

**TOWN OF COLCHESTER,
CONNECTICUT**

FINANCIAL REPORT
June 30, 2012

TOWN OF COLCHESTER, CONNECTICUT

FINANCIAL REPORT

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Financial Section



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Connecticut (the "Town") as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; 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, 2012, and the respective changes in financial position, and where applicable, cash flows thereof, 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 December 28, 2012, on our consideration of the Town of Colchester, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Colchester, Connecticut's basic financial statements. The individual and combining nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The individual and combining nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual and combining nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Colchester, Connecticut as of and for the year ended June 30, 2011 (not presented herein), and have issued our report thereon dated December 27, 2011, which contained unqualified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The accompanying General Fund Balance Sheet for the year ended June 30, 2011 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statements. The accompanying General Fund Balance Sheet has been subjected to the auditing procedures applied in the audit of the 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund Balance Sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2011.

McGladrey LLP

New Haven, Connecticut
December 28, 2012

Town of Colchester, Connecticut
Management's Discussion and Analysis
June 30, 2012

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, 2012. 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 \$70,367,464, a decrease of \$1,687,252 from the previous fiscal year. Total net assets of Governmental Activities at fiscal year-end were \$65,888,550 and total net assets for Business-Type Activities were \$4,478,914. Of the Town's total net assets at June 30, 2012, \$5,182,381 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 \$4,563,969, an increase of \$948,644 from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2012, \$4,334,548 represents unassigned fund balance of the General Fund. Unassigned General Fund fund balance represents 8.6% of total General Fund budgetary expenditures and transfers out (\$50,175,318). The Town of Colchester's governmental funds reported combined ending fund balances of \$8,214,173, an increase of \$593,457 from the prior fiscal year.
- The Town of Colchester's total bonded debt had a decrease of \$2,260,000 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 tenth report issued under the new reporting model.

| | | <u>Fund Financial Statements</u> | | |
|---|--|---|--|---|
| <u>Type of Statements</u> | <u>Government-wide Financial Statements</u> | <u>Governmental Funds</u> | <u>Proprietary Funds</u> | <u>Fiduciary Funds</u> |
| <i>Scope</i> | Entire Town government (except fiduciary activities) | The activities of the Town that are not proprietary or fiduciary, such as police, fire and parks. | Activities the Town operates similar to businesses; the water system. | Instances in which the Town administers resources on behalf of someone else such as student activity funds. |
| <i>Required financial statements</i> | <ul style="list-style-type: none"> ➤ Statement of net assets ➤ Statement of activities | <ul style="list-style-type: none"> ➤ Balance sheet ➤ Statement of revenues, expenditures and changes in fund balances. | <ul style="list-style-type: none"> ➤ Statement of net assets. ➤ Statement of revenues, expenses, changes in fund net assets. ➤ Statement of cash flows. | <ul style="list-style-type: none"> ➤ Statement of fiduciary net assets. ➤ Statement of changes in fiduciary net assets. |
| <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 13-14 of this report.

Fund Financial Statements

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

- **Governmental funds** include most of the Town's basic services which focus on how much cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. These statements provide a detailed short-term view that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the town's programs. The government-wide statement of activities provides a broader view of the governmental activities than the governmental fund focus. The statement of net activities can be compared with the fund financial statements to better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.
- **Proprietary funds** are generally used for reporting services for which the Town charges a fee such as the water operations for the Town. They are reported in the same way as the government-wide statements. The Town has two types of proprietary funds. One is the enterprise fund and the other is the internal service fund.

- The enterprise fund is the same as the business-type activities. Although it provides the same type of information as the government-wide financial statements, it includes more detail and has additional information reported such as cash flows.
- The internal service fund is used to report activities that provide self-insured medical services funded by other Town programs or activities. The internal service fund transactions are included in the government-wide financial statements.
- **Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to provide services to the Town's constituency. The Town has one agency fund for student activities and one pension trust fund. The accounting for fiduciary funds is much like that used for proprietary funds.

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Town's financial status. The Town's combined assets exceeded liabilities by \$70,367,464 at the close of the recent fiscal year.

Net assets of the Town's Governmental Activities decreased approximately 2.7% to \$65,888,550 and total net assets for Business-type Activities increased approximately 2.8% to \$4,478,914. The amount of \$65,185,083 (\$61,573,196 for Governmental Activities and \$3,611,887 for Business-type Activities) of combined net assets at June 30, 2012, 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 \$5,182,381 (\$4,315,354 for Governmental Activities and \$867,027 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 (91.3%) 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, 2012 AND 2011**

| | June 30, 2012 | | | June 30, 2011 | | |
|---|----------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|----------------------|
| | Primary Government | | | Primary Government | | |
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| Current and other assets | \$ 11,330,068 | \$ 973,810 | \$ 12,303,878 | \$ 12,480,621 | \$ 869,852 | \$ 13,350,473 |
| Capital assets | 76,651,309 | 5,703,928 | 82,355,237 | 79,435,193 | 5,850,598 | 85,285,791 |
| Total assets | 87,981,377 | 6,677,738 | 94,659,115 | 91,915,814 | 6,720,450 | 98,636,264 |
| Current Liabilities | 2,030,606 | 106,783 | 2,137,389 | 2,439,843 | 116,335 | 2,556,178 |
| Long-Term liabilities outstanding | 20,062,221 | 2,092,041 | 22,154,262 | 21,776,594 | 2,248,776 | 24,025,370 |
| Total liabilities | 22,092,827 | 2,198,824 | 24,291,651 | 24,216,437 | 2,365,111 | 26,581,548 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 60,638,175 | 3,611,887 | 64,250,062 | 61,575,557 | 3,601,822 | 65,177,379 |
| Restricted | 935,021 | - | 935,021 | 1,039,924 | - | 1,039,924 |
| Unrestricted | 4,315,354 | 867,027 | 5,182,381 | 5,083,896 | 753,517 | 5,837,413 |
| Total Net Assets | \$ 65,888,550 | \$ 4,478,914 | \$ 70,367,464 | \$ 67,699,377 | \$ 4,355,339 | \$ 72,054,716 |

Change in net assets. The Town's total net assets decreased by \$1,687,252 during the fiscal year, with net assets of Governmental Activities decreasing by \$1,810,827, and net assets of Business-type Activities increasing by \$123,575.

| | Year Ended June 30, 2012 | | | Year Ended June 30, 2011 | | |
|--|--------------------------|---------------------|----------------------|--------------------------|---------------------|----------------------|
| | Primary Govt. | | | Primary Govt. | | |
| | Governmental | Business- | | Governmental | Business- | |
| | Activities | Type | Total | Activities | Type | Total |
| | Activities | Activities | Total | Activities | Activities | Total |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 3,230,100 | \$ 1,063,099 | \$ 4,293,199 | \$ 3,149,160 | \$ 1,020,647 | \$ 4,169,807 |
| Operating Grants and Contributions | 20,962,445 | - | 20,962,445 | 19,908,710 | - | 19,908,710 |
| Capital Grants and Contributions | 193,277 | - | 193,277 | 1,566,180 | - | 1,566,180 |
| General Revenues: | | | | | | |
| Property Tax | 33,924,422 | - | 33,924,422 | 32,364,590 | - | 32,364,590 |
| Grants not restricted to specific programs | 384,973 | - | 384,973 | 178,430 | - | 178,430 |
| Unrestricted investment earnings | 52,216 | 1,246 | 53,462 | 29,557 | 606 | 30,163 |
| Miscellaneous | 108,348 | - | 108,348 | 57,259 | - | 57,259 |
| Total Revenues | 58,855,781 | 1,064,345 | 59,920,126 | 57,253,886 | 1,021,253 | 58,275,139 |
| Expenses | | | | | | |
| General Government | 4,864,185 | - | 4,864,185 | 4,570,077 | - | 4,570,077 |
| Public Safety | 2,653,914 | - | 2,653,914 | 2,395,948 | - | 2,395,948 |
| Public Works | 3,667,045 | - | 3,667,045 | 3,498,615 | - | 3,498,615 |
| Public Health & Welfare | 571,523 | - | 571,523 | 511,551 | - | 511,551 |
| Civic and Cultural | 2,011,171 | - | 2,011,171 | 1,890,367 | - | 1,890,367 |
| Education | 45,899,856 | - | 45,899,856 | 43,183,908 | - | 43,183,908 |
| Other | - | 893,177 | 893,177 | - | 847,982 | 847,982 |
| Interest on long-term debt | 998,914 | 47,593 | 1,046,507 | 797,388 | 51,753 | 849,141 |
| Total Expenses | 60,666,608 | 940,770 | 61,607,378 | 56,847,854 | 899,735 | 57,747,589 |
| Change in Net Assets | (1,810,827) | 123,575 | (1,687,252) | 406,032 | 121,518 | 527,550 |
| Net Assets Beginning | 67,699,377 | 4,355,339 | 72,054,716 | 67,293,345 | 4,233,821 | 71,527,166 |
| Net Assets Ending | <u>\$ 65,888,550</u> | <u>\$ 4,478,914</u> | <u>\$ 70,367,464</u> | <u>\$ 67,699,377</u> | <u>\$ 4,355,339</u> | <u>\$ 72,054,716</u> |

Governmental Activities

Approximately 57.6% of the revenues were generated from property taxes, followed by 41.4% from program revenues, which include governmental revenues for Education, then .7% was derived from other unrestricted grants, .2% from miscellaneous revenues, and .1% from unrestricted investment earnings.

Major revenue factors include a significant reduction in school construction grant progress payments due to the completion of the elementary and intermediate school projects in the prior fiscal year, increased tax revenues resulting from a .78 mill increase in the property tax rate, and a significant increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement System.

The Town's current levy collected tax rate was 98.45%, a decrease of .17% from the previous year current levy collected tax rate of 98.62%.

For governmental activities, 75.7% of the Town's expenditures relate to education, 8.0% relate to general government, 4.4% relate to public safety, 6.0% relate to public works, 3.3% relate to civic and cultural, .9% relate to public health and welfare and the remaining 1.7% relate to interest payments on long-term debt.

Major expenditure factors include an increase in education, mainly as a result of an approved education budget increase of 3.86% over the 2010-2011 budget (including Federal ARRA State Fiscal Stabilization Funds and Federal Jobs Bill Funds) and a significant increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement System. The increase in general government expenditures is mainly due to an increase in health insurance claims, and legal costs associated with a landowner's second appeal of a court ruling in favor of the Town. The increase in public safety expenditures reflects the costs for an additional police officer added to the department in January 2012, and the increasing Town share to fund the costs of additional firefighters hired through a Federal grant.

Business-Type Activities

Business-type activities increased the Town's net assets by \$123,575. Key elements of this increase are:

- Establishment of water use fees sufficient to fund operating costs and depreciation, and provide funding for future capital needs.

Financial Analysis of the Town's Fund Financial Statements

Governmental funds. The focus of the Town of Colchester's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the Town's financial requirements. The unassigned fund balance can serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As the Town completed the year, its governmental funds reported combined fund balances of \$8,214,173, an increase from \$7,620,716 as of June 30, 2011. This increase is mainly due to the positive financial results in the Town's General Fund, which are described in greater detail in the following paragraphs.

The general fund is the chief operating fund for the Town of Colchester. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,334,548, while total fund balance was \$4,563,969. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 8.6% of the total general fund budgetary expenditures and transfers out.

At June 30, 2012, the Town of Colchester's General Fund increased by \$948,644 from the previous year. On the revenue side, the Town received additional State grant funds for Municipal Revenue Sharing and Special Education Excess cost reimbursements. On the expenditure side, the Town had savings in the Snow Removal budget due to a milder winter in the Northeast, lower payroll costs due to staff vacancies in various positions including management positions, and a significant savings in debt service as a result of an advance refunding of the 2002 and 2005 general obligation debt issues.

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 \$867,027. The Water Fund experienced an increase in net assets of \$123,575. The explanations concerning the finances of the Water Fund were addressed earlier in the discussion of the Town of Colchester's Business-type activities.

General Fund Budgetary Highlights

Additional appropriations from fund balance were approved during the year totaling \$62,513. These additional appropriations were for additional contributions to the Board of Education Capital Reserve Fund for technology purchases and to the Johnston Building Capital Projects Fund for architectural design services.

Budget transfers approved during the year included additional funds for legal costs associated with a landowner's second appeal of a court ruling in favor of the Town for a land use matter; building repairs in Town Hall; vehicle repairs for Police and Fire vehicles due to the aging fleet; overtime for Police to

provide shift coverage for position vacancies; additional costs associated with two significant storms not reimbursable by FEMA funding; additional contributions to the Health insurance fund due to increasing claims; and additional contributions to Capital Funds to provide technology upgrades at Bacon Academy High School, painting of the Youth Center building, and construction of additional sidewalks to reduce school bus transportation routes. Funds for these transfers were available from vacant positions throughout various Town departments, savings in the snow removal budget due to the mild winter; savings in debt service costs due to the refunding of the 2002 and 2005 general obligation bond issues; savings in Workers Compensation and Unemployment Compensation insurance payments; contingency funds included in the budget; and changes in departmental priorities.

Capital Asset and Debt Administration

Capital Assets. The Town of Colchester's investment in capital assets for its governmental and business type activities as of June 30, 2012, amount to \$82,355,237 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, sidewalks, roads, highways, bridges and water and sewer lines (infrastructure). The total decrease in the Town of Colchester's investment in capital assets for the current fiscal year was \$2,930,554 or approximately 3.4 percent.

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

- Governmental Activities
 - Completed repaving of the High School driveway.
 - Replacement of Town phone system with VOIP system.
 - Replacement of phone system at Bacon Academy.
 - Significant road improvements funded by General Fund appropriations.
 - Replacement of various Public Works vehicles, and Youth and Social Services vans funded by lease purchase, Town Aid Road grant funds and donations.

Town of Colchester Capital Assets
(Net of Depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Land | \$ 3,432,379 | \$ 3,432,379 | \$ - | \$ - | \$ 3,432,379 | \$ 3,432,379 |
| Land Improvements | 734,910 | 806,974 | 3,986 | 4,983 | 738,896 | 811,957 |
| Bldg. & Improvements | 60,028,204 | 61,981,704 | 3,666,836 | 3,784,252 | 63,695,040 | 65,765,956 |
| Machinery & Equipment | 2,966,140 | 2,928,234 | 229,061 | 242,215 | 3,195,201 | 3,170,449 |
| Infrastructure | 9,489,676 | 10,285,902 | 1,804,045 | 1,819,148 | 11,293,721 | 12,105,050 |
| Construction in Progress | - | - | - | - | - | - |
| Total | \$ 76,651,309 | \$ 79,435,193 | \$ 5,703,928 | \$ 5,850,598 | \$ 82,355,237 | \$ 85,285,791 |

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

Long-Term Debt. At year-end the Town of Colchester had \$15,930,000 in bonds outstanding. Of this amount \$25,000 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 |
| | 2012 | 2011 | 2012 | 2011 | 2012 2011 |
| General Obligation Bonds (backed by the Town) | \$ 15,905,000 | \$ 18,115,000 | \$ 25,000 | \$ 75,000 | \$ 15,930,000 \$ 18,190,000 |
| Clean Water Fund Loan | \$ - | \$ - | \$ 2,067,041 | \$ 2,173,776 | \$ 2,067,041 \$ 2,173,776 |

Additional information on the Town of Colchester's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town of Colchester's unemployment rate decreased to 7.4% as of June 2012, which remains less than the State of Connecticut rate of 8.4% for the same time period. As of November 2012, the Town's unemployment rate decreased to 7.3% and the State's unemployment rate decreased to 8.3%. In response to the economic outlook, Town officials have been proactive in providing assistance to residents in need through energy assistance applications and property tax relief options. Steps have also been taken to closely monitor revenues and expenditures, implementing energy cost-saving measures, participating in energy rebate programs, pursuing grant opportunities, consolidation of services and regionalization efforts with surrounding Towns.

In February 2012, Moody's Investors Service assigned a bond rating of Aa3 to the Town's \$8.28 million General Obligation Refunding bonds, and affirmed the Aa3 rating on \$22.1 million of outstanding general obligation debt. Moody's noted that the rating reflects the Town's satisfactory financial position which is strengthened by strong management practices, and incorporates the Town's moderately sized tax base with average wealth levels and an affordable debt burden. Moody's also noted that the Town's financial position has started to stabilize following several consecutive years of decline.

In August 2011, Fitch Ratings affirmed the Town's bond rating of AA. Fitch noted that Town finances are stabilizing after four years of planned draws on General Fund fund balance, and that the Town has a below average debt burden with a rapid payout, and a strong tax collection rate. Fitch also noted the recently approved fund balance policy which sets forth that reserve levels will be maintained within a range of 7-10% of total expenditures.

While Colchester remains a semi-rural residential community, the Town has focused on increasing its non-residential resources. Since 2000, Colchester's residential growth remained constant, although at a slower pace than experienced in the 1980's and 1990's. Population growth declined from the 35% increase experienced during the 1990's to a steadier 6.5% during the last decade (2000 to 2010). In real terms, the Town grew by approximately 300 people annually between 1990 and 2000 as compared to 100 people annually between 2000 and 2010. This trend is projected to continue as several large subdivisions will continue to build out. In the past 18 months, residential growth has been steady, but at a slower pace. In July 2012, the two largest permitted residential developments (White Oak Farm and the Northwood Project) in the Town began new phases of development, including new roadways and infrastructure. Average home prices have been stable with the median sale price of \$240,000, which is in the top half of the State average.

Strategically, the Town has sought to focus on promoting non-residential growth in a smart growth and design focused manner and is developing a new land development regulation that reflects that philosophy. The land use regulation had been originally developed 30 years ago and did not reflect

current development practices. The new product will respond to contemporary development needs by focusing on design and other performance requirements rather than restrictive proscriptive standards.

Included in the strategy to develop non-residential lands were firm commitments to provide water and sewer infrastructure to certain growth areas over the next 10 years. A master infrastructure plan was completed that addressed the phased expansion of the water and sewer system to serve future non-residential development including design and costing of required pump stations, pipe sizes and specifications, other infrastructure needed and costs for each phase of the expansion. Construction on the first phase of the water/sewer expansion program began in mid-2012 and the initial water line has been installed. A sanitary sewer line and system lift station will be completed this year.

A 50,000sf State maintenance facility began construction in mid-2012 as well. The State facility will include construction of a regional truck and equipment facility to replace several outdated ones. A retail development that will include a 40,000sf building with an additional 10,000sf building pad for expansion will break ground in March 2013.

During the four-year period 2007 to 2011, over 40,000sf of commercial development was developed and 375,000sf of commercial development have been approved and permitted. Included in the approved development totals was a retail center that first received development approval in 2001, but had been mired in court appeals. In 2010, litigation was concluded and the development again received development approval. The site was not subject to any additional appeals following the latest round of approvals. That retail center also depended on the water/sewer expansion for service.

The Town also focused on maintaining a strong downtown and has built on the successful rehabilitation programs of the early part of the decade with new programs to redevelop and strengthen other central areas. The Lebanon Avenue corridor that includes significant properties such as the S and S Corporation, the Colchester Bakery and the Airline Trail (a major rails to trails facility) had major streetscape and lighting improvements installed in 2012 (\$285,000).

Several historic facilities in the downtown historical district are currently being renovated including extensive landscaping. The Stop and Shop center will expand with an additional 30,000sf of retail/restaurant space and the Galaxy Shoppes (35,000sf) has leased 33% of their space over the last 12 months.

The Town is also working with two existing manufacturers to develop larger spaces to house their expanding business including new developments of 80,000sf and 120,000sf, respectively. Those developments are now in the process of being permitted.

The Town is also focused on promoting rural “niche” agricultural uses. While Colchester does not have the large traditional “dairy-type” mega farms, it does have significant agricultural enterprises such as cheese, wine, and herb production; horse training and breeding; livestock; and egg farming. The Town recently adopted a “right to farm” regulation and has developed a “made in Colchester” marketing program. There are also firm plans to develop a farming corridor along Westchester Road, as there are numerous agriculture interests that are serving wholesale as well as drive-in retail clients.

The FY 2012-2013 final adopted budget of \$50,281,526 represents a decrease of \$219,761 over the adopted budget for FY 2011-2012 of \$50,501,287 with a property tax mil rate of 28.80. The mil rate reflects the impact of revaluation on the October 1, 2011 grand list.

Requests for Information

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

Basic Financial Statements

TOWN OF COLCHESTER, CONNECTICUT

STATEMENT OF NET ASSETS

June 30, 2012

| | Primary Government | | |
|--|----------------------|---------------------|----------------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 8,851,217 | \$ 597,688 | \$ 9,448,905 |
| Receivables (net of allowances for collection losses): | | | |
| Property taxes and interest | 1,151,477 | - | 1,151,477 |
| Assessments | 263,182 | - | 263,182 |
| Accounts receivable | 45,886 | 326,810 | 372,696 |
| Intergovernmental | 944,174 | - | 944,174 |
| Pension asset | 46,829 | - | 46,829 |
| Inventory | 27,303 | 49,312 | 76,615 |
| Capital assets, non-depreciable | 3,432,379 | - | 3,432,379 |
| Capital assets, net of accumulated depreciation | 73,218,930 | 5,703,928 | 78,922,858 |
| Total assets | 87,981,377 | 6,677,738 | 94,659,115 |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 1,468,014 | 106,783 | 1,574,797 |
| Claims payable | 516,634 | - | 516,634 |
| Unearned revenues | 45,958 | - | 45,958 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,675,000 | 134,020 | 1,809,020 |
| Due in more than one year | 18,387,221 | 1,958,021 | 20,345,242 |
| Total liabilities | 22,092,827 | 2,198,824 | 24,291,651 |
| Net Assets | | | |
| Investment in capital assets, net of related debt | 60,638,175 | 3,611,887 | 64,250,062 |
| Restricted | 935,021 | - | 935,021 |
| Unrestricted | 4,315,354 | 867,027 | 5,182,381 |
| Total net assets | \$ 65,888,550 | \$ 4,478,914 | \$ 70,367,464 |

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, 2012

| 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 | Governmental Activities | Business-Type Activities | |
| Governmental Activities: | | | | | | | |
| General government | \$ (4,864,185) | \$ 443,587 | \$ 76,340 | \$ - | \$ (4,344,258) | \$ - | \$ (4,344,258) |
| Public safety | (2,653,914) | 557,682 | 138,292 | - | (1,957,940) | - | (1,957,940) |
| Public works | (3,667,045) | 1,184,336 | 261,279 | 173,468 | (2,047,962) | - | (2,047,962) |
| Civic and cultural | (2,011,171) | 336,872 | 93,199 | - | (1,581,100) | - | (1,581,100) |
| Public health and welfare | (571,523) | 660 | 95,223 | - | (475,640) | - | (475,640) |
| Education | (45,899,856) | 706,963 | 20,298,112 | 19,809 | (24,874,972) | - | (24,874,972) |
| Interest on long-term debt | (998,914) | - | - | - | (998,914) | - | (998,914) |
| Total governmental activities | (60,666,608) | 3,230,100 | 20,962,445 | 193,277 | (36,280,786) | - | (36,280,786) |
| Business-Type Activities: | | | | | | | |
| Water | (940,770) | 1,063,099 | - | - | - | 122,329 | 122,329 |
| Total business-type activities | (940,770) | 1,063,099 | - | - | - | 122,329 | 122,329 |
| Total primary government | \$ (61,607,378) | \$ 4,293,199 | \$ 20,962,445 | \$ 193,277 | (36,280,786) | 122,329 | (36,158,457) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 33,924,422 | - | 33,924,422 |
| Grants and contributions not restricted to specific programs | | | | | 384,973 | - | 384,973 |
| Unrestricted investment earnings | | | | | 52,216 | 1,246 | 53,462 |
| Miscellaneous | | | | | 108,348 | - | 108,348 |
| Total general revenues | | | | | 34,469,959 | 1,246 | 34,471,205 |
| Change in net assets | | | | | (1,810,827) | 123,575 | (1,687,252) |
| Net assets - beginning | | | | | 67,699,377 | 4,355,339 | 72,054,716 |
| Net assets - ending | | | | | \$ 65,888,550 | \$ 4,478,914 | \$ 70,367,464 |

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

TOWN OF COLCHESTER, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

| | Major Funds | | | | Total Governmental Funds |
|---|---------------------|----------------------------|---------------------|-----------------------------------|--------------------------------|
| | General Fund | Bonded Projects Fund | Sewer Capital | Nonmajor Governmental Funds | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 4,702,009 | \$ 544,478 | \$ 1,251,096 | \$ 2,046,440 | \$ 8,544,023 |
| Receivables (net of allowances for collection losses): | | | | | |
| Property taxes | 1,151,477 | - | - | - | 1,151,477 |
| Assessments and user charges | - | - | - | 263,182 | 263,182 |
| Intergovernmental | 575,579 | - | - | 368,595 | 944,174 |
| Accounts receivable | 6,359 | - | - | 39,062 | 45,421 |
| Inventory | 20,945 | - | - | 6,358 | 27,303 |
| | <u>\$ 6,456,369</u> | <u>\$ 544,478</u> | <u>\$ 1,251,096</u> | <u>\$ 2,723,637</u> | <u>\$ 10,975,580</u> |
| Liabilities | | | | | |
| Accounts payable and accrued liabilities | 870,084 | 20,115 | - | 558,214 | 1,448,413 |
| Deferred revenue | 1,022,316 | - | - | 244,720 | 1,267,036 |
| Unearned revenue | - | - | - | 45,958 | 45,958 |
| Total liabilities | <u>1,892,400</u> | <u>20,115</u> | <u>-</u> | <u>848,892</u> | <u>2,761,407</u> |
| Fund balances | | | | | |
| Nonspendable | 20,945 | - | - | 6,358 | 27,303 |
| Restricted | - | - | - | 935,021 | 935,021 |
| Committed | 32,000 | 524,363 | 1,251,096 | 966,592 | 2,774,051 |
| Assigned | 176,476 | - | - | - | 176,476 |
| Unassigned | 4,334,548 | - | - | (33,226) | 4,301,322 |
| Total fund balances | <u>4,563,969</u> | <u>524,363</u> | <u>1,251,096</u> | <u>1,874,745</u> | <u>8,214,173</u> |
| Total liabilities and fund balances | <u>\$ 6,456,369</u> | <u>\$ 544,478</u> | <u>\$ 1,251,096</u> | <u>\$ 2,723,637</u> | |

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

| | |
|---|--------------|
| Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 76,651,309 |
| Deferred revenues are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 1,267,036 |
| Pension asset | 46,829 |
| 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. | (212,962) |
| Accrued interest payable is not recorded in the funds | (15,614) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (20,062,221) |

Net assets of governmental activities \$ 65,888,550

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, 2012

| | Major Funds | | | Nonmajor | Total |
|---|---------------------|-------------------|---------------------|---------------------|---------------------|
| | General | Bonded | Sewer | Governmental | Governmental |
| | Fund | Projects | Capital | Funds | Funds |
| REVENUES | | | | | |
| Property taxes | \$ 33,794,551 | \$ - | \$ - | \$ - | \$ 33,794,551 |
| Intergovernmental revenues | 19,517,186 | - | - | 2,327,523 | 21,844,709 |
| Revenues from use of money | 48,747 | - | 2,546 | 923 | 52,216 |
| Fees, permits and sales | 656,649 | - | 19,240 | 615,140 | 1,291,029 |
| Charges for services and assessments | 502,588 | 5,450 | - | 1,461,036 | 1,969,074 |
| Other | 122,060 | - | - | 320,845 | 442,905 |
| Total revenues | 54,641,781 | 5,450 | 21,786 | 4,725,467 | 59,394,484 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 3,649,080 | 148,971 | - | 59,548 | 3,857,599 |
| Public safety | 2,139,001 | - | - | 262,061 | 2,401,062 |
| Public works | 2,440,714 | - | - | 920,722 | 3,361,436 |
| Public health and welfare | 434,075 | - | - | 111,927 | 546,002 |
| Civic and cultural | 1,254,771 | - | - | 461,399 | 1,716,170 |
| Education | 40,492,902 | - | - | 2,623,883 | 43,116,785 |
| Debt service | 2,914,282 | - | - | 315,140 | 3,229,422 |
| Capital outlay | - | 16,599 | 1,966 | 672,935 | 691,500 |
| Total expenditures | 53,324,825 | 165,570 | 1,966 | 5,427,615 | 58,919,976 |
| Revenue over (under) expenditures | 1,316,956 | (160,120) | 19,820 | (702,148) | 474,508 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 214,746 | 154,684 | 83,813 | 448,374 | 901,617 |
| Transfers out | (583,058) | (214,746) | - | (103,813) | (901,617) |
| Bond premium | - | - | - | 528,415 | 528,415 |
| Issuance of refunding bonds | - | - | - | 8,400,000 | 8,400,000 |
| Payment to escrow agent | - | - | - | (8,809,466) | (8,809,466) |
| Total other financing sources (uses) | (368,312) | (60,062) | 83,813 | 463,510 | 118,949 |
| Net change in fund balances | 948,644 | (220,182) | 103,633 | (238,638) | 593,457 |
| FUND BALANCES, beginning | 3,615,325 | 744,545 | 1,147,463 | 2,113,383 | 7,620,716 |
| FUND BALANCES, ending | \$ 4,563,969 | \$ 524,363 | \$ 1,251,096 | \$ 1,874,745 | \$ 8,214,173 |

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, 2012

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

| | |
|---|------------------------------|
| Net change in fund balances – total governmental funds | \$ 593,457 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | (2,783,884) |
| Net changes in deferred revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (538,703) |
| Change in pension asset | 26,595 |
| 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. | 2,101,866 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | (377,800) |
| The net loss of certain activities of internal service funds is reported with governmental activities. | <u>(832,358)</u> |
| Change in net assets of governmental activities | <u><u>\$ (1,810,827)</u></u> |

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, 2012

| | Major Fund Business-Type Activities Enterprise Fund | Governmental Activities Internal Service Fund Medical Self- Insurance Fund |
|---|--|---|
| | Water Fund | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 597,688 | \$ 307,194 |
| Accounts receivable | 326,810 | 465 |
| Inventory | 49,312 | - |
| Total current assets | 973,810 | 307,659 |
| Capital Assets, net of accumulated depreciation | 5,703,928 | - |
| Total assets | 6,677,738 | 307,659 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 106,783 | 3,987 |
| Claims payable | - | 516,634 |
| Bonds payable - current | 25,000 | - |
| Loan payable- current | 109,020 | - |
| Total current liabilities | 240,803 | 520,621 |
| Noncurrent Liabilities: | | |
| Loan payable | 1,958,021 | - |
| Total noncurrent liabilities | 1,958,021 | - |
| Total liabilities | 2,198,824 | 520,621 |
| NET ASSETS (DEFICITS) | | |
| Invested in capital assets, net of related debt | 3,611,887 | - |
| Unrestricted | 867,027 | (212,962) |
| Total net assets (deficits) | \$ 4,478,914 | \$ (212,962) |

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, 2012

| | Major Fund Business-Type Activities Enterprise Fund | Governmental Activities Internal Service Fund Medical Self- Insurance Fund |
|--|--|---|
| | Water Fund | |
| OPERATING REVENUES | | |
| Water use fees and charges | \$ 1,063,099 | \$ - |
| Premiums | - | 6,505,737 |
| Total operating revenues | <u>1,063,099</u> | <u>6,505,737</u> |
| OPERATING EXPENSES | | |
| Claims/operating | 683,224 | 6,123,025 |
| Depreciation | 209,953 | - |
| Administration | - | 1,215,508 |
| Total operating expenses | <u>893,177</u> | <u>7,338,533</u> |
| Operating income (loss) | <u>169,922</u> | <u>(832,796)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest income | 1,246 | 438 |
| Interest expense | (47,593) | - |
| Total nonoperating revenue (expenses) | <u>(46,347)</u> | <u>438</u> |
| Change in net assets | 123,575 | (832,358) |
| FUND NET ASSETS, beginning | <u>4,355,339</u> | <u>619,396</u> |
| FUND NET ASSETS (DEFICITS), ending | <u>\$ 4,478,914</u> | <u>\$ (212,962)</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, 2012

| | Major Fund Business-Type Activities Enterprise Fund | Governmental Activities Internal Service Fund |
|---|--|--|
| | Water Fund | Medical Self- Insurance Fund |
| Cash Flows From Operating Activities | | |
| Cash received from charges for services | \$ 1,035,162 | \$ 6,505,313 |
| Cash paid to vendors and beneficiaries | (682,933) | (7,215,963) |
| Net cash provided by (used in) operating activities | 352,229 | (710,650) |
| Cash Flows From Capital and Related Financing Activities | | |
| Purchase of capital assets | (63,283) | - |
| Interest paid | (48,051) | - |
| Principal payments of debt | (156,735) | - |
| Net cash used in capital and related financing activities | (268,069) | - |
| Cash Flows From Investing Activities | | |
| Interest on cash and cash equivalents | 1,246 | 438 |
| Net increase (decrease) in cash and cash equivalents | 85,406 | (710,212) |
| Cash and Cash Equivalents | | |
| Beginning | 512,282 | 1,017,406 |
| Ending | <u>\$ 597,688</u> | <u>\$ 307,194</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | | |
| Operating income (loss) | \$ 169,922 | \$ (832,796) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 209,953 | - |
| Changes in assets and liabilities: | | |
| Increase in accounts receivable | (27,937) | (424) |
| Decrease in inventories | 9,385 | - |
| Decrease in accounts payable | (9,094) | (12,853) |
| Increase in claims payable | - | 135,423 |
| Net cash provided by (used in) operating activities | \$ 352,229 | \$ (710,650) |

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, 2012

| | Pension Trust Fund | Private Purpose Trust Fund | Agency Fund |
|---|-----------------------|----------------------------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 463 | \$ 289,155 |
| Investments | 702,577 | - | - |
| Total assets | <u>702,577</u> | <u>463</u> | <u>289,155</u> |
| LIABILITIES | | | |
| Amounts held for student activities and other | - | - | 289,155 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>289,155</u> |
| Net Assets Held in Trust for Pension Benefits and Other Purposes | <u>\$ 702,577</u> | <u>\$ 463</u> | <u>\$ -</u> |

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

TOWN OF COLCHESTER, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
For the Year Ended June 30, 2012

| | Pension Trust Fund | Private Purpose Trust Fund |
|---|-----------------------|----------------------------------|
| ADDITIONS | | |
| Contributions | | |
| Employee | \$ 48,173 | \$ - |
| Employer | 101,034 | |
| Total contributions | <u>149,207</u> | <u>-</u> |
| Investment Income (loss) | | |
| Net depreciation in fair value of investments | (6,578) | |
| Investment income | <u>(6,578)</u> | <u>-</u> |
| Total additions and change in net assets | <u>142,629</u> | <u>-</u> |
| Net Assets Held in Trust | | |
| Beginning of year | <u>559,948</u> | <u>463</u> |
| End of year | <u>\$ 702,577</u> | <u>\$ 463</u> |

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

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

Reporting entity

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

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

Government-wide fund and financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, OPEB, pension, landfill closure costs, and claims and judgments, are recorded only when payment is due (matured).

Property taxes, when levied for, intergovernmental revenues when the eligibility requirements are met, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable only when cash is received by the Town.

The Town reports the following major governmental funds:

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

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

The *Sewer Capital Fund* accounts for and reports financial resources to be used for the capital expenditures for the sewer facility.

The Town reports the following major proprietary fund:

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

Additionally, the Town reports the following fund types:

Governmental Fund Types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for particular purposes other than debt services or capital projects.

Capital Projects Funds are used to account for and report the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

The *Debt Service fund* is used for the accumulation of resources for, and payment of, general long-term bonded debt, principal, interest and related costs.

Proprietary Fund Types:

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

Fiduciary Fund Types:

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

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

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

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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 Town 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service funds are charges to other Town funds for medical insurance premiums. Operating expenses for internal service funds include the cost of claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting estimates

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

Property taxes

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

Cash equivalents

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

Allowances for doubtful accounts

Accounts and notes receivable, including property taxes receivable, are reported net of allowance for doubtful accounts of approximately \$1,194,000. 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

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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 value of the position in the pool is the same as the value of the pool shares.

Inventories

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

Capital assets

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

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

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

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

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

Compensated absences

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

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

Long-term obligations

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

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

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 assigned 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 paid. Stand-alone statements are not issued.

Governmental Funds/Governmental Activities

Expenditures are recognized when they are paid or are expected to be paid with current available resources in the governmental activities. In 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. The Town makes contributions based on management decisions.

Other Post-Employment Obligations (OPEB) accounting

OPEB Plan:

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when paid. Stand-alone statements are not issued.

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

Government Funds/Governmental Activities:

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

Funding Policy:

The Town makes annual contributions based on management decisions.

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.

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

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

In the fund financial statements, the Town reported the following governmental fund balances:

- **Nonspendable Fund Balance** - These amounts cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- **Restricted Fund Balance** - These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- **Committed Fund Balance** – This represents amounts constrained prior to year-end by a resolution for a specific purpose by a government using its highest level of decision making authority (Town of Colchester Board of Finance/Board of Selectmen).
- **Assigned Fund Balance** – Amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. The Chief Financial Officer has the authority to assign fund balances.
- **Unassigned Fund Balance** – The residual amount not allocated to any other fund balance category in the General Fund and any residual deficit balance of any other governmental funds.

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

When both restricted and unrestricted amounts are available for use, it is the Town's practice to use restricted resources first. Additionally, the Town would first use committed, then assigned, and lastly unassigned.

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

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net 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 difference are as follows:

| | |
|---|-----------------------------|
| Bonds payable | \$ 15,905,000 |
| Bond premium, net of amortization | 480,377 |
| Deferred loss, net of amortization | (372,243) |
| Landfill closure costs | 180,000 |
| Compensated absences | 2,826,274 |
| OPEB obligation | <u>1,042,813</u> |
| Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities | <u><u>\$ 20,062,221</u></u> |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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 difference are as follows:

| | |
|--|------------------------------|
| Capital outlay | \$ 1,008,229 |
| Depreciation expense | <u>(3,792,113)</u> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | <u><u>\$ (2,783,884)</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

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

| | |
|--|---------------------|
| Issuance of new debt | \$ (8,400,000) |
| Principal repayments | 10,610,000 |
| Net amortization of premiums and deferred losses | <u>(108,134)</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | <u>\$ 2,101,866</u> |

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

| | |
|--|---------------------|
| Compensated absences | \$ (136,274) |
| Landfill closure | 15,000 |
| Accrued interest | 9,693 |
| OPEB obligation | <u>(266,219)</u> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities | <u>\$ (377,800)</u> |

Note 3. Cash, Cash Equivalents and Investments

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

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

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

Interest rate risk: The Town and the Pension Trust Fund do not have a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, its practice is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, or pension payments, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

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

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2012, approximately \$4,828,268 of the Town's bank balance of approximately \$7,026,965 was uninsured and uncollateralized.

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

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2012:

Cash and Cash Equivalents

| | |
|---|------------------|
| Deposits with financial institutions | \$ 7,449,009 |
| State of Connecticut Short-Term Investment fund | 2,084,140 |
| Cutwater-Connecticut CLASS Plus | 205,374 |
| Total cash and cash equivalents | 9,738,523 |

Investments

| | |
|--|----------------------|
| Pension Trust Funds: | |
| Mutual Funds | 702,577 |
| Total cash, cash equivalents, and investments | \$ 10,441,100 |

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

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

Statement of Net Assets

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 9,448,905 |
|---------------------------|--------------|

Fiduciary Funds

| | |
|---------------------------|----------------|
| Cash and cash equivalents | 289,618 |
| Investments | 702,577 |
| | <u>992,195</u> |

| | |
|--|----------------------|
| Total cash, cash equivalents, and investments | \$ 10,441,100 |
|--|----------------------|

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) <u>Less Than 1 Year</u> |
|---------------------|---------------------|---|
| Pooled Income Funds | <u>\$ 2,289,514</u> | <u>\$ 2,289,514</u> |

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the minimum rating as required for each debt type investment.

| | Standard & Poors | Pooled Income Fund |
|----------------------------------|---------------------|-----------------------|
| State Short-Term Investment Fund | AAAm | \$ 2,084,140 |
| Cutwater-Connecticut CLASS Plus | AAAm | 205,374 |
| | | <u>\$ 2,289,514</u> |

TOWN OF COLCHESTER, CONNECTICUT**NOTES TO FINANCIAL STATEMENTS, Continued**
June 30, 2012

Note 4. Unearned Revenue/Deferred Revenue

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

| | Deferred Revenue | Unearned Revenue |
|---|---------------------|---------------------|
| General Fund: | | |
| Taxes and accrued interest on delinquent property taxes | \$ 1,022,316 | \$ - |
| Nonmajor Funds: | | |
| Assessments receivable | 244,720 | - |
| Grants and other | - | 45,958 |
| Total | <u>\$ 1,267,036</u> | <u>\$ 45,958</u> |

Note 5. Interfund Transfers

Interfund transfers during the year ended June 30, 2012 were as follows:

| | Transfers In | Transfers Out |
|-----------------------------|-------------------|---------------------|
| General Fund | \$ 214,746 | \$ (583,058) |
| Bonded Projects | 154,684 | (214,746) |
| Sewer Capital Fund | 83,813 | - |
| Nonmajor Governmental Funds | 448,374 | (103,813) |
| Total | <u>\$ 901,617</u> | <u>\$ (901,617)</u> |

Transfers are used to account for financing by the General Fund of programs accounted for in other funds in accordance with budgetary authorizations. The transfer in to the General Fund from Bonded Projects was to transfer unexpended balances on completed capital projects.

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|----------------|-----------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 3,432,379 | \$ - | \$ - | \$ 3,432,379 |
| Total capital assets, not being depreciated | 3,432,379 | - | - | 3,432,379 |
| Capital assets, being depreciated: | | | | |
| Improvements other than buildings | 2,036,100 | 7,095 | - | 2,043,195 |
| Buildings | 89,362,477 | - | - | 89,362,477 |
| Machinery and equipment | 11,784,314 | 646,465 | (225,287) | 12,205,492 |
| Infrastructure | 35,831,429 | 354,669 | - | 36,186,098 |
| Total capital assets being depreciated | 139,014,320 | 1,008,229 | (225,287) | 139,797,262 |
| Less accumulated depreciation for: | | | | |
| Improvements other than buildings | 1,229,126 | 79,159 | - | 1,308,285 |
| Buildings | 27,380,773 | 1,953,500 | - | 29,334,273 |
| Machinery and equipment | 8,856,080 | 608,559 | (225,287) | 9,239,352 |
| Infrastructure | 25,545,527 | 1,150,895 | - | 26,696,422 |
| Total accumulated depreciation | 63,011,506 | 3,792,113 | (225,287) | 66,578,332 |
| Total capital assets, being depreciated, net | 76,002,814 | (2,783,884) | - | 73,218,930 |
| Governmental activities capital assets, net | \$ 79,435,193 | \$ (2,783,884) | \$ - | \$ 76,651,309 |

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|-------------|---------------------|
| Business-type activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 4,979,851 | \$ - | \$ - | \$ 4,979,851 |
| Machinery and equipment | 327,532 | 15,179 | - | 342,711 |
| Improvements other than buildings | 21,391 | - | - | 21,391 |
| Infrastructure | 3,184,825 | 48,104 | - | 3,232,929 |
| Total capital assets, being depreciated | 8,513,599 | 63,283 | - | 8,576,882 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,195,599 | 117,416 | - | 1,313,015 |
| Machinery and equipment | 85,317 | 28,333 | - | 113,650 |
| Improvements other than buildings | 16,408 | 997 | - | 17,405 |
| Infrastructure | 1,365,677 | 63,207 | - | 1,428,884 |
| Total accumulated depreciation | 2,663,001 | 209,953 | - | 2,872,954 |
| Total capital assets, being depreciated, net | 5,850,598 | (146,670) | - | 5,703,928 |
| Business-type activities capital assets, net | <u>\$ 5,850,598</u> | <u>\$ (146,670)</u> | <u>\$ -</u> | <u>\$ 5,703,928</u> |

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

Governmental Activities:

| | |
|---------------------------|------------------|
| General government | \$ 940,675 |
| Public works | 460,482 |
| Public safety | 209,334 |
| Civic and cultural | 243,574 |
| Public health and welfare | 10,820 |
| Education | <u>1,927,228</u> |

| | |
|--|---------------------|
| Total depreciation expense – governmental activities | <u>\$ 3,792,113</u> |
|--|---------------------|

Business-Type Activities:

| | |
|------------|-------------------|
| Water Fund | <u>\$ 209,953</u> |
|------------|-------------------|

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

Note 7. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2012 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--|----------------------|---------------------|------------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 18,115,000 | \$ 8,400,000 | \$ (10,610,000) | \$ 15,905,000 | \$ 1,575,000 |
| Bond premium | - | 528,415 | (48,038) | 480,377 | - |
| Deferred gain/loss | - | (409,467) | 37,224 | (372,243) | - |
| Landfill post-closure monitoring | 195,000 | - | (15,000) | 180,000 | 15,000 |
| Compensated absences | 2,690,000 | 136,274 | - | 2,826,274 | 85,000 |
| OPEB obligation | 776,594 | 266,219 | - | 1,042,813 | - |
| Governmental activity long-term liabilities | \$ 21,776,594 | \$ 8,921,441 | \$ (10,635,814) | \$ 20,062,221 | \$ 1,675,000 |
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 75,000 | \$ - | \$ (50,000) | \$ 25,000 | \$ 25,000 |
| CWF loans | 2,173,776 | - | (106,735) | 2,067,041 | 109,020 |
| Business-type long-term liabilities | \$ 2,248,776 | \$ - | \$ (156,735) | \$ 2,092,041 | \$ 134,020 |

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

TOWN OF COLCHESTER, CONNECTICUT**NOTES TO FINANCIAL STATEMENTS, Continued**
June 30, 2012

General obligation bonds outstanding as of June 30, 2012 consisted of the following:

| | <u>Outstanding Amount</u> |
|--|-------------------------------|
| General obligation bonds payable: | |
| \$10,800,000 bond, issue of 2005 due 2015, annual principal payments range from \$540,000 to \$645,000 plus interest due semi-annually at 3.25% to 4.5% | \$ 1,630,000 |
| \$8,400,000 refunding bond, issue of 2012 due 2025, annual principal payments range from \$320,000 to \$850,000 plus interest due semiannually at 2.0% to 4.0% | 8,400,000 |
| \$6,595,000 bond, issue of 2010 due 2021, annual principal payments range from \$390,000 to \$720,000 plus interest due semiannually at 2.25% to 5.0% | <u>5,875,000</u> |
| Total general obligation bonds payable | <u><u>\$ 15,905,000</u></u> |

The following is a summary as of June 30, 2012, of the future principal and interest requirements for the Town's general obligation bonds:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------|-----------------------------|----------------------------|-----------------------------|
| 2013 | \$ 1,575,000 | \$ 520,890 | \$ 2,095,890 |
| 2014 | 1,575,000 | 467,015 | 2,042,015 |
| 2015 | 1,550,000 | 422,865 | 1,972,865 |
| 2016 | 1,530,000 | 371,465 | 1,901,465 |
| 2017 | 1,515,000 | 327,265 | 1,842,265 |
| 2018 | 1,525,000 | 266,665 | 1,791,665 |
| 2019 | 1,495,000 | 215,415 | 1,710,415 |
| 2020 | 1,490,000 | 157,165 | 1,647,165 |
| 2021 | 1,200,000 | 99,065 | 1,299,065 |
| 2022 | 800,000 | 61,115 | 861,115 |
| 2023 | 560,000 | 37,115 | 597,115 |
| 2024 | 550,000 | 24,795 | 574,795 |
| 2025 | 540,000 | 12,420 | 552,420 |
| Total | <u><u>\$ 15,905,000</u></u> | <u><u>\$ 2,983,255</u></u> | <u><u>\$ 18,888,255</u></u> |

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

| | Outstanding Amount |
|--|-----------------------|
| Enterprise fund general obligation bonds: | |
| \$640,000 bond issue of October 2002, due 2013, annual principal payments ranging from \$25,000 to \$70,000 plus interest due semiannually at 3.00% to 4.00% | |
| | \$ 25,000 |

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

| | Principal | Interest | Total |
|------|-----------|----------|-----------|
| 2013 | \$ 25,000 | \$ 1,000 | \$ 26,000 |

The Town received Clean Water Fund Project loans that are recorded as a loan payable in the Water Fund. The balance at June 30, 2012 is \$2,067,041. These loans accrue interest at 2%. The following is a summary as of June 30, 2012, of the future principal and interest payments on these loans:

| | Principal | Interest | Total |
|-------|--------------|------------|--------------|
| 2013 | \$ 109,020 | \$ 42,766 | \$ 151,786 |
| 2014 | 111,354 | 40,432 | 151,786 |
| 2015 | 113,738 | 38,048 | 151,786 |
| 2016 | 116,173 | 35,614 | 151,787 |
| 2017 | 118,660 | 33,127 | 151,787 |
| 2018 | 121,200 | 30,586 | 151,786 |
| 2019 | 123,795 | 27,992 | 151,787 |
| 2020 | 126,445 | 25,342 | 151,787 |
| 2021 | 129,151 | 22,635 | 151,786 |
| 2022 | 131,916 | 19,870 | 151,786 |
| 2023 | 134,740 | 17,046 | 151,786 |
| 2024 | 137,625 | 14,162 | 151,787 |
| 2025 | 140,571 | 11,216 | 151,787 |
| 2026 | 143,580 | 8,206 | 151,786 |
| 2027 | 146,654 | 5,133 | 151,787 |
| 2028 | 149,793 | 1,993 | 151,786 |
| 2029 | 12,626 | 22 | 12,648 |
| Total | \$ 2,067,041 | \$ 374,190 | \$ 2,441,231 |

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

2012 General Obligation Bond – In-substance Defeasance

On March 1, 2012, the Town issued \$8,400,000 of general obligation refunding bonds with interest rates ranging from 2.0% to 4.0%, of which \$8,100,000 were used to advance refund portions of the outstanding principal amounts of the general obligation bonds of the Town dated June 15, 2005 and August 1, 2002 (the "Refunding Bonds"). Of the net proceeds of \$8,928,415 (after payment of \$116,636 in underwriters fees), \$8,809,466 was placed in an irrevocable trust fund under an Escrow Agreement dated March 1, 2012 between the Town and the Escrow Holder. The Escrow Holder used the proceeds to purchase a portfolio of non-callable direct obligations of the United States of America ("Government Obligations"). The Government Obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption premiums on the Refunding Bonds on the date the payments are due.

The Town advance refunded the above bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and net debt) of approximately \$523,000 and cash savings of approximately \$571,000.

The balance in the escrow was \$5,954,260 at June 30, 2012. The balance of the defeased bonds was approximately \$5,900,000 at June 30, 2012. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

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, 2012 was \$595,358.

Debt limitation

The Town's statement of debt limitation under Connecticut General Statutes, Section 7-434(b) as of June 30, 2012, is as follows:

| | |
|--|----------------------|
| Total tax collections (including interest and lien fees) for the year ended June 30, 2012 | \$ 33,812,941 |
| Reimbursement for revenue loss: | |
| Tax relief for elderly | 48,263 |
| Base | <u>\$ 33,861,204</u> |

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

Bonds Authorized But Unissued

Total authorized but unissued debt at June 30, 2012 consists of the following:

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

The Connecticut General Statutes provides that total authorized debt of the Town shall not exceed seven times the above base cash receipts or \$237,028,428 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 | \$ 76,187,709 | \$ - | \$ - | \$ - | \$ - |
| 4-1/2 times base | - | 152,375,418 | - | - | - |
| 3-3/4 times base | - | - | 126,979,515 | - | - |
| 3-1/4 times base | - | - | - | 110,048,913 | - |
| 3 times base | - | - | - | - | 101,583,612 |
| Total debt limitation | 76,187,709 | 152,375,418 | 126,979,515 | 110,048,913 | 101,583,612 |
| Debt as defined by statute: | | | | | |
| Bonds payable ⁽¹⁾ | 3,202,000 | 12,703,000 | - | - | - |
| Authorized and unissued | 140,000 | 63,741 | - | - | - |
| Total indebtedness | 3,342,000 | 12,766,741 | - | - | - |
| Debt limitation in excess of outstanding and authorized debt | <u>\$ 72,845,709</u> | <u>\$ 139,608,677</u> | <u>\$ 126,979,515</u> | <u>\$ 110,048,913</u> | <u>\$ 101,583,612</u> |

⁽¹⁾ Water bonds and Clean Water Fund interim financing totaling \$2,092,041 are excluded from this calculation pursuant to Connecticut General Statutes.

Note 8. Contingencies

Lawsuits

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

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

Note 9. Pension Fund

Police Department Defined Benefit Plan

The Town contributes to a defined benefit pension plan - the Town of Colchester Police Retirement Plan (the Plan), a single employer plan, effective July 1, 2005. The Plan is presented in the accompanying financial statements as a pension trust fund. A stand-alone report is not available for this plan.

1. Classes of Employees Covered

At July 1, 2011, PERS membership consisted of:

| | |
|--|-------|
| Retirees and beneficiaries receiving benefits | - |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | |
| Vested | 2 |
| Nonvested | 8 |
| | <hr/> |
| Total | 10 |

2. Benefit Provisions

a. Benefit Provisions

The Town contributes to the Town of Colchester Police Pension plan, a single employer Public Employee Retirement System (PERS) established and administered by the Town to provide pension benefits for its police employees. The responsibility for holding and investment of plan assets lies with the trustee appointed by the Retirement Board. The trustees shall be the bank or Trust company having the power to act as trustee in the State of Connecticut. The current trustee is ING. The PERS is considered part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. Employees are eligible to participate on the date the employee commences making employee contributions.

The retirement benefit is calculated at 2.5% of Final Average Salary during the highest 3 plan years of active employment multiplied by years of service, with a maximum pension of 60% of Final Average Salary. Years of service is computed in whole years. Participants are 100% vested after 10 years of service. If an employee leaves covered employment or dies before 10 years of service, accumulated employee contributions are refunded with retirement income being forfeited. Benefits and contributions are established by the Town and may be amended only by the Town. The latest actuarial valuation reflects no material changes in funding method or assumptions and no material changes in plan provisions or coverage.

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

b. Funding Policy

Employees are required to contribute 8% of their weekly pay and the employer picks up mandatory contributions of 8% of pay on behalf of each participant. The Town is required to contribute the remaining amounts necessary to finance the coverage for its employees.

3. Annual Pension Cost and Net Pension Asset

The Town's annual pension cost and the change in the net pension asset to the Town of Colchester's Employee Retirement Plan for the current year were:

| | |
|--|--------------------|
| Annual required contribution | \$ 74,068 |
| Interest on net pension obligation | (1,518) |
| Adjustment to annual required contribution | 1,889 |
| Annual pension cost | 74,439 |
| Contributions made | 101,034 |
| Increase in net pension asset | (26,595) |
| Net pension asset, July 1, 2011 | (20,234) |
| Net pension asset, June 30, 2012 | <u>\$ (46,829)</u> |

Three Year Trend Information

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Asset |
|-----------------------|------------------------------|----------------------------------|----------------------|
| 06/30/10 | \$78,059 | \$103.5% | \$(27,430) |
| 06/30/11 | 93,624 | 92.3% | (20,234) |
| 06/30/12 | 74,439 | 135.7% | (46,829) |

4. Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|-----------------------------------|----------------------------|---------------------------|---|
| July 1, 2011 | \$ 559,948 | \$ 705,953 | \$ 146,005 | 79.3% | \$ 571,675 | 25.5% |

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

Actuarial assumptions are as follows:

| | |
|-------------------------------|-----------------------|
| Valuation Date: | July 1, 2011 |
| Actuarial Cost Method: | Projected Unit Credit |
| Amortization Method: | Level Dollar |
| Remaining Amortization Period | 18 Years Closed |
| Asset Valuation Method: | Market Value |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.5% |
| Projected Salary Increases | 4.5% |

Defined Contribution Retirement Savings Plan

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

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, at least twenty-five of which are service in the public schools of Connecticut. The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

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

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

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$3,842,000 for the year ended June 30, 2012.

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

Note 10. Other Postemployment Benefits

In addition to providing pension benefits, the Town provides 40% to 50% of certain health care benefits for retired employees. Substantially all of the Town's employees may become eligible for those benefits, if they retire under a normal retirement or with disability.

Post employment benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the Town recognizes the cost of postemployment healthcare in the year when the employee services are received, discloses the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan description

The Town provides post-employment benefits for certain employees for current and future health and life insurance benefit expenses. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2011.

The contribution requirements of plan members and the Town are established and may be amended by the Town. The Town determines the required contribution using the Projected Unit Credit Method.

Membership in the plan consisted of the following at July 1, 2011, the date of the last actuarial valuation.

| | |
|---|------------|
| Retirees and beneficiaries receiving benefits | 28 |
| Active plan members | 409 |
| Total | <u>437</u> |

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Town's contributions represent payments made for premiums for insured individuals on a pay-as-you-go method.

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

| Fiscal Year Ending | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-----------------------|---------------------|---------------------------|---|------------------------|
| June 30, 2012 | \$ 470,219 | \$ 204,000 | 43.4% | \$ 1,042,813 |
| June 30, 2011 | 442,121 | 178,000 | 40.3% | 776,594 |
| June 30, 2010 | 414,473 | 169,000 | 40.8% | 512,473 |

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

OPEB Obligation

| | |
|--|---------------------|
| Annual required contribution | \$ 468,000 |
| Interest on net pension obligation | 31,064 |
| Adjustment of ARC | (28,845) |
| Annual OPEB cost | 470,219 |
| Contributions made | 204,000 |
| Increase in net OPEB liability | 266,219 |
| Net OPEB obligation, beginning of year | 776,594 |
| Net OPEB obligation, end of year | <u>\$ 1,042,813</u> |

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded Accrued Liability AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|---|--------------------------|---------------------------|---|
| July 1, 2011 | \$ - | \$ 4,209,000 | \$ (4,209,000) | 0.0% | N/A | N/A |

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial assumptions are as follows:

| | |
|-------------------------------|--|
| Valuation Date: | July 1, 2011 |
| Actuarial Cost Method: | Projected Unit Credit |
| Asset Valuation Method: | Market Value |
| Amortization Method: | Level Percent of Pay Closed |
| Remaining Amortization Period | 30 Years - decreasing |
| Actuarial Assumptions: | |
| Discount rate | 4.00% |
| Health cost trend rates | Average annual healthcare cost trend rates are assumed to be as follows: |

| Year | Decrease |
|----------------|----------|
| 2010 | 8% |
| 2011 | 7% |
| 2012 | 6% |
| 2013 and later | 5% |

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 11. Risk Management

The Town is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors and omissions, health of and/or injury to employees, natural disasters, and owners and contractors protective liability. The Town generally obtains commercial insurance for these risks, but has chosen to retain the risk for employee health and medical claims.

The Medical Self-Insurance Fund is funded by monthly contributions from all funds incurring payroll charges. Anthem Blue Cross/Blue Shield, administrator of the claims process, aids the Town in calculating "premium" rates per contract. Under the Town's current policy, the Medical Self-Insurance Fund covers all employee claims up to \$125,000 per claim with an aggregate stop loss of 125% of expected claims paid which was approximately \$5,882,000 for the year ended June 30, 2012.

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, |
|-----------|-----------------------------|---------------------------------------|----------------|-------------------------------|
| 2011-2012 | \$ 381,211 | \$ 6,017,277 | \$ 5,881,854 | \$ 516,634 |
| 2010-2011 | \$ 462,183 | \$ 5,218,803 | \$ 5,299,775 | \$ 381,211 |

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

Note 12. Landfill Postclosure Care Cost

The Town's municipal solid waste landfill stopped accepting waste in 1994. State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the site for thirty years after closure. The remaining postclosure costs are estimated to be \$180,000 (\$15,000 per year for

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

12 years). Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The responsibility for postclosure monitoring will remain with the Town.

Note 13. Fund Balance

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

| | General Fund | Bonded Projects Fund | Sewer Capital Fund | Nonmajor Governmental Funds |
|---------------------------|---------------------|----------------------------|--------------------------|-----------------------------------|
| Fund balances: | | | | |
| Non-spendable: | | | | |
| Inventory | \$ 20,945 | \$ - | \$ - | \$ 6,358 |
| Restricted: | | | | |
| General government | - | - | - | 78,271 |
| Education | - | - | - | 223,433 |
| Civic and cultural | - | - | - | 108,490 |
| Capital projects | - | - | - | 360,335 |
| Public safety | - | - | - | 74,864 |
| Public health and welfare | - | - | - | 89,628 |
| | - | - | - | 935,021 |
| Committed: | | | | |
| General government | 32,000 | - | - | - |
| Debt service | - | - | - | 52,313 |
| Capital outlay | - | 524,363 | 1,251,096 | 446,282 |
| Education | - | - | - | 14,281 |
| Public safety | - | - | - | 3,995 |
| Public works | - | - | - | 449,721 |
| | 32,000 | 524,363 | 1,251,096 | 966,592 |
| Assigned: | | | | |
| Civic & Cultural | 1,209 | - | - | - |
| Education | 175,267 | - | - | - |
| | 176,476 | - | - | - |
| Unassigned | 4,334,548 | - | - | (33,226) |
| Total fund balance | \$ 4,563,969 | \$ 524,363 | \$ 1,251,096 | \$ 1,874,745 |

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

Fund Deficits

The following funds had fund deficits as of June 30, 2012:

| | | |
|---------------------------------|----|---------|
| Parks and Recreation Activities | \$ | 29,416 |
| Adult Education | | 3,810 |
| Medical Self-Insurance | | 212,962 |

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

Note 14. Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

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

- **GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements***, issued November 2010, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- **GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34***, issued November 2010, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- **GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, issued January 2011, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations,

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

- **GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***, issued July 2011, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, was issued **March 2012**. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.
- **GASB Statement No. 66, *Technical Corrections—2012***, was issued in **March 2012**. *The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.
- **GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25***, was issued in **June 2012**. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2014.
- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27***, was issued in **June 2012**. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial

TOWN OF COLCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2012

support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement will be effective for the Town beginning with its year ending June 30, 2015.

**Required Supplementary
Information**

TOWN OF COLCHESTER, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS – PENSION PLAN

June 30, 2012

Schedule of Funding Progress - Pension Trust

| Actuarial Valuation Date | Actuarial Valuation of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded/ (Overfunded) AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|-----------------------------|--|---|--|----------------------------|---------------------------|---|
| 07/01/06 | \$ 43,732 | \$ 193,242 | \$ 149,510 | 22.6% | \$ 397,531 | 37.6% |
| 07/01/07 | 113,736 | 239,836 | 126,100 | 47.4% | 410,312 | 30.7% |
| 07/01/08 | 175,781 | 364,546 | 188,765 | 48.2% | 557,408 | 33.9% |
| 07/01/09 | 229,699 | 535,745 | 306,046 | 42.9% | 550,743 | 55.6% |
| 07/01/10 | 374,488 | 599,560 | 225,072 | 62.5% | 421,643 | 53.4% |
| 07/01/11 | 559,948 | 705,953 | 146,005 | 79.3% | 571,675 | 25.5% |

Schedule of Employer Contributions - Pension Trust

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed |
|---------------------------|------------------------------------|---------------------------|
| 2007 | \$ 44,587 | 94% |
| 2008 | 44,587 | 108% |
| 2009 | 45,732 | 142% |
| 2010 | 77,704 | 104% |
| 2011 | 93,178 | 93% |
| 2012 | 74,068 | 136% |

TOWN OF COLCHESTER, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS - OPEB

June 30, 2012

Schedule of Funding Progress - OPEB

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Accrued Liability (b) | Unfunded Accrued Liability (UAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (C) | UAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|-----------------------------|--|--------------------------|---------------------------|--|
| July 1, 2009 | \$ - | \$ 4,306,000 | \$ (4,306,000) | \$ - | N/A | N/A |
| July 1, 2011 | - | 4,209,000 | (4,209,000) | - | N/A | N/A |

Schedule of Employer Contributions - OPEB

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed |
|------------------------|------------------------------------|---------------------------|
| 2009 | \$ 413,000 | 35.4% |
| 2010 | 413,000 | 40.9% |
| 2011 | 440,000 | 40.5% |
| 2012 | 468,000 | 43.5% |

TOWN OF COLCHESTER, CONNECTICUT

STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2012

| | Budgeted Amounts | | Actual | Variance With |
|--|-------------------|--------------------|-------------------|-------------------|
| | Original | Final | Budgetary | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| REVENUES | | | | |
| Property taxes, interest and lien fees | \$ 33,978,711 | \$ 33,978,711 | \$ 33,794,551 | \$ (184,160) |
| Intergovernmental revenues | 15,083,490 | 15,083,490 | 15,675,186 | 591,696 |
| Revenues from the use of money | 40,000 | 40,000 | 48,747 | 8,747 |
| Charges for services | 493,100 | 494,362 | 502,588 | 8,226 |
| Fees, permits and other | 601,649 | 601,649 | 656,649 | 55,000 |
| Other revenues | 89,592 | 89,592 | 122,380 | 32,788 |
| Total revenues | 50,286,542 | 50,287,804 | 50,800,101 | 512,297 |
| EXPENDITURES | | | | |
| General government | 3,739,439 | 3,711,620 | 3,646,719 | 64,901 |
| Public works | 2,606,082 | 2,590,600 | 2,440,714 | 149,886 |
| Public safety | 2,077,258 | 2,151,447 | 2,135,524 | 15,923 |
| Civic and cultural | 1,352,639 | 1,308,207 | 1,255,980 | 52,227 |
| Public health and welfare | 430,388 | 441,344 | 434,053 | 7,291 |
| Education | 36,821,590 | 36,821,590 | 36,764,988 | 56,602 |
| Debt service | 3,061,530 | 2,957,196 | 2,914,282 | 42,914 |
| Total expenditures | 50,088,926 | 49,982,004 | 49,592,260 | 389,744 |
| Revenues over (under) expenditures | 197,616 | 305,800 | 1,207,841 | 902,041 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 214,745 | 214,745 | 214,746 | 1 |
| Transfers out | (412,361) | (583,058) | (583,058) | - |
| Total other financing (uses) | (197,616) | (368,313) | (368,312) | 1 |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ (62,513) | \$ 839,529 | \$ 902,042 |

See Note to the Required Supplementary Information.

TOWN OF COLCHESTER, CONNECTICUT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2012

Note 1. Budgets and Budgetary Accounting

The Town's general budget policies are as follows:

General Fund

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

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

The legal budget of the Town is a departmental budget.

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

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

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

| | |
|---|-----------------------------|
| Revenues and transfers, budgetary basis | \$ 51,014,847 |
| Prior year encumbrances cancelled | (320) |
| On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System | <u>3,842,000</u> |
| Revenues and transfers, GAAP basis | <u><u>\$ 54,856,527</u></u> |

TOWN OF COLCHESTER, CONNECTICUT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION, Continued June 30, 2012

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

| | |
|---|----------------------|
| Expenditures, transfers and encumbrances budgetary basis | \$ 50,175,318 |
| On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System | 3,842,000 |
| Encumbrances: | |
| June 30, 2011 | 10,439 |
| June 30, 2012 | (119,874) |
| Expenditures and transfers, GAAP basis | <u>\$ 53,907,883</u> |

Special revenue funds

The Town does not have legally adopted annual budgets for its special revenue funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets are non-lapsing and may comprise more than one fiscal year.

Capital project funds

Legal authorization for expenditures of the capital project funds is provided by the related bond ordinances. Capital appropriations do not lapse until completion of the applicable projects.

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**Supplemental and Combining
Fund Statements and Schedules**

General Fund

TOWN OF COLCHESTER, CONNECTICUT

**GENERAL FUND
BALANCE SHEET**

June 30, 2012 With Comparative Amounts For 2011

| | 2012 | 2011 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 4,702,009 | \$ 4,790,571 |
| Property taxes and interest receivable, net | 1,151,477 | 1,043,312 |
| Grants and other receivables | 6,359 | 38,616 |
| Inventory | 20,945 | 8,162 |
| Prepaid Expenses | - | 15,578 |
| School construction grant receivable and other grants | 575,579 | 695,253 |
| Total assets | \$ 6,456,369 | \$ 6,591,492 |
| Liabilities | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 870,084 | \$ 1,507,965 |
| Deferred revenue | 1,022,316 | 1,468,202 |
| Total liabilities | 1,892,400 | 2,976,167 |
| Fund Balance | | |
| Nonspendable prepaids | - | 15,578 |
| Nonspendable inventory | 20,945 | 8,162 |
| Committed | 32,000 | 32,000 |
| Assigned | 176,476 | 40,772 |
| Unassigned | 4,334,548 | 3,518,813 |
| Total fund balance | 4,563,969 | 3,615,325 |
| Total liabilities and fund balance | \$ 6,456,369 | \$ 6,591,492 |

TOWN OF COLCHESTER, CONNECTICUT

**GENERAL FUND REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES AND USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

| | Budgeted Amounts | | Actual | Variance With |
|-----------------------------------|-------------------|-------------------|-------------------|------------------|
| | Original | Final | Budgetary | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| PROPERTY TAXES | | | | |
| Current year levy | \$ 33,303,711 | \$ 33,303,711 | \$ 33,250,044 | \$ (53,667) |
| Prior years levy | 425,000 | 425,000 | 317,379 | (107,621) |
| Interest and lien fees | 250,000 | 250,000 | 227,128 | (22,872) |
| Total property taxes | 33,978,711 | 33,978,711 | 33,794,551 | (184,160) |
| INTERGOVERNMENTAL | | | | |
| State of Connecticut: | | | | |
| In lieu of taxes | 50,449 | 50,449 | 50,470 | 21 |
| Elderly freeze | 2,000 | 2,000 | 2,000 | - |
| Elderly circuit breaker | 53,200 | 53,200 | 48,263 | (4,937) |
| Disability exemption | 1,500 | 1,500 | 1,721 | 221 |
| Additional veteran exemption | 4,500 | 4,500 | 5,081 | 581 |
| Municipal revenue sharing | - | - | 187,394 | 187,394 |
| Local Capital Improvement Program | 119,496 | 119,496 | 120,273 | 777 |
| Mashantucket Pequot/Mohegan Grant | 70,147 | 70,147 | 73,709 | 3,562 |
| Distribution to towns | 10,000 | 10,000 | 16,335 | 6,335 |
| Youth Services Grant | 18,750 | 18,750 | 18,753 | 3 |
| Library Grant | 6,500 | 6,500 | 5,653 | (847) |
| Total State of Connecticut | 336,542 | 336,542 | 529,652 | 193,110 |
| Education: | | | | |
| Special Education | 400,000 | 400,000 | 782,328 | 382,328 |
| Education cost sharing | 13,547,231 | 13,547,231 | 13,550,768 | 3,537 |
| School transportation | 204,359 | 204,359 | 216,872 | 12,513 |
| School building grants | 595,358 | 595,358 | 595,566 | 208 |
| Total education | 14,746,948 | 14,746,948 | 15,145,534 | 398,586 |
| Total intergovernmental | 15,083,490 | 15,083,490 | 15,675,186 | 591,696 |
| REVENUES FROM USE OF MONEY | | | | |
| Investment income | 40,000 | 40,000 | 48,747 | 8,747 |
| CHARGES FOR SERVICES | | | | |
| Recreation | 18,100 | 18,100 | 9,414 | (8,686) |
| Ambulance | 475,000 | 476,262 | 493,174 | 16,912 |
| Total charges for services | 493,100 | 494,362 | 502,588 | 8,226 |

(Continued)

TOWN OF COLCHESTER, CONNECTICUT

GENERAL FUND REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES AND USES -
BUDGETARY BASIS - BUDGET AND ACTUAL, Continued
For the Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Budgetary | Variance With Final Budget Positive (Negative) |
|------------------------------------|------------------|---------------|---------------------|---|
| | Original | Final | Basis | |
| LICENSES, PERMITS AND FEES | | | | |
| Fire Marshal inspection fees | 100 | 100 | 240 | 140 |
| Sports licenses | 900 | 900 | 614 | (286) |
| Transfer station fees | 125,000 | 125,000 | 156,554 | 31,554 |
| Conservation Commission fees | 5,500 | 5,500 | 4,808 | (692) |
| Road inspection fees | 25,499 | 25,499 | 33,744 | 8,245 |
| Building code fees | 170,000 | 170,000 | 188,319 | 18,319 |
| Conveyance tax | 122,900 | 122,900 | 107,315 | (15,585) |
| Zoning and planning fees | 12,000 | 12,000 | 18,071 | 6,071 |
| Zoning appeal fees | 700 | 700 | 150 | (550) |
| Copier fees | 16,400 | 16,400 | 17,304 | 904 |
| Town Clerk fees | 99,000 | 99,000 | 99,225 | 225 |
| Vendor permits | 250 | 250 | 660 | 410 |
| Pistol permits | 4,000 | 4,000 | 7,490 | 3,490 |
| Library fines and fees | 13,000 | 13,000 | 15,123 | 2,123 |
| Dial-A-Ride | 3,500 | 3,500 | 4,003 | 503 |
| Recording Fees | 2,900 | 2,900 | 3,029 | 129 |
| Total licenses, permits and fees | 601,649 | 601,649 | 656,649 | 55,000 |
| OTHER REVENUES | | | | |
| Tuition - regular | - | - | 12,730 | 12,730 |
| Telecommunications tax | 35,000 | 35,000 | 45,718 | 10,718 |
| State Fund for building inspection | 1,200 | 1,200 | 982 | (218) |
| Elderly housing | 14,500 | 14,500 | 13,499 | (1,001) |
| Miscellaneous | 12,000 | 12,000 | 20,142 | 8,142 |
| Insurance reimbursement | - | - | 2,417 | 2,417 |
| Cirma Member Equity Distribution | 26,892 | 26,892 | 26,892 | - |
| Total other revenues | 89,592 | 89,592 | 122,380 | 32,788 |
| Total revenues | \$ 50,286,542 | \$ 50,287,804 | \$ 50,800,101 | \$ 512,297 |

(Continued)

TOWN OF COLCHESTER, CONNECTICUT

**GENERAL FUND REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES AND USES -
BUDGETARY BASIS - BUDGET AND ACTUAL, Continued
For the Year Ended June 30, 2012**

| | Budgeted Amounts | | Actual | Variance With |
|---------------------------------|------------------|------------------|------------------|----------------|
| | Original | Final | Budgetary | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| GENERAL GOVERNMENT | | | | |
| Board of Finance | \$ 122,834 | \$ 19,038 | \$ 14,393 | \$ 4,645 |
| First Selectman | 226,453 | 228,098 | 224,364 | 3,734 |
| Ethics Commission | 360 | 360 | - | 360 |
| Information Technology | 83,328 | 83,004 | 82,057 | 947 |
| Tax Collector | 157,960 | 157,960 | 153,143 | 4,817 |
| Assessor | 242,678 | 245,423 | 243,257 | 2,166 |
| Board of Assessment Appeals | 3,796 | 3,796 | 2,113 | 1,683 |
| Finance | 259,145 | 263,573 | 259,883 | 3,690 |
| Economic Development | 1,230 | 1,230 | 75 | 1,155 |
| Historic District Commission | 1,126 | 1,126 | 266 | 860 |
| Town Clerk | 188,013 | 188,013 | 184,993 | 3,020 |
| Elections | 58,329 | 58,329 | 57,099 | 1,230 |
| Legal and Insurance | 1,737,763 | 1,790,347 | 1,783,549 | 6,798 |
| Probate | 5,051 | 5,249 | 5,249 | - |
| Planning/Code Administration | 456,279 | 468,631 | 444,647 | 23,984 |
| Facilities | 190,864 | 193,213 | 188,131 | 5,082 |
| Fair Rent Commission | 240 | 240 | - | 240 |
| Police Retirement Board | 3,990 | 3,990 | 3,500 | 490 |
| Total general government | 3,739,439 | 3,711,620 | 3,646,719 | 64,901 |
| PUBLIC WORKS | | | | |
| Highway | 1,494,966 | 1,495,025 | 1,452,934 | 42,091 |
| Fleet maintenance | 339,509 | 344,399 | 342,871 | 1,528 |
| Snow removal | 412,419 | 392,419 | 294,676 | 97,743 |
| Transfer Station | 262,506 | 259,285 | 251,695 | 7,590 |
| Engineering | 96,682 | 99,472 | 98,538 | 934 |
| Total public works | 2,606,082 | 2,590,600 | 2,440,714 | 149,886 |
| PUBLIC SAFETY | | | | |
| Police | 1,030,833 | 1,100,821 | 1,096,221 | 4,600 |
| Fire | 936,806 | 943,935 | 938,941 | 4,994 |
| Fire Substation | 14,800 | 12,009 | 9,207 | 2,802 |
| Civil preparedness | 10,742 | 10,803 | 7,651 | 3,152 |
| Central Dispatch | 84,077 | 83,879 | 83,504 | 375 |
| Total public safety | 2,077,258 | 2,151,447 | 2,135,524 | 15,923 |

(Continued)

TOWN OF COLCHESTER, CONNECTICUT

GENERAL FUND REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES AND USES -
BUDGETARY BASIS - BUDGET AND ACTUAL, Continued
For the Year Ended June 30, 2012

| | Budgeted Amounts | | Actual | Variance With |
|--|-------------------|--------------------|-------------------|-------------------|
| | Original | Final | Budgetary | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| CIVIC AND CULTURAL | | | | |
| Library services | 535,287 | 538,914 | 519,266 | 19,648 |
| Parks and recreation | 573,245 | 517,593 | 488,488 | 29,105 |
| Senior Services | 244,107 | 251,700 | 248,226 | 3,474 |
| Total civic and cultural | 1,352,639 | 1,308,207 | 1,255,980 | 52,227 |
| PUBLIC HEALTH AND WELFARE | | | | |
| Health & Safety Committee | 2,290 | 2,290 | 1,384 | 906 |
| Youth & Social services | 298,697 | 308,630 | 302,245 | 6,385 |
| Health services | 129,401 | 130,424 | 130,424 | - |
| Total health and welfare | 430,388 | 441,344 | 434,053 | 7,291 |
| BOARD OF EDUCATION | 36,821,590 | 36,821,590 | 36,764,988 | 56,602 |
| DEBT SERVICE | | | | |
| Principal | 2,455,925 | 2,411,925 | 2,411,925 | - |
| Interest | 605,605 | 545,271 | 502,357 | 42,914 |
| Total debt service | 3,061,530 | 2,957,196 | 2,914,282 | 42,914 |
| Total expenditures | 50,088,926 | 49,982,004 | 49,592,260 | 389,744 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 214,745 | 214,745 | 214,746 | (1) |
| Transfers out | (412,361) | (583,058) | (583,058) | - |
| | (197,616) | (368,313) | (368,312) | (1) |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ (62,513) | \$ 839,529 | \$ 902,042 |

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Nonmajor Governmental Funds

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TOWN OF COLCHESTER, CONNECTICUT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

| | Special Revenue | | | | | |
|---|------------------------|--------------------------|---------------------------|----------------------------|---|-----------------------------|
| | Dog License Fund | Town Aid Road Fund | Small Cities Grants | Sewer Operating Fund | Parks and Recreation Activities Fund | School Cafeteria Fund |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 49,540 | \$ 497,921 | \$ 46,037 | \$ 401,156 | \$ 407 | \$ 204,139 |
| Assessments and user charges receivable | - | - | - | 260,220 | - | - |
| Other receivables | - | - | - | - | 1,220 | - |
| Intergovernmental receivable | - | - | - | - | - | 36,913 |
| Inventory | - | - | - | - | - | 6,358 |
| Total assets | \$ 49,540 | \$ 497,921 | \$ 46,037 | \$ 661,376 | \$ 1,627 | \$ 247,410 |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 1,694 | \$ 137,586 | \$ - | \$ 1,881 | \$ 31,043 | \$ 66,613 |
| Deferred revenue | - | - | - | 241,758 | - | - |
| Unearned revenue | - | - | 45,958 | - | - | - |
| Total liabilities | 1,694 | 137,586 | 45,958 | 243,639 | 31,043 | 66,613 |
| FUND BALANCES (DEFICITS) | | | | | | |
| Nonspendable | - | - | - | - | - | 6,358 |
| Restricted | 47,846 | 360,335 | 79 | - | - | 174,439 |
| Committed | - | - | - | 417,737 | - | - |
| Unassigned | - | - | - | - | (29,416) | - |
| Total fund balances (deficits) | 47,846 | 360,335 | 79 | 417,737 | (29,416) | 180,797 |
| Total liabilities and fund balances (deficits) | \$ 49,540 | \$ 497,921 | \$ 46,037 | \$ 661,376 | \$ 1,627 | \$ 247,410 |

| Special Revenue | | | | | | | | |
|-------------------------------|---------------------------------|--------------------|--------------------------|--------------------------------|----------------|--------------------------------------|---------------------------|--|
| Educational Grants Fund | Miscellaneous Grants Fund | Adult Education | Special Gifts Fund | Benefits Assessment Fund | Pay to Play | Bacon Academy Summer School | Police Special Duty | |
| \$ - | \$ - | \$ - | \$ 285,077 | \$ 31,984 | \$ 368 | \$ 14,281 | \$ - | |
| - | - | - | - | 2,962 | - | - | - | |
| 28,424 | 1,238 | - | - | - | - | - | 8,180 | |
| 158,142 | 173,540 | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | - | |
| <u>\$ 186,566</u> | <u>\$ 174,778</u> | <u>\$ -</u> | <u>\$ 285,077</u> | <u>\$ 34,946</u> | <u>\$ 368</u> | <u>\$ 14,281</u> | <u>\$ 8,180</u> | |
| | | | | | | | | |
| \$ 137,572 | \$ 152,048 | \$ 3,810 | \$ 4,479 | \$ - | \$ 368 | \$ - | \$ 4,185 | |
| - | - | - | - | 2,962 | - | - | - | |
| - | - | - | - | - | - | - | - | |
| <u>137,572</u> | <u>152,048</u> | <u>3,810</u> | <u>4,479</u> | <u>2,962</u> | <u>368</u> | <u>-</u> | <u>4,185</u> | |
| | | | | | | | | |
| - | - | - | - | - | - | - | - | |
| 48,994 | 22,730 | - | 280,598 | - | - | - | - | |
| - | - | - | - | 31,984 | - | 14,281 | 3,995 | |
| - | - | (3,810) | - | - | - | - | - | |
| <u>48,994</u> | <u>22,730</u> | <u>(3,810)</u> | <u>280,598</u> | <u>31,984</u> | <u>-</u> | <u>14,281</u> | <u>3,995</u> | |
| | | | | | | | | |
| <u>\$ 186,566</u> | <u>\$ 174,778</u> | <u>\$ -</u> | <u>\$ 285,077</u> | <u>\$ 34,946</u> | <u>\$ 368</u> | <u>\$ 14,281</u> | <u>\$ 8,180</u> | |

(Continued)

TOWN OF COLCHESTER, CONNECTICUT

COMBINING BALANCE SHEET, Continued
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2012

| | Capital Projects | | | | | | |
|---|---------------------------------|----------------------------|----------------------------|-------------------|-----------------------------------|------------------|---------------------|
| | Johnston Building Project | 2009 Bond Referendum | Capital Reserve Fund | Use of Schools | BOE Capital Reserve Fund | Debt Service | Totals |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 23,225 | \$ 56,057 | \$ 250,539 | \$ 41,312 | \$ 92,084 | \$ 52,313 | \$ 2,046,440 |
| Assessments and user charges receivable | - | - | - | - | - | - | 263,182 |
| Other receivables | - | - | - | - | - | - | 39,062 |
| Intergovernmental receivable | - | - | - | - | - | - | 368,595 |
| Inventory | - | - | - | - | - | - | 6,358 |
| Total assets | \$ 23,225 | \$ 56,057 | \$ 250,539 | \$ 41,312 | \$ 92,084 | \$ 52,313 | \$ 2,723,637 |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 16,820 | \$ - | \$ - | \$ 115 | \$ - | \$ - | \$ 558,214 |
| Deferred revenue | - | - | - | - | - | - | 244,720 |
| Unearned revenue | - | - | - | - | - | - | 45,958 |
| Total liabilities | 16,820 | - | - | 115 | - | - | 848,892 |
| FUND BALANCES (DEFICITS) | | | | | | | |
| Nonspendable | - | - | - | - | - | - | 6,358 |
| Restricted | - | - | - | - | - | - | 935,021 |
| Committed | 6,405 | 56,057 | 250,539 | 41,197 | 92,084 | 52,313 | 966,592 |
| Unassigned | - | - | - | - | - | - | (33,226) |
| Total fund balances (deficits) | 6,405 | 56,057 | 250,539 | 41,197 | 92,084 | 52,313 | 1,874,745 |
| Total liabilities and fund balances (deficits) | \$ 23,225 | \$ 56,057 | \$ 250,539 | \$ 41,312 | \$ 92,084 | \$ 52,313 | \$ 2,723,637 |

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TOWN OF COLCHESTER, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

| | Special Revenue | | | | | |
|--|------------------------|--------------------------|---------------------------|----------------------------|---|-----------------------------|
| | Dog License Fund | Town Aid Road Fund | Small Cities Grants | Sewer Operating Fund | Parks and Recreation Activities Fund | School Cafeteria Fund |
| REVENUES | | | | | | |
| Intergovernmental | \$ - | \$ 173,468 | \$ - | \$ - | \$ - | \$ 288,276 |
| Food sales, charges for services | - | - | - | - | - | 522,593 |
| Fines and fees | 27,929 | - | - | - | - | - |
| Interest income | - | - | 33 | 690 | - | 143 |
| Sewer assessments, use and charges for services | - | - | - | 885,596 | 297,165 | - |
| Other local revenue | - | - | - | 24,810 | 3,063 | - |
| Total revenues | 27,929 | 173,468 | 33 | 911,096 | 300,228 | 811,012 |
| EXPENDITURES | | | | | | |
| General government | - | - | - | - | - | - |
| Public works | - | - | - | 769,128 | - | - |
| Education | - | - | - | - | - | 852,092 |
| Public safety | 81,815 | - | - | - | - | - |
| Civic and cultural | - | - | - | - | 350,013 | - |
| Public health and welfare | - | - | - | - | - | - |
| Capital outlay | - | 177,099 | - | 20,624 | - | - |
| Debt service | - | - | - | - | - | - |
| Total expenditures | 81,815 | 177,099 | - | 789,752 | 350,013 | 852,092 |
| Revenues over (under) expenditures | (53,886) | (3,631) | 33 | 121,344 | (49,785) | (41,080) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 45,061 | - | - | - | 40,000 | - |
| Transfers out | - | - | - | (83,813) | - | - |
| Bond premiums | - | - | - | - | - | - |
| Issuance of refunding bonds | - | - | - | - | - | - |
| Payment to escrow agent | - | - | - | - | - | - |
| Total other financing sources (uses) | 45,061 | - | - | (83,813) | 40,000 | - |
| Net change in fund balances (deficits) | (8,825) | (3,631) | 33 | 37,531 | (9,785) | (41,080) |
| FUND BALANCES (DEFICITS), beginning | 56,671 | 363,966 | 46 | 380,206 | (19,631) | 221,877 |
| FUND BALANCES (DEFICITS), ending | \$ 47,846 | \$ 360,335 | \$ 79 | \$ 417,737 | \$ (29,416) | \$ 180,797 |

| Special Revenue | | | | | | | |
|-------------------------------|---------------------------------|--------------------|--------------------------|--------------------------------|----------------|--------------------------------------|---------------------------|
| Educational Grants Fund | Miscellaneous Grants Fund | Adult Education | Special Gifts Fund | Benefits Assessment Fund | Pay to Play | Bacon Academy Summer School | Police Special Duty |
| \$ 1,507,121 | \$ 358,658 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | 350 | - | - | - | - | 64,268 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 57 | - | - | - |
| - | - | - | - | 120,951 | 97,810 | 14,225 | - |
| 110,747 | 9,177 | - | 129,852 | - | - | - | - |
| 1,617,868 | 367,835 | 350 | 129,852 | 121,008 | 97,810 | 14,225 | 64,268 |
| - | 58,028 | - | 1,520 | - | - | - | - |
| - | 144,091 | - | - | 7,503 | - | - | - |
| 1,632,387 | - | 70 | 1,598 | - | 97,810 | 2,788 | - |
| - | 101,768 | - | - | - | - | - | 78,478 |
| - | 62,906 | - | 48,480 | - | - | - | - |
| - | 38,704 | - | 73,223 | - | - | - | - |
| - | - | - | 23,588 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 1,632,387 | 405,497 | 70 | 148,409 | 7,503 | 97,810 | 2,788 | 78,478 |
| (14,519) | (37,662) | 280 | (18,557) | 113,505 | - | 11,437 | (14,210) |
| - | 20,000 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 20,000 | - | - | - | - | - | - |
| (14,519) | (17,662) | 280 | (18,557) | 113,505 | - | 11,437 | (14,210) |
| 63,513 | 40,392 | (4,090) | 299,155 | (81,521) | - | 2,844 | 18,205 |
| \$ 48,994 | \$ 22,730 | \$ (3,810) | \$ 280,598 | \$ 31,984 | \$ - | \$ 14,281 | \$ 3,995 |

(Continued)

TOWN OF COLCHESTER, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS), Continued
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

| | Capital Projects | | | | | | |
|--|---------------------------------|----------------------------|----------------------------|-------------------|-----------------------------------|-----------------|--------------|
| | Johnston Building Project | 2009 Bond Referendum | Capital Reserve Fund | Use of Schools | BOE Capital Reserve Fund | Debt Service | Totals |
| REVENUES | | | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,327,523 |
| Food sales, charges for services | - | - | - | - | - | - | 587,211 |
| Fines and fees | - | - | - | - | - | - | 27,929 |
| Interest income | - | - | - | - | - | - | 923 |
| Sewer assessments, use and charges for services | - | - | - | 45,289 | - | - | 1,461,036 |
| Other local revenue | - | - | 30,808 | - | 12,388 | - | 320,845 |
| Total revenues | - | - | 30,808 | 45,289 | 12,388 | - | 4,725,467 |
| EXPENDITURES | | | | | | | |
| General government | - | - | - | - | - | - | 59,548 |
| Public works | - | - | - | - | - | - | 920,722 |
| Education | - | - | - | 37,138 | - | - | 2,623,883 |
| Public safety | - | - | - | - | - | - | 262,061 |
| Civic and cultural | - | - | - | - | - | - | 461,399 |
| Public health and welfare | - | - | - | - | - | - | 111,927 |
| Capital outlay | 26,095 | - | 359,863 | - | 65,666 | - | 672,935 |
| Debt service | - | - | - | - | - | 315,140 | 315,140 |
| Total expenditures | 26,095 | - | 359,863 | 37,138 | 65,666 | 315,140 | 5,427,615 |
| Revenues over (under) expenditures | (26,095) | - | (329,055) | 8,151 | (53,278) | (315,140) | (702,148) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 32,500 | - | 210,150 | - | 50,663 | 50,000 | 448,374 |
| Transfers out | - | - | (20,000) | - | - | - | (103,813) |
| Bond premium | - | - | - | - | - | 528,415 | 528,415 |
| Issuance of refunding bonds | - | - | - | - | - | 8,400,000 | 8,400,000 |
| Payment to escrow agent | - | - | - | - | - | (8,809,466) | (8,809,466) |
| Total other financing sources (uses) | 32,500 | - | 190,150 | - | 50,663 | 168,949 | 463,510 |
| Net change in fund balances (deficits) | 6,405 | - | (138,905) | 8,151 | (2,615) | (146,191) | (238,638) |
| FUND BALANCES (DEFICITS), beginning | - | 56,057 | 389,444 | 33,046 | 94,699 | 198,504 | 2,113,383 |
| FUND BALANCES (DEFICITS), ending | \$ 6,405 | \$ 56,057 | \$ 250,539 | \$ 41,197 | \$ 92,084 | \$ 52,313 | \$ 1,874,745 |

Capital Assets Schedules

TOWN OF COLCHESTER, CONNECTICUT

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

June 30, 2012

Governmental funds capital assets:

| | |
|--|------------------------------|
| Land | \$ 3,432,379 |
| Buildings | 89,362,477 |
| Improvements other than buildings | 2,043,195 |
| Machinery and equipment | 12,205,492 |
| Infrastructure | 36,186,098 |
| Total governmental funds capital assets | <u>\$ 143,229,641</u> |

TOWN OF COLCHESTER, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2012

| | Land | Buildings | Improvements Other Than Buildings | Infrastructure | Machinery and Equipment | Total |
|---------------------------|---------------------|----------------------|---|----------------------|-------------------------------|-----------------------|
| General government | \$ 3,432,379 | \$ 2,487,509 | \$ 1,478,624 | \$ 20,975,409 | \$ 413,277 | \$ 28,787,198 |
| Public safety | - | 943,898 | - | 24,342 | 4,230,871 | 5,199,111 |
| Public works | - | 397,929 | 7,095 | 14,791,901 | 2,694,214 | 17,891,139 |
| Civic and cultural | - | 7,508,839 | 5,385 | 268,779 | 876,094 | 8,659,097 |
| Education | - | 77,917,513 | 552,091 | 125,667 | 3,867,971 | 82,463,242 |
| Public health and welfare | - | 106,789 | - | - | 123,065 | 229,854 |
| Total | \$ 3,432,379 | \$ 89,362,477 | \$ 2,043,195 | \$ 36,186,098 | \$ 12,205,492 | \$ 143,229,641 |

Other Schedule

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TOWN OF COLCHESTER, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

For the Year Ended June 30, 2012

| Grand List Year | Balance Uncollected July 1, 2011 | Current Levy | Lawful Corrections and Transfers to Suspense | | Transfer to Suspense | Balance To Be Collected |
|--------------------|--|----------------------|---|---------------------|-------------------------|-------------------------------|
| | | | Additions | Deletions | | |
| 1995 | \$ 2,577 | \$ - | \$ - | \$ - | \$ - | \$ 2,577 |
| 1996 | 5,500 | - | - | - | - | 5,500 |
| 1997 | 10,001 | - | - | - | - | 10,001 |
| 1998 | 15,223 | - | - | - | - | 15,223 |
| 1999 | 28,204 | - | - | - | - | 28,204 |
| 2000 | 25,971 | - | - | - | - | 25,971 |
| 2001 | 35,406 | - | - | - | - | 35,406 |
| 2002 | 70,976 | - | - | - | - | 70,976 |
| 2003 | 77,012 | - | - | - | - | 77,012 |
| 2004 | 81,032 | - | - | (96) | - | 80,936 |
| 2005 | 116,093 | - | - | (97) | - | 115,996 |
| 2006 | 84,361 | - | - | (216) | - | 84,145 |
| 2007 | 96,315 | - | 128 | (1,768) | - | 94,675 |
| 2008 | 106,132 | - | 1,644 | (1,607) | - | 106,169 |
| 2009 | 445,114 | - | 5,115 | (8,405) | - | 441,824 |
| 2010 | - | 33,815,420 | 54,353 | (95,025) | - | 33,774,748 |
| | <u>\$ 1,199,917</u> | <u>\$ 33,815,420</u> | <u>\$ 61,240</u> | <u>\$ (107,214)</u> | <u>\$ -</u> | <u>\$ 34,969,363</u> |

| Collections | | | | | Balance Uncollected June 30, 2012 |
|----------------------|-------------------|-----------------|----------------------|-----------|---|
| Taxes | Interest | Fees | Total | | |
| \$ - | \$ 200 | \$ - | \$ 200 | \$ | 2,577 |
| - | - | - | - | | 5,500 |
| - | - | - | - | | 10,001 |
| 88 | 164 | - | 252 | | 15,135 |
| 215 | 477 | - | 692 | | 27,989 |
| 12 | 165 | - | 177 | | 25,959 |
| 1,697 | 2,142 | 48 | 3,887 | | 33,709 |
| 2,671 | 5,440 | 20 | 8,131 | | 68,305 |
| 3,424 | 2,705 | 24 | 6,153 | | 73,588 |
| 2,901 | 4,299 | - | 7,200 | | 78,035 |
| 10,299 | 9,631 | 44 | 19,974 | | 105,697 |
| 4,991 | 4,048 | 24 | 9,063 | | 79,154 |
| 5,373 | 4,391 | 54 | 9,818 | | 89,302 |
| 24,864 | 8,982 | 264 | 34,110 | | 81,305 |
| 281,319 | 54,048 | 3,342 | 338,709 | | 160,505 |
| 33,249,659 | 122,403 | 2,513 | 33,374,575 | | 525,089 |
| <u>\$ 33,587,513</u> | <u>\$ 219,095</u> | <u>\$ 6,333</u> | <u>\$ 33,812,941</u> | <u>\$</u> | <u>1,381,850</u> |

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