – governmental activities	<u>\$ 3,554,597</u>
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### Business-Type Activities:

Water Fund	<u>\$ 196,208</u>
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# TOWN OF COLCHESTER, CONNECTICUT

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

### Note 7. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 15,905,000	\$ -	\$ (1,575,000)	\$ 14,330,000	\$ 1,575,000
Bond premium	480,377	-	(48,038)	432,339	48,038
Deferred gain/loss	(372,243)		37,224	(335,019)	(37,224)
Capital lease obligation	-	3,360,421	(44,887)	3,315,534	252,400
Landfill post-closure monitoring	180,000	-	(15,000)	165,000	15,000
Compensated absences	2,826,274	239,338	-	3,065,612	92,000
OPEB obligation	1,042,813	289,000	-	1,331,813	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 20,062,221</b>	<b>\$ 3,888,759</b>	<b>\$ (1,645,701)</b>	<b>\$ 22,305,279</b>	<b>\$ 1,945,214</b>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
CWF loans	2,067,041	-	(109,020)	1,958,021	111,354
<b>Business-type long-term liabilities</b>	<b>\$ 2,092,041</b>	<b>\$ -</b>	<b>\$ (134,020)</b>	<b>\$ 1,958,021</b>	<b>\$ 111,354</b>

All bonds are general obligations of the Town and are secured by the taxing authority powers of the Town. General obligation bonds outstanding as of June 30, 2013 consisted of the following:

	Outstanding Amount
<b>General obligation bonds payable:</b>	
\$10,800,000 bond, issue of 2005 due 2015, annual principal payments range from \$540,000 to \$645,000 plus interest due semi-annually at 3.25% to 4.5%	\$ 1,085,000
\$8,400,000 refunding bond, issue of 2012 due 2025, annual principal payments range from \$320,000 to \$850,000 plus interest due semi-annually at 2.0% to 4.0%	8,080,000
\$6,595,000 bond, issue of 2010 due 2021, annual principal payments range from \$390,000 to \$720,000 plus interest due semi-annually at 2.25% to 5.0%	5,165,000
<b>Total general obligation bonds payable</b>	<b>\$ 14,330,000</b>

**TOWN OF COLCHESTER, CONNECTICUT****NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2013**

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The following is a summary as of June 30, 2013, of the future principal and interest requirements for the Town's general obligation bonds:

	Principal	Interest	Total
2014	\$ 1,575,000	\$ 467,015	\$ 2,042,015
2015	1,550,000	422,865	1,972,865
2016	1,530,000	371,465	1,901,465
2017	1,515,000	327,265	1,842,265
2018	1,525,000	266,665	1,791,665
2019	1,495,000	215,415	1,710,415
2020	1,490,000	157,165	1,647,165
2021	1,200,000	99,065	1,299,065
2022	800,000	61,115	861,115
2023	560,000	37,115	597,115
2024	550,000	24,795	574,795
2025	540,000	12,420	552,420
Total	<u>\$ 14,330,000</u>	<u>\$ 2,462,365</u>	<u>\$ 16,792,365</u>

**Capital Leases**

The Town owns various vehicles and equipment with an approximate carrying value of \$2,453,000 which were acquired under capital lease arrangements. The Town is required under these agreements to make the following annual lease payments:

2014	\$ 289,778
2015	293,777
2016	297,777
2017	350,177
2018	308,628
Thereafter	<u>2,160,395</u>
Total payments	3,700,532
Less interest	<u>(384,998)</u>
Present value of minimum payments	<u>\$ 3,315,534</u>

## TOWN OF COLCHESTER, CONNECTICUT

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

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The Town received Clean Water Fund Project loans that are recorded as a loan payable in the Water Fund. The balance at June 30, 2013 is \$1,958,201. These loans accrue interest at 2%. The following is a summary as of June 30, 2013, of the future principal and interest payments on these loans:

	Principal	Interest	Total
2014	\$ 111,354	\$ 40,432	\$ 151,786
2015	113,738	38,048	151,786
2016	116,173	35,614	151,787
2017	118,660	33,127	151,787
2018	121,200	30,586	151,786
2019	123,795	27,992	151,787
2020	126,445	25,342	151,787
2021	129,151	22,635	151,786
2022	131,916	19,870	151,786
2023	134,740	17,046	151,786
2024	137,625	14,162	151,787
2025	140,571	11,216	151,787
2026	143,580	8,206	151,786
2027	146,654	5,133	151,787
2028	149,793	1,993	151,786
2029	12,626	22	12,648
Total	<u>\$ 1,958,021</u>	<u>\$ 331,424</u>	<u>\$ 2,289,445</u>

#### Prior year's debt defeasance

In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements. At June 30, 2013, the Town's portion of defeased bonds outstanding, but removed from the Town's government-wide financial statements was approximately \$8,100,000.

# TOWN OF COLCHESTER, CONNECTICUT

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

### Debt limitation

The Town's statement of debt limitation under Connecticut General Statutes, Section 7-434(b) as of June 30, 2013, is as follows:

Total tax collections (including interest and lien fees) for the year ended June 30, 2013	\$ 34,355,514
Reimbursement for revenue loss:	
Tax relief for elderly	50,265
Base	<u>\$ 34,405,779</u>

The Connecticut General Statutes provides that total authorized debt of the Town shall not exceed seven times the above base cash receipts of \$34,405,779 or \$240,840,452 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	\$ 77,413,002	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	154,826,005	-	-	-
3-3/4 times base	-	-	129,021,670	-	-
3-1/4 times base	-	-	-	111,818,781	-
3 times base	-	-	-	-	103,217,336
Total debt limitation	77,413,002	154,826,005	129,021,670	111,818,781	103,217,336
Debt as defined by statute:					
Bonds payable <sup>(1)</sup>	2,800,200	11,529,800	-	-	-
Authorized and unissued	140,000	63,741	-	-	-
Total indebtedness	2,940,200	11,593,541	-	-	-
Debt limitation in excess of outstanding and authorized debt	<u>\$ 74,472,802</u>	<u>\$ 143,232,464</u>	<u>\$ 129,021,670</u>	<u>\$ 111,818,781</u>	<u>\$ 103,217,336</u>

<sup>(1)</sup> Water bonds and Clean Water Fund interim financing totaling \$1,958,021 are excluded from this calculation pursuant to Connecticut General Statutes.

### Bonds Authorized But Unissued

Total authorized but unissued debt at June 30, 2013 consists of the following:

General purpose	\$ 140,000
Schools	63,741
	<u>\$ 203,741</u>

## TOWN OF COLCHESTER, CONNECTICUT

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

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#### Note 8. Contingencies

##### 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.

#### 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, 2012, PERS membership consisted of:

Retirees and beneficiaries receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	
Vested	3
Nonvested	7
	<hr/>
Total	10
	<hr/>

##### 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. However, the valuation does reflect a change in employee contribution ratings from 8% to 12.5% of pay.



# TOWN OF COLCHESTER, CONNECTICUT

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

### b. Funding Policy

Employees are required to contribute 12.5% of their weekly pay and the employer picks up mandatory contributions of 12.5% 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	\$ 82,202
Interest on net pension obligation	(3,512)
Adjustment to annual required contribution	4,490
Annual pension cost	83,180
Contributions made	88,321
Increase in net pension asset	(5,141)
Net pension asset, July 1, 2012	(46,829)
Net pension asset, June 30, 2013	<u>\$ (51,970)</u>

### Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
06/30/11	\$93,624	92.3%	\$(20,234)
06/30/12	74,439	135.7%	(46,829)
06/30/13	83,180	106.2%	(51,970)

### 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, 2012	\$ 702,577	\$ 1,028,244	\$ 325,667	68.3%	\$ 633,878	51.4%

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, 2013

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Actuarial assumptions are as follows:

Valuation Date:	July 1, 2012
Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Level Dollar
Remaining Amortization Period	17 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 \$3,890,000 for the year ended June 30, 2013.

## TOWN OF COLCHESTER, CONNECTICUT

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

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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 July 1, 2011.

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 July 1, 2011, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	28
Active plan members	409
Total	<u>437</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, 2013	\$ 431,000	\$ 142,000	32.9%	\$ 1,331,813
June 30, 2012	470,219	204,000	43.4%	1,042,813
June 30, 2011	442,121	178,000	40.3%	776,594

# TOWN OF COLCHESTER, CONNECTICUT

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

### OPEB Obligation

Annual required contribution	\$ 431,000
Interest on net pension obligation	41,713
Adjustment of ARC	(41,713)
Annual OPEB cost	431,000
Contributions made	142,000
Increase in net OPEB liability	289,000
Net OPEB obligation, beginning of year	1,042,813
Net OPEB obligation, end of year	<u>\$ 1,331,813</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)
July 1, 2011	\$ -	\$ 4,209,000	\$ (4,209,000)	0.0%	N/A	N/A

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.

Actuarial assumptions are as follows:

Valuation Date:	July 1, 2011
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%

## TOWN OF COLCHESTER, CONNECTICUT

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

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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 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 \$6,306,000 for the year ended June 30, 2013.

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,
2012-2013	\$ 516,634	\$ 6,302,611	\$ 6,305,628	\$ 513,617
2011-2012	\$ 381,211	\$ 6,017,277	\$ 5,881,854	\$ 516,634

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.

# TOWN OF COLCHESTER, CONNECTICUT

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

### 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 \$165,000 (\$15,000 per year for 11 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.

### Note 13. Fund Balance

The details for the Town's fund balance are the following:

	General Fund	Bonded Projects Fund	Sewer Capital Fund	Energy Fund	Nonmajor Governmental Funds
Fund balances:					
Non-spendable:					
Inventory	\$ 28,351	\$ -	\$ -	\$ -	\$ 7,414
Restricted:					
General government	-	-	-	-	87,987
Education	-	-	-	-	202,564
Community & human services	-	-	-	-	223,302
Public safety	-	-	-	-	72,294
Capital outlay	-	-	-	-	394,458
	-	-	-	-	980,605
Committed:					
General government	34,500	-	-	-	-
Debt service	-	-	-	-	52,314
Capital outlay	-	546,757	1,301,206	829,002	868,727
Education	-	-	-	-	84,068
Public safety	-	-	-	-	12,518
Public works	10,436	-	-	-	497,223
	44,936	546,757	1,301,206	829,002	1,514,850
Assigned:					
General government	1,450	-	-	-	-
Public safety	9,722	-	-	-	-
Public works	368,011	-	-	-	-
Community & human services	1,068	-	-	-	-
Education	318,519	-	-	-	-
	698,770	-	-	-	-
Unassigned	4,758,733	-	-	-	(3,810)
<b>Total fund balance</b>	<b>\$ 5,530,790</b>	<b>\$ 546,757</b>	<b>\$ 1,301,206</b>	<b>\$ 829,002</b>	<b>\$ 2,499,059</b>

## TOWN OF COLCHESTER, CONNECTICUT

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

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#### Fund Deficits

The following funds had fund deficits as of June 30, 2013:

Adult Education	\$	3,810
Medical Self-Insurance	\$	154,372

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

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

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 No. 65, *Items Previously Reported as Assets and Liabilities*, was issued March 2012.** This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.
- **GASB Statement No. 66, *Technical Corrections—2012*, was issued in March 2012.** *The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.
- **GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*, was issued in June 2012.** The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.

## TOWN OF COLCHESTER, CONNECTICUT

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

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- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27***, was issued in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014.
- **GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, was issued in January 2013. This Statement provides guidance for:
  - Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations.
  - Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations.
  - Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based on their acquisition values in a government acquisition.
  - Reporting the disposal of government operations that have been transferred or sold.

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

- **GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees***. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013.
- **GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date, an amendment of GASB Statement No. 68***. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The provisions of this Statement are effective for reporting periods beginning after June 15, 2014.



**Required Supplementary  
Information**



**TOWN OF COLCHESTER, CONNECTICUT**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**June 30, 2013**

***unaudited***

***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)
07/01/07	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%
07/01/11	559,948	705,953	146,005	79.3%	571,675	25.5%
07/01/12	702,577	1,028,244	325,667	68.3%	633,878	51.4%

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

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2008	44,587	108%
2009	45,732	142%
2010	77,704	104%
2011	93,178	93%
2012	74,068	136%
2013	82,202	107%

**TOWN OF COLCHESTER, CONNECTICUT**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**June 30, 2013**

***unaudited***

***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)
July 1, 2009	\$ -	\$ 4,306,000	\$ (4,306,000)	\$ -	N/A	N/A
July 1, 2011	-	4,209,000	(4,209,000)	-	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%
2012	468,000	43.5%
2013	431,000	32.9%

TOWN OF COLCHESTER, CONNECTICUT

STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended June 30, 2013  
*unaudited*

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>REVENUES</b>				
Property taxes, interest and lien fees	\$ 34,212,483	\$ 34,212,483	\$ 34,364,251	\$ 151,768
Intergovernmental revenues	14,889,100	14,889,100	14,843,001	(46,099)
Revenues from the use of money	50,000	50,000	47,491	(2,509)
Charges for services	487,000	487,000	506,988	19,988
Licenses, permits and fees	583,829	583,829	683,481	99,652
Other revenues	59,114	59,114	104,958	45,844
<b>Total revenues</b>	<b>50,281,526</b>	<b>50,281,526</b>	<b>50,550,170</b>	<b>268,644</b>
<b>EXPENDITURES</b>				
General government	3,266,599	3,256,349	3,197,836	58,513
Public works	3,271,201	3,280,947	3,217,697	63,250
Public safety	2,211,618	2,278,761	2,214,604	64,157
Community and human services	1,385,631	1,346,908	1,286,695	60,213
Education	37,524,160	37,524,160	37,482,580	41,580
Debt service	2,095,890	2,095,890	2,095,890	-
<b>Total expenditures</b>	<b>49,755,099</b>	<b>49,783,015</b>	<b>49,495,302</b>	<b>287,713</b>
<b>Revenues over (under) expenditures</b>	<b>526,427</b>	<b>498,511</b>	<b>1,054,868</b>	<b>556,357</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(526,427)	(625,363)	(625,363)	-
<b>Total other financing (uses)</b>	<b>(526,427)</b>	<b>(625,363)</b>	<b>(625,363)</b>	<b>-</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (126,852)</b>	<b>\$ 429,505</b>	<b>\$ 556,357</b>

See Note to the Required Supplementary Information.

## TOWN OF COLCHESTER, CONNECTICUT

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

*unaudited*

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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	\$ 50,550,170
Prior year encumbrances cancelled	(199)
Excess cost revenue net against expenditures	614,461
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	<u>3,890,000</u>
Revenues and transfers, GAAP basis	<u><u>\$ 55,054,432</u></u>

## TOWN OF COLCHESTER, CONNECTICUT

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION, Continued

June 30, 2013

*unaudited*

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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	\$ 50,120,665
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	3,890,000
Excess cost revenue net against expenditures	614,461
Encumbrances:	
June 30, 2012	119,675
June 30, 2013	<u>(657,190)</u>
Expenditures and transfers, GAAP basis	<u><u>\$ 54,087,611</u></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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**Combining and Individual  
Fund Financial Statements and Other Schedules**



**General Fund**



**TOWN OF COLCHESTER, CONNECTICUT**

**GENERAL FUND  
BALANCE SHEET**

**June 30, 2013 With Comparative Amounts For 2012**

	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 5,992,880	\$ 4,702,009
Property taxes and interest receivable, net	1,155,988	1,151,477
Other receivables	16,804	6,359
Inventory	28,351	20,945
School construction grant receivable and other grants	117,828	575,579
<b>Total assets</b>	<b>\$ 7,311,851</b>	<b>\$ 6,456,369</b>
<b>Liabilities</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 744,338	\$ 870,084
Deferred revenue	1,036,723	1,022,316
<b>Total liabilities</b>	<b>1,781,061</b>	<b>1,892,400</b>
<b>Fund Balance</b>		
Nonspendable inventory	28,351	20,945
Committed	44,936	32,000
Assigned	698,770	176,476
Unassigned	4,758,733	4,334,548
<b>Total fund balance</b>	<b>5,530,790</b>	<b>4,563,969</b>
<b>Total liabilities and fund balance</b>	<b>\$ 7,311,851</b>	<b>\$ 6,456,369</b>

**TOWN OF COLCHESTER, CONNECTICUT**

**GENERAL FUND REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES AND USES -  
BUDGETARY BASIS - BUDGET AND ACTUAL  
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>PROPERTY TAXES</b>				
Current year levy	\$ 33,587,483	\$ 33,587,483	\$ 33,626,453	\$ 38,970
Prior years levy	400,000	400,000	444,355	44,355
Interest and lien fees	225,000	225,000	293,443	68,443
<b>Total property taxes</b>	<b>34,212,483</b>	<b>34,212,483</b>	<b>34,364,251</b>	<b>151,768</b>
<b>INTERGOVERNMENTAL</b>				
State of Connecticut:				
In lieu of taxes	50,449	50,449	49,876	(573)
Elderly freeze	-	-	2,000	2,000
Elderly circuit breaker	55,702	55,702	50,265	(5,437)
Disability exemption	1,721	1,721	1,969	248
Additional veteran exemption	5,511	5,511	6,386	875
Property Tax Relief	179,000	179,000	110,088	(68,912)
Manufacturing Transition Grant	-	-	30,957	30,957
Emergency Management	-	-	1,200	1,200
Local Capital Improvement Program	119,496	119,496	-	(119,496)
Mashantucket Pequot/Mohegan Grant	70,147	70,147	72,749	2,602
Distribution to towns	12,000	12,000	10,845	(1,155)
Youth Services Grant	18,750	18,750	18,750	-
Library Grant	5,239	5,239	5,375	136
<b>Total State of Connecticut</b>	<b>518,015</b>	<b>518,015</b>	<b>360,460</b>	<b>(157,555)</b>
Education:				
Special Education	450,000	450,000	519,762	69,762
Education cost sharing	13,723,859	13,723,859	13,759,751	35,892
School transportation	197,226	197,226	203,028	5,802
<b>Total education</b>	<b>14,371,085</b>	<b>14,371,085</b>	<b>14,482,541</b>	<b>111,456</b>
<b>Total intergovernmental</b>	<b>14,889,100</b>	<b>14,889,100</b>	<b>14,843,001</b>	<b>(46,099)</b>
<b>REVENUES FROM USE OF MONEY</b>				
Investment income	50,000	50,000	47,491	(2,509)
<b>CHARGES FOR SERVICES</b>				
Ambulance	475,000	475,000	490,728	15,728
Recreation	12,000	12,000	16,260	4,260
<b>Total charges for services</b>	<b>487,000</b>	<b>487,000</b>	<b>506,988</b>	<b>19,988</b>

(Continued)

**TOWN OF COLCHESTER, CONNECTICUT**

**GENERAL FUND REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES AND USES -  
BUDGETARY BASIS - BUDGET AND ACTUAL, Continued  
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>LICENSES, PERMITS AND FEES</b>				
Fire Marshal inspection fees	100	100	480	380
Sports licenses	300	300	605	305
Transfer station fees	155,000	155,000	123,376	(31,624)
Conservation Commission fees	5,500	5,500	3,207	(2,293)
Road inspection fees	24,279	24,279	4,189	(20,090)
Building code fees	160,000	160,000	264,201	104,201
Conveyance tax	100,000	100,000	116,290	16,290
Zoning and planning fees	12,000	12,000	11,100	(900)
Zoning appeal fees	1,000	1,000	700	(300)
Copier fees - Tax Collector	300	300	357	57
Copier fees - Assessor	1,400	1,400	1,003	(397)
Copier fees - Town Clerk	12,400	12,400	16,674	4,274
Copier fees - Planning & Code Administration	200	200	290	90
Town Clerk fees	85,900	85,900	108,576	22,676
Vendor permits	250	250	340	90
Pistol permits	4,500	4,500	12,320	7,820
Library fines and fees	14,500	14,500	12,957	(1,543)
Dial-A-Ride	4,000	4,000	3,553	(447)
Recording Fees	2,200	2,200	3,263	1,063
<b>Total licenses, permits and fees</b>	<b>583,829</b>	<b>583,829</b>	<b>683,481</b>	<b>99,652</b>
<b>OTHER REVENUES</b>				
Tuition - regular	-	-	8,890	8,890
Telecommunications tax	-	-	40,888	40,888
State Fund for building inspection	1,200	1,200	1,679	479
Elderly housing	14,500	14,500	11,848	(2,652)
Miscellaneous	12,000	12,000	9,854	(2,146)
Insurance reimbursement	-	-	385	385
Cirma Member Equity Distribution	31,414	31,414	31,414	-
<b>Total other revenues</b>	<b>59,114</b>	<b>59,114</b>	<b>104,958</b>	<b>45,844</b>
<b>Total revenues</b>	<b>\$ 50,281,526</b>	<b>\$ 50,281,526</b>	<b>\$ 50,550,170</b>	<b>\$ 268,644</b>

(Continued)

**TOWN OF COLCHESTER, CONNECTICUT**

**GENERAL FUND REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES AND USES -  
BUDGETARY BASIS - BUDGET AND ACTUAL, Continued  
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>GENERAL GOVERNMENT</b>				
Boards and Commissions	\$ 24,979	\$ 24,979	\$ 23,240	\$ 1,739
Contingency	40,000	-	-	-
First Selectman	213,977	273,207	271,362	1,845
Human Resources	82,541	64,140	61,506	2,634
Finance	272,022	283,812	281,833	1,979
Tax Collector	161,602	160,744	154,498	6,246
Assessor	247,862	247,322	238,980	8,342
Planning and Code Administration	508,429	506,221	502,901	3,320
Town Clerk	193,606	192,556	179,393	13,163
Elections	63,529	63,349	54,153	9,196
Insurances	1,350,978	1,332,945	1,332,749	196
Probate	4,836	4,836	4,836	-
Information Technology	102,238	102,238	92,385	9,853
<b>Total general government</b>	<b>3,266,599</b>	<b>3,256,349</b>	<b>3,197,836</b>	<b>58,513</b>
<b>PUBLIC WORKS</b>				
Public Works Administration	164,690	201,445	199,516	1,929
Highway	1,347,969	1,253,187	1,225,217	27,970
Fleet maintenance	366,718	366,562	364,000	2,562
Grounds maintenance	425,162	420,650	398,925	21,725
Snow removal	419,396	469,256	469,223	33
Transfer Station	252,841	267,812	260,991	6,821
Facilities	192,106	199,716	198,499	1,217
Engineering	102,319	102,319	101,326	993
<b>Total public works</b>	<b>3,271,201</b>	<b>3,280,947</b>	<b>3,217,697</b>	<b>63,250</b>
<b>PUBLIC SAFETY</b>				
Police	1,109,031	1,142,174	1,136,387	5,787
Fire	1,089,960	1,123,960	1,067,414	56,546
Emergency Management	12,627	12,627	10,803	1,824
<b>Total public safety</b>	<b>2,211,618</b>	<b>2,278,761</b>	<b>2,214,604</b>	<b>64,157</b>

(Continued)



TOWN OF COLCHESTER, CONNECTICUT

GENERAL FUND REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES AND USES -  
BUDGETARY BASIS - BUDGET AND ACTUAL, Continued  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>COMMUNITY &amp; HUMAN SERVICES</b>				
Cragin Memorial Library	545,053	545,053	520,738	24,315
Parks and recreation	138,539	121,642	108,595	13,047
Senior Services	255,734	235,456	230,165	5,291
Youth & Social services	313,546	311,998	294,438	17,560
Health services	132,759	132,759	132,759	-
<b>Total community &amp; human services</b>	<b>1,385,631</b>	<b>1,346,908</b>	<b>1,286,695</b>	<b>60,213</b>
<b>EDUCATION</b>				
	37,524,160	37,524,160	37,482,580	41,580
<b>DEBT SERVICE</b>				
Principal	1,575,000	1,575,000	1,575,000	-
Interest	520,890	520,890	520,890	-
<b>Total debt service</b>	<b>2,095,890</b>	<b>2,095,890</b>	<b>2,095,890</b>	<b>-</b>
<b>Total expenditures</b>	<b>49,755,099</b>	<b>49,783,015</b>	<b>49,495,302</b>	<b>287,713</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(526,427)	(625,363)	(625,363)	-
<b>Total other financing uses</b>	<b>(526,427)</b>	<b>(625,363)</b>	<b>(625,363)</b>	<b>-</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (126,852)</b>	<b>\$ 429,505</b>	<b>\$ 556,357</b>

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## **Nonmajor Governmental Funds**



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TOWN OF COLCHESTER, CONNECTICUT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2013

	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	\$ 65,052	\$ 476,406	\$ 71,470	\$ 436,286	\$ 1,032	\$ 151,667
Assessments and user charges receivable	-	-	-	261,877	-	-
Other receivables	-	-	25,000	-	19,856	-
Intergovernmental receivable	-	-	-	-	-	42,830
Inventory	-	-	-	-	-	7,414
<b>Total assets</b>	<b>\$ 65,052</b>	<b>\$ 476,406</b>	<b>\$ 96,470</b>	<b>\$ 698,163</b>	<b>\$ 20,888</b>	<b>\$ 201,911</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 2,392	\$ 81,948	\$ -	\$ 3,908	\$ 9,499	\$ 78,538
Deferred revenue	-	-	25,000	229,113	-	-
Unearned revenue	-	-	71,358	-	-	-
<b>Total liabilities</b>	<b>2,392</b>	<b>81,948</b>	<b>96,358</b>	<b>233,021</b>	<b>9,499</b>	<b>78,538</b>
<b>FUND BALANCES (DEFICITS)</b>						
Nonspendable	-	-	-	-	-	7,414
Restricted	62,660	394,458	112	-	11,389	115,959
Committed	-	-	-	465,142	-	-
Unassigned	-	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>62,660</b>	<b>394,458</b>	<b>112</b>	<b>465,142</b>	<b>11,389</b>	<b>123,373</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 65,052</b>	<b>\$ 476,406</b>	<b>\$ 96,470</b>	<b>\$ 698,163</b>	<b>\$ 20,888</b>	<b>\$ 201,911</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
\$ -	\$ -	\$ -	\$ 301,040	\$ 32,081	\$ 594	\$ 12,651	\$ 7,613
-	-	-	-	2,962	-	-	5,250
53,123	-	-	-	-	180	-	-
157,608	120,287	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 210,731</u>	<u>\$ 120,287</u>	<u>\$ -</u>	<u>\$ 301,040</u>	<u>\$ 35,043</u>	<u>\$ 774</u>	<u>\$ 12,651</u>	<u>\$ 12,863</u>
\$ 124,126	\$ 109,806	\$ 3,810	\$ 2,099	\$ -	\$ 774	\$ 595	\$ 345
-	-	-	-	2,962	-	-	-
-	-	-	-	-	-	-	-
<u>124,126</u>	<u>109,806</u>	<u>3,810</u>	<u>2,099</u>	<u>2,962</u>	<u>774</u>	<u>595</u>	<u>345</u>
-	-	-	-	-	-	-	-
86,605	10,481	-	298,941	-	-	-	-
-	-	-	-	32,081	-	12,056	12,518
-	-	(3,810)	-	-	-	-	-
<u>86,605</u>	<u>10,481</u>	<u>(3,810)</u>	<u>298,941</u>	<u>32,081</u>	<u>-</u>	<u>12,056</u>	<u>12,518</u>
<u>\$ 210,731</u>	<u>\$ 120,287</u>	<u>\$ -</u>	<u>\$ 301,040</u>	<u>\$ 35,043</u>	<u>\$ 774</u>	<u>\$ 12,651</u>	<u>\$ 12,863</u>

(Continued)

## TOWN OF COLCHESTER, CONNECTICUT

COMBINING BALANCE SHEET, Continued  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2013

	Capital Projects						
	Johnston Building Project	2009 Bond Referendum	Capital Reserve Fund	Use of Schools	BOE Capital Reserve Fund	Debt Service	Totals
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ 56,057	\$ 718,403	\$ 72,387	\$ 110,167	\$ 52,314	\$ 2,565,220
Assessments and user charges receivable	-	-	-	-	-	-	270,089
Other receivables	-	-	-	-	-	-	98,159
Intergovernmental receivable	-	-	-	-	-	-	320,725
Inventory	-	-	-	-	-	-	7,414
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 56,057</u>	<u>\$ 718,403</u>	<u>\$ 72,387</u>	<u>\$ 110,167</u>	<u>\$ 52,314</u>	<u>\$ 3,261,607</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ 15,900	\$ 375	\$ -	\$ -	\$ 434,115
Deferred revenue	-	-	-	-	-	-	257,075
Unearned revenue	-	-	-	-	-	-	71,358
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>15,900</u>	<u>375</u>	<u>-</u>	<u>-</u>	<u>762,548</u>
<b>FUND BALANCES (DEFICITS)</b>							
Nonspendable	-	-	-	-	-	-	7,414
Restricted	-	-	-	-	-	-	980,605
Committed	-	56,057	702,503	72,012	110,167	52,314	1,514,850
Unassigned	-	-	-	-	-	-	(3,810)
<b>Total fund balances (deficits)</b>	<u>-</u>	<u>56,057</u>	<u>702,503</u>	<u>72,012</u>	<u>110,167</u>	<u>52,314</u>	<u>2,499,059</u>
<b>Total liabilities and fund balances (deficits)</b>	<u>\$ -</u>	<u>\$ 56,057</u>	<u>\$ 718,403</u>	<u>\$ 72,387</u>	<u>\$ 110,167</u>	<u>\$ 52,314</u>	<u>\$ 3,261,607</u>



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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, 2013

	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	\$ -	\$ 173,921	\$ -	\$ -	\$ -	\$ 283,740
Food sales, charges for services	-	-	-	-	-	479,308
Fines and fees	19,240	-	-	-	-	-
Interest income	-	-	33	1,281	-	77
Sewer assessments, use and charges for services	-	-	-	865,650	322,667	-
Other local revenue	-	-	-	2,470	5,252	-
<b>Total revenues</b>	<b>19,240</b>	<b>173,921</b>	<b>33</b>	<b>869,401</b>	<b>327,919</b>	<b>763,125</b>
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Public works	-	-	-	780,840	-	-
Education	-	-	-	-	-	820,549
Public safety	57,625	-	-	-	-	-
Community & human services	-	-	-	-	329,565	-
Capital outlay	-	139,798	-	21,156	-	-
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<b>57,625</b>	<b>139,798</b>	<b>-</b>	<b>801,996</b>	<b>329,565</b>	<b>820,549</b>
<b>Revenues over (under) expenditures</b>	<b>(38,385)</b>	<b>34,123</b>	<b>33</b>	<b>67,405</b>	<b>(1,646)</b>	<b>(57,424)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	53,199	-	-	-	42,451	-
Transfers out	-	-	-	(20,000)	-	-
Issuance of capital lease	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>53,199</b>	<b>-</b>	<b>-</b>	<b>(20,000)</b>	<b>42,451</b>	<b>-</b>
<b>Net change in fund balances (deficits)</b>	<b>14,814</b>	<b>34,123</b>	<b>33</b>	<b>47,405</b>	<b>40,805</b>	<b>(57,424)</b>
<b>FUND BALANCES (DEFICITS), beginning</b>	<b>47,846</b>	<b>360,335</b>	<b>79</b>	<b>417,737</b>	<b>(29,416)</b>	<b>180,797</b>
<b>FUND BALANCES (DEFICITS), ending</b>	<b>\$ 62,660</b>	<b>\$ 394,458</b>	<b>\$ 112</b>	<b>\$ 465,142</b>	<b>\$ 11,389</b>	<b>\$ 123,373</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
\$ 1,036,029	\$ 627,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	107	-	-	-
-	-	-	-	-	109,680	16,850	109,290
136,600	2,711	-	114,700	-	-	-	-
1,172,629	629,957	-	114,700	107	109,680	16,850	109,290
-	33,721	-	4,552	-	-	-	-
-	439,989	-	-	10	-	-	-
1,135,018	-	-	1,356	-	109,680	19,075	-
-	56,362	-	-	-	-	-	100,767
-	52,134	-	87,998	-	-	-	-
-	54,165	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,135,018	636,371	-	93,906	10	109,680	19,075	100,767
37,611	(6,414)	-	20,794	97	-	(2,225)	8,523
-	-	-	-	-	-	-	-
-	(5,835)	-	(2,451)	-	-	-	-
-	-	-	-	-	-	-	-
-	(5,835)	-	(2,451)	-	-	-	-
37,611	(12,249)	-	18,343	97	-	(2,225)	8,523
48,994	22,730	(3,810)	280,598	31,984	-	14,281	3,995
\$ 86,605	\$ 10,481	\$ (3,810)	\$ 298,941	\$ 32,081	\$ -	\$ 12,056	\$ 12,518

(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, 2013

	Capital Projects						
	Johnston Building Project	2009 Bond Referendum	Capital Reserve Fund	Use of Schools	BOE Capital Reserve Fund	Debt Service	Totals
<b>REVENUES</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,120,936
Food sales, charges for services	-	-	-	-	-	-	479,308
Fines and fees	-	-	-	-	-	-	19,240
Interest income	-	-	-	-	-	-	1,498
Sewer assessments, use and charges for services	-	-	-	69,525	-	-	1,493,662
Other local revenue	-	-	19,491	-	-	-	281,224
<b>Total revenues</b>	-	-	19,491	69,525	-	-	4,395,868
<b>EXPENDITURES</b>							
General government	-	-	-	-	-	-	38,273
Public works	-	-	-	-	-	-	1,220,839
Education	-	-	-	38,710	-	-	2,124,388
Public safety	-	-	-	-	-	-	214,754
Community & human services	-	-	-	-	-	-	469,697
Capital outlay	12,655	-	38,408	-	38,519	-	304,701
Debt service	-	-	-	-	-	49,777	49,777
<b>Total expenditures</b>	12,655	-	38,408	38,710	38,519	49,777	4,422,429
<b>Revenues over (under) expenditures</b>	(12,655)	-	(18,917)	30,815	(38,519)	(49,777)	(26,561)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	6,250	-	236,869	-	56,602	49,778	445,149
Transfers out	-	-	-	-	-	-	(28,286)
Issuance of capital lease	-	-	234,012	-	-	-	234,012
<b>Total other financing sources (uses)</b>	6,250	-	470,881	-	56,602	49,778	650,875
<b>Net change in fund balances (deficits)</b>	(6,405)	-	451,964	30,815	18,083	1	624,314
<b>FUND BALANCES (DEFICITS), beginning</b>	6,405	56,057	250,539	41,197	92,084	52,313	1,874,745
<b>FUND BALANCES (DEFICITS), ending</b>	\$ -	\$ 56,057	\$ 702,503	\$ 72,012	\$ 110,167	\$ 52,314	\$ 2,499,059

## **Capital Assets Schedules**



**TOWN OF COLCHESTER, CONNECTICUT**

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

**June 30, 2013**

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Governmental funds capital assets:

Land	\$ 3,432,379
Construction in process	2,271,207
Buildings	89,362,477
Improvements other than buildings	2,140,193
Machinery and equipment	12,586,550
Infrastructure	36,388,967
<b>Total governmental funds capital assets</b>	<b><u>\$ 146,181,773</u></b>

TOWN OF COLCHESTER, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY

June 30, 2013

	Land	Buildings	Improvements Other Than Buildings	Infrastructure	Machinery and Equipment	Construction in Process	Total
General government	\$ 3,432,379	\$ 2,487,509	\$ 1,381,527	\$ -	\$ 458,865	\$ -	\$ 7,760,280
Public safety	-	943,898	-	24,342	4,333,013	-	5,301,253
Public works	-	397,929	18,683	35,970,179	2,826,237	-	39,213,028
Community & human services	-	7,615,628	5,385	268,779	1,063,314	-	8,953,106
Education	-	77,917,513	734,598	125,667	3,905,121	-	82,682,899
Construction in process	-	-	-	-	-	2,271,207	2,271,207
<b>Total</b>	<b>\$ 3,432,379</b>	<b>\$ 89,362,477</b>	<b>\$ 2,140,193</b>	<b>\$ 36,388,967</b>	<b>\$ 12,586,550</b>	<b>\$ 2,271,207</b>	<b>\$ 146,181,773</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, 2013

Grand List Year	Balance Uncollected July 1, 2012	Current Levy	Lawful Corrections		Written-off Uncollectible	Transfer to Suspense	Balance To Be Collected
			Additions	Deletions			
1995	\$ 2,577	\$ -	\$ -	\$ -	\$ (2,577)	\$ -	\$ -
1996	5,500	-	-	-	-	-	5,500
1997	10,001	-	-	-	-	-	10,001
1998	15,135	-	354	-	-	-	15,489
1999	27,989	-	-	-	-	-	27,989
2000	25,959	-	208	-	-	-	26,167
2001	33,709	-	49	-	-	-	33,758
2002	68,305	-	-	-	-	-	68,305
2003	73,588	-	-	-	-	-	73,588
2004	78,035	-	1	-	-	-	78,036
2005	105,697	-	1	(228)	-	-	105,470
2006	79,154	-	1	(12,496)	-	-	66,659
2007	89,302	-	1	(262)	-	-	89,041
2008	81,305	-	6,344	(622)	-	-	87,027
2009	160,505	-	2,229	(31,485)	-	-	131,249
2010	525,089	-	3,968	(15,530)	-	-	513,527
2011	-	34,233,819	66,353	(142,807)	-	-	34,157,365
	<u>\$ 1,381,850</u>	<u>\$ 34,233,819</u>	<u>\$ 79,509</u>	<u>\$ (203,430)</u>	<u>\$ (2,577)</u>	<u>\$ -</u>	<u>\$ 35,489,171</u>

Collections					Balance Uncollected June 30, 2013
Taxes	Interest	Fees	Total		
\$ -	\$ -	\$ -	\$ -	\$ -	-
124	577	-	701		5,376
-	-	-	-		10,001
-	-	-	-		15,489
300	652	-	952		27,689
463	627	-	1,090		25,704
4,900	6,407	24	11,331		28,858
5,527	7,997	72	13,596		62,778
5,327	5,288	24	10,639		68,261
4,343	4,423	48	8,814		73,693
2,005	4,926	6	6,937		103,465
(10,131)	1,320	48	(8,763)		76,790
2,381	2,578	24	4,983		86,660
6,391	3,666	96	10,153		80,636
60,611	28,751	2,046	91,408		70,638
371,826	77,880	3,430	453,136		141,701
33,608,023	141,526	988	33,750,537		549,342
\$ 34,062,090	\$ 286,618	\$ 6,806	\$ 34,355,514	\$	1,427,081

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