

**TOWN OF COLCHESTER, CONNECTICUT**

**FINANCIAL REPORT  
JUNE 30, 2006**



**TOWN OF COLCHESTER, CONNECTICUT**

**FINANCIAL REPORT**

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**Financial Section**



# McGladrey & Pullen

Certified Public Accountants

## 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, 2006, 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, 2006, and the respective changes in financial position, and where applicable, cash flows thereof and the 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 2, 2006 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, capital asset schedules and other 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, capital asset schedules and other 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. The prior year comparative information has been derived from the Town's 2005 financial statements and, in our report dated November 5, 2005, we expressed unqualified opinions on the respective financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

*McGladrey & Pullen, LLP*

New Haven, Connecticut  
November 2, 2006



**Town of Colchester, Connecticut**  
**Management's Discussion and Analysis**  
**June 30, 2006**

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, 2006. 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 \$74,508,014, an increase of \$10,208,592 over the previous fiscal year. Total net assets of Governmental Activities at fiscal year-end were \$71,022,440 and total net assets for Business-Type Activities were \$3,485,574. Of the Town's total net assets at June 30, 2006, \$12,358,967 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 \$6,000,743, an increase of \$450,671 from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2006, \$4,283,472 represents unreserved/undesignated fund balance of the General Fund. Unreserved/undesignated General Fund fund balance represents 9.6% of total General Fund expenditures (\$44,680,522). The Town of Colchester's governmental funds reported combined ending fund balances of \$7,359,948, a decrease of \$4,871,003 from the prior fiscal year.
- ▶ The Town of Colchester's total bonded debt had a decrease of \$3,525,000 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 fourth 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 and one pension trust fund. The accounting for fiduciary funds is much like that used for proprietary funds.

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

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

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial status. The Town's combined assets exceeded liabilities by \$74,508,014 at the close of the recent fiscal year.

Net assets of the Town's Governmental Activities increased approximately 16.3% to \$71,022,440 and total net assets for Business-type Activities increased approximately 7.8% to \$3,485,574. The amount of \$62,149,047 (\$59,030,088 for Governmental Activities and \$3,118,959 for Business-type Activities) of combined net assets at June 30, 2006, 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 \$12,358,967 (\$11,992,352 for

Governmental Activities and \$366,615 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 (83.4%) 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, 2006 AND 2005**

	June 30, 2006			June 30, 2005		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 28,050,632	\$ 444,748	\$ 28,495,380	\$ 23,915,229	\$ 226,846	\$ 24,142,075
Capital assets	90,675,088	3,523,959	94,199,047	77,784,848	3,523,628	81,308,476
<b>Total assets</b>	<b>118,725,720</b>	<b>3,968,707</b>	<b>122,694,427</b>	<b>101,700,077</b>	<b>3,750,474</b>	<b>105,450,551</b>
Current Liabilities	13,793,280	78,133	13,871,413	6,812,807	112,393	6,925,200
Long-Term liabilities outstanding	33,910,000	405,000	34,315,000	33,820,929	405,000	34,225,929
<b>Total liabilities</b>	<b>47,703,280</b>	<b>483,133</b>	<b>48,186,413</b>	<b>40,633,736</b>	<b>517,393</b>	<b>41,151,129</b>
Net Assets:						
Invested in capital assets, net of related debt	59,030,088	3,118,959	62,149,047	42,689,848	3,043,628	45,733,476
Unrestricted	11,992,352	366,615	12,358,967	18,376,493	189,453	18,565,946
<b>Total Net Assets</b>	<b>\$ 71,022,440</b>	<b>\$ 3,485,574</b>	<b>\$ 74,508,014</b>	<b>\$ 61,066,341</b>	<b>\$ 3,233,081</b>	<b>\$ 64,299,422</b>

**Change in net assets.** The Town's total net assets increased by \$10,208,592 during the fiscal year, with net assets of Governmental Activities increasing by \$9,956,099, and net assets of Business-type Activities increasing by \$252,493.

	Year Ended June 30, 2006			Year Ended June 30, 2005		
	Primary Govt.			Primary Govt.		
	Business			Business		
	Govt.	type		Govt.	type	
	Activities	Activities	Total	Activities	Activities	Total
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 3,236,179	\$ 952,429	\$ 4,188,608	\$ 3,202,898	\$ 732,545	\$ 3,935,443
Operating Grants and Contributions	17,115,256	-	17,115,256	14,941,708	-	14,941,708
Capital Grants and Contributions	11,213,845	-	11,213,845	1,026,732	-	1,026,732
General Revenues:						
Property Tax	26,726,118	-	26,726,118	25,542,576	-	25,542,576
Grants not restricted to specific programs	183,836	-	183,836	309,690	-	309,690
Unrestricted investment earnings	410,241	4,984	415,225	346,903	1,829	348,732
<b>Total Revenues</b>	<b>58,885,475</b>	<b>957,413</b>	<b>59,842,888</b>	<b>45,370,507</b>	<b>734,374</b>	<b>46,104,881</b>
<b>Expenses</b>						
General Government	4,574,438	-	4,574,438	4,243,429	-	4,243,429
Public Safety	2,299,923	-	2,299,923	1,944,340	-	1,944,340
Public Works	3,356,810	-	3,356,810	3,131,749	-	3,131,749
Public Health & Welfare	1,792,526	-	1,792,526	1,674,503	-	1,674,503
Civic and Cultural	1,096,979	-	1,096,979	868,092	-	868,092
Education	34,279,966	-	34,279,966	30,038,085	-	30,038,085
Other		681,130	681,130	-	634,981	634,981
Interest on long term bonds	1,528,734	23,790	1,552,524	1,445,981	19,704	1,465,685
<b>Total Expenses</b>	<b>48,929,376</b>	<b>704,920</b>	<b>49,634,296</b>	<b>43,346,179</b>	<b>654,685</b>	<b>44,000,864</b>
<b>Change in Net Assets</b>	<b>9,956,099</b>	<b>252,493</b>	<b>10,208,592</b>	<b>2,024,328</b>	<b>79,689</b>	<b>2,104,017</b>
Net Assets Beginning	61,066,341	3,233,081	64,299,422	59,042,013	3,153,392	62,195,405
Net Assets Ending	\$ 71,022,440	\$ 3,485,574	\$ 74,508,014	\$ 61,066,341	\$ 3,233,081	\$ 64,299,422

## Governmental Activities

Approximately 53.6% of the revenues were generated from program revenues, which include governmental revenues for Education, followed by 45.4% from property taxes, then .7% was derived from investment earnings, and finally .3% from other unrestricted grants.

Major revenue factors included the receipt of capital grant funds from the State of Connecticut School Construction progress payments for the construction of a new elementary school and expansion/renovation of the intermediate school.

The Town's current levy collected tax rate was 97.84%, a decrease of .22% over the previous year current levy collected tax rate of 98.06%.

For governmental activities, 70.1% of the Town's expenditures relate to education, 9.3% relate to general government, 4.7% relate to public safety, 6.9% relate to public works, 2.2% relate to civic and cultural, 3.7% relate to public health and welfare and the remaining 3.1% relate to interest payments on long-term debt.

Major expenditure factors include an increase in Education, mainly as a result of a significant increase in on-behalf payments to the State Teachers' Retirement fund, an approved Education budget increase of 5.76% and additional grant expenditures for the School Readiness Program awarded during the 2005-2006 fiscal year.

### **Business-Type Activities**

Business-type activities increased the Town's net assets by \$252,493. 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 \$7,359,948, a decrease from \$12,230,951 as of June 30, 2005. This decrease is mainly due to expenditures related to the construction of a new elementary school.

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 \$5,714,137 while total fund balance reached \$6,000,743. 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 13.4% of the total general fund expenditures.

At June 30, 2006, the Town of Colchester's General Fund increased by \$450,671 over the previous year. Key factors contributing to this increase were increased Education revenues from the State of Connecticut, income from investment earnings, increased income from the conveyance tax and a lower than anticipated interest rate for general obligation bonds issued in June 2005.

**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 \$366,615. The Water Fund experienced an increase in net assets of \$252,493. 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

There were no additional appropriations during the fiscal year. Budget transfers approved during the year included additional funds for snow removal available from vacant positions within Public Works departments, contingency and lower debt interest payments. Available funds from a vacant position within the Fleet Maintenance department were also transferred to Capital Reserve for the purchase of a new vehicle in lieu of continuing to fund a mechanic position.

### 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, 2006, amount to \$94,199,048 (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 \$12,890,572 or approximately 15.8 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 \$14,906,152 from the prior fiscal year, mainly due to the construction of a new elementary school and expansion of the intermediate school.
- ▶ Machinery and equipment for governmental activities increased by \$799,497 mainly due to the purchase of new technology and furniture and fixtures for the elementary and intermediate schools.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 3,171,349	\$ 3,171,349	\$ -	\$ -	\$ 3,171,349	\$ 3,171,349
Land Improvements	496,618	575,173	9,966	10,962	506,584	586,135
Bldng. & Improvements	28,026,285	29,006,129	1,263,375	1,310,508	29,289,660	30,316,637
Machinery & Equipment	2,308,449	1,955,525	4,557	2,329	2,313,006	1,957,854
Infrastructure	16,080,942	17,391,379	2,077,431	2,131,455	18,158,373	19,522,834
Construction in Progress	40,591,445	25,685,293	168,631	68,374	40,760,076	25,753,667
<b>Total</b>	<b>\$ 90,675,088</b>	<b>\$ 77,784,848</b>	<b>\$ 3,523,960</b>	<b>\$ 3,523,628</b>	<b>\$ 94,199,048</b>	<b>\$ 81,308,476</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 \$32,050,000 in bonds outstanding. Of this amount \$405,000 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	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds (backed by the Town)	\$ 31,645,000	\$ 35,095,000	\$ 405,000	\$ 480,000	\$ 32,050,000	\$ 35,575,000

The Town of Colchester's total bonded debt had a decrease of \$3,525,000 (approximately 9.9 percent) as of the end of the fiscal year.

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 3.7% as of June 2006 was less than the State of Connecticut rate of 4.4% 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. The State of Connecticut Department of Public Health population estimate for Colchester as of July 1, 2005 was 15,389. In addition, in 2005, CNN and Money Magazine 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. A new elementary school and expanded intermediate school were opened for the 2006-2007 school year, significantly impacting the Board of Education budget.

### **Requests for Information**

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

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## **Basic Financial Statements**



# TOWN OF COLCHESTER, CONNECTICUT

## STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 11,003,639	\$ 149,290	\$ 11,152,929
Receivables (net of allowances for collection losses):			
Property taxes and interest	910,676	-	910,676
Assessments	450,150	-	450,150
Accounts receivable	131,176	256,808	387,984
Loans receivable	5,800	-	5,800
Intergovernmental	10,891,690	-	10,891,690
Other assets	48,567	38,650	87,217
Intergovernmental receivable	4,608,934	-	4,608,934
Capital assets, non-depreciable	43,762,794	168,631	43,931,425
Capital assets, net of accumulated depreciation	46,912,294	3,355,328	50,267,622
<b>Total assets</b>	<b>118,725,720</b>	<b>3,968,707</b>	<b>122,694,427</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	13,296,033	78,133	13,374,166
Claims payable	440,693	-	440,693
Unearned revenues	33,385	-	33,385
Advance tax collections	23,169	-	23,169
Noncurrent liabilities:			
Due within one year	3,850,000	70,000	3,920,000
Due in more than one year	30,060,000	335,000	30,395,000
<b>Total liabilities</b>	<b>47,703,280</b>	<b>483,133</b>	<b>48,186,413</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	59,030,088	3,118,959	62,149,047
Unrestricted	11,992,352	366,615	12,358,967
<b>Total net assets</b>	<b>\$ 71,022,440</b>	<b>\$ 3,485,574</b>	<b>\$ 74,508,014</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, 2006

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	\$ (4,574,438)	\$ 803,367	\$ 406,869	\$ 12,500	\$ (3,351,702)	\$ -	\$ (3,351,702)
Public safety	(2,299,923)	411,501	193,031	-	(1,695,391)	-	(1,695,391)
Public works	(3,356,810)	896,204	292,164	52,532	(2,115,910)	-	(2,115,910)
Civic and cultural	(1,096,979)	49,490	65,224	-	(982,265)	-	(982,265)
Public health and welfare	(1,792,526)	455,849	528,138	40,000	(768,539)	-	(768,539)
Education	(34,279,966)	619,768	15,629,830	11,108,813	(6,921,555)	-	(6,921,555)
Interest on long-term debt	(1,528,734)	-	-	-	(1,528,734)	-	(1,528,734)
Total governmental activities	(48,929,376)	3,236,179	17,115,256	11,213,845	(17,364,096)	-	(17,364,096)
Business-Type Activities:							
Water	(704,920)	952,429	-	-	-	247,509	247,509
Total business-type activities	(704,920)	952,429	-	-	-	247,509	247,509
Total primary government	\$ (49,634,296)	\$ 4,188,608	\$ 17,115,256	\$ 11,213,845	(17,364,096)	247,509	(17,116,587)
General revenues:							
Property taxes					26,726,118	-	26,726,118
Grants and contributions not restricted to specific programs					183,836	-	183,836
Unrestricted investment earnings					410,241	4,984	415,225
Total general revenues					27,320,195	4,984	27,325,179
Change in net assets					9,956,099	252,493	10,208,592
Net assets - beginning					61,066,341	3,233,081	64,299,422
Net assets - ending					\$ 71,022,440	\$ 3,485,574	\$ 74,508,014

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



TOWN OF COLCHESTER, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006

	General Fund	Bonded Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 7,571,265	\$ -	\$ 2,696,425	\$ 10,267,690
Receivables (net of allowances for collection losses):				
Property taxes	910,676	-	-	910,676
Assessments and user charges	-	-	450,150	450,150
Intergovernmental	5,554,377	9,699,959	246,288	15,500,624
Accounts receivable	126,437	-	4,739	131,176
Loans	-	-	5,800	5,800
Other assets	47,578	-	989	48,567
	<u>\$ 14,210,333</u>	<u>\$ 9,699,959</u>	<u>\$ 3,404,391</u>	<u>\$ 27,314,683</u>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,863,278	\$ 10,872,417	\$ 361,970	\$ 13,097,665
Deferred revenue	6,323,143	-	477,373	6,800,516
Advance tax collections	23,169	-	-	23,169
Unearned revenue	-	-	33,385	33,385
<b>Total liabilities</b>	<u>8,209,590</u>	<u>10,872,417</u>	<u>872,728</u>	<u>19,954,735</u>
<b>Fund balances (deficits)</b>				
Reserved for:				
Encumbrances	239,028	2,593,200	70,138	2,902,366
Loans	-	-	5,800	5,800
Inventory	47,578	-	989	48,567
Unreserved:				
Designated for subsequent years budget	1,430,665	-	-	1,430,665
Designated for specific projects	-	-	506,871	506,871
Unreserved/undesignated, reported in:				
General fund	4,283,472	-	-	4,283,472
Special revenue funds	-	-	1,947,865	1,947,865
Capital projects funds	-	(3,765,658)	-	(3,765,658)
<b>Total fund balances (deficits)</b>	<u>6,000,743</u>	<u>(1,172,458)</u>	<u>2,531,663</u>	<u>7,359,948</u>
<b>Total liabilities and fund balances</b>	<u>\$ 14,210,333</u>	<u>\$ 9,699,959</u>	<u>\$ 3,404,391</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.	90,675,088
Other long-term assets are available to pay for current-period expenditures and, therefore, are deferred in the funds.	6,800,516
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.	295,256
Accrued interest payable	(198,368)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(33,910,000)

Net assets of governmental activities

\$ 71,022,440

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, 2006**

	General Fund	Bonded Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 26,861,191	\$ -	\$ -	\$ 26,861,191
Intergovernmental revenues	16,388,691	10,821,737	2,032,000	29,242,428
Revenues from use of money	366,707	-	25,879	392,586
Fees, permits and sales	913,406	12,500	716,605	1,642,511
Charges for services and assessments	436,620	-	1,141,939	1,578,559
Other	162,334	-	258,477	420,811
<b>Total revenues</b>	<b>45,128,949</b>	<b>10,834,237</b>	<b>4,174,900</b>	<b>60,138,086</b>
<b>EXPENDITURES</b>				
Current:				
General government	2,155,423	-	21,637	2,177,060
Public safety	1,887,410	-	240,629	2,128,039
Public works	2,213,854	-	697,054	2,910,908
Public health and welfare	436,627	-	618,156	1,054,783
Civic and cultural	1,407,402	-	292,167	1,699,569
Education	31,481,633	-	1,872,949	33,354,582
Debt service	4,835,558	46,726	122,503	5,004,787
Capital outlay	-	16,389,434	289,927	16,679,361
<b>Total expenditures</b>	<b>44,417,907</b>	<b>16,436,160</b>	<b>4,155,022</b>	<b>65,009,089</b>
<b>Revenue over (under) expenditures</b>	<b>711,042</b>	<b>(5,601,923)</b>	<b>19,878</b>	<b>(4,871,003)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,244	73,000	213,375	288,619
Transfers out	(262,615)	-	(26,004)	(288,619)
<b>Total other financing sources (uses)</b>	<b>(260,371)</b>	<b>73,000</b>	<b>187,371</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>450,671</b>	<b>(5,528,923)</b>	<b>207,249</b>	<b>(4,871,003)</b>
<b>FUND BALANCES, beginning</b>	<b>5,550,072</b>	<b>4,356,465</b>	<b>2,324,414</b>	<b>12,230,951</b>
<b>FUND BALANCES (DEFICITS), ending</b>	<b>\$ 6,000,743</b>	<b>\$ (1,172,458)</b>	<b>\$ 2,531,663</b>	<b>\$ 7,359,948</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, 2006**

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

Net change in fund balances – total governmental funds	\$ (4,871,003)
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.	12,890,240
Net changes in revenues and receivables in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,306,044)
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.	3,450,000
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.	(1,181)
The net revenue of certain activities of internal service funds is reported with governmental activities.	<u>(205,913)</u>
Change in net assets of governmental activities	<u><u>\$ 9,956,099</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, 2006**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>REVENUES</b>				
Property taxes, interest and lien fees	\$ 27,082,228	\$ 27,082,228	\$ 26,861,191	\$ (221,037)
Intergovernmental revenues	14,072,578	14,072,578	14,463,691	391,113
Revenues from the use of money	225,000	225,000	366,707	141,707
Charges for services	343,200	343,200	436,620	93,420
Fees, permits and other	954,980	954,980	913,406	(41,574)
Other revenues	145,984	145,984	200,236	54,252
<b>Total revenues</b>	<b>42,823,970</b>	<b>42,823,970</b>	<b>43,241,851</b>	<b>417,881</b>
<b>EXPENDITURES</b>				
General government	2,255,133	2,221,984	2,130,144	91,840
Public works	2,222,750	2,231,207	2,209,231	21,976
Public safety	1,884,940	1,889,499	1,867,696	21,803
Civic and cultural	1,594,621	1,597,738	1,398,471	199,267
Public health and welfare	463,432	464,434	432,431	32,003
Education	29,678,406	29,678,406	29,598,321	80,085
Debt service	4,939,760	4,898,954	4,835,558	63,396
<b>Total expenditures</b>	<b>43,039,042</b>	<b>42,982,222</b>	<b>42,471,852</b>	<b>510,370</b>
<b>Revenues over (under) expenditures</b>	<b>(215,072)</b>	<b>(158,252)</b>	<b>769,999</b>	<b>928,251</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,317	1,317	2,244	927
Transfers out	(205,795)	(262,615)	(262,615)	-
<b>Total other financing sources (uses)</b>	<b>(204,478)</b>	<b>(261,298)</b>	<b>(260,371)</b>	<b>927</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ (419,550)</b>	<b>\$ (419,550)</b>	<b>\$ 509,628</b>	<b>\$ 929,178</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, 2006**

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 149,290	\$ 735,949
Accounts receivable	256,808	-
Inventory	38,650	-
<b>Total current assets</b>	<b>444,748</b>	<b>735,949</b>
Capital Assets, net of accumulated depreciation	3,523,959	-
<b>Total assets</b>	<b>3,968,707</b>	<b>735,949</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	78,133	-
Claims payable - current	-	51,550
Bonds payable - current	70,000	-
<b>Total current liabilities</b>	<b>148,133</b>	<b>51,550</b>
Noncurrent Liabilities:		
Claims payable	-	389,143
Bonds payable	335,000	-
<b>Total noncurrent liabilities</b>	<b>335,000</b>	<b>389,143</b>
<b>Total liabilities</b>	<b>483,133</b>	<b>440,693</b>
<b>NET ASSETS</b>		
Invested in capital assets (net of related debt)	3,118,959	-
Unrestricted	366,615	295,256
<b>Total net assets</b>	<b>\$ 3,485,574</b>	<b>\$ 295,256</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, 2006**

	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	\$ 952,429	\$ -
Premiums	-	4,672,587
<b>Total operating revenues</b>	<u>952,429</u>	<u>4,672,587</u>
<b>OPERATING EXPENSES</b>		
Claims/operating	586,343	4,219,520
Depreciation	102,620	-
Administration	-	676,030
<b>Total operating expenses</b>	<u>688,963</u>	<u>4,895,550</u>
<b>Operating income (loss)</b>	<u>263,466</u>	<u>(222,963)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest on investments	4,984	17,050
Interest expense	(15,957)	-
<b>Total nonoperating revenue (expenses)</b>	<u>(10,973)</u>	<u>17,050</u>
<b>Change in net assets</b>	252,493	(205,913)
<b>FUND NET ASSETS, beginning</b>	<u>3,233,081</u>	<u>501,169</u>
<b>FUND NET ASSETS, ending</b>	<u><u>\$ 3,485,574</u></u>	<u><u>\$ 295,256</u></u>

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

# TOWN OF COLCHESTER, CONNECTICUT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2006

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
<b>Cash Flows From Operating Activities</b>		
Cash received from charges for services	\$ 907,712	\$ 4,672,587
Cash paid to vendors and beneficiaries	(584,059)	(4,786,011)
<b>Net cash provided by (used in) operating activities</b>	<b>323,653</b>	<b>(113,424)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of capital assets	(102,951)	-
Interest paid	(15,957)	-
Principal payments of debt	(75,000)	-
<b>Net cash used in capital and related financing activities</b>	<b>(193,908)</b>	<b>-</b>
<b>Cash Flows From Investing Activities</b>		
Interest on cash and cash equivalents	4,984	17,050
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>134,729</b>	<b>(96,374)</b>
<b>Cash and Cash Equivalents</b>		
Beginning	14,561	832,323
Ending	<u>\$ 149,290</u>	<u>\$ 735,949</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>		
Operating gain/loss	\$ 263,466	\$ (222,963)
Adjustments to reconcile operating income/loss to net cash provided by (used in) operating activities:		
Depreciation	102,620	-
Changes in assets and liabilities:		
Increase in accounts receivable	(44,717)	-
Increase in accounts payable	40,740	-
Decrease in interfund payable	(44,751)	-
Increase in claims payable	-	109,539
Decrease in inventories	6,295	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 323,653</b>	<b>\$ (113,424)</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, 2006**

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	Pension Trust Fund	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 2,252	\$ 215,848
Investments	6,731	-	-
Contribution receivable	37,000	-	-
<b>Total assets</b>	<u>43,731</u>	<u>2,252</u>	<u>215,848</u>
<b>LIABILITIES</b>			
Deposits held for others	-	-	215,848
<b>Net Assets Held in Trust</b>	<u>\$ 43,731</u>	<u>\$ 2,252</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, 2006**

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Fund</u>
<b>ADDITIONS</b>		
Contributions		
Employee	\$ 6,708	\$ -
Employer	37,000	-
<b>Total contributions</b>	<u>43,708</u>	<u>-</u>
Investment Income		
Interest and dividends	23	6
<b>Investment income</b>	<u>23</u>	<u>6</u>
<b>Total additions</b>	<u>43,731</u>	<u>6</u>
<b>DEDUCTIONS</b>		
Benefits	-	-
<b>Change in net assets</b>	43,731	6
<b>Net Assets Held in Trust</b>		
Beginning of year	-	2,246
End of year	<u>\$ 43,731</u>	<u>\$ 2,252</u>

## **TOWN OF COLCHESTER, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

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

##### Reporting entity

The Town of Colchester, Connecticut (the "Town") was incorporated as a town in 1698. The Town operates under a Board of Selectmen, Board of Finance and Town Meeting form of government and provides a full range of services including public safety, roads, sanitation, health, 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, 2006

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, 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, if available. All other revenue items are considered to be measurable only when cash is received by the Town.

The Town reports the following major governmental funds.

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

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

The 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, 2006

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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.

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

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

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

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

#### Pension plan accounting

##### *Pension Trust Fund:*

The Pension Trust Fund is reported on the accrual basis of accounting. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are financed through investment earnings. Stand-alone statements are not issued.

#### 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

## **TOWN OF COLCHESTER, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2006**

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assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

#### Property taxes

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

#### Cash equivalents

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

#### Allowances for doubtful accounts

Accounts and notes receivable for the primary government are reported net of allowance for doubtful accounts of approximately \$238,000. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's ability to pay.

#### Investments

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

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

#### Inventories

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006

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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.

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.

## **TOWN OF COLCHESTER, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2006**

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#### Long-term obligations

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

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 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.

#### Pension accounting

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

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

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

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

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006

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#### 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, or if a deficit, for which future funding will be required.

#### **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 \$33,910,000 difference are as follows:

Bonds payable	\$ 31,645,000
Landfill closure costs	270,000
Compensated absences	<u>1,995,000</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>\$ 33,910,000</u></u>



## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds, and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$12,890,240 difference are as follows:

Capital outlay	\$ 16,056,215
Depreciation expense	<u>(3,165,975)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 12,890,240</u></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 \$3,450,000 difference are as follows:

Principal repayments:	
General obligation debt	<u>\$ 3,450,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 3,450,000</u></u>

### **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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006

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Selectmen. After making such alterations or changes as it deems necessary, the Board of Selectmen presents the compiled budget to the Board of Finance. The Board of Education submits its budget directly to the Board of Finance.

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

The legal budget of the Town is a departmental budget.

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

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

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

Revenues and transfers, budgetary basis	\$ 43,244,095
Prior year encumbrances cancelled	(37,902)
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	<u>1,925,000</u>
Revenues and transfers, GAAP basis	<u><u>\$ 45,131,193</u></u>

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, transfers and encumbrances budgetary basis	\$ 42,734,467
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	1,925,000
Encumbrances:	
June 30, 2005	226,728
June 30, 2006	<u>(205,673)</u>
Expenditures and transfers, GAAP basis	<u><u>\$ 44,680,522</u></u>

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006

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#### 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, Cash Equivalents and Investments**

Deposits: The Town has a policy that deposits can include demand and savings accounts and certificates of deposit with Connecticut banks. The Town's custodial credit risk policy follows the State of Connecticut requirements that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

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

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.

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006

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

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2006, \$11,027,713 of the Town's bank balance of \$11,439,625 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.

Cash and cash equivalents of the Town consist of the following at June 30, 2006:

**Cash and Cash Equivalents**

Deposits with financial institutions	\$ 11,064,504
State of Connecticut Short-Term Investment fund	205,163
MBIA-Class Account	101,362

**Investments**

Pension Trust Funds:	
Mututal Funds	6,731
<b>Total cash, cash equivalents, and investments</b>	<u><u>\$ 11,377,760</u></u>

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

**Statement of Net Assets**

Cash and cash equivalents	<u>\$ 11,152,929</u>
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**Fiduciary Funds**

Cash and cash equivalents	218,100
Investments	6,731
	<u>224,831</u>
	<u><u>\$ 11,377,760</u></u>

**TOWN OF COLCHESTER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2006**

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

	Fair Value	Investment Maturities (in Years) Less Than 1 Year
Pooled Income Funds	\$ 306,525	\$ 306,525

*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	\$ 205,163
MBIA, Inc.	AA	101,362
		<u>\$ 306,525</u>

**TOWN OF COLCHESTER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2006**

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**Note 5. Unearned Revenue/Deferred Revenue**

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

	Deferred Revenues	Unearned Revenues
<b>General Fund:</b>		
Taxes and accrued interest on delinquent property taxes	\$ 768,766	\$ -
School construction grants	5,554,377	-
<b>Nonmajor Funds:</b>		
Assessments receivable	450,150	-
Grants and other	27,223	33,385
<b>Total</b>	<u>\$ 6,800,516</u>	<u>\$ 33,385</u>

**Note 6. Interfund Transfers**

Interfund transfers during the year ended June 30, 2006 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 2,244	\$ 262,615
Bonded Projects	73,000	-
Nonmajor Governmental Funds	213,375	26,004
<b>Total</b>	<u>\$ 288,619</u>	<u>\$ 288,619</u>

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

**TOWN OF COLCHESTER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2006**

**Note 7. Capital Assets**

Capital asset activity for the year ended June 30, 2006 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	25,685,293	14,967,334	(61,182)	40,591,445
Total capital assets, not being depreciated	28,856,642	14,967,334	(61,182)	43,762,794
Capital assets, being depreciated:				
Improvements other than buildings	1,497,794	2,000	(14,670)	1,485,124
Buildings	45,676,361	63,820	-	45,740,181
Machinery and equipment	8,847,930	866,895	(67,398)	9,647,427
Infrastructure	34,215,665	238,123	-	34,453,788
Total capital assets being depreciated	90,237,750	1,170,838	(82,068)	91,326,520
Less accumulated depreciation for:				
Improvements other than buildings	922,621	65,885	-	988,506
Buildings	16,670,232	1,043,664	-	17,713,896
Machinery and equipment	6,892,405	507,866	(61,293)	7,338,978
Infrastructure	16,824,286	1,548,560	-	18,372,846
Total accumulated depreciation	41,309,544	3,165,975	(61,293)	44,414,226
Total capital assets, being depreciated, net	48,928,206	(1,995,137)	(20,775)	46,912,294
Governmental activities capital assets, net	\$ 77,784,848	\$ 12,972,197	\$ (81,957)	\$ 90,675,088

**TOWN OF COLCHESTER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2006**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 68,374	\$ 100,257	\$ -	\$ 168,631
Total capital assets, not being depreciated	68,374	100,257	-	168,631
Capital assets, being depreciated:				
Buildings	2,082,020	-	-	2,082,020
Machinery and equipment	8,010	2,694	-	10,704
Improvements other than buildings	21,391	-	-	21,391
Infrastructure	3,180,923	-	-	3,180,923
Total capital assets, being depreciated	5,292,344	2,694	-	5,295,038
Less accumulated depreciation for:				
Buildings	771,512	47,133	-	818,645
Machinery and equipment	5,681	467	-	6,148
Improvements other than buildings	10,429	996	-	11,425
Infrastructure	1,049,468	54,024	-	1,103,492
Total accumulated depreciation	1,837,090	102,620	-	1,939,710
Total capital assets, being depreciated, net	3,455,254	(99,926)	-	3,355,328
Business-type activities capital assets, net	\$ 3,523,628	\$ 331	\$ -	\$ 3,523,959

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

**Governmental Activities:**

General government	\$ 2,377,165
Public works	431,646
Public safety	165,039
Civic and cultural	73,103
Public health and welfare	5,733
Education	113,289
Total depreciation expense – governmental activities	<u>\$ 3,165,975</u>

**Business-Type Activities:**

Water Fund	<u>\$ 102,620</u>
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**TOWN OF COLCHESTER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2006**

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**Note 8. Long-Term Obligations**

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 35,095,000	\$ -	\$ 3,450,000	\$ 31,645,000	\$ 3,785,000
Landfill post-closure monitoring	285,000	-	15,000	270,000	15,000
Compensated absences	1,954,929	95,111	55,040	1,995,000	50,000
<b>Governmental activity     long-term liabilities</b>	<b>\$ 37,334,929</b>	<b>\$ 95,111</b>	<b>\$ 3,520,040</b>	<b>\$ 33,910,000</b>	<b>\$ 3,850,000</b>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 480,000	\$ -	\$ 75,000	\$ 405,000	\$ 70,000

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

**TOWN OF COLCHESTER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2006**

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General obligation bonds outstanding as of June 30, 2006 consisted of the following:

	<u>Outstanding Amount</u>
<b>General obligation bonds payable:</b>	
\$10,800,000 bond, issue of 2005 due 2025, annual principal payments range from \$645,000 to \$540,000 plus interest due semi-annually at 3.25% to 4.5%	\$ 10,800,000
\$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%	6,150,000
\$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%	430,000
\$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%	470,000
\$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%	2,945,000
\$730,000 bond, issue of 2002 due 2013, annual principal payments range from \$95,000 to \$110,000 plus interest due semiannually at 3.0% to 4.0%	405,000
\$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%	1,205,000
\$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%	4,335,000
\$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>4,905,000</u>
<b>Total general obligation bonds payable</b>	<u><u>\$ 31,645,000</u></u>

**TOWN OF COLCHESTER, CONNECTICUT****NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2006**

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The following is a summary as of June 30, 2006, of the future principal and interest requirements for the Town's general obligation bonds:

	Principal	Interest	Total
2007	\$ 3,785,000	\$ 1,355,434	\$ 5,140,434
2008	3,505,000	1,179,364	4,684,364
2009	3,035,000	1,018,201	4,053,201
2010	3,000,000	889,798	3,889,798
2011	2,885,000	760,403	3,645,403
2012	2,185,000	650,509	2,835,509
2013	1,210,000	570,657	1,780,657
2014	1,210,000	521,572	1,731,572
2015	1,200,000	469,972	1,669,972
2016	1,200,000	413,152	1,613,152
2017	1,200,000	364,522	1,564,522
2018	1,200,000	314,947	1,514,947
2019	1,200,000	262,103	1,462,103
2020	1,200,000	208,013	1,408,013
2021	1,200,000	153,653	1,353,653
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>\$ 31,645,000</u>	<u>\$ 9,360,990</u>	<u>\$ 41,005,990</u>

**Enterprise fund general obligation bonds:**

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

\$ 405,000

**TOWN OF COLCHESTER, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2006**

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

	Principal	Interest	Total
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>\$ 405,000</u>	<u>\$ 53,910</u>	<u>\$ 458,910</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, 2006 was approximately \$1,198,000. Additional payments for principal and interest aggregating approximately \$6,350,000 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, 2006, is as follows:

Total tax collections (including interest and lien fees) for the year ended June 30, 2006	\$ 26,840,530
Reimbursement for revenue loss:	
Tax relief for elderly	59,310
Base	<u>\$ 26,899,840</u>

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006

The Connecticut General Statutes provides that total authorized debt of the Town shall not exceed seven times the above base cash receipts of \$26,899,840 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	\$60,524,640	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	121,049,280	-	-	-
3-3/4 times base	-	-	100,874,400	-	-
3-1/4 times base	-	-	-	87,424,480	-
3 times base	-	-	-	-	80,699,520
Total debt limitation	60,524,640	121,049,280	100,874,400	87,424,480	80,699,520
Debt as defined by statute:					
Bonds payable <sup>(1)</sup>	5,236,333	25,990,667	418,000	-	-
Authorized and unissued	-	29,856,800	-	-	-
Total indebtedness	5,236,333	55,847,467	418,000	-	-
School construction grants receivable	-	(5,554,377)	-	-	-
Net indebtedness	5,236,333	50,293,090	418,000	-	-
Debt limitation in excess of outstanding and authorized debt	\$55,288,307	\$ 70,756,190	\$ 100,456,400	\$ 87,424,480	\$ 80,699,520

<sup>(1)</sup> Water bonds of \$405,000 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 opinion 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, 2006**

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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 \$1,925,000 for the year ended June 30, 2006.

#### **Police Department Defined Benefit Plan**

The Town contributes to a defined benefit pension plan - the Town of Colchester Police Retirement Plan (the Plan), a single employer plan, effective July 1, 2005. The Plan is presented in the accompanying financial statements as a pension trust fund. The pension plan obligation is immaterial; therefore, no actuarial or other information is disclosed. A stand-alone report is not available for this plan.

##### **Plan Description**

The Plan is a single-employer defined benefit pension plan that covers any regular, full-time, investigatory and uniformed member of the Town's Police Department who is duly sworn and vested with police powers, excluding any such member excluded from the Bargaining Unit by the Municipal Employees Relations Act ("MERA"). The Plan provides retirement, disability and death benefits to plan members and their beneficiaries.

##### **Contributions**

Each participant shall contribute 6% of their compensation to the Plan for each week of employment. Additionally, the Town is required to make periodic contributions on the basis of actuarial calculations.

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

## TOWN OF COLCHESTER, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2006

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#### Defined Contribution Retirement Savings Plan

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

#### Note 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 \$4,986,000 for the year ended June 30, 2006.

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

Changes in the balance of claim liabilities are as follows:

	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2005-2006	\$ 287,921	\$ 4,219,520	\$ 4,118,298	\$ 389,143
2004-2005	\$ 308,639	\$ 3,551,409	\$ 3,572,127	\$ 287,921

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

## **TOWN OF COLCHESTER, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2006**

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at the site for thirty years after closure. The remaining postclosure costs are estimated to be \$270,000 (\$15,000 per year for 18 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, 2006:

Bonded Projects Fund	\$ 1,172,458
Miscellaneous Grant Fund	\$ 29,651

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

#### **Note 14. Pronouncements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2006 that have effective dates that may impact future financial presentations.

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

- ▶ GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," issued April 2004, will be effective for the Town beginning with its year ended June 30, 2007. This Statement establishes uniform financial reporting standards for OPEB (other postemployment benefits) and supersedes the interim guidance included in Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans."
- ▶ GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," issued June 2004, will be effective for the Town beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits, expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.
- ▶ Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues," issued September 2006, is effective for periods beginning after December 15, 2006. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity of assets and future revenues.



**Supplemental and Combining  
Fund Statements and Schedules**



**General Fund**



**TOWN OF COLCHESTER, CONNECTICUT**

**GENERAL FUND  
BALANCE SHEET**

**June 30, 2006 With Comparative Amounts for 2005**

	2006	2005
<b>Assets</b>		
Cash and cash equivalents	\$ 7,571,265	\$ 7,074,054
Property taxes and interest receivable, net	910,676	1,025,569
Interfund receivable	-	114,851
Other receivables	126,437	98,044
Other assets	47,578	24,742
School construction grant receivable	5,554,377	6,752,572
<b>Total assets</b>	<b>\$ 14,210,333</b>	<b>\$ 15,089,832</b>
<b>Liabilities</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,863,278	\$ 1,743,571
Deferred revenue	6,323,143	7,739,431
Advance tax collections	23,169	56,758
<b>Total liabilities</b>	<b>8,209,590</b>	<b>9,539,760</b>
<b>Fund Balance</b>		
Reserved for encumbrances	239,028	297,985
Reserved for inventory	47,578	24,742
Designated for subsequent year budget	1,430,665	1,719,550
Unreserved, undesignated	4,283,472	3,507,795
<b>Total fund balance</b>	<b>6,000,743</b>	<b>5,550,072</b>
<b>Total liabilities and fund balance</b>	<b>\$ 14,210,333</b>	<b>\$ 15,089,832</b>

# TOWN OF COLCHESTER, CONNECTICUT

## GENERAL FUND REVENUES AND TRANSFERS IN - BUDGETARY BASIS - BUDGET AND ACTUAL For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>PROPERTY TAXES</b>				
Current year levy	\$ 26,492,228	\$ 26,492,228	\$ 26,157,141	\$ (335,087)
Prior year's levy	350,000	350,000	448,977	98,977
Interest and lien fees	240,000	240,000	255,073	15,073
<b>Total property taxes</b>	<b>27,082,228</b>	<b>27,082,228</b>	<b>26,861,191</b>	<b>(221,037)</b>
<b>INTERGOVERNMENTAL</b>				
State of Connecticut:				
Sanitarian/Health Director grant	14,250	14,250	14,249	(1)
In lieu of taxes	64,749	64,749	66,005	1,256
Elderly freeze	5,200	5,200	5,631	431
Elderly circuit breaker	62,000	62,000	59,310	(2,690)
Disability exemption	1,150	1,150	1,715	565
Additional veteran exemption	18,000	18,000	8,800	(9,200)
Property tax relief/manufacturing	62,000	62,000	48,099	(13,901)
Boat registration	3,200	3,200	3,264	64
Local Capital Improvement Program	119,288	119,288	119,956	668
Mashantucket Pequot Grant	97,566	97,566	97,382	(184)
Police Grants	41,700	41,700	-	(41,700)
Distribution to towns	295	295	236	(59)
Youth Services Grant	18,650	18,650	18,702	52
Library Grant	1,500	1,500	3,710	2,210
<b>Total State of Connecticut</b>	<b>509,548</b>	<b>509,548</b>	<b>447,059</b>	<b>(62,489)</b>
Education:				
Special Education	250,000	250,000	496,776	246,776
Education cost sharing	11,328,328	11,328,328	11,494,647	166,319
School transportation	461,213	461,213	477,538	16,325
School building grants	1,523,489	1,523,489	1,525,271	1,782
Educational Service for the Blind	-	-	22,400	22,400
<b>Total education</b>	<b>13,563,030</b>	<b>13,563,030</b>	<b>14,016,632</b>	<b>453,602</b>
<b>Total intergovernmental</b>	<b>14,072,578</b>	<b>14,072,578</b>	<b>14,463,691</b>	<b>391,113</b>
<b>REVENUES FROM USE OF MONEY</b>				
Investment income	225,000	225,000	366,707	141,707

# TOWN OF COLCHESTER, CONNECTICUT

## GENERAL FUND REVENUES AND TRANSFERS IN - BUDGETARY BASIS - BUDGET AND ACTUAL, Continued For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>CHARGES FOR SERVICES</b>				
Police	18,000	18,000	30,975	12,975
Sanitarian fees	30,000	30,000	25,570	(4,430)
Restaurant inspection	8,200	8,200	9,300	1,100
Recreation	12,000	12,000	15,845	3,845
Ambulance	275,000	275,000	354,930	79,930
<b>Total charges for services</b>	<b>343,200</b>	<b>343,200</b>	<b>436,620</b>	<b>93,420</b>
<b>LICENSES, PERMITS AND FEES</b>				
Fire Marshal inspection fees	200	200	280	80
Sports licenses	2,200	2,200	1,683	(517)
Transfer station fees	170,000	170,000	145,515	(24,485)
Conservation Commission fees	5,500	5,500	4,712	(788)
Road inspection fees	45,430	45,430	18,401	(27,029)
Building code fees	200,000	200,000	248,413	48,413
Conveyance tax	150,000	150,000	286,934	136,934
Zoning and planning fees	20,000	20,000	8,933	(11,067)
Zoning appeal fees	800	800	4,094	3,294
Copier fees	17,850	17,850	20,913	3,063
Town Clerk fees	140,000	140,000	144,196	4,196
Preservation surcharge	3,500	3,500	4,421	921
Vendor permits	600	600	610	10
Pistol permits	1,200	1,200	875	(325)
Library fines and fees	20,000	20,000	17,087	(2,913)
Recreation program fees	175,000	175,000	-	(175,000)
Senior program fees	200	200	72	(128)
Dial-A-Ride	2,500	2,500	3,208	708
Land Records	-	-	3,055	3,055
Historic District Commission fees	-	-	4	4
<b>Total licenses, permits and fees</b>	<b>954,980</b>	<b>954,980</b>	<b>913,406</b>	<b>(41,574)</b>
<b>OTHER REVENUES</b>				
Tuition - regular	15,200	15,200	51,581	36,381
Telecommunications tax	103,796	103,796	77,518	(26,278)
State Fund for building inspection	1,500	1,500	1,868	368
Elderly housing	11,500	11,500	11,204	(296)
Miscellaneous	2,500	2,500	46,500	44,000
Insurance reimbursement	8,522	8,522	9,753	1,231
Lebanon share probate fee	2,966	2,966	1,812	(1,154)
<b>Total other revenues</b>	<b>145,984</b>	<b>145,984</b>	<b>200,236</b>	<b>54,252</b>

**TOWN OF COLCHESTER, CONNECTICUT**

**GENERAL FUND REVENUES AND TRANSFERS IN -  
BUDGETARY BASIS - BUDGET AND ACTUAL, Continued  
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>OTHER FINANCING USES</b>				
Transfers In	1,317	1,317	2,244	927
Total	\$ 42,825,287	\$ 42,825,287	\$ 43,244,095	\$ 418,808



**TOWN OF COLCHESTER, CONNECTICUT**

**GENERAL FUND EXPENDITURES AND TRANSFERS OUT -  
BUDGETARY BASIS - BUDGET AND ACTUAL  
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>GENERAL GOVERNMENT</b>				
Board of Finance	\$ 68,968	\$ 28,468	\$ 19,892	\$ 8,576
First Selectman	211,595	211,595	202,897	8,698
Ethics Commission	1,088	1,088	-	1,088
Charter Review Commission	3,115	3,385	2,302	1,083
Tax Collector	145,027	145,027	141,880	3,147
Assessors	247,049	257,895	252,777	5,118
Board of Tax Review	1,691	1,846	1,775	71
Accounting	266,762	257,217	248,649	8,568
Economic Development	4,236	4,006	3,285	721
Historic District Commission	2,375	2,375	1,855	520
Town Clerk	189,998	199,512	196,036	3,476
Elections	37,995	39,851	38,704	1,147
Legal and Insurance	340,098	333,994	328,515	5,479
Probate	8,900	8,900	5,690	3,210
Planning/Code Administration	498,081	498,670	481,563	17,107
Central service and equipment	227,756	227,756	204,324	23,432
Fair Rent Commission	399	399	-	399
<b>Total general government</b>	<b>2,255,133</b>	<b>2,221,984</b>	<b>2,130,144</b>	<b>91,840</b>
<b>PUBLIC WORKS</b>				
Highway	1,225,550	1,212,110	1,204,606	7,504
Fleet maintenance	413,691	352,673	350,650	2,023
Snow removal	143,913	233,445	233,443	2
Sewer	3,071	3,071	3,064	7
Transfer Station	333,513	326,809	316,863	9,946
Engineering	103,012	103,099	100,605	2,494
<b>Total public works</b>	<b>2,222,750</b>	<b>2,231,207</b>	<b>2,209,231</b>	<b>21,976</b>

**TOWN OF COLCHESTER, CONNECTICUT**

**GENERAL FUND EXPENDITURES AND TRANSFERS OUT -  
BUDGETARY BASIS - BUDGET AND ACTUAL, Continued  
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>PUBLIC SAFETY</b>				
Police	942,809	943,860	937,978	5,882
Fire	843,590	847,085	835,380	11,705
Fire Substation	15,504	15,504	13,088	2,416
Civil preparedness	15,228	15,241	13,441	1,800
Central Alarm	67,809	67,809	67,809	-
<b>Total public safety</b>	<b>1,884,940</b>	<b>1,889,499</b>	<b>1,867,696</b>	<b>21,803</b>
<b>CIVIC AND CULTURAL</b>				
Library services	594,697	594,697	585,795	8,902
Parks and recreation - administrative	558,163	560,590	559,061	1,529
Programs	175,000	175,000	-	175,000
Arts council	1,676	1,676	1,055	621
Senior Services	265,085	265,775	252,560	13,215
<b>Total civic and cultural</b>	<b>1,594,621</b>	<b>1,597,738</b>	<b>1,398,471</b>	<b>199,267</b>
<b>PUBLIC HEALTH AND WELFARE</b>				
Health & Safety Commission	2,290	2,290	2,226	64
Social services	37,419	37,419	37,087	332
Youth services	242,427	243,027	235,277	7,750
Health services	181,296	181,698	157,841	23,857
<b>Total health and welfare</b>	<b>463,432</b>	<b>464,434</b>	<b>432,431</b>	<b>32,003</b>
<b>BOARD OF EDUCATION</b>	<b>29,678,406</b>	<b>29,678,406</b>	<b>29,598,321</b>	<b>80,085</b>
<b>DEBT SERVICE</b>				
Principal	3,345,000	3,345,000	3,345,000	-
Interest/Bond Issue Costs	1,594,760	1,553,954	1,490,558	63,396
<b>Total debt service</b>	<b>4,939,760</b>	<b>4,898,954</b>	<b>4,835,558</b>	<b>63,396</b>
<b>OTHER FINANCING USES</b>				
Transfers out	205,795	262,615	262,615	-
<b>Total</b>	<b>\$ 43,244,837</b>	<b>\$ 43,244,837</b>	<b>\$ 42,734,467</b>	<b>\$ 510,370</b>

## **Nonmajor Governmental Funds**



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**TOWN OF COLCHESTER, CONNECTICUT**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**June 30, 2006**

	Special Revenue						
	Police Forfeiture Fund	Capital Reserve Fund	Dog License Fund	Town Aid Road Fund	Small Cities Grants	Sewer Operating Fund	Parks and Recreation Activities Fund
<b>ASSETS</b>							
Cash and cash equivalents	\$ 329	\$ 509,001	\$ 67,177	\$ 104,794	\$ 33,385	\$ 153,708	\$ 100,193
Assessments and user charges receivable	-	-	-	-	-	229,865	-
Other receivables	-	-	622	-	-	-	-
Intergovernmental receivable	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Loans receivable	-	-	-	-	5,800	-	-
<b>Total assets</b>	<b>\$ 329</b>	<b>\$ 509,001</b>	<b>\$ 67,799</b>	<b>\$ 104,794</b>	<b>\$ 39,185</b>	<b>\$ 383,573</b>	<b>\$ 100,193</b>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ 52,331	\$ 4,527	\$ -	\$ -	\$ 10,705	\$ 2,729
Deferred revenue	-	-	-	-	-	229,865	-
Unearned revenue	-	-	-	-	33,385	-	-
<b>Total liabilities</b>	<b>-</b>	<b>52,331</b>	<b>4,527</b>	<b>-</b>	<b>33,385</b>	<b>240,570</b>	<b>2,729</b>
<b>FUND BALANCES</b>							
Reserved for encumbrances	-	67,947	-	-	-	-	-
Reserved for inventory	-	-	-	-	-	-	-
Reserved for loans	-	-	-	-	5,800	-	-
Designated for specific projects	-	303,746	-	-	-	-	-
Unreserved and undesignated	329	84,977	63,272	104,794	-	143,003	97,464
<b>Total fund balances (deficits)</b>	<b>329</b>	<b>456,670</b>	<b>63,272</b>	<b>104,794</b>	<b>5,800</b>	<b>143,003</b>	<b>97,464</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 329</b>	<b>\$ 509,001</b>	<b>\$ 67,799</b>	<b>\$ 104,794</b>	<b>\$ 39,185</b>	<b>\$ 383,573</b>	<b>\$ 100,193</b>

Special Revenue								Capital Projects	
School Cafeteria Fund	Educational Grants Fund	Miscellaneous Grants Fund	Adult Education	Special Gifts Fund	Benefits Assessment Fund	Pay to Play	Use of Schools	Sewer Construction	Totals
\$ 114,659	\$ -	\$ -	\$ 4,609	\$ 241,763	\$ 206,741	\$ 23,143	\$ -	\$1,136,923	\$2,696,425
-	-	-	-	-	220,285	-	-	-	450,150
-	-	-	-	-	-	-	4,117	-	4,739
-	219,065	27,223	-	-	-	-	-	-	246,288
989	-	-	-	-	-	-	-	-	989
-	-	-	-	-	-	-	-	-	5,800
<u>\$ 115,648</u>	<u>\$ 219,065</u>	<u>\$ 27,223</u>	<u>\$ 4,609</u>	<u>\$ 241,763</u>	<u>\$ 427,026</u>	<u>\$ 23,143</u>	<u>\$ 4,117</u>	<u>\$1,136,923</u>	<u>\$3,404,391</u>
\$ -	\$ 219,065	\$ 29,651	\$ 64	\$ 16,137	\$ 2,354	\$ 23,143	\$ 1,264	\$ -	\$ 361,970
-	-	27,223	-	-	220,285	-	-	-	477,373
-	-	-	-	-	-	-	-	-	33,385
<u>-</u>	<u>219,065</u>	<u>56,874</u>	<u>64</u>	<u>16,137</u>	<u>222,639</u>	<u>23,143</u>	<u>1,264</u>	<u>-</u>	<u>872,728</u>
-	146	1,200	-	845	-	-	-	-	70,138
989	-	-	-	-	-	-	-	-	989
-	-	-	-	-	-	-	-	-	5,800
-	-	-	-	-	203,125	-	-	-	506,871
<u>114,659</u>	<u>(146)</u>	<u>(30,851)</u>	<u>4,545</u>	<u>224,781</u>	<u>1,262</u>	<u>-</u>	<u>2,853</u>	<u>1,136,923</u>	<u>1,947,865</u>
<u>115,648</u>	<u>-</u>	<u>(29,651)</u>	<u>4,545</u>	<u>225,626</u>	<u>204,387</u>	<u>-</u>	<u>2,853</u>	<u>1,136,923</u>	<u>2,531,663</u>
<u>\$ 115,648</u>	<u>\$ 219,065</u>	<u>\$ 27,223</u>	<u>\$ 4,609</u>	<u>\$ 241,763</u>	<u>\$ 427,026</u>	<u>\$ 23,143</u>	<u>\$ 4,117</u>	<u>\$1,136,923</u>	<u>\$3,404,391</u>

**TOWN OF COLCHESTER, CONNECTICUT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2006**

	Special Revenue						
	Police Forfeiture Fund	Capital Reserve Fund	Dog License Fund	Town Aid Road Fund	Small Cities Grants	Sewer Operating Fund	Parks and Recreation Activities Fund
<b>REVENUES</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ 159,233	\$ 436,247	\$ -	\$ -
Food sales, charges for services	-	-	-	-	-	-	-
Fines and fees	-	-	24,721	-	-	691,884	-
Interest income	-	-	-	-	-	3,367	-
Sewer assessments, use and charges for services	-	-	-	-	-	-	345,730
Other local revenue	-	118,283	-	-	1,574	11,107	-
<b>Total revenues</b>	-	118,283	24,721	159,233	437,821	706,358	345,730
<b>EXPENDITURES</b>							
General government	-	-	-	-	-	-	-
Public works	-	-	-	-	-	687,863	-
Education	-	-	-	-	-	-	-
Public safety	-	-	81,588	-	-	-	-
Civic and cultural	-	-	-	-	-	-	248,266
Public health and welfare	-	-	-	-	473,406	-	-
Capital outlay	-	162,212	-	105,595	-	20,807	-
Debt service	-	-	-	-	-	-	-
<b>Total expenditures</b>	-	162,212	81,588	105,595	473,406	708,670	248,266
<b>Revenues over (under) expenditures</b>	-	(43,929)	(56,867)	53,638	(35,585)	(2,312)	97,464
<b>OTHER FINANCING SOURCES</b>							
Transfers in	-	131,820	57,795	-	-	-	-
Transfers out	-	(23,760)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	-	108,060	57,795	-	-	-	-
<b>Net change in fund balances (deficits)</b>	-	64,131	928	53,638	(35,585)	(2,312)	97,464
<b>FUND BALANCES, beginning</b>	329	392,539	62,344	51,156	41,385	145,315	-
<b>FUND BALANCES (DEFICITS), ending</b>	\$ 329	\$ 456,670	\$ 63,272	\$ 104,794	\$ 5,800	\$ 143,003	\$ 97,464



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	Use of Schools	Sewer Construction	Totals
\$ 106,189	\$ 1,056,012	\$ 274,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,032,000
551,056	-	-	-	-	-	-	-	-	551,056
-	-	-	-	-	-	-	-	-	716,605
597	-	-	-	-	3,744	-	-	18,171	25,879
-	-	-	17,130	-	73,307	61,780	40,404	52,532	590,883
-	24,045	1,626	-	101,842	-	-	-	-	258,477
657,842	1,080,057	275,945	17,130	101,842	77,051	61,780	40,404	70,703	4,174,900
-	-	7,000	-	14,637	-	-	-	-	21,637
-	-	4,341	-	-	4,850	-	-	-	697,054
663,526	1,076,672	-	18,734	2,665	-	73,801	37,551	-	1,872,949
-	-	159,041	-	-	-	-	-	-	240,629
-	-	4,221	-	39,680	-	-	-	-	292,167
-	-	108,131	-	36,619	-	-	-	-	618,156
-	-	-	-	-	-	-	-	1,313	289,927
-	-	-	-	-	122,503	-	-	-	122,503
663,526	1,076,672	282,734	18,734	93,601	127,353	73,801	37,551	1,313	4,155,022
(5,684)	3,385	(6,789)	(1,604)	8,241	(50,302)	(12,021)	2,853	69,390	19,878
-	-	23,760	-	-	-	-	-	-	213,375
-	-	-	-	-	(2,244)	-	-	-	(26,004)
-	-	23,760	-	-	(2,244)	-	-	-	187,371
(5,684)	3,385	16,971	(1,604)	8,241	(52,546)	(12,021)	2,853	69,390	207,249
121,332	(3,385)	(46,622)	6,149	217,385	256,933	12,021	-	1,067,533	2,324,414
\$ 115,648	\$ -	\$ (29,651)	\$ 4,545	\$ 225,626	\$ 204,387	\$ -	\$ 2,853	\$ 1,136,923	\$ 2,531,663

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## **Capital Assets Schedules**



**TOWN OF COLCHESTER, CONNECTICUT**

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

**June 30, 2006**

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Governmental funds capital assets:

Land	\$ 3,171,349
Buildings	45,740,181
Improvements other than buildings	1,485,124
Machinery and equipment	9,647,427
Infrastructure	34,453,788
Construction in progress	40,591,445
<b>Total governmental funds capital assets</b>	<b>\$ 135,089,314</b>

**TOWN OF COLCHESTER, CONNECTICUT**

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

**SCHEDULE BY FUNCTION AND ACTIVITY**

**June 30, 2006**

	Land	Buildings	Improvements Other Than Buildings	Infrastructure	Machinery and Equipment	Construction in Progress	Total
General government	\$ 3,171,349	\$ 2,467,695	\$ 1,478,624	\$ 20,975,410	\$ 192,390	\$ -	\$ 28,285,468
Public safety	-	937,823	-	13,832	3,387,816	-	4,339,471
Public works	-	380,936	-	13,195,767	2,270,076	-	15,846,779
Civic and cultural	-	7,494,899	-	268,779	897,388	-	8,661,066
Education	-	34,352,039	6,500	-	2,839,872	-	37,198,411
Public health and welfare	-	106,789	-	-	59,885	-	166,674
Construction in progress	-	-	-	-	-	40,591,445	40,591,445
<b>Total</b>	<b>\$ 3,171,349</b>	<b>\$ 45,740,181</b>	<b>\$ 1,485,124</b>	<b>\$ 34,453,788</b>	<b>\$ 9,647,427</b>	<b>\$ 40,591,445</b>	<b>\$ 135,089,314</b>

**Other Schedules**





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**TOWN OF COLCHESTER, CONNECTICUT**

**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**For the Year Ended June 30, 2006**

Grand List Year	Balance Uncollected July 1, 2005		Current Levy	Lawful Corrections		Balance To Be Collected
				Additions	Deletions	
1988	\$	189	\$ -	\$ -	\$ (189)	\$ -
1989		(230)	-	132	-	(98)
1990		473	-	-	-	473
1991		185	-	-	-	185
1992		(2,358)	-	-	-	(2,358)
1993		(1,771)	-	41	-	(1,730)
1994		2,977	-	154	-	3,131
1995		(1,430)	-	-	-	(1,430)
1996		1,738	-	157	-	1,895
1997		1,716	-	188	-	1,904
1998		7,122	-	746	-	7,868
1999		45,606	-	1,878	(112)	47,372
2000		42,533	-	2,636	(85)	45,084
2001		68,595	-	5,010	(1,313)	72,292
2002		203,399	-	15,540	(2,373)	216,566
2003		488,801	-	2,811	(17,998)	473,614
2004			26,759,968	79,079	(103,610)	26,735,437
	\$	857,545	\$ 26,759,968	\$ 108,372	\$ (125,680)	\$ 27,600,205

Collections					Balance
					Uncollected
Taxes	Interest	Fees	Total		June 30, 2006
\$ -	\$ -	\$ -	\$ -	\$ -	-
132	348	-	480		(230)
-	-	-	-		473
-	-	-	-		185
-	-	-	-		(2,358)
41	90	-	131		(1,771)
1,772	1,820	24	3,592		1,359
1,032	1,868	24	2,924		(2,462)
1,150	1,670	24	2,844		745
1,225	1,866	24	3,115		679
3,764	4,351	72	8,139		4,104
7,608	6,942	120	14,622		39,764
18,976	9,973	214	29,069		26,108
30,999	19,146	459	50,359		41,293
94,066	33,986	1,010	128,511		122,500
267,622	60,046	2,486	328,678		205,992
26,157,282	107,551	747	26,265,580		578,155
\$ 26,585,669	\$ 249,657	\$ 5,204	\$ 26,840,530	\$ 1,014,536	

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