

Town of Colchester, Connecticut

Financial Report
June 30, 2014

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Financial Section



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Colchester, Connecticut (the "Town") as of and for the fiscal year ended June 30, 2014, and the related notes thereto which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Connecticut as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 5–14, the schedules of funding progress and employer contributions on pages 51-52, the schedule of changes in the Town's net pension liability and related ratios on page 53 and budgetary comparison information on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining individual fund financial statements and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Colchester, Connecticut as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 30, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2013 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 2013 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2013 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, 2013.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

New Haven, Connecticut
December 30, 2014

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Town of Colchester, Connecticut
Management's Discussion and Analysis - Unaudited
June 30, 2014

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, 2014. Please read it in conjunction with the Town's financial statements, which immediately follow this section.

Financial Highlights

- The Town's total net position at the close of the fiscal year was \$72,438,032 an increase of \$2,190,140 from the previous fiscal year. Total net position of Governmental Activities at fiscal year-end was \$67,767,772 and total net position for Business-Type Activities was \$4,670,260. Of the Town's total net position at June 30, 2014, \$8,559,841 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$5,279,441, a decrease of \$251,349 from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2014, \$ 4,888,372 represents unassigned fund balance of the General Fund. Unassigned General Fund fund balance represents 9.37% of total General Fund budgetary expenditures and transfers out (\$52,148,786). The Town of Colchester's governmental funds reported combined ending fund balances of \$11,105,542, an increase of \$398,728 from the prior fiscal year.
- The Town of Colchester's total bonded debt had a decrease of \$1,575,000 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 twelfth 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 position ➤ Statement of activities | <ul style="list-style-type: none"> ➤ Balance sheet ➤ Statement of revenues, expenditures and changes in fund balances. | <ul style="list-style-type: none"> ➤ Statement of net position. ➤ Statement of revenues, expenses, changes in fund net position. ➤ Statement of cash flows. | <ul style="list-style-type: none"> ➤ Statement of fiduciary net position. ➤ Statement of changes in fiduciary net position. |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus. | Modified accrual accounting and current financial resources focus. | Accrual accounting and economic resources focus. | Accrual accounting and economic resources focus. |
| <i>Type of asset/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 position 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 position and how they have changed. Net position is the difference between the Town's assets and liabilities.

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

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

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

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

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

Fund Financial Statements

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

- **Governmental funds** include most of the Town's basic services which focus on how much cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. These statements provide a detailed short-term view that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the town's programs. The government-wide statement of activities provides a broader view of the governmental activities than the governmental fund focus. The statement of net 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 position may serve over time as a useful indicator of the Town's financial status. The Town's combined assets exceeded liabilities by \$72,438,032 at the close of the recent fiscal year.

Net position of the Town's Governmental Activities decreased approximately 3.21% to \$67,767,772 and total net position for Business-type Activities increased approximately 1.71% to \$4,670,260. The amount of \$63,878,191 (\$60,002,593 for Governmental Activities and \$3,875,598 for Business-type Activities) of combined net position at June 30, 2014, is restricted as to the purposes they can be used for or are invested in capital assets, net of related debt (buildings, roads, bridges, and so on). The remaining balance of \$8,559,841 (\$7,765,179 for Governmental Activities and \$794,662 for Business-type Activities) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

The most significant portion of the Town of Colchester's net position (86.41%) 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
Summary Statement of Net Position
June 30, 2014 and 2013

| | June 30, 2014 | | | June 30, 2013 | | |
|-----------------------------------|-------------------------|--------------------------|----------------------|-------------------------|--------------------------|----------------------|
| | Primary Government | | | Primary Government | | |
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| Current and other assets | \$ 15,870,808 | \$ 807,997 | \$ 16,678,805 | \$ 14,379,206 | \$ 1,092,802 | \$ 15,472,008 |
| Capital assets | 75,085,740 | 5,722,265 | 80,808,005 | 76,079,844 | 5,546,636 | 81,626,480 |
| Total assets | 90,956,548 | 6,530,262 | 97,486,810 | 90,459,050 | 6,639,438 | 97,098,488 |
| Deferred Inflow of Resources | 297,795 | - | 297,795 | - | - | - |
| Current Liabilities | 1,908,971 | 13,335 | 1,922,306 | 2,497,641 | 89,655 | 2,587,296 |
| Long-Term liabilities outstanding | 21,577,600 | 1,846,667 | 23,424,267 | 22,305,279 | 1,958,021 | 24,263,300 |
| Total liabilities | 23,486,571 | 1,860,002 | 25,346,573 | 24,802,920 | 2,047,676 | 26,850,596 |
| Net Position: | | | | | | |
| Net invested in capital assets | 58,720,496 | 3,875,598 | 62,596,094 | 58,336,990 | 3,588,615 | 61,925,605 |
| Restricted | 1,282,097 | | 1,282,097 | 980,605 | | 980,605 |
| Unrestricted | 7,765,179 | 794,662 | 8,559,841 | 6,338,535 | 1,003,147 | 7,341,682 |
| Total Net Position | \$ 67,767,772 | \$ 4,670,260 | \$ 72,438,032 | \$ 65,656,130 | \$ 4,591,762 | \$ 70,247,892 |

Change in Net Position. The Town's total net position increased by \$2,190,140 during the fiscal year, with net position of Governmental Activities increasing by \$2,111,642, and net position of Business-type Activities increasing by \$78,498.

| | Year Ended June 30, 2014 | | | Year Ended June 30, 2013 | | |
|--|--------------------------|--------------------------|----------------------|--------------------------|--------------------------|----------------------|
| | Primary Govt. | | | Primary Govt. | | |
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 3,336,798 | \$ 1,065,204 | \$ 4,402,002 | \$ 3,259,696 | \$ 1,019,958 | \$ 4,279,654 |
| Operating Grants and Contributions | 21,451,411 | - | 21,451,411 | 21,173,353 | - | 21,173,353 |
| Capital Grants and Contributions | 1,059,492 | - | 1,059,492 | 213,921 | - | 213,921 |
| General Revenues: | | | | | | |
| Property Tax | 36,317,708 | - | 36,317,708 | 34,378,658 | - | 34,378,658 |
| Grants not restricted to specific programs | 187,979 | - | 187,979 | 335,135 | - | 335,135 |
| Unrestricted investment earnings | 56,597 | 2,056 | 58,653 | 53,135 | 2,286 | 55,421 |
| Miscellaneous | 168,875 | - | 168,875 | 94,190 | - | 94,190 |
| Transfers | 10,560 | - | 10,560 | - | - | - |
| Total Revenues | 62,589,420 | 1,067,260 | 63,656,680 | 59,508,088 | 1,022,244 | 60,530,332 |
| Expenses | | | | | | |
| General Government | 3,496,781 | - | 3,496,781 | 3,384,249 | - | 3,384,249 |
| Public Safety | 2,718,281 | - | 2,718,281 | 2,584,415 | - | 2,584,415 |
| Public Works | 4,749,933 | - | 4,749,933 | 4,961,813 | - | 4,961,813 |
| Community and Human Services | 2,095,624 | - | 2,095,624 | 2,008,343 | - | 2,008,343 |
| Education | 46,873,146 | - | 46,873,146 | 46,285,691 | - | 46,285,691 |
| Other | - | 937,770 | 937,770 | - | 865,859 | 865,859 |
| Interest on long-term debt | 544,013 | 40,432 | 584,445 | 515,997 | 43,537 | 559,534 |
| Transfer | - | 10,560 | 10,560 | - | - | - |
| Total Expenses | 60,477,778 | 988,762 | 61,466,540 | 59,740,508 | 909,396 | 60,649,904 |
| Change in Net Position | 2,111,642 | 78,498 | 2,190,140 | (232,420) | 112,848 | (119,572) |
| Net Position - Beginning | 65,656,130 | 4,591,762 | 70,247,892 | 65,888,550 | 4,478,914 | 70,367,464 |
| Net Position - Ending | \$ 67,767,772 | \$ 4,670,260 | \$ 72,438,032 | \$ 65,656,130 | \$ 4,591,762 | \$ 70,247,892 |

Governmental Activities

Approximately 58.02% of the revenues were generated from property taxes, followed by 41.30% from program revenues, which include governmental revenues for Education, then 0.30% was derived from other unrestricted grants, 0.27% from miscellaneous revenues, 0.09% from unrestricted investment earnings, and 0.02% from transfers.

Major revenue factors include:

- Receipt of Federal grant funding from Federal Emergency Management Agency (FEMA) reimbursements for two major storms in FY 12/13.
- Receipt of State grant funding from Small Town Economic Assistance Program (STEAP) grants to fund streetscape improvements on Lebanon Avenue in FY 12/13.
- Receipt of State grant funding for upgrades to the wireless infrastructure in various schools, and the replacement of computers in FY 13/14.
- Increase in State grant funding from Town Aid Road (TAR) to fund road improvements and the annual replacement of one Plow/Dump truck.
- Receipt of State grant funding from Local Capital Improvement Program (LOCIP) to fund road improvements in FY 13/14.
- Increased tax revenues resulting from an increase in the property tax rate of 1.48 mills.

- Increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement System.
- Receipt of legal settlement in FY 13/14.

The Town's current levy collected tax rate was 98.37%, a decrease of 0.02% from the previous year current levy collected tax rate of 98.39%.

For governmental activities, 77.51% of the Town's expenditures relate to education, 5.78% relate to general government, 4.49% relate to public safety, 7.85% relate to public works, 3.47% relate to community and human services, and the remaining 0.90% relate to interest payments on long-term debt.

Major expenditure factors include:

- Increase in education, mainly as a result of an approved education budget increase of 4.14% over the 2012-2013 budget, an increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement System, and expenditures funded by a State grant for improvements to the wireless infrastructure at various schools and the replacement of computers.
- Increase in general government expenditures due to an increase in contributions to the health insurance fund.
- Increase in public safety expenditures due to contractual salary increases, increased costs from the State for the Resident Trooper Supervisor, and full year funding of the ambulance shift incentive payment program.
- Decrease in public works expenditures mainly due to expenditures incurred in FY 12/13 which were funded by FEMA reimbursement for storm events, and STEAP grants for streetscape improvements on Lebanon Avenue.

Business-Type Activities

Business-type activities increased the Town's net position by \$78,498. 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 \$11,105,542, an increase from \$10,706,814 as of June 30, 2013. This increase is mainly due to the financial results in the Town's Capital Reserve Fund, as the Town has accumulated resources for future capital expenditures and the receipt of lease proceeds to finance the purchase of a Heavy Rescue Fire apparatus.

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 \$4,888,372, while total fund balance was \$5,279,441. 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 9.37% of the total general fund budgetary expenditures and transfers out.

At June 30, 2014, the Town of Colchester's General Fund unassigned fund balance increased by \$129,639 from the previous year. On the revenue side, the Town received additional building permit fees, increased tuition payments for special education students attending Colchester schools from other districts, funds from a legal settlement, and continued funding from CIRMA for a member equity

distribution. On the expenditure side, the Town had increased costs for snow removal due to an increase in the number of storm events, and increased legal costs for property assessment appeals, Heavy Rescue vehicle lease purchase financing, collective bargaining negotiations, and various personnel matters. The Town achieved savings from elimination of a position in the Town Clerk's office, vacant positions in the Highway Department and Planning & Code Administration, and reduced unemployment claims. Unexpended funds from the Education budget are reflected in assigned fund balance as these funds will be available for appropriation to the Education Capital Reserve Fund for future capital and equipment needs.

The Education Grants Fund had revenues of \$1.6 million and expenditures of \$1.55 million for the year ended June 30, 2014.

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

Unrestricted net position of the Water Fund at the end of the year amounted to \$794,662. The Water Fund experienced an increase in net position of \$78,498. 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 \$231,214. These additional appropriations were for staffing coverage in the Tax Collector's office, refund of road permit fees collected in FY 11/12, full year funding of the ambulance incentive program, an employment separation agreement, a bridge feasibility study, and the appropriation of FY 11/12 unexpended Education budgeted funds to the Education Capital Reserve Fund for the purchase of evacuation chairs at Bacon Academy, and building maintenance.

Budget transfers approved during the year included additional funds for various legal matters, architectural consulting services for the Linwood Avenue Streetscape project not eligible for grant funding, Police, Fire, Highway, and Grounds Maintenance department vehicle and heavy equipment repairs, overtime for Police to provide shift coverage for paid time off leave and required training, increased cost from the State of Connecticut for Resident Trooper Supervisor, increased payroll costs for promotion of two officers, and variable rate pricing for three months for electricity combined with an 18% increase in degree days. Funds for these transfers were available from vacant positions throughout various Town departments, 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, 2014, amount to \$80,808,005 (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 \$818,475 or approximately 1.0 percent.

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

- ◆ Governmental Activities
- ◆ Continuation of Energy improvements in various Town and School facilities funded by a capital lease financing.
- ◆ Road and sidewalk improvements funded by general fund appropriations and Town Aid Road grant funds.
- ◆ Replacement of a police cruiser and roadway sweeper funded by general fund appropriations and Town Aid Road grant funds.
- ◆ Upgrades to wireless infrastructure at various schools funded by State grant funds.

| Town of Colchester - Capital Assets (Net of Depreciation) | | | | | | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 3,432,379 | \$ 3,432,379 | \$ - | \$ - | \$ 3,432,379 | \$ 3,432,379 |
| Land Improvements | 719,674 | 775,424 | 5,773 | 6,980 | 725,447 | 782,404 |
| Building. & Improvements | 56,129,236 | 58,074,704 | 3,800,449 | 3,569,232 | 59,929,685 | 61,643,936 |
| Machinery & Equipment | 2,928,277 | 2,783,959 | 215,808 | 218,602 | 3,144,085 | 3,002,561 |
| Infrastructure | 8,687,897 | 8,742,171 | 1,700,235 | 1,751,822 | 10,388,132 | 10,493,993 |
| Construction in Process | 3,188,277 | 2,271,207 | - | - | 3,188,277 | 2,271,207 |
| Total | \$ 75,085,740 | \$ 76,079,844 | \$ 5,722,265 | \$ 5,546,636 | \$ 80,808,005 | \$ 81,626,480 |

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 \$12,755,000 in bonds outstanding. All of the bonds carry bond insurance and are backed by the full faith and credit of the Town of Colchester.

| Town of Colchester Outstanding Debt | | | | | | |
|---|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| General Obligation Bonds (backed by the Town) | \$ 12,755,000 | \$ 14,330,000 | \$ - | \$ - | \$ 12,755,000 | \$ 14,330,000 |
| Clean Water Fund Loan | \$ - | \$ - | \$ 1,846,667 | \$ 1,958,021 | \$ 1,846,667 | \$ 1,958,021 |

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 5.6% as of June 2014, which remains less than the State of Connecticut rate of 6.5% for the same time period. As of October 2014, the Town's unemployment rate decreased to 5.5% and the State's unemployment rate decreased to 6.3%. 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.

The Town has established a Building Committee for the William J. Johnston Middle School Project. Previously the voters were presented with a building project to renovate and reconstruct the Middle School as a multi-use facility (Community Center/Senior Center/Middle School). That project proposal was not approved by the voters. The project currently under review would address the educational and structural needs related only to the current use of the building as a Middle School. The Town is considering a referendum in 2015 for this project.

The Town last issued debt in June 2012 which was a refunding issue. Official statements are available on the Town's website, www.colchesterct.gov.

In February 2013, 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 Town's 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 mostly rural residential community, the Town has focused on increasing its non-residential resources. The Town made significant strides in that direction in 2014 with the completion of water and sewer infrastructure to designated growth areas and the completion of several significant projects. Construction of a \$3.2 million water/sewer expansion program was completed in October 2013 which included a water line/sanitary sewer line and system lift station which permitted the Town to service a new development area to the south of the Town Center at the intersection of Route 2, Route 11 and Route 85.

Several sites were developed in 2014 utilizing the new infrastructure including a 50,000 sf State maintenance building that includes regional service facilities for trucks and machinery, as well as signage and other electrical equipment. In addition, a 40,000 sf retail development with an additional 10,000 sf building pad for expansion opened across the street from the State maintenance building. A 15,000 sf Cumberland Farms development was also approved in Westchester Village. Other smaller projects were completed in 2014. One, a Dollar General store of approximately 10,000 sf was completed in mid 2014. Another involved the rehabilitation of a large commercial center which resulted in the relocation of several retail developments.

Over 375,000 square feet of commercial development have been approved and permitted during the last five years but not yet constructed. The majority of that is comprised of 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. As the retail center depended on the water/sewer expansion for service, discussions have resumed toward finally constructing this project. One mixed use project, Settlers Green (80 units, 100,000 sf retail/service) was financed and is expected to begin construction in the Spring of 2015.

The Town also focused on maintaining a strong downtown with new programs to redevelop and strengthen central areas. The Town received two State grants totaling over \$300,000 to continue the streetscape rehabilitation program from the Town Center down Linwood Avenue connecting to the Stop & Shop Plaza. The Town also received a grant to continue the enhancement of the Airline Trail entranceway.

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 current regulation was originally developed thirty years ago and does not reflect current development practices. A new Code was completed and adopted in 2014 which focused on design and

other performance requirements rather than restrictive proscriptive standards. Another key feature of the revised development regulations is the more comprehensive permitting of agriculture. Under the new regulation, farms would be treated as businesses and associated commercial buildings such as farm stores and restaurants are permitted. The Town is also updating its Plan of Conservation and Development with an expected completion date of mid-2015.

Colchester's residential growth remained constant, although at a slower pace than experienced in previous decades. 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. Average home prices have been stable with the median sale price of \$240,000 in the top half of the State average.

The FY 2014-2015 final adopted budget of \$52,995,877 represents an increase of \$769,973 over the adopted budget for FY 2013-2014 of \$52,225,904. The budget was approved at the third referendum vote on June 24, 2014 with a property tax mil rate of 30.57. The Town was presented with the Government Finance Officers Association Distinguished Budget Presentation Award for the adopted budget documents for both FY 2012-2013 and FY 2013-2014. The Town believes that the FY 2014-2015 budget continues to conform to program requirements, and has submitted it to GFOA to determine its eligibility for another award.

Requests for Information

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

Basic Financial Statements

Town of Colchester, Connecticut

Statement of Net Position
June 30, 2014

| | Primary Government | | |
|--|----------------------|---------------------|----------------------|
| | Governmental | Business-Type | Total |
| | Activities | Activities | |
| Assets | | | |
| Cash and cash equivalents | \$ 13,196,539 | \$ 436,702 | \$ 13,633,241 |
| Receivables (net of allowances for collection losses): | | | |
| Property taxes and interest | 1,255,582 | - | 1,255,582 |
| Assessments | 261,580 | - | 261,580 |
| Accounts receivable | 107,071 | 319,944 | 427,015 |
| Intergovernmental | 504,880 | - | 504,880 |
| Pension asset | 55,153 | - | 55,153 |
| Restricted cash | 460,890 | - | 460,890 |
| Inventory | 29,113 | 51,351 | 80,464 |
| Capital assets, non-depreciable | 6,620,656 | - | 6,620,656 |
| Capital assets, net of accumulated depreciation | 68,465,084 | 5,722,265 | 74,187,349 |
| Total assets | 90,956,548 | 6,530,262 | 97,486,810 |
| Deferred Inflows of Resources | | | |
| Deferred charges in refundings | 297,795 | | 297,795 |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 1,348,354 | 13,335 | 1,361,689 |
| Claims payable | 504,361 | - | 504,361 |
| Unearned revenues | 56,256 | - | 56,256 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,940,323 | 113,738 | 2,054,061 |
| Due in more than one year | 19,637,277 | 1,732,929 | 21,370,206 |
| Total liabilities | 23,486,571 | 1,860,002 | 25,346,573 |
| Net Position | | | |
| Net investment in capital assets | 58,720,496 | 3,875,598 | 62,596,094 |
| Restricted | 1,282,097 | - | 1,282,097 |
| Unrestricted | 7,765,179 | 794,662 | 8,559,841 |
| Total net position | \$ 67,767,772 | \$ 4,670,260 | \$ 72,438,032 |

See Notes to Financial Statements.

Town of Colchester, Connecticut

Statement of Activities
For the Year Ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|---|------------------------|-------------------------|--|--|--|-----------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | |
| Governmental Activities: | | | | | | | |
| General government | \$ (3,496,781) | \$ 502,081 | \$ 29,641 | \$ 326,355 | \$ (2,638,704) | \$ - | \$ (2,638,704) |
| Public safety | (2,718,281) | 583,576 | 18,794 | - | (2,115,911) | - | (2,115,911) |
| Public works | (4,749,933) | 1,160,948 | - | 733,137 | (2,855,848) | - | (2,855,848) |
| Community & human services | (2,095,624) | 354,941 | 263,441 | - | (1,477,242) | - | (1,477,242) |
| Education | (46,873,146) | 735,252 | 21,139,535 | - | (24,998,359) | - | (24,998,359) |
| Interest on long-term debt | (544,013) | - | - | - | (544,013) | - | (544,013) |
| Total governmental activities | (60,477,778) | 3,336,798 | 21,451,411 | 1,059,492 | (34,630,077) | - | (34,630,077) |
| Business-Type Activities: | | | | | | | |
| Water | (978,202) | 1,065,204 | - | - | - | 87,002 | 87,002 |
| Total business-type activities | (978,202) | 1,065,204 | - | - | - | 87,002 | 87,002 |
| Total primary government | \$ (61,455,980) | \$ 4,402,002 | \$ 21,451,411 | \$ 1,059,492 | (34,630,077) | 87,002 | (34,543,075) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 36,317,708 | - | 36,317,708 |
| Grants and contributions not restricted to specific programs | | | | | 187,979 | - | 187,979 |
| Unrestricted investment earnings | | | | | 56,597 | 2,056 | 58,653 |
| Miscellaneous | | | | | 168,875 | - | 168,875 |
| Transfers | | | | | 10,560 | (10,560) | - |
| Total general revenues and transfers | | | | | 36,741,719 | (8,504) | 36,733,215 |
| Change in net position | | | | | 2,111,642 | 78,498 | 2,190,140 |
| Net position - beginning | | | | | 65,656,130 | 4,591,762 | 70,247,892 |
| Net position - ending | | | | | \$ 67,767,772 | \$ 4,670,260 | \$ 72,438,032 |

See Notes to Financial Statements.

Town of Colchester, Connecticut

Balance Sheet - Governmental Funds
June 30, 2014

| | Major Funds | | | Nonmajor | Total |
|---|---------------------|---------------------|-------------------|---------------------|----------------------|
| | General | Capital | Educational | Governmental | Governmental |
| | Fund | Reserve | Grants | Funds | Funds |
| | | Fund | Fund | | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 5,549,446 | \$ 1,395,745 | \$ 343,676 | \$ 4,369,964 | \$ 11,658,831 |
| Receivables (net of allowances for collection losses): | | | | | |
| Property taxes | 1,255,582 | - | - | - | 1,255,582 |
| Assessments and user charges | | - | - | 261,580 | 261,580 |
| Intergovernmental | 236,997 | - | 102,180 | 165,703 | 504,880 |
| Accounts receivable | 26,482 | - | 28,844 | 50,764 | 106,090 |
| Inventory | 19,510 | - | - | 9,603 | 29,113 |
| Total assets | \$ 7,088,017 | \$ 1,395,745 | \$ 474,700 | \$ 4,857,614 | \$ 13,816,076 |
| Liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 702,526 | \$ 100 | \$ 332,753 | \$ 258,508 | \$ 1,293,887 |
| Unearned revenue | - | - | - | 56,256 | 56,256 |
| Total liabilities | 702,526 | 100 | 332,753 | 314,764 | 1,350,143 |
| Deferred Inflows of Resources | | | | | |
| Unavailable resources-other | 1,106,050 | - | - | 254,341 | 1,360,391 |
| Fund balances | | | | | |
| Nonspendable | 19,510 | - | - | 9,603 | 29,113 |
| Restricted | - | - | 141,947 | 1,140,150 | 1,282,097 |
| Committed | 120,829 | 1,395,645 | - | 3,172,410 | 4,688,884 |
| Assigned | 250,730 | - | - | - | 250,730 |
| Unassigned | 4,888,372 | - | - | (33,654) | 4,854,718 |
| Total fund balances | 5,279,441 | 1,395,645 | 141,947 | 4,288,509 | 11,105,542 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 7,088,017 | \$ 1,395,745 | \$ 474,700 | \$ 4,857,614 | |

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

| | |
|---|--------------|
| Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 75,085,740 |
| Other long term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 1,360,391 |
| Pension asset | 55,153 |
| Internal service funds are used by management to charge the costs of health insurance premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | 1,495,218 |
| Deferred charge on refunding | 297,795 |
| Accrued interest payable is not recorded in the funds | (54,467) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (21,577,600) |

Net position of governmental activities \$ 67,767,772

See Notes to Financial Statements.

Town of Colchester, Connecticut

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2014**

| | Major Funds | | | Nonmajor | Total |
|--|---------------------|---------------------|-------------------|---------------------|----------------------|
| | General | Capital | Educational | Governmental | Governmental |
| | Fund | Reserve | Grants | Funds | Funds |
| REVENUES | | | | | |
| Property taxes, interest & lien fees | \$ 36,248,381 | \$ - | \$ - | \$ - | \$ 36,248,381 |
| Intergovernmental revenues | 19,727,811 | - | 1,445,425 | 864,538 | 22,037,774 |
| Revenues from use of money | 51,533 | - | - | 5,064 | 56,597 |
| Fees, permits and sales | 662,264 | - | - | 523,460 | 1,185,724 |
| Charges for services and assessments | 514,562 | - | - | 1,467,553 | 1,982,115 |
| Other | 238,247 | 104,252 | 164,565 | 494,612 | 1,001,676 |
| Total revenues | 57,442,798 | 104,252 | 1,609,990 | 3,355,227 | 62,512,267 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 3,387,956 | - | - | 23,517 | 3,411,473 |
| Public safety | 2,403,418 | - | - | 192,637 | 2,596,055 |
| Public works | 3,695,205 | - | - | 866,100 | 4,561,305 |
| Community & human services | 1,404,709 | - | - | 480,590 | 1,885,299 |
| Education | 43,879,506 | - | 1,554,648 | 963,396 | 46,397,550 |
| Debt service | 2,054,914 | - | - | 289,777 | 2,344,691 |
| Capital outlay | - | 111,900 | - | 1,276,716 | 1,388,616 |
| Total expenditures | 56,825,708 | 111,900 | 1,554,648 | 4,092,733 | 62,584,989 |
| Excess (deficiency) of revenues over expenditures | 617,090 | (7,648) | 55,342 | (737,506) | (72,722) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 239,900 | - | 687,224 | 927,124 |
| Transfers out | (868,439) | - | - | (48,125) | (916,564) |
| Issuance of capital lease | - | 460,890 | - | - | 460,890 |
| Total other financing sources (uses) | (868,439) | 700,790 | - | 639,099 | 471,450 |
| Net change in fund balances | (251,349) | 693,142 | 55,342 | (98,407) | 398,728 |
| FUND BALANCES, beginning | 5,530,790 | 702,503 | 86,605 | 4,386,916 | 10,706,814 |
| FUND BALANCES, ending | \$ 5,279,441 | \$ 1,395,645 | \$ 141,947 | \$ 4,288,509 | \$ 11,105,542 |

See Notes to Financial Statements.

Town of Colchester, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2014**

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

| | |
|--|----------------------------|
| Net change in fund balances – total governmental funds | \$ 398,728 |
| 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. | (994,104) |
| 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. | 66,593 |
| Change in pension asset | 3,183 |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 1,377,610 |
| 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. | (389,958) |
| The net income of certain activities of internal service funds is reported with governmental activities. | <u>1,649,590</u> |
| Change in net position of governmental activities | <u><u>\$ 2,111,642</u></u> |

See Notes to Financial Statements.

Town of Colchester, Connecticut

Statement of Net Position - Proprietary Funds
June 30, 2014

| | 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 | \$ 436,702 | \$ 1,998,598 |
| Accounts receivable | 319,944 | 981 |
| Inventory | 51,351 | - |
| Total current assets | 807,997 | 1,999,579 |
| Capital Assets, net of accumulated depreciation | 5,722,265 | - |
| Total assets | 6,530,262 | 1,999,579 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 13,335 | - |
| Claims payable | - | 504,361 |
| Loan payable- current | 113,738 | - |
| Total current liabilities | 127,073 | 504,361 |
| Noncurrent Liabilities: | | |
| Loan payable | 1,732,929 | - |
| Total noncurrent liabilities | 1,732,929 | - |
| Total liabilities | 1,860,002 | 504,361 |
| NET POSITION | | |
| Net investment in capital assets | 3,875,598 | - |
| Unrestricted | 794,662 | 1,495,218 |
| Total net position | \$ 4,670,260 | \$ 1,495,218 |

See Notes to Financial Statements.

Town of Colchester, Connecticut

Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Funds
For the Year Ended June 30, 2014

| | 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 | \$ 1,065,204 | \$ - |
| Premiums | - | 8,414,491 |
| Total operating revenues | <u>1,065,204</u> | <u>8,414,491</u> |
| OPERATING EXPENSES | | |
| Claims/operating | 735,024 | 5,822,555 |
| Depreciation | 202,746 | - |
| Administration | - | 942,471 |
| Total operating expenses | <u>937,770</u> | <u>6,765,026</u> |
| Operating income | <u>127,434</u> | <u>1,649,465</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest income | 2,056 | 125 |
| Interest expense | (40,432) | - |
| Total nonoperating revenue (expenses) | <u>(38,376)</u> | <u>125</u> |
| OTHER FINANCING USES | | |
| Transfers out | (10,560) | - |
| Total transfers out | <u>(10,560)</u> | <u>-</u> |
| Change in fund net position | 78,498 | 1,649,590 |
| FUND NET POSITION (DEFICIT), beginning | <u>4,591,762</u> | <u>(154,372)</u> |
| FUND NET POSITION , ending | <u>\$ 4,670,260</u> | <u>\$ 1,495,218</u> |

See Notes to Financial Statements.

Town of Colchester, Connecticut

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2014

| | 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 | \$ 1,064,518 | \$ 8,414,491 |
| Cash paid to vendors and beneficiaries | (807,783) | (6,775,263) |
| Net cash provided by operating activities | 256,735 | 1,639,228 |
| Cash Flows From Capital and Related Financing Activities | | |
| Purchase of capital assets | (378,375) | - |
| Interest paid | (50,992) | - |
| Principal payments of debt | (111,354) | - |
| Net cash used in capital and related financing activities | (540,721) | - |
| Cash Flows From Investing Activities | | |
| Interest on cash and cash equivalents | 2,056 | 125 |
| Net increase (decrease) in cash and cash equivalents | (281,930) | 1,639,353 |
| Cash and Cash Equivalents | | |
| Beginning | 718,632 | 359,245 |
| Ending | \$ 436,702 | \$ 1,998,598 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | |
| Operating income | \$ 127,434 | \$ 1,649,465 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 202,746 | - |
| Changes in assets and liabilities: | | |
| Increase in accounts receivable | (686) | (981) |
| Decrease in inventories | 3,561 | - |
| Decrease in accounts payable | (76,320) | - |
| Decrease in claims payable | - | (9,256) |
| Net cash provided by operating activities | \$ 256,735 | \$ 1,639,228 |

See Notes to Financial Statements.

Town of Colchester, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2014

| | Pension Trust Fund | Private Purpose Trust Fund | Agency Fund |
|--|-----------------------|----------------------------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 463 | \$ 336,009 |
| Investments | 1,287,557 | - | - |
| Total assets | <u>1,287,557</u> | <u>463</u> | <u>336,009</u> |
| LIABILITIES | | | |
| Amounts held for student activities and other | - | - | 336,009 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>336,009</u> |
| Net Position Restricted for Pension Benefits and Other Purposes | <u>\$ 1,287,557</u> | <u>\$ 463</u> | <u>\$ -</u> |

See Notes to Financial Statements.

Town of Colchester, Connecticut

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2014

| | Pension Trust Fund | Private Purpose Trust Fund |
|---|-----------------------|----------------------------------|
| ADDITIONS | | |
| Contributions | | |
| Employee | \$ 86,864 | \$ - |
| Employer | 105,624 | - |
| Total contributions | <u>192,488</u> | <u>-</u> |
| Investment Income | | |
| Net appreciation in fair value of investments | 149,423 | - |
| Investment income | <u>149,423</u> | <u>-</u> |
| Total additions and change in net position | <u>341,911</u> | <u>-</u> |
| Net Position Held in Trust | | |
| Beginning of year | 945,646 | 463 |
| End of year | <u>\$ 1,287,557</u> | <u>\$ 463</u> |

See Notes to Financial Statements.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting Entity: The Town of Colchester, Connecticut (the "Town") was incorporated as a town in 1698. The Town operates under a Board of Selectmen, 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 position and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, OPEB, pension, landfill closure costs, and claims and judgments, are recorded only when payment is due (matured).

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary fund:

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

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, capital lease 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.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 \$1,443,000. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's ability to pay.

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

The balance of the pooled fixed income investments were invested in the Cutwater-Connecticut CLASS Plus, a pool similar to a 2a-7 as defined by GASB 59, which operates under State Statutes. 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.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Restricted Assets: At June 30, 2014 the Town had \$460,890 in restricted assets. The amount relates to unspent capital lease proceeds.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town reports a deferred charge on refunding in this manner in the government-wide statement of net position. A deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, grants and charges for services. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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 and Governmental Activities: In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net pension obligation (asset), the cumulative difference between annual pension cost and the Town's contributions to the plans, is calculated on an actuarial basis consistent with the requirements of GASB Statement No. 27. The pension obligation (asset) is recorded as a noncurrent liability (asset) in the government-wide financial statements.

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.

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

Funding Policy: The Town makes annual contributions based on management decisions.

Fund Equity and Net Position: In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. 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 Position - These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Unrestricted Net Position – This category represents the net position of the Town, which is not restricted for any project or other purpose.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position: The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds, and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

| | |
|---|----------------------|
| Bonds payable | \$ 12,755,000 |
| Bond premium, net of amortization | 384,301 |
| Capital lease obligation | 3,523,738 |
| Landfill closure costs | 150,000 |
| Compensated absences | 3,156,878 |
| OPEB obligation | <u>1,607,683</u> |
| Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities | <u>\$ 21,577,600</u> |

Town of Colchester, Connecticut

Notes to Financial Statements

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

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities: The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds, and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

| | |
|--|---------------------|
| Capital outlay | \$ 2,412,254 |
| Depreciation expense | (3,394,372) |
| Loss on disposal | <u>(11,986)</u> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ (994,104)</u> |

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

| | |
|--|---------------------|
| Issuance of capital lease | \$ (460,890) |
| Principal repayments | 1,827,686 |
| Net amortization of premiums and deferred losses | <u>10,814</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 1,377,610</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 | \$ (91,266) |
| Landfill closure | 15,000 |
| Accrued interest | (37,822) |
| OPEB obligation | <u>(275,870)</u> |
| Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ (389,958)</u> |

Town of Colchester, Connecticut

Notes to Financial Statements

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. Other provisions of the Statutes cover specific municipal funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan.

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

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

Custodial Credit Risk

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2014, approximately \$7,640,000 of the Town's bank balance of approximately \$10,386,000 was uninsured and uncollateralized.

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

Town of Colchester, Connecticut

Notes to Financial Statements

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

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2014:

Cash and Cash Equivalents

| | |
|---|-------------------|
| Deposits with financial institutions | \$ 9,777,734 |
| State of Connecticut Short-Term Investment fund | 4,633,409 |
| Cutwater-Connecticut CLASS Plus | 19,460 |
| Total cash and cash equivalents | 14,430,603 |

Investments

| | |
|--|----------------------|
| Pension Trust Funds: | |
| Mutual Funds | 1,287,557 |
| Total cash, cash equivalents, and investments | \$ 15,718,160 |

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

Statement of Net Position

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 14,094,131 |
|---------------------------|---------------|

Fiduciary Funds

| | |
|--|----------------------|
| Cash and cash equivalents | 336,472 |
| Investments | 1,287,557 |
| | 1,624,029 |
| Total cash, cash equivalents, and investments | \$ 15,718,160 |

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

| | Fair Value | Investment Maturities (in Years) Less Than 1 Year |
|---------------------|--------------|--|
| Pooled Income Funds | \$ 4,652,869 | \$ 4,652,869 |

Town of Colchester, Connecticut

Notes to Financial Statements

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

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

| | Standard & Poors | Pooled Income Fund |
|----------------------------------|---------------------|-----------------------|
| State Short-Term Investment Fund | AAAm | \$ 4,633,409 |
| Cutwater-Connecticut CLASS Plus | AAAm | 19,460 |
| | | <u>\$ 4,652,869</u> |

Note 4. Unearned Revenue/Deferred Inflows of Resources

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

| | Deferred Inflows | Unearned Revenue |
|---|---------------------|---------------------|
| General Fund | | |
| Taxes and accrued interest on delinquent property taxes | \$ 1,106,050 | \$ - |
| Nonmajor Funds | | |
| Assessments receivable | 222,341 | - |
| Grants and other | 32,000 | 56,256 |
| Total | <u>\$ 1,360,391</u> | <u>\$ 56,256</u> |

Note 5. Interfund Transfers

Interfund transfers during the year ended June 30, 2014 were as follows:

| | Transfers In | Transfers Out |
|-----------------------------|-------------------|---------------------|
| General Fund | \$ - | \$ (868,439) |
| Capital Reserve Fund | 239,900 | - |
| Water Fund | - | (10,560) |
| Nonmajor Governmental Funds | 687,224 | (48,125) |
| Total | <u>\$ 927,124</u> | <u>\$ (927,124)</u> |

Transfers are used to account for financing by the General Fund of programs accounted for in other funds in accordance with budgetary authorizations. Transfers from the General Fund to nonmajor governmental funds were primarily annual contributions related to vehicle and equipment replacements, and capital lease debt service payments.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|--------------|-------------|-------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 3,432,379 | \$ - | \$ - | \$ 3,432,379 |
| Construction in process | 2,271,207 | 917,070 | - | 3,188,277 |
| Total capital assets, not being depreciated | 5,703,586 | 917,070 | - | 6,620,656 |
| Capital assets, being depreciated: | | | | |
| Improvements other than buildings | 2,140,193 | 3,800 | - | 2,143,993 |
| Buildings | 89,362,477 | 8,124 | - | 89,370,601 |
| Machinery and equipment | 12,586,550 | 703,787 | (340,548) | 12,949,789 |
| Infrastructure | 36,388,967 | 779,473 | - | 37,168,440 |
| Total capital assets being depreciated | 140,478,187 | 1,495,184 | (340,548) | 141,632,823 |
| Less accumulated depreciation for: | | | | |
| Improvements other than buildings | 1,364,769 | 59,550 | - | 1,424,319 |
| Buildings | 31,287,773 | 1,953,592 | - | 33,241,365 |
| Machinery and equipment | 9,802,591 | 547,483 | (328,562) | 10,021,512 |
| Infrastructure | 27,646,796 | 833,747 | - | 28,480,543 |
| Total accumulated depreciation | 70,101,929 | 3,394,372 | (328,562) | 73,167,739 |
| Total capital assets, being depreciated, net | 70,376,258 | (1,899,188) | (11,986) | 68,465,084 |
| Governmental activities capital assets, net | \$ 76,079,844 | \$ (982,118) | \$ (11,986) | \$ 75,085,740 |
| | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Business-type Activities | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 5,000,138 | \$ 356,000 | \$ - | \$ 5,356,138 |
| Machinery and equipment | 357,140 | 22,375 | - | 379,515 |
| Improvements other than buildings | 25,591 | - | - | 25,591 |
| Infrastructure | 3,232,929 | - | - | 3,232,929 |
| Total capital assets, being depreciated | 8,615,798 | 378,375 | - | 8,994,173 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,430,906 | 124,783 | - | 1,555,689 |
| Machinery and equipment | 138,538 | 25,169 | - | 163,707 |
| Improvements other than buildings | 18,611 | 1,207 | - | 19,818 |
| Infrastructure | 1,481,107 | 51,587 | - | 1,532,694 |
| Total accumulated depreciation | 3,069,162 | 202,746 | - | 3,271,908 |
| Total capital assets, being depreciated, net | 5,546,636 | 175,629 | - | 5,722,265 |
| Business-type activities capital assets, net | \$ 5,546,636 | \$ 175,629 | \$ - | \$ 5,722,265 |

Town of Colchester, Connecticut

Notes to Financial Statements

Note 6. Capital Assets (Continued)

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

Governmental Activities

| | |
|----------------------------|------------|
| General government | \$ 103,431 |
| Public works | 971,007 |
| Public safety | 171,019 |
| Community & human services | 260,677 |
| Education | 1,888,238 |

| | |
|--|---------------------|
| Total depreciation expense – governmental activities | <u>\$ 3,394,372</u> |
|--|---------------------|

Business-type Activities

| | |
|------------|-------------------|
| Water Fund | <u>\$ 202,746</u> |
|------------|-------------------|

Note 7. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2014 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--|----------------------|-------------------|-----------------------|----------------------|------------------------|
| Governmental Activities | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 14,330,000 | \$ - | \$ (1,575,000) | \$ 12,755,000 | \$ 1,550,000 |
| Bond premium | 432,339 | - | (48,038) | 384,301 | - |
| Capital lease obligation | 3,315,534 | 460,890 | (252,686) | 3,523,738 | 280,617 |
| Landfill post-closure monitoring | 165,000 | - | (15,000) | 150,000 | 15,000 |
| Compensated absences | 3,065,612 | 91,266 | - | 3,156,878 | 94,706 |
| OPEB obligation | 1,331,813 | 275,870 | - | 1,607,683 | - |
| Governmental activity long-term liabilities | <u>\$ 22,640,298</u> | <u>\$ 828,026</u> | <u>\$ (1,890,724)</u> | <u>\$ 21,577,600</u> | <u>\$ 1,940,323</u> |
| Business-type Activities | | | | | |
| CWF loans | 1,958,021 | - | (111,354) | 1,846,667 | 113,738 |
| Business-type long-term liabilities | <u>\$ 1,958,021</u> | <u>\$ -</u> | <u>\$ (111,354)</u> | <u>\$ 1,846,667</u> | <u>\$ 113,738</u> |

Town of Colchester, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations (Continued)

All bonds are general obligations of the Town and are secured by the taxing authority powers of the Town. General obligation bonds outstanding as of June 30, 2014 consisted of the following:

| | Outstanding Amount |
|---|-----------------------|
| 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% | \$ 540,000 |
| \$8,400,000 refunding bond, issue of 2012 due 2025, annual principal payments range from \$320,000 to \$850,000 plus interest due semi-annually at 2.0% to 4.0% | 7,760,000 |
| \$6,595,000 bond, issue of 2010 due 2021, annual principal payments range from \$390,000 to \$720,000 plus interest due semi-annually at 2.25% to 5.0% | 4,455,000 |
| Total general obligation bonds payable | \$ 12,755,000 |

The following is a summary as of June 30, 2014, of the future principal and interest requirements for the Town's general obligation bonds:

| | Principal | Interest | Total |
|--------------|----------------------|---------------------|----------------------|
| 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 |
| 2020-2024 | 4,600,000 | 379,255 | 4,979,255 |
| 2025 | 540,000 | 12,420 | 552,420 |
| Total | \$ 12,755,000 | \$ 1,995,350 | \$ 14,750,350 |

Town of Colchester, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations (Continued)

Capital Leases: The Town owns various vehicles and equipment with an approximate carrying value of \$3,302,000 which were acquired under capital lease arrangements. The Town is required under these agreements to make the following annual lease payments:

| | | |
|-----------------------------------|----|-------------------------|
| 2015 | \$ | 345,374 |
| 2016 | | 349,374 |
| 2017 | | 401,775 |
| 2018 | | 360,225 |
| 2019 | | 360,225 |
| Thereafter | | 2,096,854 |
| Total payments | | <u>3,913,827</u> |
| Less interest | | <u>(390,089)</u> |
| Present value of minimum payments | \$ | <u><u>3,523,738</u></u> |

The Town received Clean Water Fund Project loans that are recorded as a loan payable in the Water Fund. The balance at June 30, 2014 is \$1,846,667. These loans accrue interest at 2%. The following is a summary as of June 30, 2014, of the future principal and interest payments on these loans:

| | Principal | Interest | Total |
|-----------|---------------------|-------------------|---------------------|
| 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 |
| 2020-2024 | 659,877 | 99,055 | 758,932 |
| 2025-2029 | 593,224 | 26,570 | 619,794 |
| Total | <u>\$ 1,846,667</u> | <u>\$ 290,992</u> | <u>\$ 2,137,659</u> |

Prior Year's Debt Defeasance: In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the basic financial statements.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations (Continued)

Debt Limitation: The Town's statement of debt limitation under Connecticut General Statutes, Section 7-434(b) as of June 30, 2014, is as follows:

| | |
|---|---------------|
| Total tax collections (including interest and lien fees) for the year ended June 30, 2014 | \$ 36,217,263 |
|---|---------------|

Reimbursement for revenue loss:

| | |
|------------------------|--------|
| Tax relief for elderly | 48,326 |
|------------------------|--------|

| | |
|------|----------------------|
| Base | <u>\$ 36,265,589</u> |
|------|----------------------|

The Connecticut General Statutes provides that total authorized debt of the Town shall not exceed seven times the above base cash receipts of \$36,265,589 or \$253,859,123 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 | \$ 81,597,575 | \$ - | \$ - | \$ - | \$ - |
| 4-1/2 times base | - | 163,195,150 | - | - | - |
| 3-3/4 times base | - | - | 135,995,959 | - | - |
| 3-1/4 times base | - | - | - | 117,863,164 | - |
| 3 times base | - | - | - | - | 108,796,767 |
| Total debt limitation | 81,597,575 | 163,195,150 | 135,995,959 | 117,863,164 | 108,796,767 |
| Debt as defined by statute: | | | | | |
| Bonds payable ⁽¹⁾ | 2,398,400 | 10,356,600 | - | - | - |
| Authorized and unissued | 140,000 | 63,741 | - | - | - |
| Total indebtedness | 2,538,400 | 10,420,341 | - | - | - |
| Debt limitation in excess of outstanding and authorized debt | <u>\$ 79,059,175</u> | <u>\$ 152,774,809</u> | <u>\$ 135,995,959</u> | <u>\$ 117,863,164</u> | <u>\$ 108,796,767</u> |

⁽¹⁾ Clean Water Fund financing totaling \$1,846,667 are excluded from this calculation pursuant to Connecticut General Statutes.

Bonds Authorized but Unissued: Total authorized but unissued debt at June 30, 2014 consists of the following:

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 8. Contingencies

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

Note 9. Pension Fund

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

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

1. Classes of Employees Covered

At July 1, 2012, PERS membership consisted of:

| | |
|--|-------|
| Retirees and beneficiaries receiving benefits | - |
| Terminated plan members entitled to but not yet receiving benefits | - |
| Active plan members | |
| Vested | 3 |
| Nonvested | 7 |
| | <hr/> |
| Total | 10 |

2. Benefit Provisions

a. Benefit Provisions

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

The retirement benefit is calculated at 2.5% of Final Average Salary during the highest 3 plan years of active employment multiplied by years of service, with a maximum pension of 60% of Final Average Salary. Years of service is computed in whole years. Participants are 100% vested after 10 years of service.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Fund (Continued)

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.

b. Funding Policy

Employees are required to contribute 12.5% of their weekly pay and the employer picks up mandatory contributions of 12.5% of pay on behalf of each participant. The Town is required to contribute the remaining amounts necessary to finance the coverage for its employees.

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 Police Department Retirement Plan for the current year were:

| | | |
|--|----|----------|
| Annual required contribution | \$ | 101,215 |
| Interest on net pension obligation | | (3,898) |
| Adjustment to annual required contribution | | 5,124 |
| Annual pension cost | | 102,441 |
| Contributions made | | 105,624 |
| Increase in net pension asset | | (3,183) |
| Net pension asset, July 1, 2013 | | (51,970) |
| Net pension asset, June 30, 2014 | \$ | (55,153) |

Three Year Trend Information

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Asset |
|-------------------|---------------------------|-------------------------------|-------------------|
| 06/30/12 | \$74,439 | 135.7% | \$(46,829) |
| 06/30/13 | 83,180 | 106.2% | (51,970) |
| 06/30/14 | 102,441 | 103.1% | (55,153) |

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, 2012 | \$ 702,577 | \$ 1,028,244 | \$ 325,667 | 68.3% | \$ 633,878 | 51.4% |

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

Note 9. Pension Fund (Continued)

Actuarial assumptions are as follows:

| | |
|-------------------------------|-----------------------|
| Valuation Date: | July 1, 2012 |
| Actuarial Cost Method: | Projected Unit Credit |
| Amortization Method: | Level Dollar |
| Remaining Amortization Period | 17 Years Closed |
| Asset Valuation Method: | Market Value |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.5% |
| Projected Salary Increases | 4.5% |

Investments:

Investment policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Colchester Retirement Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following was the adopted allocation policy as of June 30, 2014.

| Asset Class | Pension Funds |
|--------------|---------------------|
| | Target Allocation % |
| Cash | 4.00% |
| Equities | 64.00% |
| Fixed Income | 32.00% |

Rate of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.47%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town: The components of the net pension liability of the Town at June 30, 2014 were as follows:

| Net Pension Liability | June 30, 2014 |
|--|-------------------|
| Total Pension Liability | \$ 1,583,823 |
| Plan Fiduciary Net Position | 1,287,557 |
| Net Pension Liability | <u>\$ 296,266</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 81.29% |
| Covered Employee Payroll | \$ 662,403 |
| Net pension Liability as % of Covered Payroll | 44.73% |

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Fund (Continued)

Actuarial Assumptions (GASB 67): The total pension liability was determined by an actuarial valuation as of July 1, 2012, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 3.00%
- Salary Increases: 5.00% (3.5% cost-of living, 1.5% steps)
- Investment Return: 7.5%, compounded annually, net of investment expenses
- Actuarial Funding Method: Entry Age Normal

Mortality rates were based on the RP-2000 Mortality Table with separate male and female rates, with no collar adjustments, combined table for non-annuitants and annuitants, projected to the valuation date with Scale AA.

The total pension liability was determined by an actuarial valuation as of July 1, 2012, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date June 30, 2014. There have been no significant changes between the valuation date and the fiscal year end.

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Assumed Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of returns for each major asset class are included in the pension plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2012, and the final investment return assumption, are summarized in the following table:

| Asset Class | Long-Term Expected Portfolio | Weighted |
|---|------------------------------------|--------------|
| Cash | 0.50% | 0.02% |
| Equities | 5.25% | 3.36% |
| Fixed Income | 2.00% | 0.64% |
| Total Weighted Average Real Return | | 4.02% |
| Long-Term Inflation Expectation | | 3.00% |
| Long-Term Expected Nominal Return | | 7.02% |

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Fund (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the Town, calculated using the discount rate of 7.5%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|-----------------------|----------------------|-----------------------------------|----------------------|
| Net Pension Liability | \$ 614,174 | \$ 296,266 | \$ 42,745 |

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 \$4,592,000 for the year ended June 30, 2014.

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.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

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, 2013.

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, 2013, the date of the last actuarial valuation.

| | |
|---|------------|
| Retirees and beneficiaries receiving benefits | 26 |
| Active plan members | 399 |
| Total | <u>425</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 Ended | Annual OPEB Cost | Employer Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|------------------------|--|---------------------|
| June 30, 2014 | \$ 459,870 | \$ 184,000 | 40.0% | \$ 1,607,683 |
| June 30, 2013 | 431,000 | 142,000 | 32.9% | 1,331,813 |
| June 30, 2012 | 470,219 | 204,000 | 43.4% | 1,042,813 |

OPEB Obligation:

| | |
|--|----------------------------|
| Annual required contribution | \$ 462,000 |
| Interest on net pension obligation | 53,273 |
| Adjustment of ARC | <u>(55,403)</u> |
| Annual OPEB cost | 459,870 |
| Contributions made | <u>184,000</u> |
| Increase in net OPEB liability | 275,870 |
| Net OPEB obligation, beginning of year | <u>1,331,813</u> |
| Net OPEB obligation, end of year | <u><u>\$ 1,607,683</u></u> |

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

| 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, 2013 | - | 6,179,000 | (6,179,000) | - | \$ 23,807,000 | 26% |

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, 2013 |
| 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% |

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.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 11. Risk Management

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

The Medical Self-Insurance Fund is funded by monthly contributions from all funds incurring payroll charges. Anthem Blue Cross/Blue Shield, administrator of the claims process, aids the Town in calculating "premium" rates per contract. Under the Town's current policy, the Medical Self-Insurance Fund covers all employee claims up to \$125,000 per claim with an aggregate stop loss of 125% of expected claims paid which was approximately \$5,832,000 for the year ended June 30, 2014.

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, |
|-----------|-----------------------------|---------------------------------------|----------------|-------------------------------|
| 2013-2014 | \$ 513,617 | \$ 5,822,555 | \$ 5,831,811 | \$ 504,361 |
| 2012-2013 | \$ 516,634 | \$ 6,302,611 | \$ 6,305,628 | \$ 513,617 |

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.

Town of Colchester, Connecticut

Notes to Financial Statements

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 \$150,000 (\$15,000 per year for 10 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 | Capital Reserve Fund | Educational Grants Fund | Nonmajor Governmental Funds |
|----------------------------|---------------------|----------------------------|-------------------------------|-----------------------------------|
| Fund balances (Deficits): | | | | |
| Non-spendable: | | | | |
| Inventory | \$ 19,510 | \$ - | \$ - | \$ 9,603 |
| Restricted: | | | | |
| General government | - | - | - | 74,138 |
| Education | - | - | 141,947 | 33,859 |
| Community & human services | - | - | - | 291,982 |
| Public safety | - | - | - | 67,410 |
| Capital outlay | - | - | - | 672,761 |
| | - | - | 141,947 | 1,140,150 |
| Committed: | | | | |
| General government | 78,254 | - | - | - |
| Debt service | - | - | - | 91,013 |
| Capital outlay | 30,000 | 1,395,645 | - | 2,463,863 |
| Education | - | - | - | 96,927 |
| Community & human services | 6,800 | - | - | - |
| Public safety | - | - | - | 12,115 |
| Public works | 5,775 | - | - | 508,492 |
| | 120,829 | 1,395,645 | - | 3,172,410 |
| Assigned: | | | | |
| General government | 385 | - | - | - |
| Public works | 3,900 | - | - | - |
| Education | 246,445 | - | - | - |
| | 250,730 | - | - | - |
| Unassigned (deficit) | 4,888,372 | - | - | (33,654) |
| Total fund balance | \$ 5,279,441 | \$ 1,395,645 | \$ 141,947 | \$ 4,288,509 |

Town of Colchester, Connecticut

Notes to Financial Statements

Note 13. Fund Balance (Continued)

Fund Deficits: The following funds had fund deficits as of June 30, 2014:

| | | |
|----------------------|----|--------|
| Miscellaneous Grants | \$ | 29,844 |
| Adult Education | \$ | 3,810 |

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

Note 14. Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not yet determined the effect that the above GASB statements will have on the financial statements, but GASB Statement No. 68 will have an impact due to the recording of the net pension liability.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and its amendment, GASB Statement No. 71, will be effective on July 1, 2014. This statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Among other requirements, Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and calls for immediate recognition of more pension expense than is currently required.

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, will be effective on July 1, 2014. This statement provides guidance for determining whether a specific government combination is a government merger, acquisition, or a transfer of operations, which will improve accounting for mergers and acquisitions among state and local governments.

Accounting Standards Adopted in the Current Year:

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, was implemented as of July 1, 2013. This statement clarified the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result of the adoption of this standard, deferred amounts on refundings were required to be reclassified to Deferred Outflows of Resources. In addition, amounts previously classified as unavailable revenue were reclassified as deferred inflows of resources.

*GASB Statement No. 67, Financial Reporting for Pension Plans an amendment of GASB Statement No. 25, issued in June 2012, was effective for the Town as of July 1, 2013. This Statement replaces the requirements of *Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and *Statement 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 implementation of this statement did not have a material impact on the Town's financial statements.*

GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, became effective on July 1, 2013. This statement provides guidance to governments that extend and receive nonexchange financial guarantees. The implementation of this statement had no impact on the Town's financial statements.

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**Required Supplementary
Information**

Town of Colchester, Connecticut

Required Supplementary Information

Schedules of Funding Progress and Employer Contributions – Pension Trust

June 30, 2014

Unaudited

Schedule of Funding Progress - Pension Trust

| Actuarial Valuation Date | Actuarial Valuation of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a)/(b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|-----------------------------|--|---|-----------------------------------|----------------------------|---------------------------|---|
| 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% |
| 07/01/12 | 702,577 | 1,028,244 | 325,667 | 68.3% | 633,878 | 51.4% |

Schedule of Employer Contributions - Pension Trust

| Year Ended June 30, | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a % of Covered Payroll |
|---------------------------|---|------------------------------------|--|--------------------|--|
| 2006 | \$ 32,201 | \$ 37,000 | \$ (4,799) | \$ 384,243 | 9.63% |
| 2007 | 44,587 | 41,689 | 2,898 | 397,531 | 10.49% |
| 2008 | 44,587 | 48,252 | (3,665) | 410,312 | 11.76% |
| 2009 | 45,732 | 64,866 | (19,134) | 557,408 | 11.64% |
| 2010 | 77,704 | 80,798 | (3,094) | 550,743 | 14.67% |
| 2011 | 93,178 | 86,428 | 6,750 | 421,643 | 20.50% |
| 2012 | 74,068 | 101,034 | (26,966) | 571,675 | 17.67% |
| 2013 | 82,202 | 88,321 | (6,119) | 633,878 | 13.93% |
| 2014 | 101,215 | 105,624 | (4,409) | 662,403 | 15.95% |

Town of Colchester, Connecticut

Required Supplementary Information

Schedules of Funding Progress and Employer Contributions - OPEB

June 30, 2014

Unaudited

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 |
| July 1, 2013 | - | 6,179,000 | (6,179,000) | - | \$ 23,807,000 | 26% |

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 | 43.6% |
| 2013 | 431,000 | 32.9% |
| 2014 | 462,000 | 39.8% |

Required Supplementary Information - unaudited
Schedule of Changes in the Town's Net Pension Liability and Related Ratios
Last Fiscal Year
June 30, 2014

2014

Changes in Net Pension Liability**Total Pension Liability**

| | |
|--|------------------|
| Service cost | \$ 178,216 |
| Interest on total pension liability | 106,587 |
| Effect of economic/demographic gains or (losses) | 234,034 |
| Effect of assumption changes or inputs | (356,174) |
| Net change in total pension liability | 162,663 |
| Total Pension Liability, beginning | 1,421,160 |
| Total pension liability, ending (a) | 1,583,823 |

Fiduciary Net Position

| | |
|--|-------------------|
| Employer contributions | \$ 105,624 |
| Member contributions | 86,864 |
| Investment income net of investment expenses | 149,423 |
| Net change in plan fiduciary net position | 341,911 |
| Fiduciary Net Position, beginning | 945,646 |
| Fiduciary net position, ending (b) | 1,287,557 |
| Net pension liability, ending = (a) - (b) | \$ 296,266 |

| | |
|--|--------|
| Fiduciary net position as a % of total pension liability | 81.29% |
|--|--------|

| | |
|-----------------|------------|
| Covered payroll | \$ 662,403 |
|-----------------|------------|

| | |
|---|--------|
| Net pension liability as a % of covered payroll | 44.73% |
|---|--------|

NOTE: As 2014 is the implementation year, only 2014 information is available.

Town of Colchester, Connecticut

**Statement of Revenues and Expenditures - Budgetary Basis -
Budget and Actual - General Fund
For the Year Ended June 30, 2014
unaudited**

| | Budgeted Amounts | | Actual Budgetary Basis | Variance With Final Budget Positive (Negative) |
|--|-------------------|---------------------|------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes, interest and lien fees | \$ 36,304,295 | \$ 36,304,295 | \$ 36,248,381 | \$ (55,914) |
| Intergovernmental revenues | 14,752,459 | 14,752,459 | 14,789,718 | 37,259 |
| Revenues from the use of money | 52,500 | 52,500 | 51,533 | (967) |
| Charges for services | 486,500 | 486,500 | 514,562 | 28,062 |
| Licenses, permits and fees | 588,820 | 588,820 | 662,264 | 73,444 |
| Other revenues | 41,330 | 41,330 | 241,231 | 199,901 |
| Total revenues | 52,225,904 | 52,225,904 | 52,507,689 | 281,785 |
| EXPENDITURES | | | | |
| General government | 3,516,486 | 3,427,988 | 3,386,891 | 41,097 |
| Public works | 3,145,849 | 3,333,633 | 3,331,094 | 2,539 |
| Public safety | 2,334,112 | 2,426,883 | 2,396,650 | 30,233 |
| Community and human services | 1,436,721 | 1,434,298 | 1,403,656 | 30,642 |
| Education | 39,076,054 | 39,076,054 | 38,872,262 | 203,792 |
| Debt service | 2,093,641 | 2,054,943 | 2,054,914 | 29 |
| Total expenditures | 51,602,863 | 51,753,799 | 51,445,467 | 308,332 |
| Excess (deficiency) of revenues over expenditures | 623,041 | 472,105 | 1,062,222 | 590,117 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | | | - |
| Transfers out | (623,041) | (703,319) | (703,319) | - |
| Total other financing (uses) | (623,041) | (703,319) | (703,319) | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ (231,214) | \$ 358,903 | \$ 590,117 |

See Note to the Required Supplementary Information.

Town of Colchester, Connecticut

Note to Required Supplementary Information *Unaudited*

Note 1. Budgets and Budgetary Accounting

The Town's general budget policies are as follows:

General Fund: The Chief Financial Officer compiles preliminary budgets for all departments and agencies, with the exception of the Board of Education, for presentation by the First Selectman to the Board of Selectmen. 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 | \$ 52,507,689 |
| Prior year encumbrances cancelled | (2,984) |
| Excess cost revenue net against expenditures | 346,093 |
| On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System | <u>4,592,000</u> |
| Revenues and transfers, GAAP basis | <u><u>\$ 57,442,798</u></u> |

Town of Colchester, Connecticut

Note to Required Supplementary Information Unaudited

Note 1. Budgets and Budgetary Accounting (Continued)

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

| | |
|---|----------------------|
| Expenditures, transfers and encumbrances budgetary basis | \$ 52,148,786 |
| On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System | 4,592,000 |
| Excess cost revenue net against expenditures | 346,093 |
| Encumbrances: | |
| June 30, 2013 | 654,206 |
| June 30, 2014 | (46,938) |
| Expenditures and transfers, GAAP basis | <u>\$ 57,694,147</u> |

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

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

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

General Fund

Town of Colchester, Connecticut

**General Fund
Balance Sheet**

June 30, 2014 With Comparative Amounts for 2013

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 5,549,446 | \$ 5,992,880 |
| Property taxes and interest receivable, net | 1,255,582 | 1,155,988 |
| Other receivables | 26,482 | 16,804 |
| Inventory | 19,510 | 28,351 |
| Grants receivable | 236,997 | 117,828 |
| Total assets | \$ 7,088,017 | \$ 7,311,851 |
| Liabilities | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 702,526 | \$ 744,338 |
| Total liabilities | 702,526 | 744,338 |
| Deferred Inflow of Resources | | |
| Unavailable resources | 1,106,050 | 1,036,723 |
| Fund Balance | | |
| Nonspendable prepaids | | |
| Nonspendable inventory | 19,510 | 28,351 |
| Committed | 120,829 | 44,936 |
| Assigned | 250,730 | 698,770 |
| Unassigned | 4,888,372 | 4,758,733 |
| Total fund balance | 5,279,441 | 5,530,790 |
| Total liabilities, deferred inflow of resources fund balance | \$ 7,088,017 | \$ 7,311,851 |

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, 2014

| | Budgeted Amounts | | Actual | Variance With |
|-----------------------------------|-------------------|-------------------|-------------------|-----------------|
| | Original | Final | Budgetary | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| PROPERTY TAXES | | | | |
| Current year levy | \$ 35,829,295 | \$ 35,829,295 | \$ 35,565,318 | \$ (263,977) |
| Prior years levy | 325,000 | 325,000 | 435,552 | 110,552 |
| Interest and lien fees | 150,000 | 150,000 | 247,511 | 97,511 |
| Total property taxes | 36,304,295 | 36,304,295 | 36,248,381 | (55,914) |
| INTERGOVERNMENTAL | | | | |
| State of Connecticut: | | | | |
| In lieu of taxes | - | - | 52,351 | 52,351 |
| Elderly circuit breaker | 56,900 | 56,900 | 48,326 | (8,574) |
| Disability exemption | 2,000 | 2,000 | 1,894 | (106) |
| Additional veteran exemption | 7,000 | 7,000 | 7,960 | 960 |
| Municipal Aid Adjustment | 228,664 | 228,664 | - | (228,664) |
| Emergency Management | 3,905 | 3,905 | - | (3,905) |
| Local Capital Improvement Program | 181,560 | 181,560 | 236,997 | 55,437 |
| Mashantucket Pequot/Mohegan Grant | 9,470 | 9,470 | 67,828 | 58,358 |
| Distribution to towns | 16,000 | 16,000 | 9,620 | (6,380) |
| Youth Services Grant | 18,750 | 18,750 | 18,833 | 83 |
| Library Grant | 4,400 | 4,400 | 5,702 | 1,302 |
| Total State of Connecticut | 528,649 | 528,649 | 449,511 | (79,138) |
| Education: | | | | |
| Special Education | 450,000 | 450,000 | 400,878 | (49,122) |
| Education cost sharing | 13,773,810 | 13,773,810 | 13,752,393 | (21,417) |
| School transportation | - | - | 186,936 | 186,936 |
| Total education | 14,223,810 | 14,223,810 | 14,340,207 | 116,397 |
| Total intergovernmental | 14,752,459 | 14,752,459 | 14,789,718 | 37,259 |
| REVENUES FROM USE OF MONEY | | | | |
| Investment income | 52,500 | 52,500 | 51,533 | (967) |
| CHARGES FOR SERVICES | | | | |
| Ambulance | 475,000 | 475,000 | 503,355 | 28,355 |
| Recreation | 11,500 | 11,500 | 11,207 | (293) |
| Total charges for services | 486,500 | 486,500 | 514,562 | 28,062 |

(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, 2014

| | Budgeted Amounts | | Actual | Variance With |
|--|----------------------|----------------------|----------------------|-------------------|
| | Original | Final | Budgetary | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| LICENSES, PERMITS AND FEES | | | | |
| Fire Marshal inspection fees | \$ 200 | \$ 200 | \$ 527 | \$ 327 |
| Sports licenses | 520 | 520 | 496 | (24) |
| Transfer station fees | 135,000 | 135,000 | 128,152 | (6,848) |
| Conservation Commission fees | 5,500 | 5,500 | 3,480 | (2,020) |
| Road inspection fees | 4,100 | 4,100 | 6,638 | 2,538 |
| Building code fees | 170,000 | 170,000 | 232,293 | 62,293 |
| Conveyance tax | 108,000 | 108,000 | 133,384 | 25,384 |
| Zoning and planning fees | 12,000 | 12,000 | 12,950 | 950 |
| Zoning appeal fees | 1,000 | 1,000 | 300 | (700) |
| Copier fees - Tax Collector | 150 | 150 | 282 | 132 |
| Copier fees - Assessor | 1,100 | 1,100 | 933 | (167) |
| Copier fees - Town Clerk | 15,200 | 15,200 | 16,160 | 960 |
| Copier fees - Planning & Code Administration | 200 | 200 | 292 | 92 |
| Town Clerk fees | 105,000 | 105,000 | 98,962 | (6,038) |
| Vendor permits | 400 | 400 | 480 | 80 |
| Pistol permits | 8,050 | 8,050 | 10,360 | 2,310 |
| Library fines and fees | 15,000 | 15,000 | 11,322 | (3,678) |
| Dial-A-Ride | 4,000 | 4,000 | 2,974 | (1,026) |
| Recording Fees | 3,400 | 3,400 | 2,279 | (1,121) |
| Total licenses, permits and fees | 588,820 | 588,820 | 662,264 | 73,444 |
| OTHER REVENUES | | | | |
| Tuition - regular | 15,030 | 15,030 | 68,606 | 53,576 |
| Telecommunications tax | - | - | 40,003 | 40,003 |
| State Fund for building inspection | 800 | 800 | 766 | (34) |
| Elderly housing | 13,500 | 13,500 | 11,333 | (2,167) |
| Miscellaneous | 12,000 | 12,000 | 29,187 | 17,187 |
| Recovery - legal settlement | - | - | 59,996 | 59,996 |
| Insurance reimbursement | - | - | 2,052 | 2,052 |
| Cirna Member Equity Distribution | - | - | 29,288 | 29,288 |
| Total other revenues | 41,330 | 41,330 | 241,231 | 199,901 |
| Total revenues | \$ 52,225,904 | \$ 52,225,904 | \$ 52,507,689 | \$ 281,785 |

(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, 2014

| | Budgeted Amounts | | Actual | Variance With |
|----------------------------------|------------------|------------------|------------------|---------------|
| | Original | Final | Budgetary | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| GENERAL GOVERNMENT | | | | |
| Boards and Commissions | \$ 27,314 | \$ 27,314 | \$ 23,660 | \$ 3,654 |
| Contingency | 52,229 | - | - | - |
| First Selectman | 211,402 | 217,389 | 217,121 | 268 |
| Human Resources | 120,202 | 91,047 | 89,304 | 1,743 |
| Finance | 270,208 | 275,622 | 274,406 | 1,216 |
| Tax Collector | 147,309 | 175,056 | 173,780 | 1,276 |
| Assessor | 251,931 | 257,298 | 255,658 | 1,640 |
| Planning and Code Administration | 516,817 | 521,763 | 513,220 | 8,543 |
| Town Clerk | 196,733 | 165,255 | 157,995 | 7,260 |
| Elections | 69,074 | 69,741 | 58,379 | 11,362 |
| Insurances | 1,567,296 | 1,545,136 | 1,544,180 | 956 |
| Probate | 4,558 | 4,558 | 4,558 | - |
| Information Technology | 81,413 | 77,809 | 74,630 | 3,179 |
| Total general government | 3,516,486 | 3,427,988 | 3,386,891 | 41,097 |
| PUBLIC WORKS | | | | |
| Public Works Administration | 153,705 | 159,320 | 159,208 | 112 |
| Highway | 1,307,105 | 1,260,500 | 1,260,191 | 309 |
| Fleet maintenance | 362,313 | 371,516 | 371,483 | 33 |
| Grounds maintenance | 416,142 | 419,752 | 419,417 | 335 |
| Snow removal | 410,890 | 588,871 | 588,869 | 2 |
| Transfer Station | 246,374 | 242,630 | 241,913 | 717 |
| Facilities | 144,335 | 171,723 | 171,704 | 19 |
| Engineering | 104,985 | 119,321 | 118,309 | 1,012 |
| Total public works | 3,145,849 | 3,333,633 | 3,331,094 | 2,539 |
| PUBLIC SAFETY | | | | |
| Police | 1,193,510 | 1,229,501 | 1,229,490 | 11 |
| Fire | 1,122,600 | 1,184,444 | 1,155,980 | 28,464 |
| Emergency Management | 18,002 | 12,938 | 11,180 | 1,758 |
| Total public safety | 2,334,112 | 2,426,883 | 2,396,650 | 30,233 |

(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, 2014

| | Budgeted Amounts | | Actual | Variance With |
|--|-------------------|---------------------|-------------------|-------------------|
| | Original | Final | Budgetary | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| COMMUNITY & HUMAN SERVICES | | | | |
| Cragin Memorial Library | \$ 533,165 | \$ 538,849 | \$ 535,201 | \$ 3,648 |
| Parks and recreation | 175,357 | 177,034 | 166,663 | 10,371 |
| Senior Services | 261,610 | 259,648 | 252,567 | 7,081 |
| Youth & Social services | 330,300 | 322,478 | 312,936 | 9,542 |
| Health services | 136,289 | 136,289 | 136,289 | - |
| Total community & human services | 1,436,721 | 1,434,298 | 1,403,656 | 30,642 |
| EDUCATION | 39,076,054 | 39,076,054 | 38,872,262 | 203,792 |
| DEBT SERVICE | | | | |
| Principal | 1,616,508 | 1,585,307 | 1,585,307 | - |
| Interest | 477,133 | 469,636 | 469,607 | 29 |
| Total debt service | 2,093,641 | 2,054,943 | 2,054,914 | 29 |
| Total expenditures | 51,602,863 | 51,753,799 | 51,445,467 | 308,332 |
| OTHER FINANCING USES | | | | |
| Transfers out | (623,041) | (703,319) | (703,319) | - |
| Total other financing uses | (623,041) | (703,319) | (703,319) | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | \$ (231,214) | \$ 358,903 | \$ 590,117 |

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Nonmajor Governmental Funds

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Town of Colchester, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

| | 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 | \$ 59,609 | \$ 696,869 | \$ 57,283 | \$ 449,224 | \$ 62,463 | \$ 10,952 |
| Assessments and user charges receivable | - | - | - | 250,918 | - | - |
| Other receivables | 520 | - | 32,000 | - | 18,244 | - |
| Intergovernmental receivable | - | - | - | - | - | 41,300 |
| Inventory | - | - | - | - | - | 9,603 |
| Total assets | \$ 60,129 | \$ 696,869 | \$ 89,283 | \$ 700,142 | \$ 80,707 | \$ 61,855 |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 2,796 | \$ 24,108 | \$ 900 | \$ 4,440 | \$ 13,698 | \$ 18,393 |
| Unearned revenue | - | - | 56,256 | - | - | - |
| Total liabilities | 2,796 | 24,108 | 57,156 | 4,440 | 13,698 | 18,393 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable resources | - | - | 32,000 | 219,379 | - | - |
| FUND BALANCES (DEFICITS) | | | | | | |
| Nonspendable | - | - | - | - | - | 9,603 |
| Restricted | 57,333 | 672,761 | 127 | - | 67,009 | 33,859 |
| Committed | - | - | - | 476,323 | - | - |
| Unassigned | - | - | - | - | - | - |
| Total fund balances (deficits) | 57,333 | 672,761 | 127 | 476,323 | 67,009 | 43,462 |
| Total liabilities, deferred inflows of resources and fund balances (deficits) | \$ 60,129 | \$ 696,869 | \$ 89,283 | \$ 700,142 | \$ 80,707 | \$ 61,855 |

| Special Revenue | | | | | | | |
|---------------------------------|--------------------|--------------------------|--------------------------------|----------------|--------------------------------------|---------------------------|--|
| Miscellaneous Grants Fund | Adult Education | Special Gifts Fund | Benefits Assessment Fund | Pay to Play | Bacon Academy Summer School | Police Special Duty | |
| \$ - | \$ - | \$ 312,092 | \$ 32,169 | \$ 240 | \$ 13,659 | \$ 8,872 | |
| - | - | - | 2,962 | - | - | 7,700 | |
| - | - | - | - | - | - | - | |
| 124,403 | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | |
| <u>\$ 124,403</u> | <u>\$ -</u> | <u>\$ 312,092</u> | <u>\$ 35,131</u> | <u>\$ 240</u> | <u>\$ 13,659</u> | <u>\$ 16,572</u> | |
| | | | | | | | |
| \$ 154,247 | \$ 3,810 | \$ 3,031 | \$ - | \$ 240 | \$ 3,325 | \$ 4,457 | |
| - | - | - | - | - | - | - | |
| <u>154,247</u> | <u>3,810</u> | <u>3,031</u> | <u>-</u> | <u>240</u> | <u>3,325</u> | <u>4,457</u> | |
| | | | | | | | |
| - | - | - | 2,962 | - | - | - | |
| | | | | | | | |
| - | - | - | - | - | - | - | |
| - | - | 309,061 | - | - | - | - | |
| - | - | - | 32,169 | - | 10,334 | 12,115 | |
| <u>(29,844)</u> | <u>(3,810)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | |
| <u>(29,844)</u> | <u>(3,810)</u> | <u>309,061</u> | <u>32,169</u> | <u>-</u> | <u>10,334</u> | <u>12,115</u> | |
| | | | | | | | |
| <u>\$ 124,403</u> | <u>\$ -</u> | <u>\$ 312,092</u> | <u>\$ 35,131</u> | <u>\$ 240</u> | <u>\$ 13,659</u> | <u>\$ 16,572</u> | |

(Continued)

Town of Colchester, Connecticut

Combining Balance Sheet, (Continued)
Nonmajor Governmental Funds
June 30, 2014

| | Capital Projects | | | | |
|--|---------------------------------|----------------------------|-----------------------------|---------------------|-------------------|
| | Johnston Building Project | 2009 Bond Referendum | Capital Projects Fund | Sewer Capital | Energy Fund |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ 56,057 | \$ 662,782 | \$ 1,375,110 | \$ 296,382 |
| Assessments and user charges receivable | - | - | - | - | - |
| Other receivables | - | - | - | - | - |
| Intergovernmental receivable | - | - | - | - | - |
| Inventory | - | - | - | - | - |
| Total assets | \$ - | \$ 56,057 | \$ 662,782 | \$ 1,375,110 | \$ 296,382 |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ - | \$ - | \$ 4,500 | \$ - | \$ 4,000 |
| Unearned revenue | - | - | - | - | - |
| Total liabilities | - | - | 4,500 | - | 4,000 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable resources | - | - | - | - | - |
| FUND BALANCES (DEFICITS) | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | - | - | - |
| Committed | - | 56,057 | 658,282 | 1,375,110 | 292,382 |
| Unassigned | - | - | - | - | - |
| Total fund balances (deficits) | - | 56,057 | 658,282 | 1,375,110 | 292,382 |
| Total liabilities, deferred inflows of resources and fund balances (deficits) | \$ - | \$ 56,057 | \$ 662,782 | \$ 1,375,110 | \$ 296,382 |

| Capital Projects | | | | |
|-------------------|-----------------------------------|------------------|-----------|------------------|
| Use of Schools | BOE Capital Reserve Fund | Debt Service | Totals | |
| \$ 87,406 | \$ 97,782 | \$ 91,013 | \$ | 4,369,964 |
| - | - | - | | 261,580 |
| - | - | - | | 50,764 |
| - | - | - | | 165,703 |
| - | - | - | | 9,603 |
| <u>\$ 87,406</u> | <u>\$ 97,782</u> | <u>\$ 91,013</u> | <u>\$</u> | <u>4,857,614</u> |

| | | | | |
|------------|---------------|----------|----|----------------|
| \$ 813 | \$ 15,750 | \$ - | \$ | 258,508 |
| - | - | - | | 56,256 |
| <u>813</u> | <u>15,750</u> | <u>-</u> | | <u>314,764</u> |

| | | | | |
|---|---|---|--|---------|
| - | - | - | | 254,341 |
|---|---|---|--|---------|

| | | | | |
|---------------|---------------|---------------|--|------------------|
| - | - | - | | 9,603 |
| - | - | - | | 1,140,150 |
| 86,593 | 82,032 | 91,013 | | 3,172,410 |
| - | - | - | | (33,654) |
| <u>86,593</u> | <u>82,032</u> | <u>91,013</u> | | <u>4,288,509</u> |

| | | | | |
|------------------|------------------|------------------|-----------|------------------|
| <u>\$ 87,406</u> | <u>\$ 97,782</u> | <u>\$ 91,013</u> | <u>\$</u> | <u>4,857,614</u> |
|------------------|------------------|------------------|-----------|------------------|

Town of Colchester, Connecticut

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficits)
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

| | 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 | \$ - | \$ 384,276 | \$ - | \$ - | \$ - | \$ 249,605 |
| Food sales, charges for services | - | - | - | - | - | 459,753 |
| Fines and fees | 18,817 | - | - | - | - | - |
| Interest income | - | - | 15 | 1,185 | - | 17 |
| Sewer assessments, use and charges for services | - | - | - | 881,275 | 313,058 | - |
| Other local revenue | - | - | 15,102 | 25 | 5,044 | - |
| Total revenues | 18,817 | 384,276 | 15,117 | 882,485 | 318,102 | 709,375 |
| EXPENDITURES | | | | | | |
| General government | - | - | - | - | - | - |
| Public works | - | 55,665 | - | 808,964 | - | - |
| Education | - | - | - | - | - | 789,286 |
| Public safety | 63,687 | - | - | - | - | - |
| Community & human services | - | - | 15,102 | - | 262,482 | - |
| Capital outlay | - | 50,308 | - | 14,215 | - | - |
| Debt service | - | - | - | - | - | - |
| Total expenditures | 63,687 | 105,973 | 15,102 | 823,179 | 262,482 | 789,286 |
| Excess (deficiency) revenues over expenditures | (44,870) | 278,303 | 15 | 59,306 | 55,620 | (79,911) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 39,543 | - | - | - | - | - |
| Transfers out | - | - | - | (48,125) | - | - |
| Total other financing sources (uses) | 39,543 | - | - | (48,125) | - | - |
| Net change in fund balances (deficits) | (5,327) | 278,303 | 15 | 11,181 | 55,620 | (79,911) |
| FUND BALANCES (DEFICITS), beginning | 62,660 | 394,458 | 112 | 465,142 | 11,389 | 123,373 |
| FUND BALANCES (DEFICITS), ending | \$ 57,333 | \$ 672,761 | \$ 127 | \$ 476,323 | \$ 67,009 | \$ 43,462 |

| Special Revenue | | | | | | |
|---------------------------------|--------------------|--------------------------|--------------------------------|----------------|--------------------------------------|---------------------------|
| Miscellaneous Grants Fund | Adult Education | Special Gifts Fund | Benefits Assessment Fund | Pay to Play | Bacon Academy Summer School | Police Special Duty |
| \$ 230,657 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | 88 | - | - | - |
| - | - | - | - | 113,595 | 17,270 | 60,877 |
| 4,488 | - | 143,598 | - | - | - | - |
| 235,145 | - | 143,598 | 88 | 113,595 | 17,270 | 60,877 |
| 17,808 | - | 5,709 | - | - | - | - |
| 1,471 | - | - | - | - | - | - |
| - | - | 1,689 | - | 113,595 | 18,992 | - |
| 67,670 | - | - | - | - | - | 61,280 |
| 76,926 | - | 126,080 | - | - | - | - |
| 111,595 | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 275,470 | - | 133,478 | - | 113,595 | 18,992 | 61,280 |
| (40,325) | - | 10,120 | 88 | - | (1,722) | (403) |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| (40,325) | - | 10,120 | 88 | - | (1,722) | (403) |
| 10,481 | (3,810) | 298,941 | 32,081 | - | 12,056 | 12,518 |
| \$ (29,844) | \$ (3,810) | \$ 309,061 | \$ 32,169 | \$ - | \$ 10,334 | \$ 12,115 |

(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, 2014

| | Capital Projects | | | | |
|---|---------------------------------|----------------------------|-----------------------------|------------------|----------------|
| | Johnston Building Project | 2009 Bond Referendum | Capital Projects Fund | Sewer Capital | Energy Fund |
| REVENUES | | | | | |
| Intergovernmental | \$ - | \$ - | \$ - | \$ - | \$ - |
| Food sales, charges for services | - | - | - | - | - |
| Fines and fees | - | - | - | 44,890 | - |
| Interest income | - | - | - | 3,759 | - |
| Sewer assessments, use and charges for services | - | - | 5,450 | - | - |
| Other local revenue | - | - | - | - | 326,355 |
| Total revenues | - | - | 5,450 | 48,649 | 326,355 |
| EXPENDITURES | | | | | |
| General government | - | - | - | - | - |
| Public works | - | - | - | - | - |
| Education | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Community & human services | - | - | - | - | - |
| Capital outlay | - | - | 123,425 | 22,870 | 862,975 |
| Debt service | - | - | - | - | - |
| Total expenditures | - | - | 123,425 | 22,870 | 862,975 |
| Excess (deficiency) revenues over expenditures | - | - | (117,975) | 25,779 | (536,620) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | 229,500 | 48,125 | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | 229,500 | 48,125 | - |
| Net change in fund balances (deficits) | - | - | 111,525 | 73,904 | (536,620) |
| FUND BALANCES (DEFICITS), beginning | - | 56,057 | 546,757 | 1,301,206 | 829,002 |
| FUND BALANCES (DEFICITS), ending | \$ - | \$ 56,057 | \$ 658,282 | \$ 1,375,110 | \$ 292,382 |

| Capital Projects | | | | |
|-------------------|-----------------------------------|-----------------|--------------|--|
| Use of Schools | BOE Capital Reserve Fund | Debt Service | Totals | |
| \$ - | \$ - | \$ - | \$ 864,538 | |
| - | - | - | 459,753 | |
| - | - | - | 63,707 | |
| - | - | - | 5,064 | |
| 76,028 | - | - | 1,467,553 | |
| - | - | - | 494,612 | |
| 76,028 | - | - | 3,355,227 | |
| - | - | - | 23,517 | |
| - | - | - | 866,100 | |
| 39,834 | - | - | 963,396 | |
| - | - | - | 192,637 | |
| - | - | - | 480,590 | |
| 21,613 | 69,715 | - | 1,276,716 | |
| - | - | 289,777 | 289,777 | |
| 61,447 | 69,715 | 289,777 | 4,092,733 | |
| 14,581 | (69,715) | (289,777) | (737,506) | |
| - | 41,580 | 328,476 | 687,224 | |
| - | - | - | (48,125) | |
| - | 41,580 | 328,476 | 639,099 | |
| 14,581 | (28,135) | 38,699 | (98,407) | |
| 72,012 | 110,167 | 52,314 | 4,386,916 | |
| \$ 86,593 | \$ 82,032 | \$ 91,013 | \$ 4,288,509 | |

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Capital Assets Schedules

Town of Colchester, Connecticut

**Capital Assets Used in the Operation of Governmental Funds -
Schedule by Category
June 30, 2014**

| | |
|--|------------------------------|
| Governmental funds capital assets: | |
| Land | \$ 3,432,379 |
| Construction in process | 3,188,277 |
| Buildings | 89,370,601 |
| Improvements other than buildings | 2,143,993 |
| Machinery and equipment | 12,949,789 |
| Infrastructure | <u>37,168,440</u> |
| Total governmental funds capital assets | <u>\$ 148,253,479</u> |

Town of Colchester, Connecticut

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2014

| | Land | Buildings | Improvements Other Than Buildings | Infrastructure | Machinery and Equipment | Construction in Process | Total |
|-------------------------------|---------------------|----------------------|---|----------------------|-------------------------------|-------------------------------|-----------------------|
| General government | \$ 3,432,379 | \$ 2,487,509 | \$ 1,381,527 | \$ - | \$ 469,655 | \$ - | \$ 7,771,070 |
| Public safety | - | 945,298 | - | 24,342 | 4,400,550 | - | 5,370,190 |
| Public works | - | 404,653 | 18,683 | 36,749,652 | 2,672,696 | - | 39,845,684 |
| Community & human services | - | 7,615,628 | 5,385 | 268,779 | 986,213 | - | 8,876,005 |
| Education | - | 77,917,513 | 738,398 | 125,667 | 4,420,675 | - | 83,202,253 |
| Construction in process | - | - | - | - | - | 3,188,277 | 3,188,277 |
| Total | \$ 3,432,379 | \$ 89,370,601 | \$ 2,143,993 | \$ 37,168,440 | \$ 12,949,789 | \$ 3,188,277 | \$ 148,253,479 |

Other Schedule

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Town of Colchester, Connecticut

Schedule of Property Taxes Levied, Collected and Outstanding
For the Year Ended June 30, 2014

| Grand List Year | Balance Uncollected July 1, 2013 | Current Levy | Lawful Corrections | | Written-off Uncollectible | Transfer to Suspense | Balance To Be Collected |
|--------------------|--|----------------------|--------------------|---------------------|------------------------------|-------------------------|-------------------------------|
| | | | Additions | Deletions | | | |
| 1996 | \$ 5,376 | \$ - | \$ - | \$ - | \$ (5,376) | \$ - | \$ - |
| 1997 | 10,001 | - | - | - | (10,001) | - | - |
| 1998 | 15,489 | - | - | (1) | (13,851) | - | 1,637 |
| 1999 | 27,689 | - | - | - | - | (16,901) | 10,788 |
| 2000 | 25,704 | - | - | - | - | (4,033) | 21,671 |
| 2001 | 28,858 | - | 2 | - | - | (1,735) | 27,125 |
| 2002 | 62,778 | - | - | - | - | (1,562) | 61,216 |
| 2003 | 68,261 | - | - | - | - | (839) | 67,422 |
| 2004 | 73,693 | - | - | - | - | (475) | 73,218 |
| 2005 | 103,465 | - | - | (1) | - | (464) | 103,000 |
| 2006 | 76,790 | - | 9 | - | - | (344) | 76,455 |
| 2007 | 86,660 | - | 13 | (1) | - | (240) | 86,432 |
| 2008 | 80,636 | - | 13 | - | - | - | 80,649 |
| 2009 | 70,638 | - | 25,802 | (193) | - | - | 96,247 |
| 2010 | 141,701 | - | 35,717 | (4,919) | - | - | 172,499 |
| 2011 | 549,342 | - | 44,446 | (75,010) | - | - | 518,778 |
| 2012 | - | 36,317,093 | 104,557 | (265,601) | - | - | 36,156,049 |
| | <u>\$ 1,427,081</u> | <u>\$ 36,317,093</u> | <u>\$ 210,559</u> | <u>\$ (345,726)</u> | <u>\$ (29,228)</u> | <u>\$ (26,593)</u> | <u>\$ 37,553,186</u> |

| Collections | | | | | Balance Uncollected June 30, 2014 | |
|-------------|------------|----------|---------|----|---|---------------|
| Taxes | | Interest | Fees | | Total | |
| \$ | - | \$ | - | \$ | - | \$ |
| | - | | - | | - | |
| | 464 | | 1,304 | | - | 1,768 |
| | 122 | | 311 | | - | 433 |
| | 119 | | 258 | | - | 377 |
| | 463 | | 264 | | 24 | 751 |
| | 1,622 | | 3,178 | | - | 4,800 |
| | 3,845 | | 3,352 | | 48 | 7,245 |
| | 193 | | 4,318 | | - | 4,511 |
| | 2,917 | | 2,218 | | 48 | 5,183 |
| | 3,438 | | 3,667 | | 24 | 7,129 |
| | 4,664 | | 2,062 | | 48 | 6,774 |
| | 5,335 | | 3,972 | | 48 | 9,355 |
| | 12,170 | | 6,377 | | 144 | 18,691 |
| | 64,025 | | 19,017 | | 594 | 83,636 |
| | 305,723 | | 62,086 | | 2,139 | 369,948 |
| | 35,565,318 | | 130,208 | | 1,135 | 35,696,661 |
| \$ | 35,970,418 | \$ | 242,592 | \$ | 4,252 | \$ 36,217,262 |
| | | | | | | \$ 1,582,768 |

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