

# **Town of Colchester, Connecticut**

Financial Report  
June 30, 2017



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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 year ended June 30, 2017, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**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, 2017, 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, the schedules of funding progress and employer contributions-OPEB, the pension related schedules and the budgetary comparison information 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, the combining and individual fund financial statements and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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, 2016 (not presented herein), and have issued our report thereon dated January 11, 2017, which contained unmodified 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 June 30, 2016 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 2016 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2016 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 accompanying 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, 2016.



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*RSM US LLP*

New Haven, Connecticut  
December 29, 2017

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**Town of Colchester, Connecticut**  
**Management's Discussion and Analysis - Unaudited**  
**June 30, 2017**

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, 2017. Please read it in conjunction with the Town's financial statements, which immediately follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$76,927,593 (net position). Total net position of Governmental Activities at fiscal year-end was \$71,871,157 and total net position for Business-Type Activities was \$5,056,436. Of the Town's total net position at June 30, 2017, \$8,886,339 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$4,195,489.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$7,172,800, an increase of \$501,744 from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2017, \$6,422,633 represents unassigned fund balance of the General Fund. Unassigned General Fund fund balance represents 11.84% of total General Fund budgetary expenditures and transfers out (\$54,245,260). The Town of Colchester's governmental funds reported combined ending fund balances of \$10,017,031, a decrease of \$2,438,805 from the prior fiscal year.
- The Town of Colchester's total bonded debt had a decrease of \$1,515,000 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.

		<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 deferred outflows and liabilities and deferred inflows, 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 deferred outflows and liabilities and deferred inflows, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 deferred inflows of resources and liabilities and deferred outflows of resources.

- 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, changes 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 deferred outflows of resources and liabilities and deferred inflows of resources 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 15-16 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 position 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$76,927,593 at the close of the recent fiscal year.

Net position of the Town's Governmental Activities increased approximately 6.00% to \$71,871,157 and total net position for Business-type Activities increased approximately 2.57% to \$5,056,436. The amount of \$68,041,254 (\$64,287,269 for Governmental Activities and \$3,753,985 for Business-type Activities) of combined net position at June 30, 2017, 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 \$8,886,339 (\$7,583,888 for Governmental Activities and \$1,302,451 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 (86.37%) reflects its net 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, 2017 and 2016**

	June 30, 2017			June 30, 2016		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 27,925,494	\$ 1,349,422	\$ 29,274,916	\$ 19,754,958	\$ 1,149,365	\$ 20,904,323
Capital assets	76,153,192	5,252,081	81,405,273	71,358,402	5,414,863	76,773,265
<b>Total assets</b>	<b>104,078,686</b>	<b>6,601,503</b>	<b>110,680,189</b>	<b>91,113,360</b>	<b>6,564,228</b>	<b>97,677,588</b>
Deferred outflows of resources	262,483	-	262,483	367,715	-	367,715
Current liabilities	15,211,232	46,971	15,258,203	4,162,105	17,659	4,179,764
Long-term liabilities outstanding	17,236,547	1,498,096	18,734,643	19,475,355	1,616,756	21,092,111
<b>Total liabilities</b>	<b>32,447,779</b>	<b>1,545,067</b>	<b>33,992,846</b>	<b>23,637,460</b>	<b>1,634,415</b>	<b>25,271,875</b>
Deferred inflows of resources	22,233	-	22,233	41,324	-	41,324
Net Position:						
Net investment in capital assets	62,690,578	3,753,985	66,444,563	58,665,353	3,798,107	62,463,460
Restricted	1,596,691	-	1,596,691	1,531,221	-	1,531,221
Unrestricted	7,583,888	1,302,451	8,886,339	7,605,717	1,131,706	8,737,423
<b>Total Net Position</b>	<b>\$ 71,871,157</b>	<b>\$ 5,056,436</b>	<b>\$ 76,927,593</b>	<b>\$ 67,802,291</b>	<b>\$ 4,929,813</b>	<b>\$ 72,732,104</b>

**Change in Net Position.** The Town's total net position increased by \$4,195,489 during the fiscal year, with net position of Governmental Activities increasing by \$4,068,866, and net position of Business-type Activities increasing by \$126,623.

	Year Ended June 30, 2017			Year Ended June 30, 2016		
	Primary Govt.			Primary Govt.		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 3,758,450	\$ 1,080,337	\$ 4,838,787	\$ 3,503,829	\$ 1,106,288	\$ 4,610,117
Operating Grants and Contributions	23,207,753	-	23,207,753	21,164,622	-	21,164,622
Capital Grants and Contributions	5,058,238	-	5,058,238	1,130,875	-	1,130,875
General Revenues:						
Property Tax	38,404,837	-	38,404,837	37,644,588	-	37,644,588
Grants not restricted to specific programs	450,587	-	450,587	180,571	-	180,571
Unrestricted investment earnings	94,206	2,966	97,172	66,565	2,483	69,048
Miscellaneous	223,183	-	223,183	125,792	-	125,792
Transfers	13,218	-	13,218	10,912	-	10,912
<b>Total Revenues</b>	<b>71,210,472</b>	<b>1,083,303</b>	<b>72,293,775</b>	<b>63,827,754</b>	<b>1,108,771</b>	<b>64,936,525</b>
<b>Expenses</b>						
General Government	3,665,017	-	3,665,017	3,378,111	-	3,378,111
Public Safety	3,399,787	-	3,399,787	3,223,844	-	3,223,844
Public Works	5,070,505	-	5,070,505	4,764,149	-	4,764,149
Community and Human Services	2,590,100	-	2,590,100	2,319,518	-	2,319,518
Education	52,048,986	-	52,048,986	50,139,886	-	50,139,886
Other	-	910,335	910,335	-	882,061	882,061
Interest on long-term debt	367,211	33,127	400,338	414,717	35,614	450,331
Transfer	-	13,218	13,218	-	10,912	10,912
<b>Total Expenses</b>	<b>67,141,606</b>	<b>956,680</b>	<b>68,098,286</b>	<b>64,240,225</b>	<b>928,587</b>	<b>65,168,812</b>
<b>Change in Net Position</b>	<b>4,068,866</b>	<b>126,623</b>	<b>4,195,489</b>	<b>(412,471)</b>	<b>180,184</b>	<b>(232,287)</b>
Net Position - Beginning	67,802,291	4,929,813	72,732,104	68,214,762	4,749,629	72,964,391
Net Position - Ending	<b>\$ 71,871,157</b>	<b>\$ 5,056,436</b>	<b>\$ 76,927,593</b>	<b>\$ 67,802,291</b>	<b>\$ 4,929,813</b>	<b>\$ 72,732,104</b>

## Governmental Activities

Approximately 53.93% of the revenues were generated from property taxes, followed by 44.97% from program revenues, which include governmental revenues for Education, then 0.63% was derived from other unrestricted grants, 0.32% from miscellaneous revenues, 0.13% from unrestricted investment earnings, and 0.02% from transfers.

Major revenue factors include:

- Increase in School construction grant progress payments received for expenditures incurred on the William J. Johnston Middle School Project in FY 16/17 as compared to FY 15/16.
- Increased tax revenues resulting from an increase in the property tax rate of 0.15 mills, increase in delinquent tax collections, and an increase in the current year tax collection rate from 98.81% to 99.03%.
- Increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement System.
- Increase in investment income, ambulance fees, and transfer station fees. Increase in intergovernmental revenues for various grant funded programs, and increase in police special duty fees.

- The Town's current levy collected tax rate was 99.03%, an increase of 0.22% from the previous year current levy collected tax rate of 98.81%.

For governmental activities, 77.52% of the Town's expenditures relate to education, 5.46% relate to general government, 5.06% relate to public safety, 7.55% relate to public works, 3.86% relate to community and human services, and the remaining 0.55% relate to interest payments on long-term debt.

Major expenditure factors include:

- Increase in general government, mainly due to an increase in health insurance claims and administrative costs compared to FY 15/16, and increase in legal fees for contract negotiations and other personnel matters, land use matters, and general legal issues.
- Increase in public safety due to increases in police department costs for overtime. Increase in Police Special Duty assignments (supported by increased revenues from charges for these services).
- Increase in education, mainly as a result of construction costs associated with the William J. Johnston Middle School Project. In addition, there was an increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement System, and the difference in the allocation of Internal Service Fund operating results between FY 15/16 and FY 16/17.
- Increase in public works expenditures related to road maintenance and improvements, and increase in costs related to winter snow and ice events.

### **Business-Type Activities**

Business-type activities increased the Town's net position by \$126,623. 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, and an increase in operating expenses compared to the prior fiscal year.

### **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 \$10,017,031, a decrease from \$12,455,836 as of June 30, 2016. This decrease is mainly due to the capital outlay expenditures for the William J. Johnston Middle School project that have not yet been permanently financed by the issuance of long-term debt. The Town also experienced positive financial results in the Town's General Fund, and continued to increase funding in the Capital Reserve Fund for the future acquisition/replacement of Town vehicles and equipment.

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 \$6,422,633, while total fund balance was \$7,172,800. 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 11.84% of the total general fund budgetary expenditures and transfers out.

At June 30, 2017, the Town of Colchester's General Fund unassigned fund balance increased by \$710,700 from the previous year. On the revenue side, the Town received additional tax collections due to an increase in the current year tax collection rate, and increased efforts regarding the collection of delinquent tax payments, along with increases in investment income, ambulance fees, and transfer station fees. On the expenditure side, the Town achieved savings from staffing vacancies due to resignations, and employees on workers compensation and family medical leaves in various Town



departments throughout the organization. Unexpended funds budgeted for snow removal were transferred to a Reserve Fund for use in future years. Unexpended funds from the Education budget are reflected in assigned fund balance as these funds will be available for appropriation to the Education Capital Reserve Fund for future capital and equipment needs.

The Capital Reserve Fund had an increase in fund balance of \$223,103 for a total fund balance of \$1,495,610 mainly due to the funding of future acquisition/replacement of Town vehicles and equipment.

Johnston Building Project Fund - During the fiscal year, the Town incurred expenditures of \$7,635,677 for demolition, construction and renovation costs. A total of \$4,013,240 was received from the State of Connecticut School Construction progress payments as reimbursement for the State's share of the project costs incurred to date. The fund also has \$9,550,000 of bond anticipation notes outstanding at the end of the year. The deficit fund balance of \$4,151,796 will be funded through future State payments and general obligation bonding.

The Education Grants Fund had revenues of \$1.22 million and expenditures of \$1.26 million for the year ended June 30, 2017.

**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 \$1,302,451. The Water Fund experienced an increase in net position of \$126,623. 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 \$541,200. These additional appropriations were for the purchase of the existing Senior Center, purchase of land to be used as the potential site for a new Senior Center, additional road maintenance and improvements funded by unexpended funds for this purpose in FY 14/15, and capital expenditures for Educational facilities funded by unexpended funds of prior years' Education budgets. Additional appropriations were also approved for transfer station costs and fees paid to a third party administrator for ambulance billing – both of these appropriations were funded by additional revenue for those operations.

Budget transfers were approved during the year between line items within departmental budgets for various issues. Budget transfers between departments included funding for the following: reassignment of the Fire Marshal position from Planning & Code Administration to the Fire Department; legal expenses for continuing defense of appeals related to land use and enforcement of regulations, union contract negotiations and other personnel matters, and various general legal issues; Police overtime; additional funding for capital expenditures; and union contract settlements. Funds for these transfers were available from: salary and benefits from staffing vacancies due to resignations and retirements, and employees on workers compensation and family medical leaves in various Town departments throughout the organization; and funds budgeted for contract settlements. In addition, unexpended funds budgeted for snow removal were transferred to a reserve fund for future snow/ice storm events.

### **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, 2017, amount to \$81,405,273 (net of accumulated depreciation). The net investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, sidewalks, roads, highways, bridges, water and sewer lines (infrastructure), and construction in process (William J. Johnston Middle School project). The total increase in the Town of Colchester's net investment in capital assets for the current fiscal year was \$4,632,008 or approximately 6.03 percent.

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

Governmental Activities

- Road improvements funded by General Fund appropriations
- Acquisition of existing Senior Center, and purchase of land for potential site of new Senior Center funded by General Fund appropriations.
- Replacement of Senior Center 14 passenger bus funded by Vehicle Reserve and grant funds, and replacement of Senior Center 7 passenger van funded by Vehicle Reserve funds.
- Replacement of a police cruiser funded by General Fund appropriations, and acquisition of a Fire Command vehicle funded by Vehicle Reserve funds. Replacement of two plow trucks, and four plows funded by General Fund appropriations, Town Aid Road grant funds, and insurance proceeds.
- Replacement of pickup truck and plow funded by Sewer Capital Fund appropriations.
- Compressor replacements at Jack Jackter Intermediate School and Bacon Academy, and replacement of VAV field controllers at Bacon Academy funded by Capital Reserve funds and Education budget.
- Replacement of roof snow guard system and gutters at Jack Jackter Intermediate School, replacement of gutters at Colchester Elementary School, and installation of energy efficient parking lot lighting at Colchester Elementary School funded by Capital Reserve funds and Education budget.
- Acquisition of CNC plasma cutter, and router for Tech Education at Bacon Academy funded by Education grant funds.
- Upgrades to technology infrastructure and data storage capacity funded by Education budget.
- Acquisition of chest compression unit for the Fire Department funded by donations, acquisition of thermal camera, turnout gear dryer, hose washer and replacement of emergency communication/radio siren funded by General Fund appropriations for capital, and Equipment Reserve funds.

Town of Colchester - Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,586,879	\$ 3,497,379	\$ -	\$ -	\$ 3,586,879	\$ 3,497,379
Land Improvements	585,284	607,406	3,150	3,360	588,434	610,766
Building. & Improvements	50,941,573	52,480,692	3,495,028	3,581,077	54,436,601	56,061,769
Machinery & Equipment	5,602,868	5,769,757	207,930	233,134	5,810,798	6,002,891
Infrastructure	9,029,622	9,003,168	1,545,973	1,597,292	10,575,595	10,600,460
Construction in Process	6,406,966	-	-	-	6,406,966	-
<b>Total</b>	<b>\$ 76,153,192</b>	<b>\$ 71,358,402</b>	<b>\$ 5,252,081</b>	<b>\$ 5,414,863</b>	<b>\$ 81,405,273</b>	<b>\$ 76,773,265</b>

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

**Debt.** At year-end the Town of Colchester had \$8,160,000 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	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds (backed by the Town)	\$ 8,160,000	\$ 9,675,000	\$ -	\$ -	\$ 8,160,000	\$ 9,675,000
Clean Water Fund Loan	\$ -	\$ -	\$ 1,498,096	\$ 1,616,756	\$ 1,498,096	\$ 1,616,756

The Town also issued bond anticipation notes (BANs) in April of 2017 in the amount of \$9,550,000. The BANs mature in January of 2018. The BANs were issued with an interest rate of 1.18%.

The Town last issued general obligation bonds in June 2012 which was a refunding issue. Official statements are available on the Town's website, [www.colchesterct.gov](http://www.colchesterct.gov).

In May 2016, Moody's Investors Service issued a Local Government Issuer Comment Report on Colchester. In this report, Moody's noted "Colchester has a high quality credit position, and its Aa3 rating is equivalent to the median rating of Aa3 for U.S. cities. Key credit factors include an affordable debt burden with an extremely small pension liability. It also incorporates an affluent socioeconomic profile with a solid tax base, and a sound financial position." In December 2017, Moody's Investors Service conducted a review prompted by the State of Connecticut budget impasse and the significant cuts to State funding contained in the Governor's executive order which governed spending prior to the adoption of a State budget. Moody's issued a credit opinion confirming the Town's general obligation rating at Aa3. The opinion noted that Colchester "has a recent history of surplus operations, reflecting conservative fiscal management. The town has low debt and pension burdens and very affordable fixed costs, but is exposed to fiscal stress at the state level because of its above-average reliance on state funding." The opinion also indicated that "Town fiscal management is strong, as evidenced by recent surpluses, expenditure controls, and a credible plan for addressing reductions in state funding."

In June 2015, the Town voted at referendum to authorize a building project for the renovation and new construction of the William J. Johnston Middle School. The project was submitted to the State Department of Education for review, and final approval for State funding was received in June 2016. The total project authorization is \$48,860,000 with an estimated \$29,390,000 reimbursement from State of Connecticut school construction progress payment grant funds. Bond anticipation notes of \$9,550,000 were issued in April 2017, with a maturity date in January 2018. The Town plans to rollover these notes and issue new notes for a total BAN issue of \$20,850,000 in January 2018 with maturity in October 2018, at which time general obligation bonds are expected to be issued.

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 4.2% as of June 2017, which remains less than the State of Connecticut rate of 5.1% for the same time period. As of October 2017, the Town's unemployment rate had decreased to 3.2% and the State's unemployment rate decreased to 4.3%. 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 continue to be taken to closely monitor revenues and expenditures, implement energy cost-saving measures, participate in energy rebate programs, pursue grant opportunities, and review opportunities to share services with surrounding Towns and School districts.

The grand list as of October 2017, which was a revaluation year, reflected a small decrease of 1.1%. This followed several years of small increases in the taxable grand list of 1.4% as of October 2012, 0.6% as of October 2013, 0.6% as of October 2014, and 1.15% as of October 2015. Two of the Town's major employers are expanding operations in Colchester, and two large residential developments continue construction of new homes.

The FY 2017-2018 final adopted budget of \$55,344,488 represents an increase of \$1,249,712 over the adopted budget for FY 2016-2017 of \$54,094,776. The adopted budget reflects an increase of 1.46 mills for a property tax mil rate of 32.37. The Town and Education budgets were adopted at a referendum vote on June 13, 2017 prior to the adoption of a State budget. On October 26, 2017, the Connecticut General Assembly adopted a budget for the 2017-2019 biennium which was signed into law by the Governor on October 31, 2017. Under the 2017-2019 biennium budget, the amount of overall State aid that the Town was projected to receive in the first year of the budget decreased by approximately \$780,000 from that received in the fiscal year ending June 30, 2017. Since the Town had included the mid-year reduction in State aid during 2016-2017 and did not include State aid from the Municipal Revenue sharing or Pequot/Mohegan grants in the 2017-2018 budget, the reduction in State aid as compared to the Town's 2017-2018 adopted budget is approximately \$385,000. Pursuant to the 2017-2019 biennium budget act, the Governor was mandated to achieve approximately \$880 million in General Fund savings in the fiscal year ending June 30, 2018. On November 17, 2017, the Governor ordered the holdback of various aid to municipalities for the current fiscal year as part of the implementation of that mandate. Pursuant to that holdback, the amount of overall State aid the Town is projected to receive in the 2017-2018 fiscal year decreases by \$1,121,030 from that set out in the 2017-2019 biennium budget. The Town plans to address the reduction in State aid through a combination of spending reductions in both the Town and Education budgets, and increases in various revenue estimates, along with a portion of the growth in General Fund fund balance during the fiscal year ended June 30, 2017.

The Town was presented with the Government Finance Officers Association Distinguished Budget Presentation Award for the adopted budget documents for the fiscal years 2012-2013, 2013-2014, 2014-2015, 2015-2016, and 2016-2017. The Town believes that the FY 2017-2018 budget continues to conform to program requirements, and will be submitting it to GFOA to determine its eligibility for another award.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Colchester's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed in writing to the Chief Financial Officer, Town of Colchester, 127 Norwich Avenue, Suite 203, Colchester, CT 06415.

## **Basic Financial Statements**



**Town of Colchester, Connecticut**

**Statement of Net Position  
June 30, 2017**

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 25,078,831	\$ 940,817	\$ 26,019,648
Receivables (net of allowances for collection losses):			
Property taxes and interest	961,521	-	961,521
Assessments	276,136	-	276,136
Accounts receivable	110,996	347,828	458,824
Intergovernmental	1,462,353	-	1,462,353
Prepaid	3,600	-	3,600
Inventory	32,057	60,777	92,834
Capital assets, non-depreciable	9,993,845	-	9,993,845
Capital assets, net of accumulated depreciation	66,159,347	5,252,081	71,411,428
<b>Total assets</b>	<b>104,078,686</b>	<b>6,601,503</b>	<b>110,680,189</b>
Deferred outflows of resources:			
Deferred charges on refundings	186,123	-	186,123
Deferred pension-related items	76,360	-	76,360
<b>Total deferred outflows of resources</b>	<b>262,483</b>	<b>-</b>	<b>262,483</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	5,012,632	46,971	5,059,603
Claims payable	559,432	-	559,432
Unearned revenues	89,168	-	89,168
Bond anticipation notes	9,550,000	-	9,550,000
Noncurrent liabilities:			
Due within one year	2,013,443	121,200	2,134,643
Due in more than one year	15,223,104	1,376,896	16,600,000
<b>Total liabilities</b>	<b>32,447,779</b>	<b>1,545,067</b>	<b>33,992,846</b>
Deferred inflows of resources:			
Advance tax collections	22,233	-	22,233
<b>Total deferred inflows of resources</b>	<b>22,233</b>	<b>-</b>	<b>22,233</b>
Net position:			
Net investment in capital assets	62,690,578	3,753,985	66,444,563
Restricted	1,596,691	-	1,596,691
Unrestricted	7,583,888	1,302,451	8,886,339
<b>Total net position</b>	<b>\$ 71,871,157</b>	<b>\$ 5,056,436</b>	<b>\$ 76,927,593</b>

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Activities  
For the Year Ended June 30, 2017

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	
Governmental activities:							
General Government	\$ (3,665,017)	\$ 660,279	\$ 4,000	\$ 299,804	\$ (2,700,934)	\$ -	\$ (2,700,934)
Public Safety	(3,399,787)	883,211	22,005	9,075	(2,485,496)	-	(2,485,496)
Public Works	(5,070,505)	1,046,919	-	457,339	(3,566,247)	-	(3,566,247)
Community and Human Services	(2,590,100)	392,050	281,573	267,834	(1,648,643)	-	(1,648,643)
Education	(52,048,986)	775,991	22,900,175	4,024,186	(24,348,634)	-	(24,348,634)
Interest on long-term debt	(367,211)	-	-	-	(367,211)	-	(367,211)
<b>Total governmental activities</b>	<b>(67,141,606)</b>	<b>3,758,450</b>	<b>23,207,753</b>	<b>5,058,238</b>	<b>(35,117,165)</b>	<b>-</b>	<b>(35,117,165)</b>
Business-type activities:							
Water	(943,462)	1,080,337	-	-	-	136,875	136,875
<b>Total business-type activities</b>	<b>(943,462)</b>	<b>1,080,337</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136,875</b>	<b>136,875</b>
<b>Total primary government</b>	<b>\$ (68,085,068)</b>	<b>\$ 4,838,787</b>	<b>\$ 23,207,753</b>	<b>\$ 5,058,238</b>	<b>(35,117,165)</b>	<b>136,875</b>	<b>(34,980,290)</b>
General revenues:							
Property taxes					38,404,837	-	38,404,837
Grants and contributions not restricted to specific programs					450,587	-	450,587
Unrestricted investment earnings					94,206	2,966	97,172
Miscellaneous					223,183	-	223,183
Transfers					13,218	(13,218)	-
<b>Total general revenues and transfers</b>					<b>39,186,031</b>	<b>(10,252)</b>	<b>39,175,779</b>
Change in net position					4,068,866	126,623	4,195,489
Net position - beginning					67,802,291	4,929,813	72,732,104
Net position - ending					<b>\$ 71,871,157</b>	<b>\$ 5,056,436</b>	<b>\$ 76,927,593</b>

See notes to financial statements.



Town of Colchester, Connecticut

Balance Sheet - Governmental Funds  
June 30, 2017

	Major Funds				Nonmajor	Total
	General	Capital	Johnston	Educational	Governmental	Governmental
	Fund	Reserve	Building	Grants	Funds	Funds
		Fund	Project Fund	Fund		
<b>Assets</b>						
Cash and cash equivalents	\$ 8,685,763	\$ 1,498,307	\$ 6,906,765	\$ 55,507	\$ 5,713,442	\$ 22,859,784
Receivables (net of allowances for collection losses):						
Property taxes	961,521	-	-	-	-	961,521
Assessments and user charges	-	-	-	-	276,136	276,136
Intergovernmental	-	-	1,011,326	36,057	414,970	1,462,353
Accounts receivable	14,970	-	-	4,966	49,060	68,996
Prepaid	3,600	-	-	-	-	3,600
Inventory	24,010	-	-	-	8,047	32,057
<b>Total assets</b>	<b>\$ 9,689,864</b>	<b>\$ 1,498,307</b>	<b>\$ 7,918,091</b>	<b>\$ 96,530</b>	<b>\$ 6,461,655</b>	<b>\$ 25,664,447</b>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 1,654,162	\$ 2,697	\$ 2,519,887	\$ 24,191	\$ 698,240	\$ 4,899,177
Unearned revenue	-	-	-	-	89,168	89,168
Bond anticipation notes payable	-	-	9,550,000	-	-	9,550,000
<b>Total liabilities</b>	<b>1,654,162</b>	<b>2,697</b>	<b>12,069,887</b>	<b>24,191</b>	<b>787,408</b>	<b>14,538,345</b>
Deferred inflows of resources:						
Advance tax collections	22,233	-	-	-	-	22,233
Unavailable resources-other	840,669	-	-	-	246,169	1,086,838
<b>Total deferred inflows of resources</b>	<b>862,902</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>246,169</b>	<b>1,109,071</b>
Fund balances:						
Nonspendable	27,610	-	-	-	8,047	35,657
Restricted	-	-	-	72,339	1,524,352	1,596,691
Committed	110,303	1,495,610	-	-	3,963,183	5,569,096
Assigned	612,254	-	-	-	-	612,254
Unassigned	6,422,633	-	(4,151,796)	-	(67,504)	2,203,333
<b>Total fund balances (deficits)</b>	<b>7,172,800</b>	<b>1,495,610</b>	<b>(4,151,796)</b>	<b>72,339</b>	<b>5,428,078</b>	<b>10,017,031</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 9,689,864</b>	<b>\$ 1,498,307</b>	<b>\$ 7,918,091</b>	<b>\$ 96,530</b>	<b>\$ 6,461,655</b>	

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.	76,153,192
Other long term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,086,838
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.	1,628,565
Deferred charge on refunding	186,123
Deferred pension-related items	76,360
Accrued interest payable is not recorded in the funds	(40,405)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(17,236,547)

Net position of governmental activities \$ 71,871,157

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) -  
Governmental Funds  
For the Year Ended June 30, 2017

	Major Funds				Nonmajor	Total
	General	Capital	Johnston	Educational	Governmental	Governmental
	Fund	Reserve	Building	Grants	Funds	Funds
		Fund	Project Fund	Fund		
Revenues:						
Property taxes, interest & lien fees	\$ 38,500,512	\$ -	\$ -	\$ -	\$ -	\$ 38,500,512
Intergovernmental revenues	21,992,787	-	4,013,240	1,057,876	1,347,439	28,411,342
Revenues from use of money	88,500	-	-	-	5,706	94,206
Fees, permits and sales	834,337	-	-	-	443,025	1,277,362
Charges for services and assessments	566,429	-	-	90,000	1,771,492	2,427,921
Other	134,404	70,784	-	72,854	313,150	591,192
<b>Total revenues</b>	<b>62,116,969</b>	<b>70,784</b>	<b>4,013,240</b>	<b>1,220,730</b>	<b>3,880,812</b>	<b>71,302,535</b>
Expenditures:						
Current:						
General government	3,534,368	-	-	-	82,452	3,616,820
Public safety	2,699,729	-	-	-	349,599	3,049,328
Public works	3,312,050	-	-	-	879,997	4,192,047
Community and human services	1,534,864	-	-	-	789,312	2,324,176
Education	46,630,541	-	-	1,260,727	874,492	48,765,760
Debt service	1,842,265	-	-	-	401,774	2,244,039
Capital outlay	-	86,520	7,635,677	-	1,840,191	9,562,388
<b>Total expenditures</b>	<b>59,553,817</b>	<b>86,520</b>	<b>7,635,677</b>	<b>1,260,727</b>	<b>5,217,817</b>	<b>73,754,558</b>
<b>Excess (deficiency) of</b>						
<b>revenues over</b>						
<b>over expenditures</b>	<b>2,563,152</b>	<b>(15,736)</b>	<b>(3,622,437)</b>	<b>(39,997)</b>	<b>(1,337,005)</b>	<b>(2,452,023)</b>
Other financing sources (uses):						
Transfers in	8,240	313,839	-	-	1,894,116	2,216,195
Transfers out	(2,069,648)	(75,000)	-	-	(58,329)	(2,202,977)
<b>Total other financing</b>						
<b>sources (uses)</b>	<b>(2,061,408)</b>	<b>238,839</b>	<b>-</b>	<b>-</b>	<b>1,835,787</b>	<b>13,218</b>
<b>Net change in fund</b>						
<b>balances (deficits)</b>	<b>501,744</b>	<b>223,103</b>	<b>(3,622,437)</b>	<b>(39,997)</b>	<b>498,782</b>	<b>(2,438,805)</b>
Fund balances (deficits), beginning	6,671,056	1,272,507	(529,359)	112,336	4,929,296	12,455,836
Fund balances (deficits), ending	<b>\$ 7,172,800</b>	<b>\$ 1,495,610</b>	<b>\$ (4,151,796)</b>	<b>\$ 72,339</b>	<b>\$ 5,428,078</b>	<b>\$ 10,017,031</b>

See notes to financial statements.

**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, 2017**

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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	\$ (2,438,805)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	4,794,790
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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.	(105,281)
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Change in deferred pension-related items.	(68,008)
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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 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.	1,873,670
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	331,072
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The net income of certain activities of internal service funds is reported with governmental activities.	(318,572)
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Change in net position of governmental activities	<u>\$ 4,068,866</u>
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See notes to financial statements.

**Town of Colchester, Connecticut**

**Statement of Net Position - Proprietary Funds**  
**June 30, 2017**

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 940,817	\$ 2,219,047
Accounts receivable	347,828	42,000
Inventory	60,777	-
<b>Total current assets</b>	<b>1,349,422</b>	<b>2,261,047</b>
Capital assets, net of accumulated depreciation	5,252,081	-
<b>Total assets</b>	<b>6,601,503</b>	<b>2,261,047</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	46,971	73,050
Claims payable	-	559,432
Loan payable- current	121,200	-
<b>Total current liabilities</b>	<b>168,171</b>	<b>632,482</b>
Noncurrent liabilities:		
Loan payable	1,376,896	-
<b>Total noncurrent liabilities</b>	<b>1,376,896</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,545,067</b>	<b>632,482</b>
Net position:		
Net investment in capital assets	3,753,985	-
Unrestricted	1,302,451	1,628,565
<b>Total net position</b>	<b>\$ 5,056,436</b>	<b>\$ 1,628,565</b>

See notes to financial statements.

**Town of Colchester, Connecticut**

**Statement of Revenues, Expenses and Changes in Fund Net Position -  
Proprietary Funds  
For the Year Ended June 30, 2017**

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
Operating revenues:		
Water use fees and charges	\$ 1,080,337	\$ -
Premiums	-	7,072,595
<b>Total operating revenues</b>	<b>1,080,337</b>	<b>7,072,595</b>
Operating expenses:		
Claims/operating	688,154	6,217,869
Depreciation	222,181	-
Administration	-	1,173,541
<b>Total operating expenses</b>	<b>910,335</b>	<b>7,391,410</b>
<b>Operating income (loss)</b>	<b>170,002</b>	<b>(318,815)</b>
Nonoperating revenues (expenses):		
Interest income	2,966	243
Interest expense	(33,127)	-
<b>Total nonoperating revenue (expenses)</b>	<b>(30,161)</b>	<b>243</b>
Other financing uses:		
Transfers out	(13,218)	-
<b>Total transfers out</b>	<b>(13,218)</b>	<b>-</b>
<b>Change in fund net position</b>	<b>126,623</b>	<b>(318,572)</b>
Fund net position, beginning	4,929,813	1,947,137
Fund net position, ending	<u>\$ 5,056,436</u>	<u>\$ 1,628,565</u>

See notes to financial statements.

**Town of Colchester, Connecticut**

**Statement of Cash Flows - Proprietary Funds  
For the Year Ended June 30, 2017**

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
Cash flows from operating activities:		
Cash received from charges for services	\$ 1,074,378	\$ -
Cash received for premiums	-	7,072,595
Cash paid to vendors and beneficiaries	(663,379)	(7,439,102)
<b>Net cash provided by (used in) operating activities</b>	<b>410,999</b>	<b>(366,507)</b>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(59,399)	-
Interest paid	(46,345)	-
Principal payments of debt	(118,660)	-
<b>Net cash used in capital and related financing activities</b>	<b>(224,404)</b>	<b>-</b>
Cash flows from investing activities:		
Interest on cash and cash equivalents	2,966	243
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>189,561</b>	<b>(366,264)</b>
Cash and cash equivalents:		
Beginning	751,256	2,585,311
Ending	<u>\$ 940,817</u>	<u>\$ 2,219,047</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 170,002	\$ (318,815)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	222,181	-
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	(5,959)	(40,886)
(Increase)/Decrease in inventories	(4,537)	-
Increase in accounts payable	29,312	73,050
Increase/(Decrease) in claims payable	-	(79,856)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 410,999</b>	<b>\$ (366,507)</b>

See notes to financial statements.

**Town of Colchester, Connecticut**

**Statement of Fiduciary Net Position - Fiduciary Funds**  
**June 30, 2017**

	Pension Trust Fund	Private Purpose Trust Fund	Agency Fund
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 450	\$ 396,426
Investments	2,029,506	-	-
<b>Total assets</b>	<u>2,029,506</u>	<u>450</u>	<u>396,426</u>
<b>Liabilities</b>			
Amounts held for student activities and other	-	-	396,426
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>396,426</u>
Net position restricted for pension benefits and other purposes	<u>\$ 2,029,506</u>	<u>\$ 450</u>	<u>\$ -</u>

See notes to financial statements.

**Town of Colchester, Connecticut**

**Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2017**

	Pension Trust Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Employee	\$ 85,201	\$ -
Employer	121,754	-
<b>Total contributions</b>	<b>206,955</b>	<b>-</b>
Investment Income:		
Net appreciation in fair value of investments	167,059	-
<b>Investment income</b>	<b>167,059</b>	<b>-</b>
<b>Total additions</b>	<b>374,014</b>	<b>-</b>
Deductions:		
Administrative	-	11
<b>Total deductions</b>	<b>-</b>	<b>11</b>
<b>Change in net position</b>	<b>374,014</b>	<b>(11)</b>
Net position held in trust:		
Beginning of year	1,655,492	461
End of year	<u>\$ 2,029,506</u>	<u>\$ 450</u>

See notes to financial statements.



## Town of Cromwell, Connecticut

### Notes to Financial Statements

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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 (GAAP) as applicable to governments.

GAAP requires 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 (GASB) Codification Section 2100 have been considered and there are no agencies or entities which should be presented with the Town.

**Accounting standards adopted in the current year:** GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by Other Postemployment Benefit (OPEB) Plans that administer benefits on behalf of governments. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and required supplemental information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The implementation of this statement had no impact on the Town's financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of this statement had no impact on the Town's financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*. Financial statements prepared by state and local governments in conformity with GAAP provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The implementation of this statement had no impact on the Town's financial statements.

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This standard narrows the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting specific criteria; establishes new guidance for these employers, including separate requirements for recognition and measurement of pension expense or expenditures and liabilities, note disclosures and RSI. The implementation of this statement had no impact on the Town's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This standard establishes new criteria to continue amortization cost accounting for certain external investment pools in light of recent changes to money market fund criteria. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. Portfolio quality and monthly shadow pricing are effective for periods beginning after December 15, 2015. The implementation of this statement had no impact on the Town's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The implementation of this statement had no 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

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**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 **Capital Reserve Fund** accounts for financial resources to be used for the acquisition of vehicles and equipment which are financed by General Fund appropriations and capital lease proceeds.

The **Johnston Building Project Fund** accounts for and reports financial resources to be used for the William J. Johnston construction and renovation project.

The **Educational Grants Fund** accounts for and reports financial resources to be used for the grants associated with education.

The Town reports the following major proprietary fund:

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

## Town of Colchester, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Additionally, the Town reports the following fund types:

##### **Governmental funds:**

*Special Revenue Funds:* 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:* 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:* Used for the accumulation of resources for, and payment of, capital lease debt, principal, interest and related costs.

##### **Proprietary fund:**

*Internal Service Fund:* Used to account for the Town and Board of Education's medical self-insurance fund.

##### **Fiduciary Funds:**

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

*Private-purpose Trust Fund:* 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 GAAP 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. The Connecticut State Treasurer's Short-Term Investment Fund (STIF) is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. The fair value of the position in the pool is the same as the value of the pool shares. The cash portfolio adheres to GASB Statement No. 79, *Certain Investment Pools and Pool Participants*, which amends GASB Statement No. 31 and establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

**Allowances for doubtful accounts:** Accounts and notes receivable, including property taxes receivable, are reported net of allowance for doubtful accounts of \$850,335. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's ability to pay.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Investments:** Investments are stated at fair value.

**Fair value:** The Town uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Town's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

The three categories within the hierarchy are as follows:

**Level 1:** Quoted prices in active markets for identical assets and liabilities.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

**Level 3:** Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

See Note 3 for additional information regarding fair value.

**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 \$5,000 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 acquisition value at the date of donation.

## Town of Colchester, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

**Long-term obligations:** In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

**Deferred outflows/inflows of resources:** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner.

**Note 1. Summary of Significant Accounting Policies (Continued)**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance tax collections in the government-wide statement of net position and in the governmental fund balance sheet. Advance tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes, interest on property taxes, and long-term loans. The Town currently does not report any deferred inflows of resources related to the pension. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during which the amounts become available. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner.

**Net pension liability:** The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

**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 OPEB obligation, the cumulative difference between annual OPEB cost and the Town's contributions to the plan since July 1, 2008, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. The OPEB obligation 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, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

## Town of Colchester, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**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.

**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 been delegated 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.



## Town of Colchester, Connecticut

### Notes to Financial Statements

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#### 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	\$ 8,160,000
Bond premium, net of amortization	240,187
Capital lease obligation	2,605,315
Landfill closure costs	105,000
Compensated absences	2,963,703
Net pension liability	506,384
OPEB obligation	2,655,958
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 17,236,547</u>

**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	\$ 8,240,062
Depreciation expense	(3,446,131)
Loss on disposal	859
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 4,794,790</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:

Principal repayments	\$ 1,862,856
Net amortization of premiums and deferred losses	10,814
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,873,670</u>

## Town of Colchester, Connecticut

### Notes to Financial Statements

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#### Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

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	\$ 613,621
Landfill closure	15,000
Accrued interest	3,158
Net pension liability	25,444
OPEB obligation	<u>(326,151)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 331,072</u>

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

**Deposits:** The Town has a policy that deposits can include demand and savings accounts and certificates of deposit with Connecticut banks. The Town’s custodial credit risk policy follows the State of Connecticut (State) 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 statutes. The 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 STIF. 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, 2017, approximately \$17,553,000 of the Town’s bank balance of approximately \$22,892,000 was uninsured and uncollateralized.

# Town of Colchester, Connecticut

## Notes to Financial Statements

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

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

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2017:

Cash and cash equivalents:	
Deposits with financial institutions	\$ 21,069,639
STIF	5,346,885
Total cash and cash equivalents	<u>26,416,524</u>
Investments:	
Pension trust funds:	
Equity mutual funds	2,029,506
Total cash, cash equivalents, and investments	<u>\$ 28,446,030</u>

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

Statement of net position:	
Cash and cash equivalents	<u>\$ 26,019,648</u>
Fiduciary funds:	
Cash and cash equivalents	396,876
Investments	2,029,506
	<u>2,426,382</u>
Total cash, cash equivalents, and investments	<u>\$ 28,446,030</u>

**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	<u>\$ 5,346,885</u>	<u>\$ 5,346,885</u>

**Town of Colchester, Connecticut**

**Notes to Financial Statements**

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

**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 & Poor's	Pooled Income Fund
STIF	AAAm	\$ 5,346,885
		<u>\$ 5,346,885</u>

**Fair value:** The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Plan has the following recurring fair value measurements as of June 30, 2017:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
June 30, 2017			
Investments by fair value level:			
Equity mutual funds	\$ 2,029,506	\$ 2,029,506	\$ -
Total investments by fair value level	<u>\$ 2,029,506</u>	<u>\$ 2,029,506</u>	<u>\$ -</u>

**Note 4. Unearned Revenue/Deferred Inflows of Resources**

Governmental funds report deferred inflows of resources 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 inflows reported in the governmental funds and governmental activities were as follows:

	Deferred Inflows	Unearned Revenue
General fund:		
Advance tax collections	\$ 22,233	\$ -
Taxes and accrued interest on delinquent property taxes	840,669	-
Nonmajor funds:		
Assessments receivable	204,319	-
Grants and other	41,850	89,168
Total	<u>\$ 1,109,071</u>	<u>\$ 89,168</u>

# Town of Colchester, Connecticut

## Notes to Financial Statements

### Note 5. Interfund Transfers

Interfund transfers during the year ended June 30, 2017 were as follows:

	Transfers In	Transfers Out
General fund	\$ 8,240	\$ (2,069,648)
Capital reserve fund	313,839	(75,000)
Water fund	-	(13,218)
Nonmajor governmental funds	1,894,116	(58,329)
Total	<u>\$ 2,216,195</u>	<u>\$ (2,216,195)</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, and capital lease debt service payments.

### Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,497,379	\$ 89,500	\$ -	\$ 3,586,879
Construction in process	-	6,406,966	-	6,406,966
Total capital assets, not being depreciated	<u>3,497,379</u>	<u>6,496,466</u>	<u>-</u>	<u>9,993,845</u>
Capital assets, being depreciated:				
Improvements other than buildings	2,109,612	32,870	-	2,142,482
Buildings	89,454,311	333,590	-	89,787,901
Machinery and equipment	16,907,919	821,703	(286,085)	17,443,537
Infrastructure	38,616,098	555,433	-	39,171,531
Total capital assets being depreciated	<u>147,087,940</u>	<u>1,743,596</u>	<u>(286,085)</u>	<u>148,545,451</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,502,206	54,992	-	1,557,198
Buildings	36,973,619	1,872,709	-	38,846,328
Machinery and equipment	11,138,162	989,451	(286,944)	11,840,669
Infrastructure	29,612,930	528,979	-	30,141,909
Total accumulated depreciation	<u>79,226,917</u>	<u>3,446,131</u>	<u>(286,944)</u>	<u>82,386,104</u>
Total capital assets, being depreciated, net	<u>67,861,023</u>	<u>(1,702,535)</u>	<u>859</u>	<u>66,159,347</u>
Governmental activities capital assets, net	<u>\$ 71,358,402</u>	<u>\$ 4,793,931</u>	<u>\$ 859</u>	<u>\$ 76,153,192</u>

**Town of Colchester, Connecticut**

**Notes to Financial Statements**

**Note 6. Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Buildings	\$ 5,413,113	\$ 53,911	\$ -	\$ 5,467,024
Machinery and equipment	450,558	5,488	(36,760)	419,286
Improvements other than buildings	25,591	-	-	25,591
Infrastructure	3,232,929	-	-	3,232,929
Total capital assets, being depreciated	9,122,191	59,399	(36,760)	9,144,830
Less accumulated depreciation for:				
Buildings	1,832,036	139,960	-	1,971,996
Machinery and equipment	217,424	30,692	(36,760)	211,356
Improvements other than buildings	22,231	210	-	22,441
Infrastructure	1,635,637	51,319	-	1,686,956
Total accumulated depreciation	3,707,328	222,181	(36,760)	3,892,749
Total capital assets, being depreciated, net	5,414,863	(162,782)	-	5,252,081
Business-type activities capital assets, net	\$ 5,414,863	\$ (162,782)	\$ -	\$ 5,252,081

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

Governmental activities:	
General government	\$ 93,184
Public works	1,060,520
Public safety	191,730
Community and human services	264,554
Education	1,836,143
Total depreciation expense – governmental activities	<u>\$ 3,446,131</u>
Business-type activities:	
Water fund	<u>\$ 222,181</u>

# Town of Colchester, Connecticut

## Notes to Financial Statements

### Note 7. Long-Term Obligations and Bond Anticipation Notes

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 9,675,000	\$ -	\$ (1,515,000)	\$ 8,160,000	\$ 1,525,000
Bond premium	288,225	-	(48,038)	240,187	48,038
Capital lease obligation	2,953,171	-	(347,856)	2,605,315	312,848
Landfill post-closure monitoring	120,000	-	(15,000)	105,000	15,000
Compensated absences	3,577,324	-	(613,621)	2,963,703	112,557
Net pension liability	531,828	-	(25,444)	506,384	-
OPEB obligation	2,329,807	326,151	-	2,655,958	-
Governmental activity long-term liabilities	<u>\$ 19,475,355</u>	<u>\$ 326,151</u>	<u>\$ (2,564,959)</u>	<u>\$ 17,236,547</u>	<u>\$ 2,013,443</u>
Business-type Activities					
CWF loans	\$ 1,616,756	\$ -	\$ (118,660)	\$ 1,498,096	\$ 121,200
Business-type long-term liabilities	<u>\$ 1,616,756</u>	<u>\$ -</u>	<u>\$ (118,660)</u>	<u>\$ 1,498,096</u>	<u>\$ 121,200</u>

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, 2017 consisted of the following:

	Outstanding Amount
General obligation bonds payable:	
\$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%	\$ 5,755,000
\$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%	2,405,000
Total general obligation bonds payable	<u>\$ 8,160,000</u>

The following is a summary as of June 30, 2017, of the future principal and interest requirements for the Town's general obligation bonds:

	Principal	Interest	Total
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
2023-2025	1,650,000	74,330	1,724,330
Total	<u>\$ 8,160,000</u>	<u>\$ 873,755</u>	<u>\$ 9,033,755</u>

# Town of Colchester, Connecticut

## Notes to Financial Statements

### Note 7. Long-Term Obligations and Bond Anticipation Notes (Continued)

**Capital leases:** The Town owns various vehicles and equipment with an approximate carrying value of \$2,590,800 which were acquired under capital lease arrangements. The Town is required under these agreements to make the following annual lease payments:

2018	\$ 360,225
2019	360,225
2020	360,225
2021	360,225
2022	360,225
Thereafter	1,016,179
Total payments	2,817,304
Less interest	(211,989)
Present value of minimum payments	<u>\$ 2,605,315</u>

The Town received Clean Water Fund Project loans that are recorded as a loan payable in the Water Fund. The balance at June 30, 2017 is \$1,498,096. These loans accrue interest at 2.0%. The following is a summary as of June 30, 2017, of the future principal and interest payments on these loans:

	Principal	Interest	Total
2018	\$ 121,200	\$ 30,586	\$ 151,786
2019	123,795	27,992	151,787
2020	126,444	25,342	151,786
2021	129,151	22,635	151,786
2022	131,916	19,870	151,786
2023-2027	703,170	55,763	758,933
2028-2029	162,420	2,015	164,435
Total	<u>\$ 1,498,096</u>	<u>\$ 184,203</u>	<u>\$ 1,682,299</u>

**Bond anticipation notes:** The Town issued bond anticipation notes (BANs) in April of 2017 in the amount of \$9,550,000. The BANS mature in January of 2018. The BANs were issued with an interest rate of 1.18%.

**Debt limitation:** The Town's statement of debt limitation under Connecticut General Statutes, Section 7-434(b) as of June 30, 2017, is as follows:

Total tax collections (including interest and lien fees) for the year ended June 30, 2017	\$ 38,458,255
Reimbursement for revenue loss	
Tax relief for elderly	41,718
Base	<u>\$ 38,499,973</u>



# Town of Colchester, Connecticut

## Notes to Financial Statements

### Note 7. Long-Term Obligations and Bond Anticipation Notes (Continued)

The Connecticut General Statutes provides that total authorized debt of the Town shall not exceed seven times the above base cash receipts of \$38,499,973 or \$269,499,811 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	\$ 86,624,939	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	173,249,879	-	-	-
3-3/4 times base	-	-	144,374,899	-	-
3-1/4 times base	-	-	-	125,124,912	-
3 times base	-	-	-	-	115,499,919
Total debt limitation	86,624,939	173,249,879	144,374,899	125,124,912	115,499,919
Debt as defined by statute:					
Bonds payable <sup>(1)</sup>	1,238,500	6,921,500	-	-	-
Bond anticipation notes	-	9,550,000	-	-	-
Authorized and unissued	-	34,821,418	-	-	-
Total indebtedness	1,238,500	51,292,918	-	-	-
Estimated school construction grant progress payments	-	(24,876,143)	-	-	-
Debt limitation in excess of outstanding and authorized debt	\$ 85,386,439	\$ 146,833,104	\$ 144,374,899	\$ 125,124,912	\$ 115,499,919

(1) Clean Water Fund financing totaling \$1,498,096 are excluded from this calculation pursuant to Connecticut General Statutes.

**Bonds authorized but unissued:** Total authorized but unissued debt at June 30, 2017 consists of the following:

General purpose	\$ -
Schools	34,821,418
	<u>\$ 34,821,418</u>

### 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 Plans

**Police department Defined Benefit Plan:** The Town contributes to a defined benefit pension plan - the Town of Colchester Police Department 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.

## Town of Colchester, Connecticut

### Notes to Financial Statements

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#### Note 9. Pension Plans (Continued)

**Plan administration:** The general administration and management of the Town of Colchester Police Department Retirement Plan and the responsibility for carrying out the provision of the plan shall be placed with the Colchester Retirement Board. Members of the Board are appointed by the Board of Selectmen (BOS) consisting of the following: representative of BOS, representative of Board of Finance, Town Treasurer, and two members who shall be electors of the Town who possess relevant experience in government finance or retirement systems. The Chief Financial Officer shall be a nonvoting, ex officio member.

##### 1. Classes of Employees Covered

At July 1, 2016, Plan membership consisted of:

Retirees and beneficiaries receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>9</u>
Total	<u>9</u>

##### 2. Benefit Provisions

###### a. Benefit Provisions

The Town contributes to the Town of Colchester Police Department Retirement 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 Voya Financial. 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.

## Town of Colchester, Connecticut

### Notes to Financial Statements

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#### Note 9. Pension Plans (Continued)

##### 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.

#### Investments:

**Investment policy:** The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Colchester Retirement Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following was the adopted allocation policy as of June 30, 2017.

Asset Class	Target Allocation %
Cash	4.0%
Equities	64.0%
Fixed Income	32.0%
Total weighted average real return	100.0%

**Rate of return:** For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.56%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net pension liability of the Town:** The components of the net pension liability of the Town at June 30, 2017 were as follows:

Net Pension Liability	June 30, 2017
Total pension liability	\$ 2,535,890
Plan fiduciary net position	2,029,506
Net pension liability	\$ 506,384
Plan fiduciary net position as a percentage of total pension liability	80.03%
Covered employee payroll	\$ 665,300
Net pension liability as % of covered payroll	76.11%

## Town of Colchester, Connecticut

### Notes to Financial Statements

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#### Note 9. Pension Plans (Continued)

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.75%
- Salary Increases: 2.75% plus Service Merit Scale
- Investment Return: 7.0%, compounded annually, net of investment expenses
- Actuarial Cost Method: Entry Age Normal Cost Method (level percentage salary)
- Asset Valuation Method: Fair Value
- Amortization Method: Level Dollar
- Remaining Amortization Period: 13 Years, Closed

Mortality rates were based on the RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2016.

The total pension liability was determined by an actuarial valuation as of July 1, 2016, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date June 30, 2017. There have been no significant changes between the valuation date and the fiscal year end.

**Discount rate:** The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Assumed rate of return:** The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of returns for each major asset class are included in the pension plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2016, and the final investment return assumption, are summarized in the following table:

Asset Class	Long -term Expected Real Rate of Return	Weighting
Cash	0.00%	0.00%
Equities	5.25%	3.36%
Fixed Income	2.00%	0.64%
		<hr/> 4.00%
Long-term inflation expectation		<hr/> 2.75%
Long-term expected nominal return		<hr/> <hr/> 6.75%

# Town of Colchester, Connecticut

## Notes to Financial Statements

### Note 9. Pension Plans (Continued)

**Net pension liability of the Town:** The components of the net pension liability of the Town at June 30, 2017 were as follows:

	Changes in the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 2,187,320	\$ 1,655,492	\$ 531,828
Changes for the year:			
Service cost	183,453	-	183,453
Interest	177,808	-	177,808
Differences between expected and actual experience	(128,587)	-	(128,587)
Changes of assumptions	115,896	-	115,896
Contributions - employer	-	121,754	(121,754)
Contributions - member	-	85,202	(85,202)
Net investment income (including investment expenses)	-	167,058	(167,058)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	-	-
Net changes	348,570	374,014	(25,444)
Balances at June 30, 2017	\$ 2,535,890	\$ 2,029,506	\$ 506,384

**Sensitivity of the net pension liability to changes in the discount rate:** The following presents the net pension liability of the Town, calculated using the discount rate of 7.0%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability	\$ 1,001,553	\$ 506,384	\$ 113,880

## Town of Colchester, Connecticut

### Notes to Financial Statements

#### Note 9. Pension Plans (Continued)

For the year ended June 30, 2017, the Town of Colchester recognized pension expense of \$176,033. As of June 30, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (118,696)
Changes of assumptions	106,981	-
Net difference between projected and actual earnings on pension plan investments	76,360	-
Total	<u>\$ 183,341</u>	<u>\$ (118,696)</u>

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

Years Ended June 30:	
2018	\$ 31,897
2019	31,898
2020	16,664
2021	(8,003)
2022	(976)
Thereafter	(6,835)
	<u>\$ 64,645</u>

#### Connecticut State Teachers' Retirement System:

**Description of system:** Certified personnel within the Town's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the System) is a cost sharing multiple employer defined benefit pension system with a special funding situation. The Town has no liability associated with the State Teachers' Retirement System.

The System is considered 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 at [www.ct.gov](http://www.ct.gov).

The System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the System is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation in the System is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement System (TIAA-CREF).

## Town of Colchester, Connecticut

### Notes to Financial Statements

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#### Note 9. Pension Plans (Continued)

**Summary of significant accounting policies:** For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the System, information about System's fiduciary net position and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System.

For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Town does not have any liability related to the System.

**Benefits provided:** The benefits provided to participants by the System are as follows:

**Normal benefit:** A member at age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut is eligible for vested benefits of 2% of average annual salary times years of credited service (maximum benefit is 75% of average annual salary.)

**Prorated benefit:** A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60. The benefit is 2% less 0.1% for each year less than 20 years of average annual salary times years of credited service.

**Minimum benefit:** Effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of \$1,200 to teachers who retire under the Normal Benefit provisions and who have completed at least 25 years of full time Connecticut service at retirement.

**Contribution requirements:** The pension contributions made by the State to the System are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z. The Town is not required to contribute to the Plan.

Eligible employees are required to contribute 6.0% of their annual salary rate to the System as required by CGS Section 10-183b (7).

**Actuarial assumptions:** The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015. The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following key actuarial assumptions:

Inflation	2.75 Percent
Salary increases, including inflation	3.25-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	8.00 Percent
Asset Valuation Method	Fair Value
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, closed
Single equivalent amortization period	20.4 year

For healthy retirees and beneficiaries, the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80 projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale.

# Town of Colchester, Connecticut

## Notes to Financial Statements

### Note 9. Pension Plans (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	21.0%	5.8%
Developed non- U.S. equities	18.0%	6.6%
Emerging markets (non- U.S.)	9.0%	8.3%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Fixed income (core)	7.0%	1.3%
High yield bonds	5.0%	3.9%
Emerging market bonds	5.0%	3.7%
Inflation linked bonds	3.0%	1.0%
Cash	6.0%	0.4%
	<u>100.0%</u>	

**Discount rate:** The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity of the proportionate share of the net pension liability to changes in the discount rate:

The following presents the State's proportionate share of the net pension liability associated with the Town, calculated using the discount rate of 8.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
State's proportionate share of the NPL associated with the Town	\$ 82,069,649	\$ 66,522,123	\$ 53,379,136



**Note 9. Pension Plans (Continued)**

**Pension liabilities, pension expense, and deferred inflows/outflows of resources:** The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by GASB No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the net pension liability that was associated with the Town was \$66,522,123 and 100% of the collective net pension liability is allocated to the State.

June 30, 2016 is the actuarial valuation date upon which the total pension liability is based. Since the prior valuation, the State adopted new assumptions based on the 2015 Experience Study. The changes in assumptions are summarized below:

***Economic assumptions:***

1. Reduce the inflation assumption from 3.00% to 2.75%.
2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.50% to 8.00%.
3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%.
4. Slightly modify the merit portion of the salary scale.
5. Reduce the payroll growth assumption from 3.75% to 3.25%.

***Demographic assumptions:***

6. Update mortality tables to projected versions of the RPH-2014 mortality tables.
7. Increase normal retirement rates for females at most ages and proratable retirement rates for males at most ages. Decrease early retirement rates for both males and females.
8. Increase rates of withdrawal.
9. Decrease rates of disability for males.

The Town recognized the total pension expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the Town. For the fiscal year ended June 30, 2017, the Town recognized \$7,254,477 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

**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.

**Note 9. Pension Plans (Continued)**

All Town employees who are regularly scheduled to work at least 35 hours per week, must participate in a Section 401(a) defined contribution plan. Employees who are regularly scheduled to work at least 30 hours per week are eligible to participate in the plan. Police Officers hired after 1/1/2012 are not eligible to participate in the Police Defined Benefit Plan and must participate in the 401(a) plan. The contribution from both the Town and employees ranges from 5% to 8% of base pay (not including overtime, longevity, etc.) for full-time employees and from 3% to 5.5% for part-time employees, as defined by union contracts or the Town personnel policy for non-union personnel. Employees may be eligible to participate at the end of their probationary period or on their first anniversary date of employment as set forth in union contracts and the personnel policy. Employees that are eligible to participate in the Town's plan are subject to a 5 year vesting period for the employer contribution. All full-time and part-time Town employees have the option of contributing to the Town's Section 457 Plan. The Town does not make matching contributions to the 457 plan.

Board of Education employees participate in a Section 457 plan. This plan covers all regular full-time employees except teachers and administrators covered by the Connecticut Teachers' Retirement System. As defined by union contracts and non-union employee salary and benefit agreements, the Board will make contributions ranging from 3% to 7% of base pay. Board of Education employees may also participate on a voluntary basis in a 403(b) plan. With the exception of the Superintendent of Schools and the members of the School Administrators union, the Board does not make contributions to the employees' 403(b) plan.

**Note 10. Other Post-employment 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 post-employment 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 post-employment 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, 2015.

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.

# Town of Colchester, Connecticut

## Notes to Financial Statements

### Note 10. Other Post-employment Benefits (Continued)

Membership in the plan consisted of the following at July 1, 2015, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	24
Active plan members	367
Total	<u>391</u>

The Town's annual 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 Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 514,953	\$ 188,802	36.7%	\$ 2,655,958
June 30, 2016	584,000	213,180	36.5%	2,329,807
June 30, 2015	548,907	197,603	36.0%	1,958,987

### OPEB Obligation:

Annual required contribution	\$ 531,897
Interest on net pension obligation	93,192
Adjustment of ARC	<u>(110,136)</u>
Annual OPEB cost	514,953
Contributions made	<u>188,802</u>
Increase in net OPEB liability	326,151
Net OPEB obligation, beginning of year	<u>2,329,807</u>
Net OPEB obligation, end of year	<u><u>\$ 2,655,958</u></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, 2015	\$ -	\$ 5,574,161	\$ (5,574,161)	-	\$ 22,177,000	25.1%
July 1, 2013	\$ -	\$ 6,178,930	\$ (6,178,930)	-	\$ 23,807,077	25.9%

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

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#### **Note 10. Other Post-employment Benefits (Continued)**

Actuarial assumptions are as follows:

Valuation Date:	July 1, 2015
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Fair Value
Medical inflation rate	5.70% - 4.70% over 67 years
Remaining Amortization Period	30 Years - decreasing
Actuarial Assumptions:	
Discount rate	4.00%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table Adjusted and projected forward.

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 \$7,347,000 for the year ended June 30, 2017.

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.

## Town of Colchester, Connecticut

### Notes to Financial Statements

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#### Note 11. Risk Management (Continued)

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,
2016-2017	\$ 639,288	\$ 6,217,869	\$ 6,297,725	\$ 559,432
2015-2016	\$ 619,930	\$ 6,588,715	\$ 6,569,357	\$ 639,288

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

#### Note 12. Landfill Post-closure 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 post-closure costs are estimated to be \$105,000 (\$15,000 per year for 7 years). Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The responsibility for post-closure monitoring will remain with the Town.

# Town of Colchester, Connecticut

## Notes to Financial Statements

### Note 13. Fund Balances (Deficits)

The details for the Town's fund balances (deficits) are the following:

	General Fund	Capital Reserve Fund	Johnston Building Project Fund	Educational Grants Fund	Nonmajor Governmental Funds
Fund balances (deficits):					
Non-spendable:					
Prepaid	\$ 3,600	\$ -	\$ -	\$ -	\$ -
Inventory	24,010	-	-	-	8,047
	<u>27,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,047</u>
Restricted:					
General government	-	-	-	-	77,722
Education	-	-	-	72,339	-
Community and human services	-	-	-	-	498,302
Public safety	-	-	-	-	47,595
Capital outlay	-	-	-	-	900,733
	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,339</u>	<u>1,524,352</u>
Committed:					
Debt service	-	-	-	-	243,239
Capital outlay	-	1,495,610	-	-	3,013,796
Education	-	-	-	-	161,848
Public safety	-	-	-	-	43,331
Public works	110,303	-	-	-	500,969
	<u>110,303</u>	<u>1,495,610</u>	<u>-</u>	<u>-</u>	<u>3,963,183</u>
Assigned:					
General government	917	-	-	-	-
Public safety	4,717	-	-	-	-
Public works	6,685	-	-	-	-
Education	599,935	-	-	-	-
	<u>612,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned (deficit)	<u>6,422,633</u>	<u>-</u>	<u>(4,151,796)</u>	<u>-</u>	<u>(67,504)</u>
Total fund balances (deficits)	<u>\$ 7,172,800</u>	<u>\$ 1,495,610</u>	<u>\$ (4,151,796)</u>	<u>\$ 72,339</u>	<u>\$ 5,428,078</u>

## Town of Colchester, Connecticut

### Notes to Financial Statements

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#### Note 13. Fund Balances (Deficits) (Continued)

**Fund deficits:** The following funds had fund deficits as of June 30, 2017:

Johnston Building Project	\$ 4,151,796
Miscellaneous Grants	56,925
Adult Education	3,810

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, except for GASB 75, which will most likely have a material impact.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:
  - Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.
  - Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.
  - Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

Statement 75 carries forward from Statement 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017.

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

Notes to Financial Statements

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

- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
- GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
- GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.



**Notes to Financial Statements**

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

- GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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**Required Supplementary  
Information - unaudited**



**Town of Colchester, Connecticut**

**Required Supplementary Information - unaudited  
Schedule of Employer Contributions – Pension Trust  
Last Ten Fiscal Years**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 123,370	\$ 119,514	\$ 106,914	\$ 101,215	\$ 82,202	\$ 74,068	\$ 93,178	\$ 77,704	\$ 45,732	\$ 44,587
Contributions in relation to the actuarially determined contribution	121,754	105,755	100,616	105,624	88,321	101,034	86,428	80,798	64,866	48,252
Contribution deficiency (excess)	\$ 1,616	\$ 13,759	\$ 6,298	\$ (4,409)	\$ (6,119)	\$ (26,966)	\$ 6,750	\$ (3,094)	\$ (19,134)	\$ (3,665)
Covered employee payroll	\$ 665,300	\$ 743,711	\$ 694,695	\$ 662,403	\$ 633,878	\$ 571,675	\$ 421,643	\$ 550,743	\$ 557,408	\$ 410,312
Contributions as a percentage of covered employee payroll	18.30%	14.22%	14.48%	15.95%	13.93%	17.67%	20.50%	14.67%	11.64%	11.76%

**Town of Colchester, Connecticut**

**Required Supplementary Information - unaudited  
Schedule of Investment Returns- Pension Trust  
Last Four Fiscal Years**

	<b>2017</b>	2016	2015	2014
Annual money-weighted rate of return, net of investment income	<b>9.56%</b>	-0.37%	1.93%	14.47%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**Town of Colchester, Connecticut**

**Required Supplementary Information - unaudited**  
**Schedule of Changes in the Town's Net Pension Liability and Related Ratios**  
**Last Four Fiscal Years**

	2017	2016	2015	2014
Changes in Net Pension Liability				
Total pension liability:				
Service cost	\$ 183,453	\$ 175,553	\$ 167,993	\$ 178,216
Interest on total pension liability	177,808	152,603	130,517	106,587
Differences between expected and actual experience	(128,587)	-	-	234,034
Changes of assumptions	115,896	-	-	(356,174)
Benefit payments, including refunds of member contributions	-	-	(23,169)	-
<b>Net change in total pension liability</b>	<b>348,570</b>	<b>328,156</b>	<b>275,341</b>	<b>162,663</b>
Total pension liability, beginning	2,187,320	1,859,164	1,583,823	1,421,160
<b>Total pension liability, ending (a)</b>	<b>2,535,890</b>	<b>2,187,320</b>	<b>1,859,164</b>	<b>1,583,823</b>
Fiduciary net position:				
Employer contributions	121,754	105,755	100,616	105,624
Member contributions	85,202	82,346	81,805	86,864
Investment income net of investment expenses	167,058	(5,796)	26,378	149,423
Benefit payments	-	-	(23,169)	-
<b>Net change in plan fiduciary net position</b>	<b>374,014</b>	<b>182,305</b>	<b>185,630</b>	<b>341,911</b>
Fiduciary net position, beginning	1,655,492	1,473,187	1,287,557	945,646
<b>Fiduciary net position, ending (b)</b>	<b>2,029,506</b>	<b>1,655,492</b>	<b>1,473,187</b>	<b>1,287,557</b>
<b>Net pension liability, ending = (a) - (b)</b>	<b>\$ 506,384</b>	<b>\$ 531,828</b>	<b>\$ 385,977</b>	<b>\$ 296,266</b>
Fiduciary net position as a % of total pension liability	80.03%	75.69%	79.24%	81.29%
Covered payroll	\$ 665,300	\$ 743,711	\$ 694,695	\$ 662,403
Net pension liability as a % of covered payroll	76.11%	71.51%	55.56%	44.73%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

**Town of Colchester, Connecticut**

**Schedule of the Town's Proportionate Share of the Net Pension Liability -  
Teachers' Retirement System  
Required Supplementary Information - unaudited  
Last Three Fiscal Years**

	2017	2016	2015
Town's proportion of the net pension liability	0.0%	0.0%	0.0%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>\$ 66,522,123</u>	<u>\$ 53,087,310</u>	<u>\$ 49,068,579</u>
Total	<u>\$ 66,522,123</u>	<u>\$ 53,087,310</u>	<u>\$ 49,068,579</u>
Town's covered-employee payroll	<u>\$ 19,263,402</u>	<u>\$ 19,732,839</u>	<u>\$ 17,695,000</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0%</u>	<u>0%</u>	<u>0%</u>
System fiduciary net position as a percentage of the total pension liability	<u>52.26%</u>	<u>59.50%</u>	<u>61.56%</u>

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.



**Town of Colchester, Connecticut**

**Required Supplementary Information - unaudited  
Schedules of Funding Progress and Employer Contributions – OPEB  
Last Seven Fiscal Years**

<b><i>Schedule of Funding Progress - OPEB</i></b>						
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
July 1, 2013	-	6,178,930	(6,178,930)	-	23,807,077	25.9%
July 1, 2015	-	5,574,161	(5,574,161)	-	22,177,000	25.1%

<b><i>Schedule of Employer Contributions - OPEB</i></b>		
Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 440,000	40.5%
2012	468,000	43.6%
2013	431,000	32.9%
2014	462,000	39.8%
2015	554,266	35.7%
2016	594,221	35.9%
2017	531,897	35.5%

**Town of Colchester, Connecticut**

**Statement of Revenues and Expenditures - Budgetary Basis -  
Budget and Actual - General Fund  
Required Supplementary Information - unaudited  
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
Revenues:				
Property taxes, interest and lien fees	\$ 38,130,697	\$ 38,130,697	\$ 38,500,512	\$ 369,815
Intergovernmental revenues	14,639,989	14,639,989	14,533,855	(106,134)
Revenues from the use of money	55,000	55,000	88,500	33,500
Charges for services	501,500	506,261	566,429	60,168
Licenses, permits and fees	708,290	729,788	834,337	104,549
Other revenues	59,300	59,300	149,325	90,025
<b>Total revenues</b>	<b>54,094,776</b>	<b>54,121,035</b>	<b>54,672,958</b>	<b>551,923</b>
Expenditures:				
General government	3,694,918	3,608,321	3,534,690	73,631
Public works	3,377,938	3,367,848	3,318,735	49,113
Public safety	2,689,100	2,780,458	2,704,446	76,012
Community and human services	1,566,434	1,566,434	1,534,864	31,570
Education	39,705,064	39,705,064	39,518,416	186,648
Debt service	1,842,266	1,842,266	1,842,265	1
<b>Total expenditures</b>	<b>52,875,720</b>	<b>52,870,391</b>	<b>52,453,416</b>	<b>416,975</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,219,056</b>	<b>1,250,644</b>	<b>2,219,542</b>	<b>968,898</b>
Other financing sources (uses):				
Transfers in	-	-	8,240	8,240
Transfers out	(1,219,056)	(1,791,844)	(1,791,844)	-
<b>Total other financing (uses)</b>	<b>(1,219,056)</b>	<b>(1,791,844)</b>	<b>(1,783,604)</b>	<b>8,240</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (541,200)</b>	<b>\$ 435,938</b>	<b>\$ 977,138</b>

See note to the required supplementary information.

## Town of Colchester, Connecticut

### Note to Required Supplementary Information - 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 level of budgetary control is at the department level.

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	\$ 54,681,198
Prior year encumbrances cancelled	(14,921)
Excess cost revenue net against expenditures	204,455
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	7,254,477
Revenues and transfers, GAAP basis	<u>\$ 62,125,209</u>

## Town of Colchester, Connecticut

### Note to Required Supplementary Information - unaudited

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#### Note 1. Budgets and Budgetary Accounting (Continued)

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	\$ 54,245,260
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	7,254,477
Excess cost revenue net against expenditures	204,455
Reclassified to General Fund in accordance with GASB 54	(25,088)
Encumbrances	
June 30, 2016	92,953
June 30, 2017	(148,592)
Expenditures and transfers, GAAP basis	<u>\$ 61,623,465</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.

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



**General Fund**





**Town of Colchester, Connecticut**

**General Fund  
Balance Sheet  
June 30, 2017 and 2016**

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 8,575,460	\$ 8,370,659
Property taxes and interest receivable, net	961,521	1,022,155
Other receivables	14,970	26,115
Inventory	24,010	36,820
Prepaid expenses	3,600	1,000
Grants receivable	-	117,313
<b>Total assets</b>	<b>\$ 9,579,561</b>	<b>\$ 9,574,062</b>
<b>Liabilities</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,654,162	\$ 2,010,553
<b>Total liabilities</b>	<b>1,654,162</b>	<b>2,010,553</b>
Deferred inflow of resources:		
Advance tax collections	22,233	41,324
Unavailable resources	840,669	936,344
<b>Total deferred inflows of resources</b>	<b>862,902</b>	<b>977,668</b>
Fund balance:		
Nonspendable prepaids	3,600	1,000
Nonspendable inventory	24,010	36,820
Committed	-	333,240
Assigned	612,254	502,848
Unassigned	6,422,633	5,711,933
<b>Total fund balance</b>	<b>7,062,497</b>	<b>6,585,841</b>
<b>Total liabilities, deferred inflow of resources fund balance</b>	<b>\$ 9,579,561</b>	<b>\$ 9,574,062</b>

Note: This balance sheet excludes the Snow Reserve Fund.

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, 2017**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
Property taxes:				
Current year levy	\$ 37,430,697	\$ 37,430,697	\$ 37,701,094	\$ 270,397
Prior years levy	450,000	450,000	521,285	71,285
Interest and lien fees	250,000	250,000	278,133	28,133
<b>Total property taxes</b>	<b>38,130,697</b>	<b>38,130,697</b>	<b>38,500,512</b>	<b>369,815</b>
Intergovernmental:				
State of Connecticut:				
Municipal Revenue Sharing	330,363	330,363	330,363	-
Elderly homeowners	50,611	50,611	41,718	(8,893)
Disability exemption	2,184	2,184	1,723	(461)
Additional veteran exemption	7,543	7,543	6,050	(1,493)
Emergency Management	4,000	4,000	2,625	(1,375)
Local Capital Improvement Program	117,313	117,313	-	(117,313)
Mashantucket Pequot/Mohegan Grant	65,420	65,420	65,420	-
Distribution to towns	7,500	7,500	5,313	(2,187)
Youth Services grant	14,000	14,000	17,608	3,608
<b>Total State of Connecticut</b>	<b>598,934</b>	<b>598,934</b>	<b>470,820</b>	<b>(128,114)</b>
Education:				
Special Education	450,000	450,000	565,309	115,309
Education cost sharing	13,591,055	13,591,055	13,497,726	(93,329)
<b>Total education</b>	<b>14,041,055</b>	<b>14,041,055</b>	<b>14,063,035</b>	<b>21,980</b>
<b>Total intergovernmental</b>	<b>14,639,989</b>	<b>14,639,989</b>	<b>14,533,855</b>	<b>(106,134)</b>
Revenues from use of money:				
Investment income	55,000	55,000	88,500	33,500
Charges for services:				
Ambulance	490,000	494,761	552,328	57,567
Recreation	11,500	11,500	14,101	2,601
<b>Total charges for services</b>	<b>501,500</b>	<b>506,261</b>	<b>566,429</b>	<b>60,168</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, 2017**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	
Licenses, permits and fees:				
Fire Marshal inspection fees	\$ 240	\$ 240	\$ -	\$ (240)
Sports licenses	300	300	364	64
Transfer station fees	108,000	129,498	130,594	1,096
Conservation Commission fees	5,500	5,500	2,825	(2,675)
Road inspection fees	29,000	29,000	28,553	(447)
Building code fees	210,000	210,000	323,010	113,010
Conveyance tax	194,000	194,000	190,839	(3,161)
Zoning and planning fees	12,000	12,000	12,290	290
Zoning appeal fees	700	700	350	(350)
Copier fees - Tax Collector	200	200	302	102
Copier fees - Assessor	1,100	1,100	740	(360)
Copier fees - Town Clerk	16,400	16,400	14,840	(1,560)
Copier fees - Planning & Code Administration	250	250	308	58
Town Clerk fees	105,300	105,300	102,862	(2,438)
Vendor permits	400	400	1,080	680
Pistol permits	7,000	7,000	9,730	2,730
Library fines and fees	12,000	12,000	10,322	(1,678)
Dial-A-Ride	3,500	3,500	3,176	(324)
Recording fees	2,400	2,400	2,152	(248)
<b>Total licenses, permits and fees</b>	<b>708,290</b>	<b>729,788</b>	<b>834,337</b>	<b>104,549</b>
Other revenues:				
Tuition	-	-	17,435	17,435
Telecommunications tax	38,000	38,000	38,286	286
State fund for building inspection	800	800	5,019	4,219
Elderly housing	14,500	14,500	14,024	(476)
Miscellaneous	6,000	6,000	46,099	40,099
Insurance reimbursements	-	-	236	236
CIRMA member equity	-	-	28,226	28,226
<b>Total other revenues</b>	<b>59,300</b>	<b>59,300</b>	<b>149,325</b>	<b>90,025</b>
Other financing sources:				
Transfers in	-	-	8,240	8,240
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>8,240</b>	<b>8,240</b>
<b>Total revenues and other financing sources</b>	<b>\$ 54,094,776</b>	<b>\$ 54,121,035</b>	<b>\$ 54,681,198</b>	<b>\$ 560,163</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, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
General government:				
Boards and Commissions	\$ 29,195	\$ 29,195	\$ 23,403	\$ 5,792
Contingency	56,360	-	-	-
First Selectman	240,653	256,495	251,935	4,560
Human Resources	110,406	77,699	75,105	2,594
Finance	296,831	287,729	286,260	1,469
Tax Collector	157,674	147,841	143,271	4,570
Assessor	289,238	285,782	275,962	9,820
Planning and Code Administration	511,438	520,457	506,092	14,365
Town Clerk	167,035	167,035	156,290	10,745
Elections	71,489	71,489	59,202	12,287
Insurances	1,657,614	1,657,614	1,653,474	4,140
Probate	4,989	4,989	4,989	-
Information Technology	101,996	101,996	98,707	3,289
<b>Total general government</b>	<b>3,694,918</b>	<b>3,608,321</b>	<b>3,534,690</b>	<b>73,631</b>
Public works:				
Public Works administration	162,880	166,635	164,514	2,121
Highway	1,389,455	1,407,333	1,380,766	26,567
Fleet maintenance	362,245	370,582	369,725	857
Grounds maintenance	425,482	413,455	408,410	5,045
Snow removal	501,925	476,837	476,834	3
Transfer Station	261,512	280,067	269,593	10,474
Facilities	163,169	141,669	138,500	3,169
Engineering	111,270	111,270	110,393	877
<b>Total public works</b>	<b>3,377,938</b>	<b>3,367,848</b>	<b>3,318,735</b>	<b>49,113</b>
Public safety:				
Police	1,438,575	1,499,649	1,499,520	129
Fire	1,235,606	1,265,890	1,190,972	74,918
Emergency Management	14,919	14,919	13,954	965
<b>Total public safety</b>	<b>2,689,100</b>	<b>2,780,458</b>	<b>2,704,446</b>	<b>76,012</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, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
Community & human services:				
Cragin Memorial Library	\$ 558,597	\$ 558,597	\$ 556,303	\$ 2,294
Parks and Recreation	185,794	185,794	182,016	3,778
Senior Services	280,332	280,332	266,559	13,773
Youth & Social Services	349,933	349,933	338,208	11,725
Community Agencies	25,000	25,000	25,000	-
Health Services	166,778	166,778	166,778	-
<b>Total community &amp; human services</b>	<b>1,566,434</b>	<b>1,566,434</b>	<b>1,534,864</b>	<b>31,570</b>
Education	39,705,064	39,705,064	39,518,416	186,648
Debt service:				
Principal	1,515,000	1,515,000	1,515,000	-
Interest	327,266	327,266	327,265	1
<b>Total debt service</b>	<b>1,842,266</b>	<b>1,842,266</b>	<b>1,842,265</b>	<b>1</b>
<b>Total expenditures</b>	<b>52,875,720</b>	<b>52,870,391</b>	<b>52,453,416</b>	<b>416,975</b>
Other financing uses:				
Transfers out	1,219,056	1,791,844	1,791,844	-
<b>Total other financing uses</b>	<b>1,219,056</b>	<b>1,791,844</b>	<b>1,791,844</b>	<b>-</b>
<b>Total expenditures and other financing uses</b>	<b>54,094,776</b>	<b>54,662,235</b>	<b>54,245,260</b>	<b>416,975</b>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (541,200)	\$ 435,938	\$ 977,138

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## **Nonmajor Governmental Funds**





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Town of Colchester, Connecticut

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017

	Special Revenue					
	Animal Control 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	\$ 53,341	\$ 894,365	\$ 89,330	\$ 504,244	\$ 285,304	\$ -
Assessments and user charges receivable	-	-	-	227,816	-	-
Other receivables	-	6,368	41,850	-	-	-
Intergovernmental receivable	-	-	-	-	-	38,849
Inventory	-	-	-	-	-	8,047
<b>Total assets</b>	<b>\$ 53,341</b>	<b>\$ 900,733</b>	<b>\$ 131,180</b>	<b>\$ 732,060</b>	<b>\$ 285,304</b>	<b>\$ 46,896</b>
<b>Liabilities and Fund Balances (Deficits)</b>						
Liabilities:						
Accounts payable	\$ 17,841	\$ -	\$ -	\$ 26,772	\$ 38,316	\$ 45,618
Unearned revenue	-	-	89,168	-	-	-
<b>Total liabilities</b>	<b>17,841</b>	<b>-</b>	<b>89,168</b>	<b>26,772</b>	<b>38,316</b>	<b>45,618</b>
Deferred inflows of resources:						
Unavailable resources	-	-	41,850	204,319	-	-
Fund balances (deficits):						
Nonspendable	-	-	-	-	-	8,047
Restricted	35,500	900,733	162	-	246,988	-
Committed	-	-	-	500,969	-	-
Unassigned	-	-	-	-	-	(6,769)
<b>Total fund balances (deficits)</b>	<b>35,500</b>	<b>900,733</b>	<b>162</b>	<b>500,969</b>	<b>246,988</b>	<b>1,278</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 53,341</b>	<b>\$ 900,733</b>	<b>\$ 131,180</b>	<b>\$ 732,060</b>	<b>\$ 285,304</b>	<b>\$ 46,896</b>

Special Revenue						
Miscellaneous Grants Fund	Adult Education	Special Gifts Fund	Out of District Tuition Fund	Pay to Play	Bacon Academy Summer School	Police Special Duty
\$ -	\$ -	\$ 359,022	\$ 115,447	\$ -	\$ 16,569	\$ 12,145
-	-	-	-	-	-	48,320
842	-	-	-	-	-	-
307,091	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 307,933</u>	<u>\$ -</u>	<u>\$ 359,022</u>	<u>\$ 115,447</u>	<u>\$ -</u>	<u>\$ 16,569</u>	<u>\$ 60,465</u>
\$ 364,858	\$ 3,810	\$ 18,053	\$ 13,240	\$ -	\$ 2,845	\$ 17,134
-	-	-	-	-	-	-
<u>364,858</u>	<u>3,810</u>	<u>18,053</u>	<u>13,240</u>	<u>-</u>	<u>2,845</u>	<u>17,134</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	340,969	-	-	-	-
-	-	-	102,207	-	13,724	43,331
<u>(56,925)</u>	<u>(3,810)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(56,925)</u>	<u>(3,810)</u>	<u>340,969</u>	<u>102,207</u>	<u>-</u>	<u>13,724</u>	<u>43,331</u>
<u>\$ 307,933</u>	<u>\$ -</u>	<u>\$ 359,022</u>	<u>\$ 115,447</u>	<u>\$ -</u>	<u>\$ 16,569</u>	<u>\$ 60,465</u>

(Continued)

Town of Colchester, Connecticut

Combining Balance Sheet (Continued)

Nonmajor Governmental Funds

June 30, 2017

	Capital Projects			
	2009 Bond Referendum	Capital Projects Fund	Sewer Capital	Energy Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 56,057	\$ 1,311,333	\$ 1,352,028	\$ 95,608
Assessments and user charges receivable	-	-	-	-
Other receivables	-	-	-	-
Intergovernmental receivable	-	-	69,030	-
Inventory	-	-	-	-
<b>Total assets</b>	<u>\$ 56,057</u>	<u>\$ 1,311,333</u>	<u>\$ 1,421,058</u>	<u>\$ 95,608</u>
<b>Liabilities and Fund Balances (Deficits)</b>				
Liabilities:				
Accounts payable	\$ -	\$ 25,523	\$ 122,988	\$ -
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>25,523</u>	<u>122,988</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable resources	-	-	-	-
Fund balances (deficits):				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	56,057	1,285,810	1,298,070	95,608
Unassigned	-	-	-	-
<b>Total fund balances (deficits)</b>	<u>56,057</u>	<u>1,285,810</u>	<u>1,298,070</u>	<u>95,608</u>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<u>\$ 56,057</u>	<u>\$ 1,311,333</u>	<u>\$ 1,421,058</u>	<u>\$ 95,608</u>

Capital Projects				
Use of Schools	BOE Capital Reserve Fund	Debt Service	Totals	
\$ 47,159	\$ 278,251	\$ 243,239	\$ 5,713,442	
-	-	-	276,136	
-	-	-	49,060	
-	-	-	414,970	
-	-	-	8,047	
<u>\$ 47,159</u>	<u>\$ 278,251</u>	<u>\$ 243,239</u>	<u>\$ 6,461,655</u>	
\$ 1,242	\$ -	\$ -	\$ 698,240	
-	-	-	89,168	
<u>1,242</u>	<u>-</u>	<u>-</u>	<u>787,408</u>	
-	-	-	246,169	
-	-	-	8,047	
-	-	-	1,524,352	
45,917	278,251	243,239	3,963,183	
-	-	-	(67,504)	
<u>45,917</u>	<u>278,251</u>	<u>243,239</u>	<u>5,428,078</u>	
<u>\$ 47,159</u>	<u>\$ 278,251</u>	<u>\$ 243,239</u>	<u>\$ 6,461,655</u>	

Town of Colchester, Connecticut

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances (Deficits)  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2017

	Special Revenue					
	Animal Control Fund	Town Aid Road Fund	Small Cities Grants	Sewer Operating Fund	Parks and Recreation Activities Fund	School Cafeteria Fund
Revenues:						
Intergovernmental	\$ -	\$ 388,309	\$ 180,640	\$ -	\$ -	\$ 247,478
Food sales, charges for services	-	-	-	-	-	383,862
Fines and fees	17,333	-	-	-	-	-
Interest income	-	-	13	1,460	-	39
Sewer assessments, use and charges for services	-	-	-	825,386	348,312	-
Other local revenue	-	-	4,453	30	4,965	-
<b>Total revenues</b>	<b>17,333</b>	<b>388,309</b>	<b>185,106</b>	<b>826,876</b>	<b>353,277</b>	<b>631,379</b>
Expenditures:						
General government	-	-	-	-	-	-
Public works	-	3,029	-	854,925	-	-
Education	-	-	-	-	-	666,272
Public safety	42,612	-	-	-	-	-
Community & human services	-	-	185,092	-	312,722	-
Capital outlay	-	299,616	-	-	-	-
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<b>42,612</b>	<b>302,645</b>	<b>185,092</b>	<b>854,925</b>	<b>312,722</b>	<b>666,272</b>
<b>Excess (deficiency) revenues over expenditures</b>	<b>(25,279)</b>	<b>85,664</b>	<b>14</b>	<b>(28,049)</b>	<b>40,555</b>	<b>(34,893)</b>
Other financing sources (uses):						
Transfers in	30,926	-	-	-	2,000	-
Transfers out	-	-	-	(48,000)	-	-
<b>Total other financing sources (uses)</b>	<b>30,926</b>	<b>-</b>	<b>-</b>	<b>(48,000)</b>	<b>2,000</b>	<b>-</b>
<b>Net change in fund balances (deficits)</b>	<b>5,647</b>	<b>85,664</b>	<b>14</b>	<b>(76,049)</b>	<b>42,555</b>	<b>(34,893)</b>
Fund balances (deficits), beginning	29,853	815,069	148	577,018	204,433	36,171
Fund balances (deficits) ending	<u>\$ 35,500</u>	<u>\$ 900,733</u>	<u>\$ 162</u>	<u>\$ 500,969</u>	<u>\$ 246,988</u>	<u>\$ 1,278</u>

Special Revenue								
Miscellaneous Grants Fund	Adult Education	Special Gifts Fund	Out of District Tuition Fund	Pay to Play	Bacon Academy Summer School	Police Special Duty		
\$ 457,669	\$ -	\$ 4,313	\$ -	\$ -	\$ -	\$ -		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	133,956	106,319	12,050	313,100		
18,051	-	204,969	-	-	-	-		
475,720	-	209,282	133,956	106,319	12,050	313,100		
4,000	-	8,802	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	31,749	106,319	9,443	-		
12,389	-	6,094	-	-	-	288,504		
105,927	-	185,571	-	-	-	-		
382,586	-	6,300	-	-	-	-		
-	-	-	-	-	-	-		
504,902	-	206,767	31,749	106,319	9,443	288,504		
(29,182)	-	2,515	102,207	-	2,607	24,596		
-	-	-	-	-	-	-		
(89)	-	(2,000)	-	-	-	-		
(89)	-	(2,000)	-	-	-	-		
(29,271)	-	515	102,207	-	2,607	24,596		
(27,654)	(3,810)	340,454	-	-	11,117	18,735		
\$ (56,925)	\$ (3,810)	\$ 340,969	\$ 102,207	\$ -	\$ 13,724	\$ 43,331		

(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, 2017

	Capital Projects			
	2009 Bond Referendum	Capital Projects Fund	Sewer Capital	Energy Fund
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 69,030	\$ -
Food sales, charges for services	-	-	-	-
Fines and fees	-	-	41,830	-
Interest income	-	-	4,194	-
Sewer assessments, use and charges for services	-	-	-	-
Other local revenue	-	23,676	-	-
<b>Total revenues</b>	-	23,676	115,054	-
Expenditures:				
General government	-	69,650	-	-
Public works	-	-	22,043	-
Education	-	-	-	-
Public safety	-	-	-	-
Community & human services	-	-	-	-
Capital outlay	-	672,387	166,355	12,500
Debt service	-	-	-	-
<b>Total expenditures</b>	-	742,037	188,398	12,500
<b>Excess (deficiency) revenues over expenditures</b>	-	(718,361)	(73,344)	(12,500)
Other financing sources (uses):				
Transfers in	-	1,116,415	48,000	-
Transfers out	-	(8,240)	-	-
<b>Total other financing sources (uses)</b>	-	1,108,175	48,000	-
<b>Net change in fund balances (deficits)</b>	-	389,814	(25,344)	(12,500)
Fund balances (deficits), beginning	56,057	895,996	1,323,414	108,108
Fund balances (deficits) ending	\$ 56,057	\$ 1,285,810	\$ 1,298,070	\$ 95,608



Capital Projects				
Use of Schools	BOE Capital Reserve Fund	Debt Service	Totals	
\$ -	\$ -	\$ -	\$ 1,347,439	
-	-	-	383,862	
-	-	-	59,163	
-	-	-	5,706	
32,369	-	-	1,771,492	
-	57,006	-	313,150	
32,369	57,006	-	3,880,812	
-	-	-	82,452	
-	-	-	879,997	
60,709	-	-	874,492	
-	-	-	349,599	
-	-	-	789,312	
50,999	249,448	-	1,840,191	
-	-	401,774	401,774	
111,708	249,448	401,774	5,217,817	
(79,339)	(192,442)	(401,774)	(1,337,005)	
-	214,177	482,598	1,894,116	
-	-	-	(58,329)	
-	214,177	482,598	1,835,787	
(79,339)	21,735	80,824	498,782	
125,256	256,516	162,415	4,929,296	
\$ 45,917	\$ 278,251	\$ 243,239	\$ 5,428,078	

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## **Capital Assets Schedules**



**Town of Colchester, Connecticut**

**Capital Assets Used in the Operation of Governmental Funds -  
Schedule by Category  
June 30, 2017**

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Governmental funds capital assets:	
Land	\$ 3,586,879
Buildings	89,787,901
Improvements other than buildings	2,142,482
Machinery and equipment	17,443,537
Infrastructure	39,171,531
Construction in process	<u>6,406,966</u>
<b>Total governmental funds capital assets</b>	<b><u><u>\$ 158,539,296</u></u></b>

Town of Colchester, Connecticut

Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity  
June 30, 2017

	Land	Buildings	Improvements Other Than Buildings	Infrastructure	Machinery and Equipment	Constructions in Process	Total
General government	\$ 3,497,379	\$ 2,487,509	\$ 1,347,146	\$ -	\$ 442,691	\$ -	\$ 7,774,725
Public safety	-	1,004,298	-	60,567	4,771,965	-	5,836,830
Public works	-	421,001	18,683	38,697,310	6,161,919	-	45,298,913
Community & human services	89,500	7,898,990	5,385	268,779	1,047,923	-	9,310,577
Education	-	77,976,103	771,268	144,875	5,019,039	6,406,966	90,318,251
<b>Total</b>	<b>\$ 3,586,879</b>	<b>\$ 89,787,901</b>	<b>\$ 2,142,482</b>	<b>\$ 39,171,531</b>	<b>\$ 17,443,537</b>	<b>\$ 6,406,966</b>	<b>\$ 158,539,296</b>

**Other Schedules**





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**Town of Colchester, Connecticut**

**Schedule of Property Taxes Levied, Collected and Outstanding  
For the Year Ended June 30, 2017**

Grand List Year	Balance Uncollected July 1, 2016	Current Levy	Lawful Corrections		Written-off Uncollectible	Transfer to Suspense	Balance To Be Collected
			Additions	Deletions			
1999	\$ 4,203	\$ -	\$ -	\$ -	\$ (4,203)	\$ -	\$ -
2000	10,273	-	-	-	-	-	10,273
2001	8,143	-	-	-	-	-	8,143
2002	13,423	-	21	-	-	-	13,444
2003	20,471	-	-	(14)	-	(637)	19,820
2004	21,909	-	382	(154)	-	(1,428)	20,709
2005	16,602	-	-	-	-	(367)	16,235
2006	55,067	-	1	(133)	-	(1,086)	53,849
2007	57,754	-	1	(2,901)	-	(2,760)	52,094
2008	56,825	-	-	(2,015)	-	(3,525)	51,285
2009	41,094	-	2	(602)	-	(1,531)	38,963
2010	47,559	-	1	(621)	-	(1,525)	45,414
2011	76,448	-	-	(822)	-	(2,203)	73,423
2012	96,619	-	1,813	(4,568)	-	(2,106)	91,758
2013	179,930	-	1,658	(2,818)	-	(2,395)	176,375
2014	445,936	-	4,225	(8,608)	-	(172)	441,381
2015	-	38,189,553	117,902	(194,134)	-	(808)	38,112,513
	<u>\$ 1,152,256</u>	<u>\$ 38,189,553</u>	<u>\$ 126,006</u>	<u>\$ (217,390)</u>	<u>\$ (4,203)</u>	<u>\$ (20,543)</u>	<u>\$ 39,225,679</u>

Collections						Balance Uncollected June 30, 2017	
Taxes		Interest		Fees		Total	
\$	-	\$	-	\$	-	\$	-
	289		1,823		-		2,112
	343		917		6		1,266
	538		1,250		-		1,788
	735		1,670		24		2,429
	1,560		2,555		-		4,115
	902		1,916		24		2,842
	2,542		4,445		-		6,987
	2,726		3,953		24		6,703
	1,612		3,048		6		4,666
	3,518		4,384		24		7,926
	3,387		3,179		24		6,590
	10,472		7,350		24		17,846
	24,096		21,407		126		45,629
	89,574		32,882		304		122,760
	299,140		63,356		1,771		364,267
	37,743,244		115,985		1,100		37,860,329
\$	38,184,678	\$	270,120	\$	3,457	\$	38,458,255
						\$	1,041,001

**Town of Colchester, Connecticut**

**Balance Sheet - By Account - General Fund  
June 30, 2017**

	General Fund	Snow Reserve Fund	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 8,575,460	\$ 110,303	\$ 8,685,763
Receivables (net of allowances for collection losses):			
Property taxes	961,521	-	961,521
Intergovernmental	-	-	-
Accounts receivable	14,970	-	14,970
Prepaid	3,600	-	3,600
Inventory	24,010	-	24,010
<b>Total assets</b>	<b>\$ 9,579,561</b>	<b>110,303</b>	<b>\$ 9,689,864</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,654,162	\$ -	\$ 1,654,162
<b>Total liabilities</b>	<b>1,654,162</b>	<b>-</b>	<b>1,654,162</b>
Deferred inflows of resources:			
Advance tax collections	22,233	-	22,233
Unavailable resources-other	840,669	-	840,669
<b>Total deferred inflows of resources</b>	<b>862,902</b>	<b>-</b>	<b>862,902</b>
Fund balances:			
Nonspendable	27,610	-	27,610
Committed	-	110,303	110,303
Assigned	612,254	-	612,254
Unassigned	6,422,633	-	6,422,633
<b>Total fund balances</b>	<b>7,062,497</b>	<b>110,303</b>	<b>7,172,800</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,579,561</b>	<b>\$ 110,303</b>	<b>\$ 9,689,864</b>

**Town of Colchester, Connecticut**

**Schedule of Revenues, Expenditures and Changes in Fund Balance - By Account - General Fund  
For the Year Ended June 30, 2017**

	General Fund	Snow Reserve Fund	Eliminate Interfund Receivables	Totals
Revenues:				
Property taxes, interest & liens fess	\$ 38,500,512	\$ -	\$ -	\$ 38,500,512
Intergovernmental revenues	21,992,787	-	-	21,992,787
Revenues from use of money	88,500	-	-	88,500
Fees, permits and sales	834,337	-	-	834,337
Charges for services and assessments	566,429	-	-	566,429
Other	134,404	-	-	134,404
<b>Total revenues</b>	<b>62,116,969</b>	<b>-</b>	<b>-</b>	<b>62,116,969</b>
Expenditures:				
Current:				
General government	3,534,368	-	-	3,534,368
Public safety	2,699,729	-	-	2,699,729
Public works	3,312,050	-	-	3,312,050
Community & human services	1,534,864	-	-	1,534,864
Education	46,630,541	-	-	46,630,541
Debt service	1,842,265	-	-	1,842,265
<b>Total expenditures</b>	<b>59,553,817</b>	<b>-</b>	<b>-</b>	<b>59,553,817</b>
<b>Revenues over (under) expenditures</b>	<b>2,563,152</b>	<b>-</b>	<b>-</b>	<b>2,563,152</b>
Other financing sources (uses):				
Transfers in	8,240	25,088	(25,088)	8,240
Transfers out	(2,094,736)	-	25,088	(2,069,648)
<b>Net other financing sources (uses)</b>	<b>(2,086,496)</b>	<b>25,088</b>	<b>-</b>	<b>(2,061,408)</b>
<b>Net change in fund balances</b>	<b>476,656</b>	<b>25,088</b>	<b>-</b>	<b>501,744</b>
Fund balances, beginning	6,585,841	85,215	-	6,671,056
<b>Fund balances, ending</b>	<b>\$ 7,062,497</b>	<b>\$ 110,303</b>	<b>\$ -</b>	<b>\$ 7,172,800</b>

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