

# McGladrey & Pullen

Certified Public Accountants

## **TOWN OF COLCHESTER, CONNECTICUT**

### **FINANCIAL REPORT**

**JUNE 30, 2005**



# **TOWN OF COLCHESTER, CONNECTICUT**

## **FINANCIAL REPORT**

### **TABLE OF CONTENTS**

---

	<b><u>Page</u></b>
Independent Auditor's Report .....	1-2
Management's Discussion and Analysis .....	3-13

### **BASIC FINANCIAL STATEMENTS**

#### Government-Wide Financial Statements:

Statement of Net Assets .....	15
Statement of Activities.....	16

#### Fund Financial Statements:

Balance Sheet – Governmental Funds .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Revenues and Expenditures – Budgetary Basis – Budget and Actual – General Fund .....	20
Statement of Net Assets – Proprietary Funds .....	21
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds .....	22
Statement of Cash Flows – Proprietary Funds.....	23
Statement of Fiduciary Net Assets – Fiduciary Funds .....	24
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	25
Notes to Financial Statements.....	26-48

---

**TOWN OF COLCHESTER, CONNECTICUT**

**FINANCIAL REPORT**

**TABLE OF CONTENTS**

---

**SUPPLEMENTAL AND COMBINING INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

**GENERAL FUND**

Balance Sheet .....	49
General Fund Revenues and Transfers In - Budgetary Basis - Budget and Actual .....	50-51
General Fund Expenditures and Transfers Out - Budgetary Basis - Budget and Actual .....	52-53

**NONMAJOR GOVERNMENTAL FUNDS**

Combining Balance Sheet .....	56-57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	58-59

**FIDUCIARY FUNDS**

Combining Statement of Fiduciary Net Assets .....	61
Combining Statement of Changes in Fiduciary Net Assets .....	62

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

Schedule By Category .....	63
Schedule By Function and Activity .....	64

**OTHER SCHEDULES**

Schedule of Property Taxes Levied, Collected and Outstanding .....	66-67
--	-------

**Financial Section**



**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Connecticut as of and for the year ended June 30, 2005, which collectively comprises the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Colchester's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Connecticut as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued our report dated November 7, 2005 on our consideration of the Town of Colchester, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary detail, combining and individual nonmajor fund statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary detail, combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McGladrey & Pullen, LLP*

New Haven, Connecticut  
November 7, 2005



**Town of Colchester, Connecticut**  
**Management's Discussion and Analysis**  
**June 30, 2005**

As management of the Town of Colchester, Connecticut we offer readers of the financial statements this overview and analysis of the financial performance of the Town of Colchester for the fiscal year ended June 30, 2005. Please read it in conjunction with the Town's financial statements, which immediately follow this section.

**Financial Highlights**

- ▶ The Town's total net assets at the close of the fiscal year were \$64,299,422, an increase of \$2,104,017 over the previous fiscal year. Total net assets of Governmental Activities at fiscal year-end were \$61,066,341 and total net assets for Business-Type Activities were \$3,233,081. Of the Town's total net assets at June 30, 2005, \$18,565,946 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- ▶ At the end of the current fiscal year, the total fund balance for the General Fund was \$5,550,072, an increase of \$1,292,151 from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2005, \$3,507,795 represents unreserved/undesignated fund balance of the General Fund. Unreserved/undesignated General Fund fund balance represents 8.5% of total General Fund expenditures (\$41,206,210). The Town of Colchester's governmental funds reported combined ending fund balances of \$12,230,951, an increase of \$3,645,225 from the prior fiscal year.
- ▶ The Town of Colchester's total bonded debt had an increase of \$7,240,000 from the prior fiscal year.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 15-16 of this report.

## **Fund Financial Statements**

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

- ▶ ***Governmental funds*** include most of the Town's basic services which focus on how much cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. These statements provide a detailed short-term view that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the town's programs. The government-wide statement of activities provides a broader view of the governmental activities than the governmental fund focus. The statement of net activities can be compared with the fund financial statements to better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.
- ▶ ***Proprietary funds*** are generally used for reporting services for which the Town charges a fee such as the water operations for the Town. They are reported in the same way as the government-wide statements. The Town has two types of proprietary funds. One is the enterprise fund and the other is the internal service fund.
- ▶ The enterprise fund is the same as the business-type activities. Although it provides the same type of information as the government-wide financial statements, it includes more detail and has additional information reported such as cash flows.
- ▶ The internal service fund is used to report activities that provide self-insured medical services funded by other Town programs or activities. The internal service fund transactions are included in the government-wide financial statements.
- ▶ ***Fiduciary funds*** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to provide services to the Town's constituency. The Town has one agency fund for student activities. The accounting for fiduciary funds is much like that used for proprietary funds.

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

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

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial status. The Town's combined assets exceeded liabilities by \$64,299,422 at the close of the recent fiscal year.

Net assets of the Town's Governmental Activities increased approximately 3.4% to \$61,066,341 and total net assets for Business-type Activities increased approximately 2.5% to \$3,233,081. The amount of \$45,733,476 (\$42,689,848 for Governmental Activities and \$3,043,628 for Business-type Activities) of combined net assets at June 30, 2005, 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 \$18,565,946 (\$18,376,493 for Governmental Activities and \$189,453 for Business-type Activities) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

The most significant portion of the Town of Colchester's net assets (71.1%) reflects its investment in capital assets (i.e., land, buildings, vehicles, machinery & equipment and infrastructure). The Town uses these capital assets to provide services to citizens. Although the Town of Colchester's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves may not be used to liquidate these liabilities.

**TOWN OF COLCHESTER, CONNECTICUT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005 AND 2004**

	June 30, 2005			June 30, 2004		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 23,915,229	\$ 226,846	\$ 24,142,075	\$ 21,991,963	\$ 437,836	\$ 22,429,799
Capital assets	77,784,848	3,523,628	81,308,476	71,205,627	3,392,823	74,598,450
<b>Total assets</b>	<b>101,700,077</b>	<b>3,750,474</b>	<b>105,450,551</b>	<b>93,197,590</b>	<b>3,830,659</b>	<b>97,028,249</b>
Current Liabilities	6,812,807	112,393	6,925,200	7,857,213	197,267	8,054,480
Long-Term liabilities outstanding	33,820,929	405,000	34,225,929	26,298,364	480,000	26,778,364
<b>Total liabilities</b>	<b>40,633,736</b>	<b>517,393</b>	<b>41,151,129</b>	<b>34,155,577</b>	<b>677,267</b>	<b>34,832,844</b>
Net Assets:						
Invested in capital assets, net of related debt	42,689,848	3,043,628	45,733,476	41,935,627	2,827,823	44,763,450
Unrestricted	18,376,493	189,453	18,565,946	17,106,386	325,569	17,431,955
<b>Total Net Assets</b>	<b>\$ 61,066,341</b>	<b>\$ 3,233,081</b>	<b>\$ 64,299,422</b>	<b>\$ 59,042,013</b>	<b>\$ 3,153,392</b>	<b>\$ 62,195,405</b>

***Change in net assets.*** The Town's total net assets increased by \$2,104,017 during the fiscal year, with net assets of Governmental Activities increasing by \$2,024,328, and net assets of Business-type Activities increasing by \$79,689.

	Year Ended June 30, 2005			Year Ended June 30, 2004		
	Primary Govt.			Primary Govt.		
	Business			Business		
	Govt. Activities	type Activities	Total	Govt. Activities	type Activities	Total
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 3,202,898	\$ 732,545	\$ 3,935,443	\$ 2,884,010	\$ 675,901	\$ 3,559,911
Operating Grants and Contributions	14,941,708	-	14,941,708	14,937,122	-	14,937,122
Capital Grants and Contributions	1,026,732	-	1,026,732	6,883,314	-	6,883,314
General Revenues:						
Property Tax	25,542,576	-	25,542,576	24,496,573	-	24,496,573
Grants not restricted to specific programs	309,690	-	309,690	338,714	-	338,714
Unrestricted investment earnings	346,903	1,829	348,732	168,314	2,045	170,359
<b>Total Revenues</b>	<b>45,370,507</b>	<b>734,374</b>	<b>46,104,881</b>	<b>49,708,047</b>	<b>677,946</b>	<b>50,385,993</b>
<b>Expenses</b>						
General Government	4,243,429	-	4,243,429	4,395,734	-	4,395,734
Public Safety	1,944,340	-	1,944,340	1,842,361	-	1,842,361
Public Works	3,131,749	-	3,131,749	3,074,170	-	3,074,170
Public Health & Welfare	1,674,503	-	1,674,503	1,616,327	-	1,616,327
Civic and Cultural	868,092	-	868,092	717,289	-	717,289
Education	30,038,085	-	30,038,085	30,184,709	-	30,184,709
Other	-	634,981	634,981	-	800,563	800,563
Interest on long term bonds	1,445,981	19,704	1,465,685	1,410,386	34,158	1,444,544
<b>Total Expenses</b>	<b>43,346,179</b>	<b>654,685</b>	<b>44,000,864</b>	<b>43,240,976</b>	<b>834,721</b>	<b>44,075,697</b>
<b>Change in Net Assets</b>	<b>2,024,328</b>	<b>79,689</b>	<b>2,104,017</b>	<b>6,467,071</b>	<b>(156,775)</b>	<b>6,310,296</b>
Net Assets Beginning	59,042,013	3,153,392	62,195,405	52,574,942	3,310,167	55,885,109
Net Assets Ending	\$ 61,066,341	\$ 3,233,081	\$ 64,299,422	\$ 59,042,013	\$ 3,153,392	\$ 62,195,405

## Governmental Activities

Approximately 56.3% of the revenues were derived from property taxes, followed by 42.2% generated from program revenues, which include governmental revenues for Education, then .8% was derived from investment earnings, and finally .7% from other unrestricted grants.

Major revenue factors included an increase in the Town's mill rate of 2.2%, increase from the State of Connecticut grant for Special Education Excess Costs, increased fees from the conveyance tax, and increased income from investment earnings.

The Town's current levy collected tax rate was 98.06%, an increase of .21% over the previous year current levy collected tax rate of 97.85%.

For governmental activities, 69.3% of the Town's expenditures relate to education, 9.8% relate to general government, 4.5% relate to public safety, 7.2% relate to public works, 2.0% relate to

civic and cultural, 3.9% relate to public health and welfare and the remaining 3.3% relate to interest payments on long-term debt.

Major expenditure factors include an increase in Public Safety costs and civic and cultural expenses.

### **Business-Type Activities**

Business-type activities increased the Town's net assets by \$79,689. Key elements of this increase are:

- ▶ Increase in water use fees in excess of operations and depreciation.

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

**Governmental funds.** The focus of the Town of Colchester's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the Town's financial requirements. The unreserved 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 \$12,230,951, an increase from \$8,585,726 as of June 30, 2004. This increase is mainly due to the timing of the receipt and expenditure of bond proceeds.

The general fund is the chief operating fund for the Town of Colchester. At the end of the current fiscal year, unreserved fund balance of the general fund was \$5,227,345 while total fund balance reached \$5,550,072. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 12.9% of the total general fund expenditures.

At June 30, 2005, the Town of Colchester's General Fund increased by \$1,292,151 over the previous year. Key factors contributing to this increase were increased Education revenues from the State of Connecticut, income from investment earnings and increased income from the conveyance tax.

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

Unrestricted net assets of the Water Fund at the end of the year amounted to \$189,453. The Water Fund experienced an increase in net assets of \$79,689. The explanations concerning the finances of the Water Fund were addressed earlier in the discussion of the Town of Colchester's Business-type activities.



## General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$180,735. This difference can briefly be summarized as follows:

- ▶ Increases in Public Works for snow removal costs, Recreation programs, and various other departments resulted in the \$180,735 increase to the original budget.

## Capital Asset and Debt Administration

**Capital Assets.** The Town of Colchester's investment in capital assets for its governmental and business type activities as of June 30, 2005, amount to \$81,308,476 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, sidewalks, roads, highways, bridges and water and sewer lines (infrastructure). The total increase in the Town of Colchester's investment in capital assets for the current fiscal year was \$6,710,026 or approximately 9.0 percent.

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

- ▶ There are a variety of projects with construction in progress as of the close of the fiscal year. The total construction in progress for governmental activities increased by \$4,948,004 from the prior fiscal year, mainly due to the construction of a new school and renovations to an existing school.
- ▶ Buildings and Improvements for governmental activities increased by \$3,227,449 mainly due to the completion of the Cragin Library project and the transfer of this asset from construction in progress.

**Town of Colchester Capital Assets**  
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 3,171,349	\$ 3,171,349	\$ -	\$ -	\$ 3,171,349	\$ 3,171,349
Land Improvements	575,173	640,142	10,962	11,958	586,135	652,100
Bldng. & Improvements	29,006,129	25,778,630	1,310,508	1,159,339	30,316,637	26,937,969
Machinery & Equipment	1,955,525	2,105,326	2,329	-	1,957,854	2,105,326
Infrastructure	17,391,379	18,772,891	2,131,455	2,153,890	19,522,834	20,926,781
Construction in Progress	25,685,293	20,737,289	68,374	67,636	25,753,667	20,804,925
<b>Total</b>	<b>\$ 77,784,848</b>	<b>\$ 71,205,627</b>	<b>\$ 3,523,628</b>	<b>\$ 3,392,823</b>	<b>\$ 81,308,476</b>	<b>\$ 74,598,450</b>

Additional information on the Town of Colchester's capital assets can be found in Note 7 of this report.

**Long-Term Debt.** At year-end the Town of Colchester had \$35,575,000 in bonds outstanding. Of this amount \$480,000 is debt, which is funded through the Water Enterprise fund. All the bonds carry bond insurance and are backed by the full faith and credit of the Town of Colchester.

**Town of Colchester Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds (backed by the Town)	\$ 35,095,000	\$ 27,770,000	\$ 480,000	\$ 565,000	\$ 35,575,000	\$ 28,335,000

The Town of Colchester's total bonded debt had an increase of \$7,240,000 (approximately 25.6 percent) as of the end of the fiscal year. The Town issued general obligation bonds in the amount of \$10,800,000 in June 2005, primarily to finance construction of a new school.

In July 2002, Moody's Investors Service upgraded the Town's bond rating to A1 from A2. In addition, Fitch Ratings upgraded the rating to AA- from A+. In June 2005, Moody's reaffirmed the A1 rating of the Town's outstanding debt; they assigned an underlying rating of A1 to the new issue.

Additional information on the Town of Colchester's long-term debt can be found in Note 8 of this report.

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

Although not immune from the effects of the national economic downturn, the Town of Colchester's unemployment rate of 4.2% as of the third quarter of 2005 was less than the State of Connecticut rate of 4.8% for the same time period.

Colchester continues to grow. The 2000 census revealed that the Town's population grew by approximately one-third from 1990 to 2000. The Town was the fastest growing municipality in CT of those municipalities with a population greater than 5,000. In addition, CNN and Money Magazine recently named the Town the 57<sup>th</sup> best place to live in the United States.

In January 2001, the Town adopted the 2001 Plan of Conservation and Development as a blueprint for the future of Colchester. It provides recommendations to encourage the preservation of open space and for meeting the demand for additional retail and service businesses to serve the needs of the residents of Colchester.

An integral part of the plan regarding commercial development in Colchester has included the revitalization of its downtown area. This revitalization included building additions and renovations, new commercial construction, street improvements, and changes in traffic circulation.

The school population continues to increase with the increased housing activity and population growth. The new school currently under construction and the realignment of the existing school facilities will impact the FY2007 budget process.

### **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.

**This page intentionally left blank.**

## **Basic Financial Statements**



# TOWN OF COLCHESTER, CONNECTICUT

## STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 15,482,423	\$ 14,561	\$ 15,496,984
Receivables (net of allowances for collection losses):			
Property taxes and interest	1,025,487	-	1,025,487
Accounts receivable	583,680	212,091	795,771
Intergovernmental	1,200,000	-	1,200,000
Internal balances	44,751	(44,751)	-
Other assets	26,315	44,945	71,260
Noncurrent Assets			
Intergovernmental receivables	5,552,573	-	5,552,573
Capital assets, net of accumulated depreciation	77,784,848	3,523,628	81,308,476
<b>Total assets</b>	<b>101,700,077</b>	<b>3,750,474</b>	<b>105,450,551</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	3,010,886	37,393	3,048,279
Claims incurred but not reported	287,921	-	287,921
Noncurrent liabilities:			
Due within one year	3,514,000	75,000	3,589,000
Due in more than one year	33,820,929	405,000	34,225,929
<b>Total liabilities</b>	<b>40,633,736</b>	<b>517,393</b>	<b>41,151,129</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	42,689,848	3,043,628	45,733,476
Unrestricted	18,376,493	189,453	18,565,946
<b>Total net assets</b>	<b>\$ 61,066,341</b>	<b>\$ 3,233,081</b>	<b>\$ 64,299,422</b>

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

**TOWN OF COLCHESTER, CONNECTICUT**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
General government	\$ (4,243,429)	\$ 739,763	\$ 371,689	\$ -	\$ (3,131,977)	\$ -	\$ (3,131,977)	
Public safety	(1,944,340)	340,093	54,988	-	(1,549,259)	-	(1,549,259)	
Public works	(3,131,749)	1,196,945	243,648	14,800	(1,676,356)	-	(1,676,356)	
Civic and cultural	(868,092)	74,658	76,091	-	(717,343)	-	(717,343)	
Public health and welfare	(1,674,503)	297,368	266,567	-	(1,110,568)	-	(1,110,568)	
Education	(30,038,085)	554,071	13,928,725	1,011,932	(14,543,357)	-	(14,543,357)	
Interest on long-term debt	(1,445,981)	-	-	-	(1,445,981)	-	(1,445,981)	
Total governmental activities	(43,346,179)	3,202,898	14,941,708	1,026,732	(24,174,841)	-	(24,174,841)	
Business-Type Activities:								
Water	(654,685)	732,545	-	-	-	77,860	77,860	
Total business-type activities	(654,685)	732,545	-	-	-	77,860	77,860	
Total primary government	\$ (44,000,864)	\$ 3,935,443	\$ 14,941,708	\$ 1,026,732	(24,174,841)	77,860	(24,096,981)	
		General revenues:						
		Property taxes				25,542,576	-	25,542,576
		Grants and contributions not restricted to specific programs				309,690	-	309,690
		Unrestricted investment earnings				346,903	1,829	348,732
		Total general revenues				26,199,169	1,829	26,200,998
		Change in net assets				2,024,328	79,689	2,104,017
		Net assets - beginning				59,042,013	3,153,392	62,195,405
		Net assets - ending				\$ 61,066,341	\$ 3,233,081	\$ 64,299,422

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



TOWN OF COLCHESTER, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2005

	General Fund	Bonded Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 7,074,054	\$ 5,182,031	\$ 2,394,015	\$ 14,650,100
Receivables (net of allowances for collection losses):				
Property taxes	661,569	-	-	661,569
Assessments	-	-	460,178	460,178
Accounts receivable	98,044	15,000	-	113,044
Loans	-	-	10,459	10,459
Interfund receivable	114,851	-	-	114,851
Other assets	24,742	-	1,573	26,315
	<u>\$ 7,973,260</u>	<u>\$ 5,197,031</u>	<u>\$ 2,866,225</u>	<u>\$ 16,036,516</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,743,571	\$ 840,566	\$ 21,421	\$ 2,605,558
Interfund payable	-	-	70,100	70,100
Unearned revenues	679,617	-	450,290	1,129,907
<b>Total liabilities</b>	<u>2,423,188</u>	<u>840,566</u>	<u>541,811</u>	<u>3,805,565</u>
<b>Fund balances</b>				
Reserved for:				
Encumbrances	297,985	526	5,384	303,895
Loans	-	-	10,459	10,459
Inventory	24,742	-	1,573	26,315
Unreserved:				
Designated for subsequent years budget	1,719,550	-	-	1,719,550
Designated for specific projects	-	-	392,539	392,539
Unreserved/undesignated, reported in:				
General fund	3,507,795	-	-	3,507,795
Special revenue funds	-	-	846,926	846,926
Capital projects funds	-	4,355,939	1,067,533	5,423,472
<b>Total fund balances</b>	<u>5,550,072</u>	<u>4,356,465</u>	<u>2,324,414</u>	<u>12,230,951</u>
<b>Total liabilities and fund balances</b>	<u>\$ 7,973,260</u>	<u>\$ 5,197,031</u>	<u>\$ 2,866,225</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	77,784,848
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds.	8,106,560
Internal service funds are used by management to charge the costs of health insurance premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	501,169
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(37,557,187)

Net assets of governmental activities \$ 61,066,341

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

**TOWN OF COLCHESTER, CONNECTICUT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2005**

	General	Bonded	Other	Total
	Fund	Projects	Nonmajor	Governmental
	Fund	Fund	Funds	Funds
<b>REVENUES</b>				
Property taxes	\$ 25,570,311	\$ -	\$ -	\$ 25,570,311
Intergovernmental revenues	14,978,666	627,507	1,523,944	17,130,117
Revenues from use of money	318,183	-	20,194	338,377
Fees, permits and sales	1,038,972	-	543,845	1,582,817
Charges for services and assessments	359,427	-	678,547	1,037,974
Other	232,802	-	262,221	495,023
<b>Total revenues</b>	<b>42,498,361</b>	<b>627,507</b>	<b>3,028,751</b>	<b>46,154,619</b>
<b>EXPENDITURES</b>				
Current:				
General government	2,024,964	-	7,000	2,031,964
Public safety	1,664,851	-	135,261	1,800,112
Public works	2,057,593	-	686,777	2,744,370
Public health and welfare	391,953	-	423,754	815,707
Civic and cultural	1,451,011	-	80,538	1,531,549
Education	28,467,400	-	1,647,312	30,114,712
Debt service	4,597,981	93,693	130,802	4,822,476
Capital outlay	362,669	8,924,529	161,306	9,448,504
<b>Total expenditures</b>	<b>41,018,422</b>	<b>9,018,222</b>	<b>3,272,750</b>	<b>53,309,394</b>
<b>Revenue over (under)</b>				
<b>expenditures</b>	<b>1,479,939</b>	<b>(8,390,715)</b>	<b>(243,999)</b>	<b>(7,154,775)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bond issuance	-	10,800,000	-	10,800,000
Transfers in	-	53,000	134,788	187,788
Transfers out	(187,788)	-	-	(187,788)
<b>Total other financing</b>				
<b>sources (uses)</b>	<b>(187,788)</b>	<b>10,853,000</b>	<b>134,788</b>	<b>10,800,000</b>
<b>Net change in fund balances</b>	<b>1,292,151</b>	<b>2,462,285</b>	<b>(109,211)</b>	<b>3,645,225</b>
<b>FUND BALANCES, beginning</b>	<b>4,257,921</b>	<b>1,894,180</b>	<b>2,433,625</b>	<b>8,585,726</b>
<b>FUND BALANCES, ending</b>	<b>\$ 5,550,072</b>	<b>\$ 4,356,465</b>	<b>\$ 2,324,414</b>	<b>\$ 12,230,951</b>

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

**TOWN OF COLCHESTER, CONNECTICUT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2005**

---

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

Net change in fund balances – total governmental funds	\$ 3,645,225
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 outlays exceeded depreciation in the current period.	6,583,697
Net changes in revenues and receivables in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(787,337)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,325,000)
Some expenditures 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.	(279,545)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>187,288</u>
Change in net assets of governmental activities	<u><u>\$ 2,024,328</u></u>

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

# TOWN OF COLCHESTER, CONNECTICUT

## STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>REVENUES</b>				
Property taxes, interest and lien fees	\$ 25,606,087	\$ 25,606,087	\$ 25,570,311	\$ (35,776)
Intergovernmental revenues	13,627,580	13,627,580	14,112,666	485,086
Revenues from the use of money	178,000	178,000	318,183	140,183
Charges for services	283,500	283,500	359,427	75,927
Fees, permits and other	805,223	845,622	1,038,972	193,350
Other revenues	158,564	173,178	248,903	75,725
<b>Total revenues</b>	<b>40,658,954</b>	<b>40,713,967</b>	<b>41,648,462</b>	<b>934,495</b>
<b>EXPENDITURES</b>				
General government	2,197,636	2,204,522	2,061,803	142,719
Public works	2,175,495	2,250,051	2,206,760	43,291
Public safety	1,822,032	1,869,411	1,758,455	110,956
Civic and cultural	1,503,344	1,548,393	1,476,278	72,115
Public health and welfare	435,612	437,477	395,644	41,833
Education	28,062,552	28,062,552	27,871,101	191,451
Debt service	4,924,152	4,924,152	4,597,981	326,171
<b>Total expenditures</b>	<b>41,120,823</b>	<b>41,296,558</b>	<b>40,368,022</b>	<b>928,536</b>
<b>Revenues over (under)</b>				
<b>expenditures</b>	<b>(461,869)</b>	<b>(582,591)</b>	<b>1,280,440</b>	<b>1,863,031</b>
<b>OTHER FINANCING USES</b>				
Transfers out	(182,788)	(187,788)	(187,788)	-
<b>Total other financing sources (uses)</b>	<b>(182,788)</b>	<b>(187,788)</b>	<b>(187,788)</b>	<b>-</b>
<b>Revenues and other financing</b>				
<b>sources over (under) expenditures</b>	<b>\$ (644,657)</b>	<b>\$ (770,379)</b>	<b>\$ 1,092,652</b>	<b>\$ 1,863,031</b>

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

**TOWN OF COLCHESTER, CONNECTICUT**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**

**June 30, 2005**

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,561	\$ 832,323
Accounts receivable	212,091	-
Inventory	44,945	-
<b>Total current assets</b>	<b>271,597</b>	<b>832,323</b>
Capital Assets, net	3,523,628	-
<b>Total assets</b>	<b>3,795,225</b>	<b>832,323</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	37,393	-
Interfund payable	44,751	-
Claims payable - current	-	43,233
Bonds payable - current	75,000	-
<b>Total current liabilities</b>	<b>157,144</b>	<b>43,233</b>
Noncurrent Liabilities:		
Claims payable	-	287,921
Bonds payable	405,000	-
<b>Total noncurrent liabilities</b>	<b>405,000</b>	<b>287,921</b>
<b>Total liabilities</b>	<b>562,144</b>	<b>331,154</b>
<b>NET ASSETS</b>		
Invested in capital assets (net of related debt)	3,043,628	-
Unrestricted	189,453	501,169
<b>Total net assets</b>	<b>\$ 3,233,081</b>	<b>\$ 501,169</b>

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

**TOWN OF COLCHESTER, CONNECTICUT**

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

**For the Year Ended June 30, 2005**

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
<b>OPERATING REVENUES</b>		
Water use fees and charges	\$ 732,545	\$ -
Premiums	-	4,257,262
<b>Total operating revenues</b>	<b>732,545</b>	<b>4,257,262</b>
<b>OPERATING EXPENSES</b>		
Claims/operating	533,627	3,551,409
Depreciation	101,354	-
Administration	-	526,266
<b>Total operating expenses</b>	<b>634,981</b>	<b>4,077,675</b>
<b>Operating income</b>	<b>97,564</b>	<b>179,587</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest on investments	1,829	7,701
Interest expense	(19,704)	-
<b>Total nonoperating revenue (expenses)</b>	<b>(17,875)</b>	<b>7,701</b>
<b>Change in net assets</b>	<b>79,689</b>	<b>187,288</b>
<b>FUND NET ASSETS, beginning</b>	<b>3,153,392</b>	<b>313,881</b>
<b>FUND NET ASSETS, ending</b>	<b>\$ 3,233,081</b>	<b>\$ 501,169</b>

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

# TOWN OF COLCHESTER, CONNECTICUT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS For the Year Ended June 30, 2005

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
<b>Cash Flows From Operating Activities</b>		
Cash received from charges for services	\$ 728,731	\$ 4,257,262
Cash paid to vendors and beneficiaries	(572,681)	(4,055,160)
<b>Net cash provided by operating activities</b>	<b>156,050</b>	<b>202,102</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of capital assets	(232,159)	-
Interest paid	(19,640)	-
Principal payments of debt	(85,000)	-
<b>Net cash used in capital and related financing activities</b>	<b>(336,799)</b>	<b>-</b>
<b>Cash Flows From Investing Activities</b>		
Interest on cash and cash equivalents	1,829	7,701
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(178,920)</b>	<b>209,803</b>
<b>Cash and Cash Equivalents</b>		
Beginning	193,481	622,520
Ending	<u>\$ 14,561</u>	<u>\$ 832,323</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating gain	\$ 97,564	\$ 179,587
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	101,354	-
Changes in assets and liabilities:		
Increase in accounts receivable	(3,814)	-
Decrease in accounts payable	(74,938)	-
Increase in interfund payable	44,751	-
Increase in claims payable	-	22,515
Increase in inventories	(8,867)	-
<b>Net cash provided by operating activities</b>	<b>\$ 156,050</b>	<b>\$ 202,102</b>

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

**TOWN OF COLCHESTER, CONNECTICUT**

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

**June 30, 2005**

---

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,246	\$ 209,357
<b>Total assets</b>	<u>2,246</u>	<u>209,357</u>
<b>LIABILITIES</b>		
Due to student groups	-	209,357
<b>Net Assets Held in Trust</b>	<u>\$ 2,246</u>	<u>\$ -</u>

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



**TOWN OF COLCHESTER, CONNECTICUT**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2005**

---

	Private Purpose Trust Funds
<b>Additions</b>	
Investment Income	\$ 10
<b>Deductions</b>	-
<b>Change in net assets</b>	10
<b>Net Assets Held in Trust</b>	
Beginning of year	2,236
End of year	\$ 2,246

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2005

---

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

##### Reporting entity

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

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

##### Government-wide fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

---

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year 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, 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, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds.

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

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

The Town reports the following major proprietary funds:

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

---

Additionally, the Town reports the following fund types:

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

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

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Accounting estimates

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

#### Property taxes

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

## **TOWN OF COLCHESTER, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2005**

---

#### 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.

#### Investments

Investments are stated at fair value based upon quoted market prices. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The balance of the pooled fixed income investments were invested in a pool similar to a 2a-7. The fair value of the position in the pool is the same as the value of the pool shares.

#### Inventories

Inventories are stated at cost using the consumption method on the first-in, first-out basis for governmental fund types.

The enterprise fund records inventory at the lower of cost or market using the first-in, first-out method.

#### Capital assets

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

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

---

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

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

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

#### Compensated absences

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

#### Long-term obligations

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

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

#### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

---

utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance as they do not constitute either expenditures or liabilities.

#### Fund equity and net assets

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

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

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

In the fund financial statements, fund balances of governmental funds are classified in three separate categories. The three categories, and their general meanings, are as follows:

***Reserved fund balance*** - indicates that portion of fund equity that is not available for appropriation or which has been legally segregated for specific purposes.

***Unreserved/designated fund balance*** - indicates that portion of fund equity for which the Town has made tentative plans that are subject to change.

***Unreserved/undesignated fund balance*** - indicates that portion of fund equity which is available for appropriation and expenditure in future periods.

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds, and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$37,557,187 difference are as follows:

Bonds payable	\$ 35,095,000
Accrued interest payable	222,258
Landfill closure costs	285,000
Compensated absences	<u>1,954,929</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 37,557,187</u>

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

---

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$6,583,697 difference are as follows:

Capital outlay	\$ 9,704,967
Depreciation expense	<u>(3,121,270)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 6,583,697</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(7,325,000) difference are as follows:

Debt issued or incurred:	
General obligation debt	\$ (10,800,000)
Principal repayments:	
General obligation debt	<u>3,475,000</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (7,325,000)</u>



## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

---

#### **Note 3. Budgets and Budgetary Accounting**

The Town's general budget policies are as follows:

##### General Fund

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

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

The legal budget of the Town is a departmental budget.

Subject to certain restrictions, additional appropriations may be approved by the Board of Finance upon recommendations of the Board of Selectmen. There were additional appropriations of \$180,735 during the year of which \$55,003 was financed by additional revenues and \$125,732 was financed by appropriations from fund balance. General Fund unencumbered appropriations lapse at year-end.

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 presented on the budgetary basis is as follows:

Revenues, budgetary basis	\$ 41,648,462
Prior year encumbrances cancelled	(16,101)
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	<u>866,000</u>
Revenues, GAAP basis	<u>\$ 42,498,361</u>

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

---

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

Expenditures and encumbrances budgetary basis	\$ 40,555,810
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	866,000
Encumbrances:	
June 30, 2004	82,385
June 30, 2005	<u>(297,985)</u>
Expenditures and operating transfers, GAAP basis	<u>\$ 41,206,210</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 nonlapsing 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.

#### **Note 4. Cash and Investments**

Deposits: The Town does not have a policy for deposits. The Town also does not have a custodial credit risk policy. However, as a practice, the Town follows State statutes. The State of Connecticut requires 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 does not have a custodial credit risk policy for investments. The Town does not have a policy for investments, however, it is their practice to use State statutes. The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

---

provide for investment in shares of the Connecticut Short Term Investment Fund and the Tax Exempt Proceeds Fund. Other provisions of the Statutes cover specific municipal funds with particular investment authority.

Interest rate risk: The Town does 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, 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 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.

Credit Risk: The Town does not have a policy to limit its credit risk, but its practice is to invest in guidelines as prescribed by State statutes.

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, 2005, \$12,921,261 of the entity's bank balance of \$14,356,957 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 custodial credit risk.

Cash and cash equivalents of the Town consist of the following at June 30, 2005:

**Cash and Cash Equivalents**

Deposits with financial institutions	\$ 12,751,447
State of Connecticut Short-Term Investment fund	2,370,353
MBIA-Class Account	586,787
<b>Total cash and cash equivalents</b>	<b>\$ 15,708,587</b>

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

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

<b>Statement of Net Assets</b>	
Cash and cash equivalents	\$ 15,496,984
<b>Fiduciary Funds</b>	
Cash and cash equivalents	211,603
<b>Total cash and cash equivalents</b>	<b>\$ 15,708,587</b>

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

	Fair Value	Investment Maturities (in Years) Less Than 1 Year
Pooled Income Fund	\$2,957,140	\$ 2,957,140

*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.

	Average Rating	Pooled Income Fund
State Short-Term Investment Fund	AAA	\$ 2,370,353
MBIA, Inc.	AA	586,787
		<b>\$ 2,957,140</b>

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

### Note 5. Receivables - Fund Basis

Receivables at June 30, 2005, including the applicable allowance for collection losses, are as follows:

	General Fund	Bonded Projects Fund	Water Fund	Nonmajor and Other Funds	Totals
Property taxes	\$ 857,545	\$ -	\$ -	\$ -	\$ 857,545
Accounts receivable	98,044	15,000	-	177,370	290,414
Assessments	-	-	-	282,808	282,808
Water fees	-	-	212,091	-	212,091
Loans receivable	-	-	-	23,881	23,881
<b>Total gross receivables</b>	<b>955,589</b>	<b>15,000</b>	<b>212,091</b>	<b>484,059</b>	<b>1,666,739</b>
Allowance for collection losses	195,976	-	-	13,422	209,398
<b>Total net receivables</b>	<b>\$ 759,613</b>	<b>\$ 15,000</b>	<b>\$ 212,091</b>	<b>\$ 470,637</b>	<b>\$ 1,457,341</b>

### Note 6. Interfund Receivables, Payables and Transfers

During the course of operations, transactions are processed through a fund on behalf of another fund. A summary of interfund balances as of June 30, 2005 is presented below:

	Interfund Receivables	Interfund Payables
General Fund	\$ 114,851	\$ -
Nonmajor Governmental Funds	-	70,100
Enterprise Fund	-	44,751
<b>Total</b>	<b>\$ 114,851</b>	<b>\$ 114,851</b>

**TOWN OF COLCHESTER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2005**

---

All balances resulted from short-term advances from the General Fund to various other funds, pending receipt of program fees, appropriations, and other financing arrangements.

Interfund transfers during the year ended June 30, 2005, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 187,788
Bonded Projects Fund	53,000	-
Nonmajor Governmental Funds	134,788	-
<b>Total</b>	<u>\$ 187,788</u>	<u>\$ 187,788</u>

Transfers are used to account for unrestricted revenues collected mainly in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations.

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

### Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,171,349	\$ -	\$ -	\$ 3,171,349
Construction in progress	20,737,289	9,197,210	(4,249,206)	25,685,293
Total capital assets, not being depreciated	23,908,638	9,197,210	(4,249,206)	28,856,642
Capital assets, being depreciated:				
Improvements other than buildings	1,493,294	4,500	-	1,497,794
Buildings	41,406,918	4,269,443	-	45,676,361
Machinery and equipment	8,740,171	319,102	(211,343)	8,847,930
Infrastructure	34,051,747	163,918	-	34,215,665
Total capital assets being depreciated	85,692,130	4,756,963	(211,343)	90,237,750
Less accumulated depreciation for:				
Improvements other than buildings	853,152	69,469	-	922,621
Buildings	15,628,288	1,041,944	-	16,670,232
Machinery and equipment	6,634,845	464,427	(206,867)	6,892,405
Infrastructure	15,278,856	1,545,430	-	16,824,286
Total accumulated depreciation	38,395,141	3,121,270	(206,867)	41,309,544
Total capital assets, being depreciated, net	47,296,989	1,635,693	(4,476)	48,928,206
Governmental activities capital assets, net	\$ 71,205,627	\$ 10,832,903	\$ (4,253,682)	\$ 77,784,848

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 67,636	\$ 36,871	\$ (36,133)	\$ 68,374
Total capital assets, not being depreciated	67,636	36,871	(36,133)	68,374
Capital assets, being depreciated:				
Buildings	1,885,176	196,844	-	2,082,020
Machinery and equipment	5,149	2,861	-	8,010
Improvements other than buildings	21,391	-	-	21,391
Infrastructure	3,149,207	31,716	-	3,180,923
Total capital assets, being depreciated	5,060,923	231,421	-	5,292,344
Less accumulated depreciation for:				
Buildings	725,837	45,675	-	771,512
Machinery and equipment	5,149	532	-	5,681
Improvements other than buildings	9,433	996	-	10,429
Infrastructure	995,317	54,151	-	1,049,468
Total accumulated depreciation	1,735,736	101,354	-	1,837,090
Total capital assets, being depreciated, net	3,325,187	130,067	-	3,455,254
Business-type activities capital assets, net	\$ 3,392,823	\$ 166,938	\$ (36,133)	\$ 3,523,628

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

### Governmental Activities:

General government	\$ 2,299,338
Public works	397,451
Public safety	149,682
Civic and cultural	151,698
Public health and welfare	3,740
Education	119,361

Total depreciation expense – governmental activities \$ 3,121,270

### Business-Type Activities:

Water Fund	<u>\$ 101,354</u>
------------	-------------------



# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

### Note 8. Long-Term Debt and Bond Anticipation Notes

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 27,770,000	\$ 10,800,000	\$ 3,475,000	\$ 35,095,000	\$ 3,450,000
Landfill post-closure monitoring	300,000	-	15,000	285,000	15,000
Compensated absences	1,763,364	191,565	-	1,954,929	49,000
<b>Governmental activity long-term liabilities</b>	<b>\$ 29,833,364</b>	<b>\$ 10,991,565</b>	<b>\$ 3,490,000</b>	<b>\$ 37,334,929</b>	<b>\$ 3,514,000</b>

All bonds are general obligations of the town and are secured by the general revenue raising powers of the Town.

#### Bond anticipation notes

Bond anticipation note transactions for the year ended June 30, 2005 were as follows:

Outstanding July 1, 2004	\$ 1,500,000
New Borrowings	-
Repayments	<u>1,500,000</u>
Outstanding, June 30, 2005	<u>\$ -</u>

General obligation bonds and notes payable outstanding as of June 30, 2005 consisted of the following:

	Outstanding Amount
<b>General obligation bonds payable:</b>	
\$10,800,000 bond, issue of 2005 due 2025, annual principal payments range from \$645,000 to \$540,000 plus interest due semi-annually at 3.25% to 4.5%	\$ 10,800,000

**TOWN OF COLCHESTER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2005**

---

	<u>Outstanding Amount</u>
\$9,460,000 bond, issue of 2001 due 2021, annual principal payments range from \$390,000 to \$670,000, plus interest due semiannually at 4.0% to 5.5%	6,810,000
\$4,500,000 bond, issue of 1987 due 2008, annual principal payments of \$215,000 plus interest due semiannually at 6.7% to 7.2%	645,000
\$4,500,000 bond, issue of 1988 due 2009, annual principal payments of \$235,000 plus interest due semiannually at 7.2% to 7.3%	705,000
\$5,180,000 bond, issue of 2002 due 2012, annual principal payments range from \$595,000 to \$465,000 plus interest due semiannually at 2.0% to 4.5%	3,480,000
\$730,000 bond, issue of 2002 due 2013, annual principal payments range from \$103,000 to \$25,000 plus interest due semiannually at 3.0% to 4.0%	510,000
\$4,000,000 bond, issue of 1991 due 2012, annual principal payments range from \$215,000 to \$130,000 plus interest due semiannually at 5.6% to 6.5%	1,420,000
\$5,985,000 bond, issue of 2002 due 2023, annual principal payments range from \$550,000 to \$270,000 plus interest due semiannually at 3.0% to 4.7%	4,885,000
\$14,450,000 bond, issue of 1997 due 2012, annual principal payments range from \$885,000 to \$1,000,000 plus interest due semiannually at 3.5% to 5.5%	<u>5,840,000</u>
<b>Total general obligation bonds payable</b>	<u><u>\$ 35,095,000</u></u>

**TOWN OF COLCHESTER, CONNECTICUT****NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2005**

---

The following is a summary as of June 30, 2005, of the future principal and interest requirements for the Town's general obligation bonds:

	Principal	Interest	Total
2006	\$ 3,450,000	\$ 1,588,260	\$ 5,038,260
2007	3,785,000	1,435,633	5,220,633
2008	3,505,000	1,132,627	4,637,627
2009	3,035,000	983,351	4,018,351
2010	3,000,000	843,867	3,843,867
2011	2,885,000	714,471	3,599,471
2012	2,185,000	614,046	2,799,046
2013	1,210,000	542,983	1,752,983
2014	1,210,000	493,893	1,703,893
2015	1,200,000	501,698	1,701,698
2016	1,200,000	390,878	1,590,878
2017	1,200,000	348,323	1,548,323
2018	1,200,000	314,948	1,514,948
2019	1,200,000	262,103	1,462,103
2020	1,200,000	208,013	1,408,013
2021	1,200,000	153,658	1,353,658
2022	810,000	99,090	909,090
2023	540,000	64,800	604,800
2024	540,000	43,200	583,200
2025	540,000	21,600	561,600
Total	<u>\$ 35,095,000</u>	<u>\$ 10,757,442</u>	<u>\$ 45,852,442</u>

**Enterprise fund general obligation bonds:**

\$640,000 bond issue of October 2002, annual principal  
payments ranging from \$103,000 to \$24,000 plus interest  
due semiannually at 3.00% to 4.00%

\$ 480,000

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

---

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

	Principal	Interest	Total
2006	\$ 75,000	\$ 17,090	\$ 92,090
2007	70,000	14,840	84,840
2008	70,000	12,565	82,565
2009	70,000	10,115	80,115
2010	70,000	7,490	77,490
2011	50,000	4,900	54,900
2012	50,000	3,000	53,000
2013	25,000	1,000	26,000
Total	<u>\$ 480,000</u>	<u>\$ 71,000</u>	<u>\$ 551,000</u>

#### School bond reimbursements

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of such reimbursement for the year ended June 30, 2005 was approximately \$1,210,000. Additional payments for principal and interest aggregating approximately \$7,874,000 are expected to be received through the bonds' maturity dates.

#### Debt limitation

The Town's statement of debt limitation under Connecticut General Statutes, Section 7-434(b) as of June 30, 2005, is as follows:

Total tax collections (including interest and lien fees) for the year ended June 30, 2005	\$ 25,573,285
Reimbursement for revenue loss:	
Tax relief for elderly	57,167
Base	<u>\$ 25,630,452</u>

# TOWN OF COLCHESTER, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2005

The Connecticut General Statutes provides that total authorized debt of the Town shall not exceed seven times the above base cash receipts of \$25,630,452 nor shall the total authorized particular purpose debt exceed the individual debt limitations reflected in the table below:

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$57,668,519	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	115,337,039	-	-	-
3-3/4 times base	-	-	96,114,199	-	-
3-1/4 times base	-	-	-	83,298,972	-
3 times base	-	-	-	-	76,891,359
Total debt limitation	57,668,519	115,337,039	96,114,199	83,298,972	76,891,359
Debt as defined by statute:					
Bonds payable <sup>(1)</sup>	6,299,885	28,265,615	529,500	-	-
Authorized and unissued	-	29,856,800	-	-	-
Total indebtedness	6,299,885	58,122,415	529,500	-	-
School construction grants receivable	-	(6,752,572)	-	-	-
Net indebtedness	6,299,885	51,369,843	529,500	-	-
Debt limitation in excess of outstanding and authorized debt	\$51,368,634	\$ 63,967,196	\$ 95,584,699	\$ 83,298,972	\$ 76,891,359

<sup>(1)</sup> Water bonds of \$480,000 are excluded from this calculation pursuant to Connecticut General Statutes.

### Note 9. Contingent Liabilities and Commitments

#### Lawsuits

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

### Note 10. Pension Fund

#### Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty

## **TOWN OF COLCHESTER, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2005**

---

years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, at least twenty-five of which are service in the public schools of Connecticut. The financial statements of the Plan are available from the Connecticut State Teachers' Retirement Board, 21 Grand Street, Hartford, CT 06105.

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

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

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$866,000 for the year ended June 30, 2005.

The Town does not maintain a defined benefit pension plan for other employees.

#### **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 \$100,000 per claim with an aggregate stop loss of 125% of expected claims paid which was approximately \$4,580,000 for the year ended June 30, 2005.

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2005

---

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
2004-2005	\$ 308,639	\$ 3,551,409	\$ 3,572,127	\$ 287,921
2003-2004	\$ 259,758	\$ 3,423,852	\$ 3,374,971	\$ 308,639

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

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

The Town's municipal solid waste landfill stopped accepting waste in 1994. State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the site for thirty years after closure. The remaining postclosure costs are estimated to be \$285,000 (\$15,000 per year for 19 years). Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The responsibility for postclosure monitoring will remain with the Town.

#### **Note 13. Fund Deficits**

The following funds had fund deficits as of June 30, 2005:

Special Revenue Funds:	
Education Grant Fund	\$ 3,385
Miscellaneous Grant Fund	\$ 46,622

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

#### **Note 14. Fund Equity**

The Town has designated \$1,300,000 of the General Fund-fund balance for the opening of the new school, relocation of portable classrooms to Bacon Academy and the establishment of a Board of Education capital reserve.

#### **Note 15. Pronouncements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2005 that have effective dates that may impact future financial presentations.

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

**TOWN OF COLCHESTER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2005**

---

- ▶ GASB Statement Number 42, "Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries."
- ▶ GASB Statement Number 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."
- ▶ GASB Statement Number 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."
- ▶ GASB Statement Number 46, "Net Assets Restricted by Enabling Legislation - An Amendment of GASB Statement Number 34."
- ▶ GASB Statement Number 47, "Accounting for Termination Benefits."



**Supplemental and Combining  
Fund Statements and Schedules**



**General Fund**



**TOWN OF COLCHESTER, CONNECTICUT**

**GENERAL FUND  
BALANCE SHEET**

**June 30, 2005 With Comparative Amounts for 2004**

	2005	2004
<b>Assets</b>		
Cash and cash equivalents	\$ 7,074,054	\$ 4,532,947
Property taxes receivable, net	661,569	750,939
Interfund receivable	114,851	-
Other receivables	98,044	340,149
Other assets	24,742	4,578
<b>Total assets</b>	<b>\$ 7,973,260</b>	<b>\$ 5,628,613</b>
<b>Liabilities</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,743,571	\$ 645,503
Unearned revenue	679,617	725,189
<b>Total liabilities</b>	<b>2,423,188</b>	<b>1,370,692</b>
<b>Fund Balance</b>		
Reserved for encumbrances	297,985	98,486
Reserved for inventory	24,742	4,578
Designated for subsequent year budget	1,719,550	644,657
Unreserved, undesignated	3,507,795	3,510,200
<b>Total fund balance</b>	<b>5,550,072</b>	<b>4,257,921</b>
<b>Total liabilities and fund balance</b>	<b>\$ 7,973,260</b>	<b>\$ 5,628,613</b>

# TOWN OF COLCHESTER, CONNECTICUT

## GENERAL FUND REVENUES AND TRANSFERS IN - BUDGETARY BASIS - BUDGET AND ACTUAL For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>PROPERTY TAXES</b>				
Current year levy	\$ 25,081,087	\$ 25,081,087	\$ 24,709,127	\$ (371,960)
Prior year's levy	300,000	300,000	538,246	238,246
Interest and lien fees	225,000	225,000	322,938	97,938
<b>Total property taxes</b>	<b>25,606,087</b>	<b>25,606,087</b>	<b>25,570,311</b>	<b>(35,776)</b>
<b>INTERGOVERNMENTAL</b>				
State of Connecticut:				
Sanitarian/Health Director grant	14,098	14,098	37,696	23,598
In lieu of taxes	65,154	65,154	64,749	(405)
Elderly freeze	8,000	8,000	5,399	(2,601)
Elderly circuit breaker	60,000	60,000	57,167	(2,833)
Disability exemption	1,020	1,020	794	(226)
Additional veteran exemption	33,000	33,000	6,666	(26,334)
Property tax relief/manufacturing	32,100	32,100	56,848	24,748
Boat registration	-	-	3,264	3,264
Local Capital Improvement Program	121,963	121,963	119,288	(2,675)
Mashantucket Pequot Grant	107,737	107,737	107,692	(45)
Police Grants	2,000	2,000	-	(2,000)
Distribution to towns	70	70	295	225
Youth Services Grant	17,000	17,000	18,650	1,650
Library Grant	1,500	1,500	3,826	2,326
<b>Total State of Connecticut</b>	<b>463,642</b>	<b>463,642</b>	<b>482,334</b>	<b>18,692</b>
Education:				
Special Education	60,590	60,590	559,566	498,976
Education cost sharing	11,106,235	11,106,235	11,099,736	(6,499)
School transportation	402,800	402,800	376,716	(26,084)
School building grants	1,594,313	1,594,313	1,594,314	1
<b>Total education</b>	<b>13,163,938</b>	<b>13,163,938</b>	<b>13,630,332</b>	<b>466,394</b>
<b>Total intergovernmental</b>	<b>13,627,580</b>	<b>13,627,580</b>	<b>14,112,666</b>	<b>485,086</b>
<b>REVENUES FROM USE OF MONEY</b>				
Investment income	178,000	178,000	318,183	140,183

# TOWN OF COLCHESTER, CONNECTICUT

## GENERAL FUND REVENUES AND TRANSFERS IN - BUDGETARY BASIS - BUDGET AND ACTUAL, Continued For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>CHARGES FOR SERVICES</b>				
Police	18,000	18,000	19,155	1,155
Sanitarian fees	22,000	22,000	24,845	2,845
Restaurant inspection	6,500	6,500	7,930	1,430
Recreation	12,000	12,000	15,176	3,176
Ambulance	225,000	225,000	292,321	67,321
<b>Total charges for services</b>	<b>283,500</b>	<b>283,500</b>	<b>359,427</b>	<b>75,927</b>
<b>LICENSES, PERMITS AND FEES</b>				
Fire Marshal inspection fees	200	200	200	-
Sports licenses	1,800	1,800	1,251	(549)
Transfer station fees	152,000	152,000	147,237	(4,763)
Conservation Commission fees	5,500	5,500	3,906	(1,594)
Road inspection fees	21,320	21,320	44,264	22,944
Building code fees	200,000	200,000	201,159	1,159
Conveyance tax	90,000	90,000	226,442	136,442
Zoning and planning fees	20,000	20,000	17,749	(2,251)
Zoning appeal fees	800	800	2,925	2,125
Copier fees	17,850	17,850	20,384	2,534
Town Clerk fees	110,000	110,000	147,204	37,204
Preservation surcharge	3,500	3,500	4,051	551
Vendor permits	500	500	630	130
Pistol permits	500	500	1,505	1,005
Library fines and fees	21,333	21,333	19,242	(2,091)
Recreation program fees	157,220	197,619	197,619	-
Senior program fees	2,700	2,700	3,204	504
<b>Total licenses, permits and fees</b>	<b>805,223</b>	<b>845,622</b>	<b>1,038,972</b>	<b>193,350</b>
<b>OTHER REVENUES</b>				
Tuition - regular	15,200	15,200	24,299	9,099
Telecommunications tax	109,208	109,208	106,097	(3,111)
State Fund for building inspection	500	500	4,789	4,289
Elderly housing	10,500	10,500	12,767	2,267
Miscellaneous	2,500	3,000	41,036	38,036
Insurance reimbursement	17,400	31,514	53,469	21,955
Colchester courtyard	-	-	3,073	3,073
Lebanon share probate fee	2,000	2,000	2,005	5
Benefit assessment	1,256	1,256	1,368	112
<b>Total other revenues</b>	<b>158,564</b>	<b>173,178</b>	<b>248,903</b>	<b>75,725</b>
<b>Total</b>	<b>\$ 40,658,954</b>	<b>\$ 40,713,967</b>	<b>\$ 41,648,462</b>	<b>\$ 934,495</b>

# TOWN OF COLCHESTER, CONNECTICUT

## GENERAL FUND EXPENDITURES AND TRANSFERS OUT - BUDGETARY BASIS - BUDGET AND ACTUAL For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>GENERAL GOVERNMENT</b>				
Board of Finance	\$ 69,651	\$ 32,322	\$ 20,462	\$ 11,860
First Selectman	205,944	205,899	198,454	7,445
Ethics Commission	1,731	1,731	-	1,731
Charter Review Commission	-	3,115	1,423	1,692
Tax Collector	140,490	141,430	138,131	3,299
Assessors	239,690	239,690	235,822	3,868
Board of Tax Review	1,651	1,859	1,814	45
Accounting	253,503	254,103	223,818	30,285
Economic Development	4,236	3,236	2,240	996
Historic District Commission	2,375	1,175	1,049	126
Town Clerk	186,182	186,982	181,772	5,210
Elections	35,374	35,374	31,616	3,758
Legal and Insurance	338,560	369,091	355,748	13,343
Probate	8,500	8,500	6,014	2,486
Planning/Code Administration	488,586	493,536	467,324	26,212
Central service and equipment	220,764	226,080	196,113	29,967
Fair Rent Commission	399	399	3	396
<b>Total general government</b>	<b>2,197,636</b>	<b>2,204,522</b>	<b>2,061,803</b>	<b>142,719</b>
<b>PUBLIC WORKS</b>				
Highway	1,220,701	1,213,501	1,187,742	25,759
Fleet maintenance	402,784	382,484	372,829	9,655
Snow removal	136,733	242,389	242,389	-
Sewer	3,216	3,216	3,210	6
Transfer Station	314,100	310,500	304,832	5,668
Engineering	97,961	97,961	95,758	2,203
<b>Total public works</b>	<b>2,175,495</b>	<b>2,250,051</b>	<b>2,206,760</b>	<b>43,291</b>



# TOWN OF COLCHESTER, CONNECTICUT

## GENERAL FUND EXPENDITURES AND TRANSFERS OUT - BUDGETARY BASIS - BUDGET AND ACTUAL, Continued For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>PUBLIC SAFETY</b>				
Police	964,964	988,578	926,585	61,993
Fire	812,549	829,684	788,785	40,899
Fire Substation	36,772	43,772	37,466	6,306
Civil preparedness	7,747	7,377	5,619	1,758
<b>Total public safety</b>	<b>1,822,032</b>	<b>1,869,411</b>	<b>1,758,455</b>	<b>110,956</b>
<b>CIVIC AND CULTURAL</b>				
Library services	569,971	569,971	554,685	15,286
Parks and recreation - administrative	526,019	528,769	490,526	38,243
Programs	150,871	191,270	191,270	-
Arts council	1,476	1,476	1,158	318
Senior Services	255,007	256,907	238,639	18,268
<b>Total civic and cultural</b>	<b>1,503,344</b>	<b>1,548,393</b>	<b>1,476,278</b>	<b>72,115</b>
<b>PUBLIC HEALTH AND WELFARE</b>				
Health & Safety Commission	2,340	2,340	1,784	556
Social services	35,854	35,854	33,022	2,832
Youth services	228,267	230,132	224,611	5,521
Health services	169,151	169,151	136,227	32,924
<b>Total health and welfare</b>	<b>435,612</b>	<b>437,477</b>	<b>395,644</b>	<b>41,833</b>
<b>BOARD OF EDUCATION</b>	<b>28,062,552</b>	<b>28,062,552</b>	<b>27,871,101</b>	<b>191,451</b>
<b>DEBT SERVICE</b>				
Principal	3,365,000	3,365,000	3,365,000	-
Interest/Bond Issue Costs	1,559,152	1,559,152	1,232,981	326,171
<b>Total debt service</b>	<b>4,924,152</b>	<b>4,924,152</b>	<b>4,597,981</b>	<b>326,171</b>
<b>OTHER FINANCING USES</b>				
Transfers out	182,788	187,788	187,788	-
<b>Total</b>	<b>\$ 41,303,611</b>	<b>\$ 41,484,346</b>	<b>\$ 40,555,810</b>	<b>\$ 928,536</b>

**This page intentionally left blank.**

## **Nonmajor Governmental Funds**



**This page intentionally left blank.**

# TOWN OF COLCHESTER, CONNECTICUT

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

June 30, 2005

	Special Revenue					
	Police Forfeiture Fund	Capital Reserve Fund	Dog License Fund	Town Aid Road Fund	Small Cities Grants	Sewer Operating Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 329	\$ 392,539	\$ 63,664	\$ 51,156	\$ 30,926	\$ 160,321
Assessments, use charges and other receivables	-	-	635	-	-	167,482
Inventory	-	-	-	-	-	-
Loans receivable	-	-	-	-	10,459	-
<b>Total assets</b>	<u>\$ 329</u>	<u>\$ 392,539</u>	<u>\$ 64,299</u>	<u>\$ 51,156</u>	<u>\$ 41,385</u>	<u>\$ 327,803</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 1,955	\$ -	\$ -	\$ 5,630
Interfund payable	-	-	-	-	-	9,376
Unearned revenue	-	-	-	-	-	167,482
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>1,955</u>	<u>-</u>	<u>-</u>	<u>182,488</u>
<b>FUND BALANCES</b>						
Reserved for encumbrances	-	-	399	-	-	410
Reserved for inventory	-	-	-	-	-	-
Reserved for loans	-	-	-	-	10,459	-
Designated for specific projects	-	392,539	-	-	-	-
Unreserved and undesignated	329	-	61,945	51,156	30,926	144,905
<b>Total fund balances (deficits)</b>	<u>329</u>	<u>392,539</u>	<u>62,344</u>	<u>51,156</u>	<u>41,385</u>	<u>145,315</u>
<b>Total liabilities and fund balances (deficits)</b>	<u>\$ 329</u>	<u>\$ 392,539</u>	<u>\$ 64,299</u>	<u>\$ 51,156</u>	<u>\$ 41,385</u>	<u>\$ 327,803</u>

Special Revenue							Capital Projects	
School Cafeteria Fund	Educational Grants Fund	Miscellaneous Grants Fund	Adult Education	Special Gifts Fund	Benefits Assessment Fund	Pay to Play	Sewer Construction	Totals
\$ 119,759	\$ -	\$ -	\$ 6,149	\$ 217,452	\$ 259,241	\$ 12,021	\$1,080,458	\$2,394,015
-	9,253	-	-	-	282,808	-	-	460,178
1,573	-	-	-	-	-	-	-	1,573
-	-	-	-	-	-	-	-	10,459
<u>\$ 121,332</u>	<u>\$ 9,253</u>	<u>\$ -</u>	<u>\$ 6,149</u>	<u>\$ 217,452</u>	<u>\$ 542,049</u>	<u>\$ 12,021</u>	<u>\$1,080,458</u>	<u>\$2,866,225</u>
\$ -	\$ 8,607	\$ 3,485	\$ -	\$ 67	\$ 1,677	\$ -	\$ -	\$ 21,421
-	4,031	43,137	-	-	631	-	12,925	70,100
-	-	-	-	-	282,808	-	-	450,290
-	12,638	46,622	-	67	285,116	-	12,925	541,811
-	-	4,575	-	-	-	-	-	5,384
1,573	-	-	-	-	-	-	-	1,573
-	-	-	-	-	-	-	-	10,459
-	-	-	-	-	-	-	-	392,539
119,759	(3,385)	(51,197)	6,149	217,385	256,933	12,021	1,067,533	1,914,459
121,332	(3,385)	(46,622)	6,149	217,385	256,933	12,021	1,067,533	2,324,414
<u>\$ 121,332</u>	<u>\$ 9,253</u>	<u>\$ -</u>	<u>\$ 6,149</u>	<u>\$ 217,452</u>	<u>\$ 542,049</u>	<u>\$ 12,021</u>	<u>\$1,080,458</u>	<u>\$2,866,225</u>

# TOWN OF COLCHESTER, CONNECTICUT

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2005

	Special Revenue					
	Police Forfeiture Fund	Capital Reserve Fund	Dog License Fund	Town Aid Road Fund	Small Cities Grants	Sewer Operating Fund
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ 113,529	\$ 225,631	\$ -
Food sales	-	-	-	-	-	-
Fines and fees	-	-	27,099	-	-	-
Interest income	-	-	-	-	-	2,059
Sewer assessments, use and charges for services	-	-	-	-	-	555,154
Other local revenue	13	70,707	-	-	824	6,043
<b>Total revenues</b>	<b>13</b>	<b>70,707</b>	<b>27,099</b>	<b>113,529</b>	<b>226,455</b>	<b>563,256</b>
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Public works	-	-	-	-	-	613,287
Education	-	-	-	-	-	-
Public safety	-	-	72,876	-	-	-
Civic and cultural	-	-	-	-	-	-
Public health and welfare	-	-	-	-	306,472	-
Capital outlay	-	58,376	-	63,850	-	21,222
Debt service	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>58,376</b>	<b>72,876</b>	<b>63,850</b>	<b>306,472</b>	<b>634,509</b>
<b>Revenues over (under) expenditures</b>	<b>13</b>	<b>12,331</b>	<b>(45,777)</b>	<b>49,679</b>	<b>(80,017)</b>	<b>(71,253)</b>
<b>OTHER FINANCING SOURCES</b>						
Transfers in	-	75,000	59,788	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>75,000</b>	<b>59,788</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>13</b>	<b>87,331</b>	<b>14,011</b>	<b>49,679</b>	<b>(80,017)</b>	<b>(71,253)</b>
<b>FUND BALANCES, beginning</b>	<b>316</b>	<b>305,208</b>	<b>48,333</b>	<b>1,477</b>	<b>121,402</b>	<b>216,568</b>
<b>FUND BALANCES (DEFICITS), ending</b>	<b>\$ 329</b>	<b>\$ 392,539</b>	<b>\$ 62,344</b>	<b>\$ 51,156</b>	<b>\$ 41,385</b>	<b>\$ 145,315</b>



Special Revenue Fund							Capital Projects	
School Cafeteria Fund	Educational Grants Fund	Miscellaneous Grants Fund	Adult Education	Special Gifts Fund	Benefits Assessment Fund	Pay to Play	Sewer Construction	Totals
\$ 98,978	\$ 914,120	\$ 171,686	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,523,944
516,746	-	-	-	-	-	-	-	516,746
-	-	-	-	-	-	-	-	27,099
494	-	-	-	-	3,100	-	14,541	20,194
-	-	-	-	-	108,593	-	14,800	678,547
-	13,609	9,900	13,027	86,948	-	61,150	-	262,221
616,218	927,729	181,586	13,027	86,948	111,693	61,150	29,341	3,028,751
-	-	7,000	-	-	-	-	-	7,000
-	-	60,294	-	-	13,196	-	-	686,777
651,856	931,114	-	15,213	-	-	49,129	-	1,647,312
-	-	62,385	-	-	-	-	-	135,261
-	-	31,738	-	48,800	-	-	-	80,538
-	-	91,205	-	26,077	-	-	-	423,754
-	-	-	-	-	-	-	17,858	161,306
-	-	-	-	-	130,802	-	-	130,802
651,856	931,114	252,622	15,213	74,877	143,998	49,129	17,858	3,272,750
(35,638)	(3,385)	(71,036)	(2,186)	12,071	(32,305)	12,021	11,483	(243,999)
-	-	-	-	-	-	-	-	134,788
-	-	-	-	-	-	-	-	134,788
(35,638)	(3,385)	(71,036)	(2,186)	12,071	(32,305)	12,021	11,483	(109,211)
156,970	-	24,414	8,335	205,314	289,238	-	1,056,050	2,433,625
\$ 121,332	\$ (3,385)	\$ (46,622)	\$ 6,149	\$ 217,385	\$ 256,933	\$ 12,021	\$ 1,067,533	\$ 2,324,414

**This page intentionally left blank.**

**Fiduciary Funds**



**TOWN OF COLCHESTER, CONNECTICUT**

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**June 30, 2005**

	Private Purpose Trust Funds	Agency Fund Student Activity Fund
	Cemetery Fund	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,246	\$ 209,357
<b>LIABILITIES</b>		
Due to student groups	\$ -	\$ 209,357
<b>NET ASSETS HELD IN TRUST</b>	<u>\$ 2,246</u>	<u>\$ -</u>

**TOWN OF COLCHESTER, CONNECTICUT**

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

**For the Year Ended June 30, 2005**

---

	Private Purpose Trust Funds Cemetery Fund
<b>Additions</b>	
Interest and dividends	\$ 10
<b>Deductions</b>	
General government	-
<b>Net change in net assets</b>	10
<b>Net Assets Held in Trust</b>	
Beginning of year	2,236
End of year	\$ 2,246

**Capital Assets Used in the Operation  
of Governmental Funds**





**TOWN OF COLCHESTER, CONNECTICUT**

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

**June 30, 2005**

---

Governmental funds capital assets:

Land	\$ 3,171,349
Buildings	45,676,361
Improvements other than buildings	1,497,794
Machinery and equipment	8,847,930
Infrastructure	34,215,665
Construction in progress	25,685,293
<b>Total governmental funds capital assets</b>	<b>\$ 119,094,392</b>

**TOWN OF COLCHESTER, CONNECTICUT**

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

**SCHEDULE BY FUNCTION AND ACTIVITY**

**June 30, 2005**

	Land	Buildings	Improvements Other Than Buildings	Infrastructure	Machinery and Equipment	Construction in Progress	Total
General government	\$ 3,171,349	\$ 41,401,633	\$ 1,478,624	\$ 21,111,341	\$ 150,383	\$ -	\$ 67,313,330
Public safety	-	17,912	-	8,952	3,154,709	-	3,181,573
Public works	-	5,285	-	12,834,112	2,028,362	-	14,867,759
Civic and cultural	-	4,249,206	14,670	261,260	824,186	-	5,349,322
Education	-	2,325	4,500	-	2,660,922	-	2,667,747
Public health and welfare	-	-	-	-	29,368	-	29,368
Construction in progress	-	-	-	-	-	25,685,293	25,685,293
<b>Total</b>	<b>\$ 3,171,349</b>	<b>\$ 45,676,361</b>	<b>\$ 1,497,794</b>	<b>\$ 34,215,665</b>	<b>\$ 8,847,930</b>	<b>\$ 25,685,293</b>	<b>\$ 119,094,392</b>

**Other Schedules**



**This page intentionally left blank.**

# TOWN OF COLCHESTER, CONNECTICUT

## SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING For the Year Ended June 30, 2005

Grand List Year	Balance		Current Levy	Lawful Corrections		Balance To Be Collected				
	Uncollected July 1, 2004			Additions	Deletions					
1987	\$	(394)	\$	-	\$	394	\$	-	\$	-
1988		189		-		-		-		189
1989		(230)		-		-		-		(230)
1990		473		-		107		-		580
1991		637		-		155		-		792
1992		(227)		-		98		-		(129)
1993		320		-		140		(352)		108
1994		5,140		-		178		(365)		4,953
1995		1,679		-		-		(37)		1,642
1996		4,140		-		-		(37)		4,103
1997		7,613		-		152		(38)		7,727
1998		17,695		-		1,005		(549)		18,151
1999		85,177		-		2,234		(2,245)		85,166
2000		190,543		-		412		(78,281)		112,674
2001		168,606		-		9,888		(4,695)		173,799
2002		517,517		-		9,928		(27,008)		500,437
2003		-		25,102,688		241,253		(146,013)		25,197,928
	\$	998,878	\$	25,102,688	\$	265,944	\$	(259,620)	\$	26,107,890

---

Collections				Balance
Taxes	Interest	Fees	Total	Uncollected
				June 30, 2005
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	189
-	-	-	-	(230)
107	277	-	384	473
607	1,162	-	1,769	185
2,229	3,201	24	5,454	(2,358)
1,879	3,740	24	5,643	(1,771)
1,976	3,381	24	5,381	2,977
3,072	4,300	48	7,420	(1,430)
2,365	3,555	48	5,968	1,738
6,011	7,287	120	13,418	1,716
11,029	9,636	168	20,833	7,122
39,560	31,935	360	71,855	45,606
70,141	40,845	728	111,714	42,533
105,204	40,552	1,012	146,768	68,595
297,038	65,678	2,307	365,023	203,399
24,709,127	101,363	1,165	24,811,655	488,801
\$ 25,250,345	\$ 316,912	\$ 6,028	\$ 25,573,285	\$ 857,545

---

**This page intentionally left blank.**