

Town of Colchester, Connecticut

Financial Report
June 30, 2019

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Financial Section

Independent Auditor's Report

RSM US LLP

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, 2019, 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 as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows 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 pension and other post-employment benefit 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 as of and for the year ended June 30, 2018 (not presented herein), and have issued our report thereon dated December 31, 2018, 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, 2018 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 2018 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2018 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, 2018.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020 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
January 31, 2020

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Town of Colchester, Connecticut
Management's Discussion and Analysis - Unaudited
June 30, 2019

As management of the Town of Colchester, Connecticut (the Town) we offer readers of the financial statements this overview and analysis of the financial performance of the Town for the fiscal year ended June 30, 2019. 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 \$86,297,350 (net position). Total net position of Governmental Activities at fiscal year-end was \$81,039,901 and total net position for Business-Type Activities was \$5,257,449. Of the Town's total net position at June 30, 2019, \$9,583,689 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 \$367,462.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$8,884,784, an increase of \$477,841 from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2019, \$7,815,186 represents unassigned fund balance of the General Fund. Unassigned General Fund fund balance represents 14.19% of total General Fund budgetary expenditures and transfers out (\$55,088,144). The Town's governmental funds reported combined ending fund balances of \$14,189,755, an increase of \$720,260 from the prior fiscal year.
- The Town's total bonded debt had an increase of \$10,505,000 from the prior fiscal year as bonds were issued for the William J. Johnston Middle School Project.

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.

		<u>Fund Financial Statements</u>		
<u>Type of Statements</u>	<u>Government-wide Financial Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
<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"> ➤ Statement of net position ➤ Statement of activities 	<ul style="list-style-type: none"> ➤ Balance sheet ➤ Statement of revenues, expenditures and changes in fund balances. 	<ul style="list-style-type: none"> ➤ Statement of net position. ➤ Statement of revenues, expenses, changes in fund net position. ➤ Statement of cash flows. 	<ul style="list-style-type: none"> ➤ Statement of fiduciary net position. ➤ Statement of changes in fiduciary net position.
<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 and deferred outflow/liability and deferred inflow 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'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 the Town'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 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town 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 \$86,297,350 at the close of the recent fiscal year.

Net position of the Town's Governmental Activities increased approximately 0.36% to \$81,039,901. Total net position for Business-type Activities increased approximately 1.44% to \$5,257,449. The amount of \$76,713,661 (\$72,975,424 for Governmental Activities and \$3,738,237 for Business-type Activities) of combined net position at June 30, 2019, 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 \$9,583,689 (\$8,064,477 for Governmental Activities and \$1,519,212 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's net position (86.92%) 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'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.

	June 30, 2019			June 30, 2018		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 23,392,723	\$ 1,537,233	\$ 24,929,956	\$ 29,908,157	\$ 1,474,972	\$ 31,383,129
Capital assets	101,311,327	5,100,077	106,411,404	95,510,984	5,105,456	100,616,440
Total assets	124,704,050	6,637,310	131,341,360	125,419,141	6,580,428	131,999,569
Deferred outflows of resources	486,470	-	486,470	319,585	-	319,585
Current liabilities	6,578,343	126,760	6,705,103	13,354,181	20,712	13,374,893
Long-term liabilities outstanding	37,163,402	1,253,101	38,416,503	31,337,101	1,376,896	32,713,997
Total liabilities	43,741,745	1,379,861	45,121,606	44,691,282	1,397,608	46,088,890
Deferred inflows of resources	408,874	-	408,874	300,376	-	300,376
Net position:						
Net investment in capital assets	71,273,605	3,738,237	75,011,842	70,925,735	3,728,560	74,654,295
Restricted	1,701,819	-	1,701,819	1,749,640	-	1,749,640
Unrestricted	8,064,477	1,519,212	9,583,689	8,071,693	1,454,260	9,525,953
Total net position	\$ 81,039,901	\$ 5,257,449	\$ 86,297,350	\$ 80,747,068	\$ 5,182,820	\$ 85,929,888

Change in Net Position. The Town's total net position increased by \$367,462 during the fiscal year, with net position of Governmental Activities increasing by \$292,833, and net position of Business-type Activities increasing by \$74,629.

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Primary Government			Primary Government		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues:						
Charges for Services	\$ 3,937,351	\$ 1,048,872	\$ 4,986,223	\$ 3,943,408	\$ 1,114,532	\$ 5,057,940
Operating Grants and Contributions	18,104,468	-	18,104,468	22,195,832	-	22,195,832
Capital Grants and Contributions	5,692,159	-	5,692,159	13,131,946	-	13,131,946
General Revenues:						
Property Tax	39,884,946	-	39,884,946	39,567,148	-	39,567,148
Grants not restricted to specific programs	246,475	-	246,475	287,048	-	287,048
Unrestricted investment earnings	367,717	14,965	382,682	437,614	8,091	445,705
Miscellaneous	107,016	-	107,016	111,218	-	111,218
Transfers	13,580	-	13,580	13,580	-	13,580
Total Revenues	68,353,712	1,063,837	69,417,549	79,687,794	1,122,623	80,810,417
Expenses						
General Government	3,652,112	-	3,652,112	3,531,523	-	3,531,523
Public Safety	3,387,101	-	3,387,101	3,478,855	-	3,478,855
Public Works	5,075,575	-	5,075,575	4,858,649	-	4,858,649
Community and Human Services	2,403,361	-	2,403,361	2,838,049	-	2,838,049
Education	52,672,630	-	52,672,630	52,096,191	-	52,096,191
Other	-	947,636	947,636	-	952,073	952,073
Interest on long-term debt	870,100	27,992	898,092	553,746	30,586	584,332
Transfers	-	13,580	13,580	-	13,580	13,580
Total Expenses	68,060,879	989,208	69,050,087	67,357,013	996,239	68,353,252
Change in Net Position	292,833	74,629	367,462	12,330,781	126,384	12,457,165
Net Position - Beginning	80,747,068	5,182,820	85,929,888	68,416,287	5,056,436	73,472,723
Net Position - Ending	\$ 81,039,901	\$ 5,257,449	\$ 86,297,350	\$ 80,747,068	\$ 5,182,820	\$ 85,929,888

Governmental Activities

Approximately 58.35% of the revenues were generated from property taxes, followed by 40.57% from program revenues, which include governmental revenues for Education, then 0.36% was derived from other unrestricted grants, 0.16% from miscellaneous revenues, 0.54% from unrestricted investment earnings including premium from the issuance of bond anticipation notes, and 0.02% from transfers.

Major revenue factors include:

- Decrease in School construction grant progress payments received for expenditures incurred on the William J. Johnston Middle School Project in FY 18/19 as compared to FY 17/18 as the main portion of the project was substantially completed during FY 18/19.
- Decrease in Small Cities Block grant for improvements to Senior housing managed by the Colchester Housing Authority as the project was completed in FY 18/19.
- Increased tax revenues resulting from a 1.2% increase in the grand list from the prior year and an increase in delinquent tax collections.
- Significant decrease in on-behalf payments made by the State of Connecticut (State) to the State Teachers' Retirement System for pensions and other postemployment benefits (OPEB).
- Increase in the Education Cost Sharing (ECS) grant received from the State.
- The mill rate for FY 18/19 was 32.28, a decrease of 0.09 mills from the prior fiscal year.
- The Town's current levy collected tax rate was 98.88%, a decrease of 0.02% from the previous year current levy collected tax rate of 98.90%.

For governmental activities, 77.39% of the Town's expenditures relate to education, 5.36% relate to general government, 4.98% relate to public safety, 7.46% relate to public works, 3.53% relate to community and human services, and the remaining 1.28% relate to interest payments on long-term debt.

Major expenditure factors include:

- Increase in general government, mainly due to an increase in health insurance and workers compensation claims.
- Decrease in public safety due to a decrease in Police Special Duty assignments.
- Increase in education resulting mainly from the following: technology and furniture, fixture and equipment costs associated with the William J. Johnston Middle School Project, offset by a decrease in on-behalf payments made by the State to the State Teachers' Retirement System for pensions and OPEB. In addition, during FY 17/18, there was a voluntary freeze on expenditures in the amount of \$825,000 to help offset the significant reduction in ECS grant funding received from the State.
- Increase in public works expenditures related to increased sewer operating and capital expenditures, including Joint Facilities. Increase in expenditures for road maintenance and improvements. In addition, during FY 17/18, there were unfilled positions in the Highway and Grounds Maintenance divisions due to the budget freeze imposed in response to the delayed adoption of the State budget and a significant reduction in State funding.
- Decrease in community and human services mainly due to expenditures incurred for improvements to Senior housing managed by the Colchester Housing Authority in FY 17/18. Improvements were funded by receipt of a Small Cities block grant. The project was substantially completed during FY 17/18.
- Increase in interest on long-term debt due to the issuance of bonds and bond anticipation notes to finance the William J. Johnston Middle School Project.

Business-Type Activities

Business-type activities increased the Town's net position by \$74,629. 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'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 \$14,189,755, an increase from \$13,469,495 as of June 30, 2018. The Town experienced positive financial results in the Town's General Fund revenues as a result of conservative budgeting practices, and significant increases in investment earnings associated with increased interest rates and changes in investment strategy. Positive results from the expenditure budget were achieved through reductions in legal costs for labor, and code administration, and position vacancies in Highway, Youth & Social Services, and Senior Services. General obligation bonds were issued to finance the capital outlay expenditures for the William J. Johnston Middle School project. The Town also 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. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,815,186, while total fund balance was \$8,884,784. 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 14.19% of the total General Fund budgetary expenditures and transfers out.

At June 30, 2019, the Town's General Fund unassigned fund balance increased by \$945,402 from the previous year. On the revenue side, the Town received reductions in State grant revenues for Municipal Stabilization, and the Local Capital Improvement Program. These reductions were offset by an increase in the Education Cost Sharing grant, increased delinquent property tax collections, investment income, charges for ambulance services, building permit fees, and tuition received for out of district students attending the Colchester Public Schools. On the expenditure side, the Town achieved savings from vacant positions in Highway, Youth & Social Services, and Senior Services, along with reductions in legal costs associated with labor and land use matters. 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 \$334,969 for a total fund balance of \$2,107,804 mainly due to the continued funding of future acquisition/replacement of Town vehicles and equipment.

Johnston Building Project Fund - During the fiscal year, the Town incurred expenditures of \$11,943,013 for demolition, construction and renovation costs. A total of \$5,031,238 was received from the State's School Construction progress payments as reimbursement for the State's share of the project costs incurred to date. The fund also recorded the issuance of \$7,040,000 in bond anticipation notes (permanently funded with bonds in October 2019) and has an additional amount of \$1,810,000 of bond anticipation notes outstanding at the end of the year. The deficit fund balance of \$2,827,199 will be funded through future State payments.

The Education Grants Fund had revenues and other financing sources of \$1,420,471 and expenditures of \$1,443,578 for the year ended June 30, 2019.

Proprietary funds. The Town'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 \$1,519,212. The Water Fund experienced an increase in net position of \$74,629. The explanations concerning the finances of the Water Fund were addressed earlier in the discussion of the Town's Business-type activities.

General Fund Budgetary Highlights

Budget transfers were approved during the year from contingency for additional workers compensation premiums associated with the workers compensation payroll audit for FY 17/18, and for severance payouts associated with two unanticipated retirements from the Finance Department. A budget transfer from Human Resources to the Fire Department was approved as a result of the successful negotiation of the Fire union contract – funds were included within the Human Resources contract settlement line in the adopted budget for this purpose.

Appropriations from fund balance were approved during the year to fund the replacement of an ambulance in lieu of lease financing (\$163,015), to purchase property on Mill Street adjoining the Town Hall property (\$45,000), and to provide additional funding of the debt service costs for the William J. Johnston Middle School project (\$97,601 representing investment earnings from prior years associated with the project).

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business type activities as of June 30, 2019, amount to \$106,411,404 (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, Paper Mill Road Bridge, and Halls Hill Road). The total increase in the Town of Colchester's net investment in capital assets for the current fiscal year was \$5,794,964 or approximately 5.76%.

Major capital assets during the current fiscal year included the following:

Governmental Activities

- Road and bridge improvements funded by General Fund appropriations and Town Aid Road grant funds.
- Replacement of a police cruiser, ambulance, and code administration pickup truck funded by General Fund appropriations and Vehicle Reserve funds. Replacement of a wheel loader and a dump truck with attachments funded by Town Aid Road grant funds. Replacement of Senior Center bus funded by a State grant and Vehicle Reserve funds.
- Purchase of property adjacent to Town Hall funded by General Fund appropriation.
- Renovations to Town Hall property and grounds, including carpeting, meeting room partitions, roofing, and parking lot funded by General Fund appropriations to Capital accounts.
- Replacement of oil heater/furnace at Fire Company #1, and replacement of boiler at Senior Center funded by Buildings and Grounds Reserve funds.
- Replacement of equipment at treatment plant and pump stations funded by Sewer Operating and Sewer Capital accounts.
- Compressor replacements, upgrades to air handling and boiler controls, carpet replacement, and re-sodding of football field at Bacon Academy, and replacement of the fire alarm control panel at Jack Jackter Intermediate School funded by Capital Reserve funds and Education budget.
- Acquisition of CNC milling machine for Tech Education at Bacon Academy funded by Education grant funds.
- Technology and furniture, fixtures and equipment including large musical instruments at William J. Johnston Middle School funded by the building project.

Town of Colchester - Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,626,879	\$ 3,586,879	\$ -	\$ -	\$ 3,626,879	\$ 3,586,879
Land Improvements	501,487	529,112	2,730	2,940	504,217	532,052
Building & Improvements	72,563,507	49,067,304	3,502,658	3,428,430	76,066,165	52,495,734
Machinery & Equipment	5,524,481	5,232,979	150,635	179,282	5,675,116	5,412,261
Infrastructure	9,530,866	9,083,898	1,444,054	1,494,804	10,974,920	10,578,702
Construction in Process	9,564,107	28,010,812	-	-	9,564,107	28,010,812
Total	\$ 101,311,327	\$ 95,510,984	\$ 5,100,077	\$ 5,105,456	\$ 106,411,404	\$ 100,616,440

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 \$24,180,000 in bonds and bond anticipation notes outstanding. All of the bonds are backed by the full faith and credit of the Town of Colchester.

Town of Colchester Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation						
Bonds (backed by the Town)	\$ 17,140,000	\$ 6,635,000	\$ -	\$ -	\$ 17,140,000	\$ 6,635,000
Bonds anticipation notes	7,040,000	12,000,000	-	-	7,040,000	12,000,000
	24,180,000	18,635,000	-	-	24,180,000	18,635,000
Clean Water Fund						
Loan	\$ -	\$ -	\$ 1,253,101	\$ 1,376,896	\$ 1,253,101	\$ 1,376,896

The Town issued bond anticipation notes (BANs) in October 2018 in the amount of \$8,850,000, with an interest rate of 3.0% of which \$7,040,000 is reported as long-term debt at June 30, 2019. The BANs matured in October 2019, at which time the Town issued \$7,040,000 in general obligation bonds and \$2,845,000 in bond anticipation notes. The bonds were issued with interest rates ranging from 2.5% to 5.0% with final maturity in FY 2045-2046. The BANs were issued with an interest rate of 2.0% and will mature on October 15, 2020.

Official statements for the bond and bond anticipation note issues are available on the Town's website, www.colchesterct.gov.

In September 2018, S&P Global Ratings issued a rating of AA+ on the Town's general obligation bond issue of \$12,000,000 and SP-1+ on the Town's bond anticipation note issue of \$8,850,000. The rating report indicated that the rating reflects S&P Global Ratings' opinion of the following factors for the Town: strong economy, strong management with good financial policies and practices, strong budgetary performance, and very strong budgetary flexibility with an available fund balance that is expected to improve in the near term from its fiscal 2017 level, very strong liquidity, and very strong debt and contingent liability profile.

In October 2019, S&P Global Ratings issued a rating of AA+ on the Town's general obligation bond issue of \$7,040,000 and SP-1+ on the Town's bond anticipation note issue of \$2,845,000. At the same time, S&P affirmed its ratings of AA+ and SP-1+ on the Town's existing long-term and short-term debt. S&P states in the credit summary "In our view, Colchester's strong financial operations evidenced by its continued positive general fund results and increases in available reserves over the past few years support the long-term ratings. Furthermore, we believe the town's strong management conditions and economy with manageable fixed costs also support its stable financial position." The rating report indicated that the rating reflects S&P Global Ratings' opinion of the following factors for the Town: strong economy, strong management with good financial policies and practices, strong budgetary performance, and strong budgetary flexibility with an available fund balance that is expected to improve in the near term from its fiscal 2018 level, very strong liquidity, and very strong debt and contingent liability profile.

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's unemployment rate decreased to 3.1% as of June 2019, which remains less than the State's rate of 3.8% for the same time period. As of November 2019, the Town's unemployment rate had decreased to 2.9% and the State's unemployment rate decreased to 3.3%. In response to reductions in State funding, 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 between the Town and Schools as well as with surrounding Towns and School districts.

The grand list as of October 2018 reflected an increase of 0.8%. This followed several years of small increases in the taxable grand list of 0.6% as of October 2013, 0.6% as of October 2014, 1.15% as of October 2015, and 1.2% as of October 2017. The grand list of October 2016, which was a revaluation year, reflected a small decrease of 1.1%.

The Town continues to see residential growth with an apartment complex, along with multi-lot subdivisions either in process for approval, under construction, or completed or for sale. Additional commercial development has been approved or permitted, or is in the process for permitting. Existing businesses plan to expand their manufacturing, commercial or retail space, and existing but vacant commercial space is being redeveloped. In addition, Eversource is in Phase I of a project to expand natural gas pipelines to the Town. In October 2019, the Town approved a twenty year tax stabilization agreement with Bloom Energy as part of a project to construct a fuel cell power plant in Town that will connect to the natural gas pipeline.

The FY 2019-2020 final adopted budget of \$56,392,987 represents an increase of \$1,022,333 over the adopted budget for FY 2018-2019 of \$55,370,654. The adopted budget reflects an increase of 0.56 mills for a property tax mil rate of 32.84. The Town and Education budgets were adopted at a referendum vote on June 11, 2019. The budget reflects an estimated tax collection rate of 98.8%, along with projected decreases in State funding and estimated revenues for tuition from out of District students, and increases in estimated revenues from charges for ambulance services, building permit fees, and investment income.

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, 2016-2017, 2017-2018, 2018-2019 and FY2019-2020.

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, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 20,587,200	\$ 1,096,103	\$ 21,683,303
Receivables (net of allowances for collection losses):			
Property taxes and interest	957,865	-	957,865
Assessments	284,951	-	284,951
Accounts receivable	91,039	371,669	462,708
Intergovernmental	1,459,082	-	1,459,082
Inventory	12,586	69,461	82,047
Capital assets, non-depreciable	13,190,986	-	13,190,986
Capital assets, net of accumulated depreciation	88,120,341	5,100,077	93,220,418
Total assets	124,704,050	6,637,310	131,341,360
Deferred outflows of resources:			
Charges on refundings	111,675	-	111,675
Pension-related items	163,200	-	163,200
OPEB-related items	211,595	-	211,595
Total deferred outflows of resources	486,470	-	486,470
Liabilities			
Accounts payable and accrued liabilities	4,261,042	126,760	4,387,802
Claims payable	481,000	-	481,000
Unearned revenues	26,301	-	26,301
Bond anticipation notes	1,810,000	-	1,810,000
Noncurrent liabilities:			
Due within one year	2,241,141	126,445	2,367,586
Due in more than one year	34,922,261	1,126,656	36,048,917
Total liabilities	43,741,745	1,379,861	45,121,606
Deferred inflows of resources:			
Advance tax collections	98,028	-	98,028
Pension-related items	199,560	-	199,560
OPEB-related items	111,286	-	111,286
Total deferred inflows of resources	408,874	-	408,874
Net position:			
Net investment in capital assets	71,273,605	3,738,237	75,011,842
Restricted	1,701,819	-	1,701,819
Unrestricted	8,064,477	1,519,212	9,583,689
Total net position	\$ 81,039,901	\$ 5,257,449	\$ 86,297,350

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Activities
For the Year Ended June 30, 2019

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	\$ (3,652,112)	\$ 667,395	\$ 10,401	\$ -	\$ (2,974,316)	\$ -	\$ (2,974,316)
Public safety	(3,387,101)	751,052	33,175	-	(2,602,874)	-	(2,602,874)
Public works	(5,075,575)	1,083,215	45,044	572,788	(3,374,528)	-	(3,374,528)
Community and human services	(2,403,361)	358,410	302,851	88,133	(1,653,967)	-	(1,653,967)
Education	(52,672,630)	1,077,279	17,712,997	5,031,238	(28,851,116)	-	(28,851,116)
Interest on long-term debt	(870,100)	-	-	-	(870,100)	-	(870,100)
Total governmental activities	(68,060,879)	3,937,351	18,104,468	5,692,159	(40,326,901)	-	(40,326,901)
Business-type activities:							
Water	(975,628)	1,048,872	-	-	-	73,244	73,244
Total business-type activities	(975,628)	1,048,872	-	-	-	73,244	73,244
Total primary government	\$ (69,036,507)	\$ 4,986,223	\$ 18,104,468	\$ 5,692,159	(40,326,901)	73,244	(40,253,657)
General revenues:							
Property taxes					39,884,946	-	39,884,946
Grants and contributions not restricted to specific programs					246,475	-	246,475
Unrestricted investment earnings					367,717	14,965	382,682
Miscellaneous					107,016	-	107,016
Transfers					13,580	(13,580)	-
Total general revenues and transfers					40,619,734	1,385	40,621,119
Change in net position					292,833	74,629	367,462
Net position - beginning					80,747,068	5,182,820	85,929,888
Net position - ending					\$ 81,039,901	\$ 5,257,449	\$ 86,297,350

See notes to financial statements.

Town of Colchester, Connecticut

Balance Sheet - Governmental Funds June 30, 2019

	Major Funds					
	General Fund	Capital Reserve Fund	Johnston Building Project Fund	Educational Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 9,760,959	\$ 2,111,225	\$ 298,010	\$ -	\$ 6,096,815	\$ 18,267,009
Receivables (net of allowances for collection losses):						
Property taxes	957,865	-	-	-	-	957,865
Assessments and user charges	-	-	-	-	284,951	284,951
Intergovernmental	143,591	-	889,595	150,797	275,099	1,459,082
Accounts receivable	28,818	-	-	6,750	52,045	87,613
Inventory	6,578	-	-	-	6,008	12,586
Total assets	\$ 10,897,811	\$ 2,111,225	\$ 1,187,605	\$ 157,547	\$ 6,714,918	\$ 21,069,106
Liabilities						
Accounts payable and accrued liabilities	\$ 1,189,536	\$ 3,421	\$ 2,204,804	\$ 63,138	\$ 494,165	\$ 3,955,064
Unearned revenue	-	-	-	-	26,301	26,301
Bond anticipation notes payable	-	-	1,810,000	-	-	1,810,000
Total liabilities	1,189,536	3,421	4,014,804	63,138	520,466	5,791,365
Deferred inflows of resources:						
Advance tax collections	98,028	-	-	-	-	98,028
Unavailable resources-other	725,463	-	-	-	264,495	989,958
Total deferred inflows of resources	823,491	-	-	-	264,495	1,087,986
Fund balances (deficits):						
Nonspendable	6,578	-	-	-	6,008	12,586
Restricted	-	-	-	94,409	1,607,410	1,701,819
Committed	477,401	2,107,804	-	-	4,421,070	7,006,275
Assigned	585,619	-	-	-	-	585,619
Unassigned	7,815,186	-	(2,827,199)	-	(104,531)	4,883,456
Total fund balances (deficits)	8,884,784	2,107,804	(2,827,199)	94,409	5,929,957	14,189,755
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 10,897,811	\$ 2,111,225	\$ 1,187,605	\$ 157,547	\$ 6,714,918	

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.	101,311,327
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	989,958
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.	1,842,117
Deferred charge on refunding	111,675
Deferred outflows of resources - pension and OPEB-related items	374,795
Deferred inflows of resources - pension and OPEB-related items	(310,846)
Accrued interest payable is not recorded in the funds	(305,478)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(37,163,402)

Net position of governmental activities \$ 81,039,901

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, 2019**

	Major Funds				Nonmajor	Total
	General	Capital	Johnston	Educational	Governmental	Governmental
	Fund	Reserve	Building	Grants	Funds	Funds
	Fund	Fund	Project Fund	Fund		
Revenues:						
Property taxes, interest & lien fees	\$ 40,028,244	\$ -	\$ -	\$ -	\$ -	\$ 40,028,244
Intergovernmental revenues	16,585,701	-	5,031,238	1,210,302	951,735	23,778,976
Revenues from use of money	348,258	-	-	-	19,184	367,442
Fees, permits and sales	825,029	-	-	-	397,865	1,222,894
Charges for services and assessments	641,192	-	-	106,590	1,516,128	2,263,910
Other	530,869	9,943	-	43,579	214,483	798,874
Total revenues	58,959,293	9,943	5,031,238	1,360,471	3,099,395	68,460,340
Expenditures:						
Current:						
General government	3,516,196	-	-	-	15,513	3,531,709
Public safety	2,872,691	-	-	-	200,361	3,073,052
Public works	3,447,196	-	-	-	1,335,273	4,782,469
Community and human services	1,534,894	-	-	-	589,264	2,124,158
Education	43,249,066	-	-	1,443,578	813,285	45,505,929
Debt service	1,710,415	-	-	-	973,641	2,684,056
Capital outlay	-	94,274	11,943,013	-	1,277,927	13,315,214
Total expenditures	56,330,458	94,274	11,943,013	1,443,578	5,205,264	75,016,587
Excess (deficiency) of revenues over expenditures	2,628,835	(84,331)	(6,911,775)	(83,107)	(2,105,869)	(6,556,247)
Other financing sources (uses):						
Transfers in	-	419,300	-	60,000	1,777,254	2,256,554
Transfers out	(2,150,994)	-	-	-	(91,980)	(2,242,974)
Proceeds from debt issuance	-	-	7,040,000	-	-	7,040,000
Premium bond anticipation notes	-	-	-	-	222,927	222,927
Total other financing sources (uses)	(2,150,994)	419,300	7,040,000	60,000	1,908,201	7,276,507
Net change in fund balances (deficits)	477,841	334,969	128,225	(23,107)	(197,668)	720,260
Fund balances (deficits), beginning	8,406,943	1,772,835	(2,955,424)	117,516	6,127,625	13,469,495
Fund balances (deficits), ending	\$ 8,884,784	\$ 2,107,804	\$ (2,827,199)	\$ 94,409	\$ 5,929,957	\$ 14,189,755

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, 2019**

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

Net change in fund balances – total governmental funds	\$ 720,260
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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 capital outlay exceeded depreciation in the current period.	5,800,343
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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.	(120,483)
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Change in deferred pension related items.	(98,241)
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Change in deferred OPEB related items.	228,983
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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.	(5,350,211)
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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.	(612,074)
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The net loss of certain activities of internal service funds is reported with governmental activities.	(275,744)
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Change in net position of governmental activities	<u>\$ 292,833</u>
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See notes to financial statements.

Town of Colchester, Connecticut

**Statement of Net Position - Proprietary Funds
June 30, 2019**

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,096,103	\$ 2,320,191
Accounts receivable	371,669	3,426
Inventory	69,461	-
Total current assets	1,537,233	2,323,617
Capital assets, net of accumulated depreciation	5,100,077	-
Total assets	6,637,310	2,323,617
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	126,760	500
Claims payable	-	481,000
Loan payable - current	126,445	-
Total current liabilities	253,205	481,500
Noncurrent liabilities:		
Loan payable	1,126,656	-
Total noncurrent liabilities	1,126,656	-
Total liabilities	1,379,861	481,500
Net position:		
Net investment in capital assets	3,738,237	-
Unrestricted	1,519,212	1,842,117
Total net position	\$ 5,257,449	\$ 1,842,117

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, 2019**

	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	\$ 1,048,872	\$ -
Premiums	-	7,529,573
Total operating revenues	1,048,872	7,529,573
Operating expenses:		
Claims/operating	730,878	6,581,848
Depreciation	216,758	-
Administration and premiums	-	1,223,744
Total operating expenses	947,636	7,805,592
Operating income (loss)	101,236	(276,019)
Nonoperating revenues (expenses):		
Interest income	14,965	275
Interest expense	(27,992)	-
Total nonoperating revenue (expenses)	(13,027)	275
Other financing uses:		
Transfers out	(13,580)	-
Total transfers out	(13,580)	-
Change in fund net position	74,629	(275,744)
Fund net position, beginning	5,182,820	2,117,861
Fund net position, ending	\$ 5,257,449	\$ 1,842,117

See notes to financial statements.

Town of Colchester, Connecticut

**Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2019**

	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	\$ 1,026,970	\$ -
Cash received for premiums	-	7,529,573
Cash paid to vendors, premiums and claims	(629,272)	(7,830,247)
Net cash provided by (used in) operating activities	397,698	(300,674)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(211,379)	-
Interest paid	(41,572)	-
Principal payments of debt	(123,795)	-
Net cash used in capital and related financing activities	(376,746)	-
Cash flows from investing activities:		
Interest on cash and cash equivalents	14,965	275
Net increase (decrease) in cash and cash equivalents	35,917	(300,399)
Cash and cash equivalents:		
Beginning	1,060,186	2,620,590
Ending	<u>\$ 1,096,103</u>	<u>\$ 2,320,191</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 101,236	\$ (276,019)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	216,758	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(21,902)	433
(Increase) decrease in inventories	(4,491)	-
(Increase) decrease in prepaid expenses	49	-
Increase (decrease) in accounts payable	106,048	500
Increase (decrease) in claims payable	-	(25,588)
Net cash provided by (used in) operating activities	\$ 397,698	\$ (300,674)

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2019

	Pension Trust Fund	Private Purpose Trust Fund	Agency Fund
Assets			
Cash and cash equivalents	\$ -	\$ 450	\$ 427,037
Investments	2,735,839	-	-
Total assets	<u>2,735,839</u>	<u>450</u>	<u>427,037</u>
Liabilities			
Amounts held for student activities and other	-	-	427,037
Total liabilities	<u>-</u>	<u>-</u>	<u>427,037</u>
Net position restricted for pension benefits and other purposes	<u>\$ 2,735,839</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, 2019**

	Pension Trust Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Employee	\$ 90,458	\$ -
Employer	148,899	-
Total contributions	239,357	-
Investment income:		
Net appreciation in fair value of investments	122,568	-
Investment income	122,568	-
Total additions	361,925	-
Change in net position	361,925	-
Net position - restricted for pension benefits and other purposes:		
Beginning of year	2,373,914	450
End of year	<u>\$ 2,735,839</u>	<u>\$ 450</u>

See notes to financial statements.

Town of Colchester, Connecticut

Notes to Financial Statements

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 (BOS), Board of Finance (BOF) 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. 83, *Certain Asset Retirement Obligations*, was effective for the Town beginning with its year ending June 30, 2019. The objective of this Statement is to set guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The adoption of this Statement did not impact the Town's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was effective for the Town beginning with its year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statement related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The adoption of GASB Statement No. 88 did not impact the Town's financial position or results of operations.

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.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial transactions of the general government, except those 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. This fund is reported as major for public interest purposes.

The Town reports the following major proprietary fund:

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

Additionally, the Town reports the following fund types:

Governmental 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 (BOE) 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.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Accounting estimates: The preparation of financial statements in conformity with GAAP 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 (the Statutes) 3-27c through 3-27e. The cash portfolio adheres to GASB Statement No. 79, *Certain Investment Pools and Pool Participants*, which amends GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* 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 \$784,183. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's ability to pay.

Investments: Investments are stated at fair value.

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.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The 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.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated absences: Town and BOE 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 as reported include 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 and OPEB 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 and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner.

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 reports deferred inflows related to pension and OPEB in the government-wide statement of net position. 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 and OPEB 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Total OPEB liability: The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total OPEB liability). The Town has accumulated no assets to fund the OPEB liability and therefore does not have a fiduciary fund to pay OPEB benefits. The total OPEB 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. The Town reports the total OPEB liability in the statement of net position.

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.

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 (BOF / BOS) 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

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	\$ 17,140,000
BAN payable	7,040,000
Premium on bonds	278,756
Capital lease obligation	1,973,847
Landfill closure costs	75,000
Compensated absences	3,365,093
Net pension liability	481,962
Total OPEB liability	<u>6,808,744</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u><u>\$ 37,163,402</u></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	\$ 11,616,942
Depreciation expense	(4,072,256)
Loss on capital assets	<u>(1,744,343)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 5,800,343</u></u>

Town of Colchester, Connecticut

Notes to Financial Statements

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

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	\$ 1,813,620
BAN proceeds	(7,040,000)
Net amortization of premiums and deferred losses	<u>(123,831)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (5,350,211)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ (37,884)
Landfill closure	15,000
Accrued interest	(98,760)
Net pension liability	58,552
Total OPEB liability	<u>(548,982)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (612,074)</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 investment; 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. The STIF investments are recorded at amortized cost. 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.

Town of Colchester, Connecticut

Notes to Financial Statements

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

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, 2019, approximately \$11,487,000 of the Town's bank balance of approximately \$14,153,000 was uninsured and uncollateralized.

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

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2019:

Cash and cash equivalents:	
Deposits with financial institutions	\$ 14,191,875
STIF	7,918,915
Total cash and cash equivalents	<u>22,110,790</u>
Investments:	
Pension trust funds:	
Equity mutual funds	2,735,839
Total cash, cash equivalents, and investments	<u>\$ 24,846,629</u>

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

Statement of net position:	
Cash and cash equivalents	<u>\$ 21,683,303</u>
Fiduciary funds:	
Cash and cash equivalents	427,487
Investments	2,735,839
Total cash, cash equivalents, and investments	<u>3,163,326</u>
	<u>\$ 24,846,629</u>

Town of Colchester, Connecticut

Notes to Financial Statements

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

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. The Town has no investments subject to interest rate risk.

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	\$ 7,918,915
		<u>\$ 7,918,915</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, 2019:

	Fair Value Measurements Using			
	Quoted Prices			
	in Active	Significant	Significant	
	Markets for	Other	Other	
	Identical	Observable	Observable	
	Assets	Inputs	Inputs	
June 30, 2019	(Level 1)	(Level 2)	(Level 3)	
Investments by fair value level:				
Equity mutual funds	\$ 2,735,839	\$ 2,735,839	\$ -	\$ -
Total investments by fair value level	<u>\$ 2,735,839</u>	<u>\$ 2,735,839</u>	<u>\$ -</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	\$ 98,028	\$ -
Taxes and accrued interest on delinquent property taxes	725,463	-
Nonmajor funds:		
Assessments receivable	212,450	-
Grants and other	52,045	26,301
Total	<u>\$ 1,087,986</u>	<u>\$ 26,301</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 5. Interfund Transfers

Interfund transfers during the year ended June 30, 2019 were as follows:

	Transfers In	Transfers Out
General fund	\$ -	\$ 2,150,994
Capital reserve fund	419,300	-
Educational grants fund	60,000	-
Water fund	-	13,580
Nonmajor governmental funds	1,777,254	91,980
Total	<u>\$ 2,256,554</u>	<u>\$ 2,256,554</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, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,586,879	\$ 40,000	\$ -	\$ 3,626,879
Construction in process	28,010,812	9,207,058	(27,653,763)	9,564,107
Total capital assets, not being depreciated	<u>31,597,691</u>	<u>9,247,058</u>	<u>(27,653,763)</u>	<u>13,190,986</u>
Capital assets, being depreciated:				
Improvements other than buildings	2,142,482	28,787	-	2,171,269
Buildings	89,787,901	27,620,373	(5,261,251)	112,147,023
Machinery and equipment	18,054,240	1,404,367	(1,029,646)	18,428,961
Infrastructure	39,694,400	970,120	-	40,664,520
Total capital assets being depreciated	<u>149,679,023</u>	<u>30,023,647</u>	<u>(6,290,897)</u>	<u>173,411,773</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,613,370	56,412	-	1,669,782
Buildings	40,720,597	2,380,163	(3,517,244)	39,583,516
Machinery and equipment	12,821,261	1,112,529	(1,029,310)	12,904,480
Infrastructure	30,610,502	523,152	-	31,133,654
Total accumulated depreciation	<u>85,765,730</u>	<u>4,072,256</u>	<u>(4,546,554)</u>	<u>85,291,432</u>
Total capital assets, being depreciated, net	<u>63,913,293</u>	<u>25,951,391</u>	<u>(1,744,343)</u>	<u>88,120,341</u>
Governmental activities capital assets, net	<u>\$ 95,510,984</u>	<u>\$ 35,198,449</u>	<u>\$ (29,398,106)</u>	<u>\$ 101,311,327</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	\$ 5,541,301	\$ 211,379	\$ -	\$ 5,752,680
Machinery and equipment	419,286	-	-	419,286
Improvements other than buildings	25,591	-	-	25,591
Infrastructure	3,232,929	-	-	3,232,929
Total capital assets, being depreciated	9,219,107	211,379	-	9,430,486
Less accumulated depreciation for:				
Buildings	2,112,871	137,151	-	2,250,022
Machinery and equipment	240,004	28,647	-	268,651
Improvements other than buildings	22,651	210	-	22,861
Infrastructure	1,738,125	50,750	-	1,788,875
Total accumulated depreciation	4,113,651	216,758	-	4,330,409
Total capital assets, being depreciated, net	5,105,456	(5,379)	-	5,100,077
Business-type activities capital assets, net	<u>\$ 5,105,456</u>	<u>\$ (5,379)</u>	<u>\$ -</u>	<u>\$ 5,100,077</u>

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

Governmental activities:	
General government	\$ 91,233
Public works	1,113,746
Public safety	232,204
Community and human services	236,477
Education	2,398,596
Total depreciation expense – governmental activities	<u>\$ 4,072,256</u>
Business-type activities:	
Water fund	<u>\$ 216,758</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations, Bond Anticipation Notes and Subsequent Event

Bond anticipation notes and subsequent event: The Town had \$8,850,000 of bond anticipation notes outstanding as of June 30, 2019. The bond anticipation notes bear interest at 3.0% and a yield of 2.0% and matured on October 16, 2019. Bond anticipation notes were issued for the William J. Johnston Middle School Project.

Bond anticipation note transactions for the year ended June 30, 2019, were as follows:

Outstanding, July 1, 2018	\$ 20,850,000
Borrowings	8,850,000
Repayments	(20,850,000)
Outstanding, June 30, 2019	<u>\$ 8,850,000</u>
Reported as:	
Long-term debt - governmental	<u>\$ 7,040,000</u>
Short-term debt - governmental	<u>\$ 1,810,000</u>

Subsequent event: On October 16, 2019, the Town issued new BAN's in the amount of \$2,845,000 with an interest rate of 2.00% due on October 15, 2020. In addition, on October 16, 2019, the Town issued \$7,040,000 of General Obligation Bonds with interest rates ranging from 2.50%-5.00%. \$7,040,000 of the outstanding BAN's are considered long-term in the financial statements.

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 6,635,000	\$ 12,000,000	\$ (1,495,000)	\$ 17,140,000	\$ 1,490,000
Bond anticipation note proceeds	12,000,000	7,040,000	(12,000,000)	7,040,000	-
Bond premium	192,149	222,927	(136,320)	278,756	53,217
Capital lease obligation	2,292,467	-	(318,620)	1,973,847	324,498
Landfill post-closure monitoring	90,000	-	(15,000)	75,000	15,000
Compensated absences	3,327,209	37,884	-	3,365,093	358,426
Net pension liability	540,514	-	(58,552)	481,962	-
Total OPEB liability	6,259,762	548,982	-	6,808,744	-
Governmental activity long-term liabilities	<u>\$ 31,337,101</u>	<u>\$ 19,849,793</u>	<u>\$ (14,023,492)</u>	<u>\$ 37,163,402</u>	<u>\$ 2,241,141</u>
Business-type Activities					
Clean Water Fund (CWF) loans	\$ 1,376,896	\$ -	\$ (123,795)	\$ 1,253,101	\$ 126,445
Business-type long-term liabilities	<u>\$ 1,376,896</u>	<u>\$ -</u>	<u>\$ (123,795)</u>	<u>\$ 1,253,101</u>	<u>\$ 126,445</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations, Bond Anticipation Notes and Subsequent Event (Continued)

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, 2019 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%	\$ 4,080,000
\$6,595,000 bond, issue of 2010 due 2021, annual principal payments range from \$390,000 to \$720,000 plus interest due semi-annually at 2.25% to 5.0%	1,060,000
\$12,000,000 bond, issue of 2018 due 2046, annual principal payments range from \$350,000 to \$500,000 plus interest due semi-annually at 3.0% to 5.0%	12,000,000
Total general obligation bonds payable	<u>\$ 17,140,000</u>

The following is a summary as of June 30, 2019, of the future principal and interest requirements for the Town's general obligation bonds, excluding bond anticipation notes:

	Principal	Interest	Total
2020	\$ 1,490,000	\$ 612,978	\$ 2,102,978
2021	1,550,000	546,128	2,096,128
2022	1,150,000	490,678	1,640,678
2023	910,000	449,177	1,359,177
2024	900,000	419,357	1,319,357
2025-2029	2,890,000	1,685,232	4,575,232
2030-2034	2,500,000	1,225,938	3,725,938
2035-2039	2,500,000	815,000	3,315,000
2040-2044	2,350,000	376,281	2,726,281
2045-2046	900,000	33,750	933,750
	<u>\$ 17,140,000</u>	<u>\$ 6,654,519</u>	<u>\$ 23,794,519</u>

Capital leases: The Town owns various vehicles and equipment with a carrying value of \$1,829,540 which were acquired under capital lease arrangements. The Town is required under these agreements to make the following annual lease payments:

2020	\$ 360,225
2021	360,225
2022	360,225
2023	360,225
2024	347,326
2025	308,628
Total payments	<u>2,096,854</u>
Less interest	(123,007)
Present value of minimum payments	<u>\$ 1,973,847</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations, Bond Anticipation Notes and Subsequent Event (Continued)

The Town received CWF loans that are recorded as a loan payable in the Water Fund. The balance at June 30, 2019 is \$1,253,101. These loans accrue interest at 2.12%. The following is a summary as of June 30, 2019, of the future principal and interest payments on these loans:

	Principal	Interest	Total
2020	\$ 126,445	\$ 25,342	\$ 151,787
2021	129,151	22,635	151,786
2022	131,916	19,870	151,786
2023	134,740	17,046	151,786
2024	137,624	14,162	151,786
2025-2029	593,225	26,570	619,795
	<u>\$ 1,253,101</u>	<u>\$ 125,625</u>	<u>\$ 1,378,726</u>

Debt limitation: The Town's statement of debt limitation under Connecticut General Statutes, Section 7-434(b) as of June 30, 2019 is as follows:

Total tax collections (including interest and lien fees) for the year ended June 30, 2018	\$ 39,484,008
Reimbursement for revenue loss	
Tax relief for elderly	-
Base	<u>\$ 39,484,008</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations, Bond Anticipation Notes and Subsequent Event (Continued)

The Statutes provides that total authorized debt of the Town shall not exceed seven times the above base cash receipts of \$39,484,008 or \$276,388,056 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	\$ 88,839,018	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	177,678,036	-	-	-
3-3/4 times base	-	-	148,065,030	-	-
3-1/4 times base	-	-	-	128,323,026	-
3 times base	-	-	-	-	118,452,024
Total debt limitation	88,839,018	177,678,036	148,065,030	128,323,026	118,452,024
Debt as defined by statute:					
Bonds payable ⁽¹⁾	510,000	16,630,000	-	-	-
Bond anticipation notes	-	8,850,000	-	-	-
Authorized and unissued	-	6,754,547	-	-	-
Total indebtedness	510,000	32,234,547	-	-	-
Estimated school construction grant progress payments	-	(4,567,398)	-	-	-
Debt limitation in excess of outstanding and authorized debt	\$ 88,329,018	\$ 150,010,887	\$ 148,065,030	\$ 128,323,026	\$ 118,452,024

(1) Clean Water Fund financing totaling \$1,253,101 are excluded from this calculation pursuant to the Statutes.

Bonds authorized but unissued: Total authorized but unissued debt at June 30, 2019 consists of the following:

Schools	<u>\$ 6,754,547</u>
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Note 8. Contingencies

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

Town of Colchester, Connecticut

Notes to Financial Statements

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.

Plan administration: The general administration and management of the Plan and the responsibility for carrying out the provision of the Plan shall be placed with the Colchester Retirement Board (Board). Members of the Board are appointed by the BOS consisting of the following: representative of BOS, representative of BOF, 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, 2018, Plan membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	9
Total members	<u>9</u>

2. Benefit Provisions

a. Benefit Provisions

The Town contributes to the 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. 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

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 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, 2019.

Asset Class	Target Allocation %
Cash	4.0%
Equities	64.0%
Fixed Income	32.0%
Total	100.0%

Rate of return: For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.94%. 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, 2019 were as follows:

Net Pension Liability	June 30, 2019
Total pension liability	\$ 3,217,801
Plan fiduciary net position	2,735,839
Net pension liability	<u>\$ 481,962</u>
Plan fiduciary net position as a percentage of total pension liability	85.02%
Covered payroll	\$ 705,453
Net pension liability as % of covered payroll	68.32%

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.60%
- Salary Increases: 2.60% 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: 11 Years, Closed

Mortality rates were based on the RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2018.

The total pension liability was determined by an actuarial valuation as of July 1, 2018, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date June 30, 2019. 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, 2018, 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%
		4.00%
Long-term inflation expectation		2.60%
Long-term expected nominal return		6.60%

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, 2019 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, 2018	\$ 2,914,428	\$ 2,373,914	\$ 540,514
Changes for the year:			
Service cost	196,330	-	196,330
Interest	217,753	-	217,753
Differences between expected and actual experience	(62,034)	-	(62,034)
Changes of assumptions	(48,676)	-	(48,676)
Contributions - employer	-	148,899	(148,899)
Contributions - member	-	90,458	(90,458)
Net investment income (including investment expenses)	-	122,568	(122,568)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	-	-
Net changes	303,373	361,925	(58,552)
Balances at June 30, 2019	\$ 3,217,801	\$ 2,735,839	\$ 481,962

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 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 6.00% lower or 8.00% higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability	\$ 1,071,394	\$ 481,962	\$ 12,338

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

For the year ended June 30, 2019, the Town of Colchester recognized pension expense of \$188,588. As of June 30, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (155,309)
Changes of assumptions	89,151	(44,251)
Net difference between projected and actual earnings on pension plan investments	74,049	-
Total	<u>\$ 163,200</u>	<u>\$ (199,560)</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 ending June 30:	
2020	\$ 24,280
2021	(387)
2022	6,641
2023	(645)
2024	(11,040)
Thereafter	(55,209)
	<u>\$ (36,360)</u>

Connecticut State Teachers' Retirement System:

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

Benefit provisions: The plan provides retirement, disability and death benefits. Employees are eligible to retire 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 the State.

Normal retirement: Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early retirement: Employees are eligible after 25 years of credited service including 20 years of State service, or age 55 with 20 years of credited service including 15 years of State service with reduced benefit amounts.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

Disability retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

Contributions: Per the Statutes Section 10-1832 (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State are approved, amended and certified by the State TRB and appropriated by the General Assembly.

Employer (school districts): School District employers are not required to make contributions to the plan.

The statutes require the State to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees: Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

Effective January 1, 2018, the required contribution increased to 7% of pensionable salary

Pension liabilities, pension expense and deferred outflows of resources and deferred

Inflows of resources related to pensions: At June 30, 2019, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	59,480,808
	<u>\$ 59,480,808</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2019, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2019, the Town recognized pension expense and revenue of \$6,675,670 for on-behalf amounts for the benefits provided by the State.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%
Salary increase:	3.25-6.50%, including inflation
Investment rate of return:	8.00%, net of pension plan investment expense, including inflation

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

Mortality rates were based on 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 increased rates (5% for females and 8% for males) over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

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 rates equal to the difference between actuarial determined contributions rates and the member rates. 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.

The total pension liability was determined by an actuarial valuation as of July 1, 2018, and then was projected forward to the measurement date June 30, 2019.

Sensitivity of the proportionate share of the net pension liability (NPL) to changes in the discount rate: The Town's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

Other information: Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

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.

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 Plan and must participate in the 401(a) plan. The contribution from both the Town and employees ranges from 6% 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 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.

BOE 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. BOE 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 BOE does not make contributions to the employees' 403(b) plan.

The Town's total contributions to both plans for the years ended June 30, 2019 and 2018 was \$531,665 and \$507,903, respectively.

Town of Colchester, Connecticut

Notes to Financial Statements

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.

Plan administration: The general administration and management of the Town of Colchester OPEB plan and the responsibility for carrying out the provisions of the plan shall be placed with the BOS. The plan does not issue separate financial statements.

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 as of July 1, 2017.

Funding policy: The contribution requirements of plan members and the Town are also negotiated with the various unions representing the employees.

Membership in the plan consisted of the following at July 1, 2017, the date of the last actuarial valuation.

Inactive plan members or beneficiaries currently receiving benefits	26
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	335
Total members	<u>361</u>

The information presented was determined as part of the actuarial valuation as of July 1, 2017. Additional information as of the last actuarial valuations follows:

Valuation Date:	July 1, 2017
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.75%
Medical trend rate	5.80% - 4.70% over 65 years
Remaining Amortization Period	30 Years - decreasing

Actuarial Assumptions:	
Discount rate	3.50%

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

Total OPEB liability of the Town: The Town's total OPEB liability of \$6,808,744 was measured as of June 30, 2019, as determined by an actuarial valuation as of July 1, 2017, which was projected forward to June 30, 2019. The Town has not accumulated any assets in a fiduciary trust for payment of benefits.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

Total OPEB liability of the Town: The total OPEB liability as of June 30, 2019 is as follows:

	Total OPEB Liability
Total OPEB liability at June 30, 2019	\$ 6,808,744
Covered payroll	\$ 21,277,152
Total OPEB liability as a % of covered payroll	32.00%

Sensitivity of the net OPEB liability to changes in discount rate: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB liability	\$ 7,539,241	\$ 6,808,744	\$ 6,176,915

Sensitivity of the net OPEB liability to changes in the health care cost trend rates: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	1% Decrease 4.80% decreasing to 3.70%	Current 5.80% decreasing to 4.70%	1% Increase 6.80% decreasing to 5.70%
Total OPEB liability	\$ 5,909,291	\$ 6,808,744	\$ 7,901,886

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

The Town reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 211,595	\$ (111,286)
Total	<u>\$ 211,595</u>	<u>\$ (111,286)</u>

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

Years ending June 30:	
2020	\$ 15,165
2021	15,165
2022	15,165
2023	15,165
2024	15,165
Thereafter	24,484
	<u>\$ 100,309</u>

Other Post-Employment Benefit - Connecticut State Teachers' Retirement Plan

Plan description: Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers' Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost sharing multiple-employer defined benefit other post-employment benefit plan administered by the TRB, if they choose to be covered.

Chapter 167a Section 10-183 (t) of the Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

Benefit provisions: There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

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

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits). There are three choices for coverage under the CTRB Sponsored Medicare Supplemental Plans. The choices and 2018 calendar year premiums charged for each choice are shown in the table below:

• Medicare Supplement with Prescriptions	\$ 92
• Medicare Supplement with Prescriptions and Dental	136
• Medicare Supplement with Prescriptions, Dental, Vision & Hearing	141

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

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

Eligibility: Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Plan.

Credited service: One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, State employment, or wartime military service may be purchased prior to retirement, if the Member pays one-half the cost.

Normal retirement: Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.

Early retirement: 25 years of Credited Service including 20 years of Connecticut service, or age 55 with 20 years of Credited Service including 15 years of Connecticut service.

Proratable retirement: Age 60 with 10 years of credited service

Disability retirement: Five years of Credited Service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.

Termination of employment: 10 or more years of Credited Service.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

Contributions:

State of Connecticut

Per Statutes Section 10-183t, contribution requirements of active employees and the State are approved, amended and certified by the TRB and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

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

Employees

Each member is required to contribute 1.25% of their pensionable salary up to \$500,000. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB: At June 30, 2019, the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the Town was as follows:

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	11,890,600
	<u>\$ 11,890,600</u>

The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2019, the Town has no proportionate share of the net OPEB liability.

For the year ended June 30, 2019, the Town recognized OPEB expense and (revenue) of (\$3,950,050) for on-behalf amounts for the benefits provided by the State.

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Health care costs trend rate	5.95% decreasing to 4.75% by 2025
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2019

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

Mortality rates were based on 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) over age 80. For disabled retirees, the RPH-2014 Disabled Mortality Table projected to 2020 using the BB improvement scale.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the GASB 74 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.04%).

Discount rate: The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination.

Sensitivity of the net OPEB liability to changes in the health care cost trend rate and the discount rate: The Town's proportionate share of the net OPEB liability is \$-0- and, therefore, the change in the health care cost trend rate or the discount rate would only impact the amount recorded by the State.

Other information: Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan. Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

Town of Colchester, Connecticut

Notes to Financial Statements

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 \$7,494,000 for the year ended June 30, 2019.

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

Changes in the balance of claim liabilities are as follows:

	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2018-2019	\$ 506,588	\$ 6,581,848	\$ 6,607,436	\$ 481,000
2017-2018	\$ 559,432	\$ 6,615,057	\$ 6,667,901	\$ 506,588

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 30 years after closure. The remaining post-closure costs are estimated to be \$75,000 (\$15,000 per year for five 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:					
Inventory	\$ 6,578	\$ -	\$ -	\$ -	\$ 6,008
	6,578	-	-	-	6,008
Restricted:					
General government	-	-	-	-	87,287
Education	-	-	-	94,409	-
Community and human services	-	-	-	-	661,085
Public safety	-	-	-	-	15,077
Capital outlay	-	-	-	-	843,961
	-	-	-	94,409	1,607,410
Committed:					
Debt service	-	-	-	-	463,150
Capital outlay	-	2,107,804	-	-	3,430,851
Education	367,098	-	-	-	112,382
Public safety	-	-	-	-	67,136
Public works	110,303	-	-	-	347,551
	477,401	2,107,804	-	-	4,421,070
Assigned:					
Debt service	52,908	-	-	-	-
Public safety	12,630	-	-	-	-
Education	520,081	-	-	-	-
	585,619	-	-	-	-
Unassigned (deficit)	7,815,186	-	(2,827,199)	-	(104,531)
Total fund balances (deficits)	\$ 8,884,784	\$ 2,107,804	\$ (2,827,199)	\$ 94,409	\$ 5,929,957

Fund deficits: The following funds had fund deficits as of June 30, 2019:

Johnston Building Project	\$ 2,827,199
Animal Control Fund	980
School Cafeteria Fund	20,512
Miscellaneous Grants	77,031

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 14. GASB Statements

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations. The impact of the following accounting pronouncements are currently being assessed by the Town as to the impact to the financial statements.

GASB Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2018. 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. The Town is aware of this Statement and will assess its impact to ensure timely implementation.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, which should result in the recognition and reporting of leased assets and the liability associated with subsequent lease payments, which have historically been classified as operating leases of the current reporting period only. The new Statement requires a Lessee to recognize a lease liability and an intangible right-to-use lease asset, with the lessor required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*. In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Town is not an issuer of conduit debt, therefore this Statement will have no effect on its financial statements.

**Required Supplementary
Information - unaudited**

Town of Colchester, Connecticut

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 149,560	\$ 145,300	\$ 123,370	\$ 119,514	\$ 106,914	\$ 101,215	\$ 82,202	\$ 74,068	\$ 93,178	\$ 77,704
Contributions in relation to the actuarially determined contribution	148,899	142,578	121,754	105,755	100,616	105,624	88,321	101,034	86,428	80,798
Contribution deficiency (excess)	\$ 661	\$ 2,722	\$ 1,616	\$ 13,759	\$ 6,298	\$ (4,409)	\$ (6,119)	\$ (26,966)	\$ 6,750	\$ (3,094)
Covered payroll	\$ 705,453	\$ 693,575	\$ 665,300	\$ 743,711	\$ 694,695	\$ 662,403	\$ 633,878	\$ 571,675	\$ 421,643	\$ 550,743
Contributions as a percentage of covered payroll	21.11%	20.56%	18.30%	14.22%	14.48%	15.95%	13.93%	17.67%	20.50%	14.67%

Notes to Schedule:

Valuation Date July 1, 2018
Measurement Date June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Actuarial Cost Method (level percentage of salary)
Amortization method	Level dollar Amount
Amortization period	11 Years remaining- Closed
Asset valuation method	Fair value
Inflation	2.60%
Salary increases	2.60%
Investment rate of return	7.00%

Town of Colchester, Connecticut

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

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment income	4.94%	5.33%	9.56%	-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 Six Fiscal Years

	2019	2018	2017	2016	2015	2014
Changes in Net Pension Liability						
Total pension liability:						
Service cost	\$ 196,330	\$ 187,875	\$ 183,453	\$ 175,553	\$ 167,993	\$ 178,216
Interest on total pension liability	217,753	190,663	177,808	152,603	130,517	106,587
Differences between expected and actual experience	(62,034)	-	(128,587)	-	-	234,034
Changes of assumptions	(48,676)	-	115,896	-	-	(356,174)
Benefit payments, including refunds of member contributions	-	-	-	-	(23,169)	-
Net change in total pension liability	303,373	378,538	348,570	328,156	275,341	162,663
Total pension liability, beginning	2,914,428	2,535,890	2,187,320	1,859,164	1,583,823	1,421,160
Total pension liability, ending (a)	3,217,801	2,914,428	2,535,890	2,187,320	1,859,164	1,583,823
Fiduciary net position:						
Employer contributions	148,899	142,578	121,754	105,755	100,616	105,624
Member contributions	90,458	88,107	85,202	82,346	81,805	86,864
Investment income net of investment expenses	122,568	113,723	167,058	(5,796)	26,378	149,423
Benefit payments	-	-	-	-	(23,169)	-
Net change in plan fiduciary net position	361,925	344,408	374,014	182,305	185,630	341,911
Fiduciary net position, beginning	2,373,914	2,029,506	1,655,492	1,473,187	1,287,557	945,646
Fiduciary net position, ending (b)	2,735,839	2,373,914	2,029,506	1,655,492	1,473,187	1,287,557
Net pension liability, ending = (a) - (b)	\$ 481,962	\$ 540,514	\$ 506,384	\$ 531,828	\$ 385,977	\$ 296,266
Fiduciary net position as a % of total pension liability	85.02%	81.45%	80.03%	75.69%	79.24%	81.29%
Covered payroll	\$ 705,453	\$ 693,575	\$ 665,300	\$ 743,711	\$ 694,695	\$ 662,403
Net pension liability as a % of covered payroll	68.32%	77.93%	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 Five Fiscal Years**

	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0%	0.0%	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	\$59,480,808	\$63,053,688	\$66,522,123	\$53,087,310	\$49,068,579
Total	\$59,480,808	\$63,053,688	\$66,522,123	\$53,087,310	\$49,068,579
Town's employee payroll	\$19,526,792	\$19,985,771	\$19,263,402	\$19,732,839	\$17,695,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0%	0%	0%	0%	0%
System fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%	61.56%

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.

Notes to Schedule:

Changes in benefit terms
Changes of assumptions

Beginning January 1, 2018, member contribution increased from 6% to 7% of salary. During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015.

During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.

Actuarial cost method
Amortization method
Single equivalent amortization period
Asset valuation method
Investment rate of return

Entry age
Level percent of salary, closed
17.6 years
4-year smoothed market
8.0%, net of investment related expense

Town of Colchester, Connecticut

**Required Supplementary Information - unaudited
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
Last Two Fiscal Years**

	2019	2018
Changes in Total OPEB Liability		
Total OPEB liability:		
Service cost	\$ 266,608	\$ 284,046
Interest on total pension liability	248,540	225,136
Changes of assumptions	244,148	(146,062)
Benefit payments, including refunds of member contributions	(210,314)	(214,186)
Net change in total OPEB liability	548,982	148,934
Total OPEB liability, beginning	6,259,762	6,110,828
Total OPEB liability, ending (a)	\$ 6,808,744	\$ 6,259,762
Covered payroll	\$ 21,277,152	\$ 21,277,152
Total OPEB Liability as a % of covered payroll	32.00%	29.42%

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

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.

Notes to Schedule:

Valuation Date July 1, 2017
Measurement Date June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Actuarial Cost Method (level percentage of salary)
Amortization method	Level dollar Amount
Amortization period	20 Years- Open
Asset valuation method	Expected actuarial value plus/minus 20% of the difference between market value
Inflation	2.75%
Medical Trend Rate	5.80% - 4.70% over 65 years
Salary increases	Graded based on Service for Teachers and Administrators; 3.50% for all Others
Discount rate	3.50%

Town of Colchester, Connecticut

**Schedule of the Town's Proportionate Share of the Net OPEB Liability -
Teachers' Retirement Board Retiree Health Insurance Plan
Required Supplementary Information - unaudited
Last Two Fiscal Years**

	2019	2018
Town's proportion of the net OPEB liability	0.0%	0.0%
Town's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>\$ 11,890,600</u>	<u>\$ 16,229,300</u>
Total	<u>\$ 11,890,600</u>	<u>\$ 16,229,300</u>
Town's covered payroll	<u>\$ 18,416,837</u>	<u>\$ 19,985,771</u>
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>0%</u>	<u>0%</u>
System fiduciary net position as a percentage of the total OPEB liability	<u>1.49%</u>	<u>1.79%</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

Schedule of the Town's Proportionate Share of the Net OPEB Liability - Teachers' Retirement Board Retiree Health Insurance Plan Required Supplementary Information - unaudited Last Two Fiscal Years

Notes to Schedule:

Changes in benefit terms The Plan was amended by the Board, effective July 1, 2018, during the January 11, 2018 meeting. The Board action added the Anthem Medicare Advantage Plan to the available options under the Plan, changed the "base plan" to the Medicare Advantage Plan for the purposes of determining retiree subsidies and/or cost sharing amount(s), and introduced a two year waiting period for re-enrollment in a System sponsored healthcare plan for those who cancel their coverage or choose not to enroll in a healthcare coverage option on or after the effective date. These changes were communicated to retired members during the months leading up to a special open enrollment period that preceded the July 1, 2018 implementation date.

Changes of assumptions The expected rate of return on assets was changed from 2.75% to 3.00% to reflect the anticipated return on cash and other high quality short term fixed income investments.

Based on the procedure described in GASB 75, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2018 was updated to equal the Municipal Bond Index Rate as of June 30, 2018. The System selected the 3.87% discount rate used to measure the TOL as of the June 30, 2018 measurement date.

Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on July 1, 2018.

The assumed age related annual percentage increases in expected annual per capita healthcare claim costs were updated to better reflect the expected differences between the Medicare Supplement and Medicare Advantage Plan amounts as part of the plan change that became effective on July 1, 2018.

Long-term healthcare cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods.

The percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a System-sponsored healthcare plan option in the future, was updated to better reflect anticipated plan experience.

The participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options, as well as the portion who are expected to migrate to the Medicare Advantage Plan over the next several years, were updated to better reflect anticipated plan experience after the plan change that became effective on July 1, 2018.

The post-disablement mortality table was updated to extend the period of projected mortality improvements from 2017 to 2020. This change was made to better reflect anticipated post-disablement plan experience.

The percentages of deferred vested members who will become ineligible for future healthcare benefits because they are expected to withdraw their contributions from the System was updated to better reflect anticipated plan experience.

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period	30 years, open
Asset valuation method	Market value of assets
Investment rate of return	3.00%, net of investment related expense including price inflation

Note: This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

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, 2019**

	<u>Budgeted Amounts</u>		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
Revenues:				
Property taxes, interest and lien fees	\$ 39,973,198	\$ 39,973,198	\$ 40,028,244	\$ 55,046
Intergovernmental revenues	13,529,416	13,529,416	13,607,293	77,877
Revenues from the use of money	144,000	148,620	348,258	199,638
Charges for services	534,600	534,600	641,192	106,592
Licenses, permits and fees	688,090	688,090	825,029	136,939
Other revenues	501,350	501,350	538,758	37,408
Total revenues	55,370,654	55,375,274	55,988,774	613,500
Expenditures:				
General government	3,645,457	3,644,554	3,495,149	149,405
Public works	3,548,359	3,548,359	3,388,047	160,312
Public safety	2,925,531	2,931,054	2,885,321	45,733
Community and human services	1,614,698	1,614,698	1,559,447	55,251
Education	40,549,344	40,549,344	40,367,299	182,045
Debt service	1,710,415	1,710,415	1,710,415	-
Total expenditures	53,993,804	53,998,424	53,405,678	592,746
Excess (deficiency) of revenues over expenditures	1,376,850	1,376,850	2,583,096	1,206,246
Other financing uses:				
Transfers out	(1,376,850)	(1,682,466)	(1,682,466)	-
Total other financing uses	(1,376,850)	(1,682,466)	(1,682,466)	-
Revenues over (under) expenditures and other financing uses	\$ -	\$ (305,616)	\$ 900,630	\$ 1,206,246

See note to the required supplementary information.

Town of Colchester, Connecticut

Note to Required Supplementary Information - unaudited

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 and the Board of Finance. The Board of Education submits its budget directly to the Board of Finance.

The Board of Finance may make revisions to the Selectmen's and Education budget estimates, holds one or more public hearings and presents the combined 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	\$ 55,988,774
Prior year encumbrances cancelled	(7,889)
Excess cost revenue net against expenditures	252,788
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement and Health System	2,725,620
Revenues and transfers, GAAP basis	<u>\$ 58,959,293</u>

Town of Colchester, Connecticut

Note to Required Supplementary Information - unaudited

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	\$ 55,088,144
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement and Health System	2,725,620
Excess cost revenue net against expenditures	252,788
Encumbrances	
June 30, 2018	517,840
June 30, 2019	(102,940)
Expenditures and transfers, GAAP basis	<u>\$ 58,481,452</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, 2019 and 2018**

	2019	2018
Assets		
Cash and cash equivalents	\$ 9,650,656	\$ 9,248,460
Property taxes and interest receivable, net	957,865	944,583
Other receivables	28,818	18,469
Inventory	6,578	24,704
Prepaid expenses	-	983
Grants receivable	143,591	-
Total assets	\$ 10,787,508	\$ 10,237,199
Liabilities		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,189,536	\$ 1,008,901
Total liabilities	1,189,536	1,008,901
Deferred inflows of resources:		
Advance tax collections	98,028	62,897
Unavailable resources	725,463	868,761
Total deferred inflows of resources	823,491	931,658
Fund balance:		
Nonspendable prepaids	-	983
Nonspendable inventory	6,578	24,704
Committed	367,098	163,015
Assigned	585,619	1,238,154
Unassigned	7,815,186	6,869,784
Total fund balance	8,774,481	8,296,640
Total liabilities, deferred inflows of resources fund balance	\$ 10,787,508	\$ 10,237,199

Note: This balance sheet excludes the Snow Reserve Fund.

Town of Colchester, Connecticut

**General Fund Revenues, Expenditures, and Other Financing Uses -
Budgetary Basis - Budget and Actual
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
Property taxes:				
Current year levy	\$ 39,298,198	\$ 39,298,198	\$ 39,110,431	\$ (187,767)
Prior years levy	425,000	425,000	575,624	150,624
Interest and lien fees	250,000	250,000	342,189	92,189
Total property taxes	39,973,198	39,973,198	40,028,244	55,046
Intergovernmental:				
State of Connecticut:				
Municipal Stabilization Grant	134,167	134,167	134,167	-
Payment in lieu of taxes	74,928	74,928	74,928	-
Disability exemption	1,974	1,974	1,454	(520)
Additional veteran exemption	7,714	7,714	7,082	(632)
Emergency Management	8,000	8,000	7,404	(596)
Local Capital Improvement Program	136,865	136,865	136,187	(678)
Mashantucket Pequot/Mohegan Grant	23,167	23,167	23,167	-
Distribution to towns	5,000	5,000	5,677	677
Youth Services grant	17,000	17,000	17,732	732
Total State of Connecticut	408,815	408,815	407,798	(1,017)
Education:				
Special Education	450,000	450,000	539,115	89,115
Education cost sharing	12,670,601	12,670,601	12,660,380	(10,221)
Total education	13,120,601	13,120,601	13,199,495	78,894
Total intergovernmental	13,529,416	13,529,416	13,607,293	77,877
Revenues from use of money:				
Investment income	144,000	148,620	348,258	199,638
Charges for services:				
Ambulance	525,000	525,000	629,052	104,052
Recreation	9,600	9,600	12,140	2,540
Total charges for services	534,600	534,600	641,192	106,592

(Continued)

Town of Colchester, Connecticut

**General Fund Revenues, Expenditures, and Other Financing Uses -
Budgetary Basis - Budget and Actual (Continued)
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget
	Original	Final		
Licenses, permits and fees:				
Fire Marshal inspection fees	\$ 240	\$ 240	\$ -	\$ (240)
Sports licenses	400	400	392	(8)
Transfer station fees	120,000	120,000	134,162	14,162
Conservation Commission fees	5,500	5,500	7,447	1,947
Road inspection fees	5,400	5,400	12,067	6,667
Building code fees	225,000	225,000	350,726	125,726
Conveyance tax	192,000	192,000	179,773	(12,227)
Zoning and planning fees	12,000	12,000	17,590	5,590
Zoning appeal fees	700	700	350	(350)
Copier fees - Tax Collector	200	200	224	24
Copier fees - Assessor	750	750	386	(364)
Copier fees - Town Clerk	15,000	15,000	14,534	(466)
Copier fees - Planning & Code Administration	150	150	169	19
Town Clerk fees	92,000	92,000	87,421	(4,579)
Vendor permits	1,000	1,000	1,245	245
Pistol permits	5,000	5,000	7,186	2,186
Library fines and fees	7,500	7,500	6,704	(796)
Dial-A-Ride	3,250	3,250	2,896	(354)
Recording fees	2,000	2,000	1,757	(243)
Total licenses, permits and fees	688,090	688,090	825,029	136,939
Other revenues:				
Tuition	451,200	451,200	426,778	(24,422)
Telecommunications tax	29,000	29,000	27,723	(1,277)
State fund for building inspection	800	800	1,747	947
Elderly housing	14,350	14,350	14,416	66
Miscellaneous	6,000	6,000	11,602	5,602
Insurance reimbursements	-	-	9,765	9,765
CIRMA member equity	-	-	46,727	46,727
Total other revenues	501,350	501,350	538,758	37,408
Total revenues and other financing sources	\$ 55,370,654	\$ 55,375,274	\$ 55,988,774	\$ 613,500

(Continued)

Town of Colchester, Connecticut

**General Fund Revenues, Expenditures, and Other Financing Uses -
Budgetary Basis - Budget and Actual (Continued)
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
General government:				
Boards and Commissions	\$ 39,626	\$ 39,626	\$ 32,007	\$ 7,619
Contingency	58,378	53,227	-	53,227
First Selectman	250,828	250,828	243,930	6,898
Human Resources	40,888	35,365	9,542	25,823
Finance	300,128	308,693	307,169	1,524
Tax Collector	163,250	163,250	160,641	2,609
Assessor	300,914	300,914	293,995	6,919
Planning and Code Administration	487,891	487,891	467,666	20,225
Town Clerk	170,920	170,920	166,921	3,999
Elections	69,988	69,988	66,189	3,799
Insurances	1,642,333	1,643,539	1,636,603	6,936
Probate	5,258	5,258	5,258	-
Information Technology	115,055	115,055	105,228	9,827
Total general government	3,645,457	3,644,554	3,495,149	149,405
Public works:				
Public Works administration	173,277	173,277	171,191	2,086
Highway	1,539,123	1,539,123	1,410,963	128,160
Fleet maintenance	377,161	377,161	362,693	14,468
Grounds maintenance	444,929	444,929	437,417	7,512
Snow removal	483,165	483,165	483,165	-
Transfer Station	291,050	291,050	289,019	2,031
Facilities	123,430	123,430	118,811	4,619
Engineering	116,224	116,224	114,788	1,436
Total public works	3,548,359	3,548,359	3,388,047	160,312
Public safety:				
Police	1,605,918	1,605,918	1,597,040	8,878
Fire	1,302,301	1,307,824	1,273,332	34,492
Emergency Management	17,312	17,312	14,949	2,363
Total public safety	2,925,531	2,931,054	2,885,321	45,733

(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, 2019**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
Community & human services:				
Cragin Memorial Library	\$ 593,070	\$ 593,070	\$ 592,112	\$ 958
Parks and Recreation	152,189	152,189	147,255	4,934
Senior Services	294,463	294,463	267,500	26,963
Youth & Social Services	370,771	370,771	348,376	22,395
Community Agencies	25,000	25,000	25,000	-
Health Services	179,205	179,205	179,204	1
Total community & human services	1,614,698	1,614,698	1,559,447	55,251
Education	40,549,344	40,549,344	40,367,299	182,045
Debt service:				
Principal	1,495,000	1,495,000	1,495,000	-
Interest	215,415	215,415	215,415	-
Total debt service	1,710,415	1,710,415	1,710,415	-
Total expenditures	53,993,804	53,998,424	53,405,678	592,746
Other financing uses:				
Transfers out	1,376,850	1,682,466	1,682,466	-
Total other financing uses	1,376,850	1,682,466	1,682,466	-
Total expenditures and other financing uses	55,370,654	55,680,890	55,088,144	592,746
Revenues over (under) expenditures and other financing uses	\$ -	\$ (305,616)	\$ 900,630	\$ 1,206,246

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Nonmajor Governmental Funds

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Town of Colchester, Connecticut

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019**

	Special Revenue					
	Animal Control Fund	Town Aid Road Fund	Small Cities Grants	Sewer Operating Fund	Recreation Activities Fund	School Cafeteria Fund
Assets						
Cash and cash equivalents	\$ 5,503	\$ 845,107	\$ 26,488	\$ 320,574	\$ 310,960	\$ -
Assessments and user charges receivable	-	-	-	247,717	15,794	-
Other receivables	-	-	52,045	-	-	-
Intergovernmental receivable	-	-	-	-	-	43,056
Inventory	-	-	-	-	-	6,008
Total assets	\$ 5,503	\$ 845,107	\$ 78,533	\$ 568,291	\$ 326,754	\$ 49,064
Liabilities and Fund Balances (Deficits)						
Liabilities:						
Accounts payable	\$ 6,483	\$ 1,146	\$ -	\$ 8,290	\$ 23,341	\$ 69,576
Unearned revenue	-	-	26,301	-	-	-
Total liabilities	6,483	1,146	26,301	8,290	23,341	69,576
Deferred inflows of resources:						
Unavailable resources	-	-	52,045	212,450	-	-
Fund balances (deficits):						
Nonspendable	-	-	-	-	-	6,008
Restricted	-	843,961	187	-	303,413	-
Committed	-	-	-	347,551	-	-
Unassigned	(980)	-	-	-	-	(26,520)
Total fund balances (deficits)	(980)	843,961	187	347,551	303,413	(20,512)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 5,503	\$ 845,107	\$ 78,533	\$ 568,291	\$ 326,754	\$ 49,064

Special Revenue							
Miscellaneous Grants Fund	Special Gifts Fund	Out of District Tuition Fund	Pay to Play	Bacon Academy Summer School	Police Special Duty		
\$ -	\$ 461,302	\$ 42,035	\$ 63	\$ 19,855	\$ 46,873		
-	-	-	-	-	21,440		
-	-	-	-	-	-		
232,043	-	-	-	-	-		
-	-	-	-	-	-		
<u>\$ 232,043</u>	<u>\$ 461,302</u>	<u>\$ 42,035</u>	<u>\$ 63</u>	<u>\$ 19,855</u>	<u>\$ 68,313</u>		
\$ 309,074	\$ 1,453	\$ -	\$ 63	\$ -	\$ 1,177		
-	-	-	-	-	-		
<u>309,074</u>	<u>1,453</u>	<u>-</u>	<u>63</u>	<u>-</u>	<u>1,177</u>		
-	-	-	-	-	-		
-	-	-	-	-	-		
-	459,849	-	-	-	-		
-	-	42,035	-	19,855	67,136		
(77,031)	-	-	-	-	-		
<u>(77,031)</u>	<u>459,849</u>	<u>42,035</u>	<u>-</u>	<u>19,855</u>	<u>67,136</u>		
<u>\$ 232,043</u>	<u>\$ 461,302</u>	<u>\$ 42,035</u>	<u>\$ 63</u>	<u>\$ 19,855</u>	<u>\$ 68,313</u>		

(Continued)

Town of Colchester, Connecticut

Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2019

	Capital Projects			
	2009 Bond Referendum	Capital Projects Fund	Sewer Capital	Energy Fund
Assets				
Cash and cash equivalents	\$ 56,057	\$ 1,796,985	\$ 1,229,067	\$ 95,608
Assessments and user charges receivable	-	-	-	-
Other receivables	-	-	-	-
Intergovernmental receivable	-	-	-	-
Inventory	-	-	-	-
Total assets	\$ 56,057	\$ 1,796,985	\$ 1,229,067	\$ 95,608
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ 44,518	\$ -	\$ -
Unearned revenue	-	-	-	-
Total liabilities	-	44,518	-	-
Deferred inflows of resources:				
Unavailable resources	-	-	-	-
Fund balances (deficits):				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	56,057	1,752,467	1,229,067	95,608
Unassigned	-	-	-	-
Total fund balances (deficits)	56,057	1,752,467	1,229,067	95,608
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 56,057	\$ 1,796,985	\$ 1,229,067	\$ 95,608

Capital Projects			
Use of Schools	BOE Capital Reserve Fund	Debt Service	Totals
\$ 50,749	\$ 326,439	\$ 463,150	\$ 6,096,815
-	-	-	284,951
-	-	-	52,045
-	-	-	275,099
-	-	-	6,008
<u>\$ 50,749</u>	<u>\$ 326,439</u>	<u>\$ 463,150</u>	<u>\$ 6,714,918</u>
\$ 257	\$ 28,787	\$ -	\$ 494,165
-	-	-	26,301
<u>257</u>	<u>28,787</u>	<u>-</u>	<u>520,466</u>
-	-	-	264,495
-	-	-	6,008
-	-	-	1,607,410
50,492	297,652	463,150	4,421,070
-	-	-	(104,531)
<u>50,492</u>	<u>297,652</u>	<u>463,150</u>	<u>5,929,957</u>
<u>\$ 50,749</u>	<u>\$ 326,439</u>	<u>\$ 463,150</u>	<u>\$ 6,714,918</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, 2019**

	Special Revenue				
	Animal Control Fund	Town Aid Road Fund	Small Cities Grants	Sewer Operating Fund	Recreation Activities Fund
Revenues:					
Intergovernmental	\$ -	\$ 388,480	\$ 30,450	\$ -	\$ -
Food sales, charges for services	-	-	-	-	-
Fines and fees	6,470	-	-	-	-
Interest income	-	-	8	2,519	-
Sewer assessments, use and charges for services	-	-	-	910,231	300,566
Other local revenue	-	-	1,867	145	3,986
Total revenues	6,470	388,480	32,325	912,895	304,552
Expenditures:					
General government	-	-	-	-	-
Public works	-	147,100	-	984,016	-
Education	-	-	-	-	-
Public safety	60,327	-	-	-	-
Community & human services	-	-	68,216	-	273,735
Capital outlay	-	282,153	-	-	-
Debt service	-	-	-	-	-
Total expenditures	60,327	429,253	68,216	984,016	273,735
Excess (deficiency) revenues over expenditures	(53,857)	(40,773)	(35,891)	(71,121)	30,817
Other financing sources (uses):					
Transfers in	35,830	-	-	-	-
Transfers out	-	-	-	-	-
Premium on bonds/bond anticipation notes	-	-	-	-	-
Total other financing sources (uses)	35,830	-	-	-	-
Net change in fund balances (deficits)	(18,027)	(40,773)	(35,891)	(71,121)	30,817
Fund balances (deficits), beginning	17,047	884,734	36,078	418,672	272,596
Fund balances (deficits), ending	\$ (980)	\$ 843,961	\$ 187	\$ 347,551	\$ 303,413

Special Revenue						
School Cafeteria Fund	Miscellaneous Grants Fund	Special Gifts Fund	Out of District Tuition Fund	Pay to Play	Bacon Academy Summer School	Police Special Duty
\$ 281,213	\$ 243,349	\$ 8,243	\$ -	\$ -	\$ -	\$ -
377,405	-	-	-	-	-	-
-	-	-	-	-	-	-
9	-	-	-	-	-	-
-	-	6,340	10,898	117,885	12,250	115,180
-	2,724	205,761	-	-	-	-
658,627	246,073	220,344	10,898	117,885	12,250	115,180
-	4,500	680	-	-	-	-
-	45,043	-	-	-	-	-
657,535	-	-	-	117,885	14,533	-
-	24,621	2,630	-	-	-	112,783
-	68,459	178,854	-	-	-	-
-	115,127	-	-	-	-	-
-	-	-	-	-	-	-
657,535	257,750	182,164	-	117,885	14,533	112,783
1,092	(11,677)	38,180	10,898	-	(2,283)	2,397
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,092	(11,677)	38,180	10,898	-	(2,283)	2,397
(21,604)	(65,354)	421,669	31,137	-	22,138	64,739
\$ (20,512)	\$ (77,031)	\$ 459,849	\$ 42,035	\$ -	\$ 19,855	\$ 67,136

(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, 2019**

	Capital Projects			
	2009 Bond Referendum	Capital Projects Fund	Sewer Capital	Energy Fund
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Food sales, charges for services	-	-	-	-
Fines and fees	-	-	13,990	-
Interest income	-	-	16,648	-
Sewer assessments, use and charges for services	-	17,305	-	-
Other local revenue	-	-	-	-
Total revenues	-	17,305	30,638	-
Expenditures:				
General government	-	10,333	-	-
Public works	-	7,935	151,179	-
Education	-	-	-	-
Public safety	-	-	-	-
Community & human services	-	-	-	-
Capital outlay	-	744,434	-	-
Debt service	-	-	-	-
Total expenditures	-	762,702	151,179	-
Excess (deficiency) revenues over expenditures	-	(745,397)	(120,541)	-
Other financing sources (uses):				
Transfers in	-	779,695	-	-
Transfers out	-	-	-	-
Premium on bonds/bond anticipation notes	-	-	-	-
Total other financing sources (uses)	-	779,695	-	-
Net change in fund balances (deficits)	-	34,298	(120,541)	-
Fund balances (deficits), beginning	56,057	1,718,169	1,349,608	95,608
Fund balances (deficits), ending	\$ 56,057	\$ 1,752,467	\$ 1,229,067	\$ 95,608

Capital Projects			
Use of Schools	BOE Capital Reserve Fund	Debt Service	Totals
\$ -	\$ -	\$ -	\$ 951,735
-	-	-	377,405
-	-	-	20,460
-	-	-	19,184
25,473	-	-	1,516,128
-	-	-	214,483
25,473	-	-	3,099,395
-	-	-	15,513
-	-	-	1,335,273
23,332	-	-	813,285
-	-	-	200,361
-	-	-	589,264
-	136,213	-	1,277,927
-	-	973,641	973,641
23,332	136,213	973,641	5,205,264
2,141	(136,213)	(973,641)	(2,105,869)
-	196,192	765,537	1,777,254
-	-	(91,980)	(91,980)
-	-	222,927	222,927
-	196,192	896,484	1,908,201
2,141	59,979	(77,157)	(197,668)
48,351	237,673	540,307	6,127,625
\$ 50,492	\$ 297,652	\$ 463,150	\$ 5,929,957

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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, 2019**

Governmental funds capital assets:	
Land	\$ 3,626,879
Buildings	112,147,023
Improvements other than buildings	2,171,269
Machinery and equipment	18,428,961
Infrastructure	40,664,520
Construction in process	<u>9,564,107</u>
Total governmental funds capital assets	<u>\$ 186,602,759</u>

Town of Colchester, Connecticut

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2019**

	Land	Buildings	Improvements Other Than Buildings	Infrastructure	Machinery and Equipment	Construction in Process	Total
General government	\$ 3,537,379	\$ 2,534,343	\$ 1,347,146	\$ 189,935	\$ 452,382	\$ -	\$ 8,061,185
Public safety	-	1,004,298	-	60,567	5,239,086	-	6,303,951
Public works	-	421,001	18,683	39,940,269	6,700,914	40,254	47,121,121
Community & human services	89,500	7,898,990	5,385	268,779	1,173,265	-	9,435,919
Education	-	100,288,391	800,055	204,970	4,863,314	9,523,853	115,680,583
Total	\$ 3,626,879	\$ 112,147,023	\$ 2,171,269	\$ 40,664,520	\$ 18,428,961	\$ 9,564,107	\$ 186,602,759

Other Schedules

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Town of Colchester, Connecticut

**Schedule of Property Taxes Levied, Collected and Outstanding
For the Year Ended June 30, 2019**

Grand List Year	Balance Uncollected July 1, 2018	Current Levy	Lawful Corrections		Written-off Uncollectible	Transfer to Suspense	Balance To Be Collected
			Additions	Deletions			
2002	519	-	-	-	-	-	519
2003	16,167	-	232	-	-	(341)	16,058
2004	14,389	-	-	-	-	(1,127)	13,262
2005	11,654	-	-	-	-	(231)	11,423
2006	44,178	-	7	(241)	-	(846)	43,098
2007	41,174	-	266	(350)	-	(1,492)	39,598
2008	45,155	-	5	(79)	-	(2,548)	42,533
2009	31,043	-	572	-	-	(812)	30,803
2010	36,826	-	2	(533)	-	(2,969)	33,326
2011	50,526	-	361	(1,651)	-	(7,808)	41,428
2012	45,542	-	2,153	(993)	-	(1,841)	44,861
2013	53,728	-	7,039	(777)	-	(2,107)	57,883
2014	79,870	-	10,210	(433)	-	(3,372)	86,275
2015	135,257	-	968	(5,806)	-	(5,719)	124,700
2016	432,178	-	4,412	(36,838)	-	(3,849)	395,903
2017	-	39,700,071	106,576	(249,387)	-	(4,428)	39,552,832
	<u>\$ 1,038,206</u>	<u>\$ 39,700,071</u>	<u>\$ 132,803</u>	<u>\$ (297,088)</u>	<u>\$ -</u>	<u>\$ (39,490)</u>	<u>\$ 40,534,502</u>

Collections				Balance
Taxes	Interest	Fees	Total	Uncollected
				June 30, 2019
-	279	-	279	519
220	1,047	30	1,297	15,838
831	1,772	413	3,016	12,431
410	653	24	1,087	11,013
2,595	6,160	80	8,835	40,503
3,139	6,539	134	9,812	36,459
1,221	1,962	46	3,229	41,312
1,259	1,915	44	3,218	29,544
3,615	3,949	(880)	6,684	29,711
6,438	5,697	162	12,297	34,990
6,890	7,941	218	15,049	37,971
12,194	8,948	341	21,483	45,689
30,973	13,865	398	45,236	55,302
101,845	41,528	1,698	145,071	22,855
226,823	57,384	(3,179)	281,028	169,080
39,110,538	118,873	9,119	39,238,530	442,294
<hr/>				
\$ 39,508,991	\$ 278,512	\$ 8,648	\$ 39,796,151	\$ 1,025,511

Town of Colchester, Connecticut

**Balance Sheet - By Account - General Fund
June 30, 2019**

	General Fund	Snow Reserve Fund	Totals
Assets			
Cash and cash equivalents	\$ 9,650,656	\$ 110,303	\$ 9,760,959
Receivables (net of allowances for collection losses):			
Property taxes	957,865	-	957,865
Intergovernmental	143,591	-	143,591
Accounts receivable	28,818	-	28,818
Inventory	6,578	-	6,578
Total assets	\$ 10,787,508	110,303	\$ 10,897,811
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,189,536	\$ -	\$ 1,189,536
Total liabilities	1,189,536	-	1,189,536
Deferred inflows of resources:			
Advance tax collections	98,028	-	98,028
Unavailable resources-other	725,463	-	725,463
Total deferred inflows of resources	823,491	-	823,491
Fund balances:			
Nonspendable	6,578	-	6,578
Committed	367,098	110,303	477,401
Assigned	585,619	-	585,619
Unassigned	7,815,186	-	7,815,186
Total fund balances	8,774,481	110,303	8,884,784
Total liabilities, deferred inflows of resources and fund balances	\$ 10,787,508	\$ 110,303	\$ 10,897,811

Town of Colchester, Connecticut

**Schedule of Revenues, Expenditures and Changes in Fund Balance - By Account - General Fund
For the Year Ended June 30, 2019**

	General Fund	Snow Reserve Fund	Eliminations	Totals
Revenues:				
Property taxes, interest & lien fees	\$ 40,028,244	\$ -	\$ -	\$ 40,028,244
Intergovernmental revenues	16,585,701	-	-	16,585,701
Revenues from use of money	348,258	-	-	348,258
Fees, permits and sales	825,029	-	-	825,029
Charges for services and assessments	641,192	-	-	641,192
Other	530,869	-	-	530,869
Total revenues	58,959,293	-	-	58,959,293
Expenditures:				
Current:				
General government	3,516,196	-	-	3,516,196
Public safety	2,872,691	-	-	2,872,691
Public works	3,447,196	-	-	3,447,196
Community & human services	1,534,894	-	-	1,534,894
Education	43,249,066	-	-	43,249,066
Debt service	1,710,415	-	-	1,710,415
Total expenditures	56,330,458	-	-	56,330,458
Revenues over (under) expenditures	2,628,835	-	-	2,628,835
Other financing uses:				
Transfers out	(2,150,994)	-	-	(2,150,994)
Total other financing uses	(2,150,994)	-	-	(2,150,994)
Net change in fund balances	477,841	-	-	477,841
Fund balances, beginning	8,296,640	110,303	-	8,406,943
Fund balances, ending	\$ 8,774,481	\$ 110,303	\$ -	\$ 8,884,784

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