FINAL OFFICIAL STATEMENT DATED JANUARY 10, 2018

NEW ISSUE: Book-Entry-Only ***RATING: See "Rating" herein.***

In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendix B "Opinion of Bond Counsel and Tax Exemption" herein.)

Town of Colchester, Connecticut

$20,850,000

General Obligation Bond Anticipation Notes (the "Notes")

Dated:	***January 19, 2018***	***Rate:***	***2.500%***
Due:	***October 17, 2018***	***Yield:***	***1.490%***
CUSIP:	***192792QD4*** [1]	***Underwriter:***	***TD Securities (USA) LLC***

Principal and interest on the Notes will be payable at maturity. The Notes are being offered for sale and will bear interest at such rate or rates per annum as are specified by the successful bidder or bidders in accordance with the Notice of Sale, dated January 2, 2018.

The Notes will be issued by means of a book-entry-only system and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. The Beneficial Owners of the Notes will not receive certificates representing their ownership interest in the Notes. Principal of, redemption premium, if any, and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Notes. Ownership of the Notes may be in principal amounts of $5,000 or any multiple thereof. So long as Cede & Co. is the Noteowner, as nominee for DTC, reference herein to the Noteowner or owners shall mean Cede & Co., aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Notes. (See "Book-Entry-Only Transfer System" herein.)

The Registrar, Transfer Agent, Paying Agent, and Certifying Agent for the Notes will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.

The Notes will be general obligations of the Town of Colchester, Connecticut, (the "Town") and the Town will pledge its full faith and credit to pay the principal and interest on the Notes when due. (See "Security and Remedies" herein.)

The Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Notes in book-entry-only form will be made to DTC in New York, New York on or about January 19, 2018.

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[1] *Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Notes. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Notes or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Notes.*

No dealer, broker, salesman or other person has been authorized by the Town of Colchester, Connecticut (the "Town") to give any information or to make any representations, other than those contained in this Official Statement; and if given or made, such other information or representation must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Notes and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Notes shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

Set forth in Appendix A – "2017 Financial Statements Excerpted from the Town's Annual Financial Audit" hereto is a copy of the report of the independent auditors for the Town with respect to the financial statements of the Town included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Bond Counsel is not passing on and does not assume any responsibility for the accuracy or completeness of the statements made in this Official Statement, (other than matters expressly set forth as its opinion in Appendix B "Opinion of Bond Counsel and Tax Exemption" herein), and makes no representation that it has independently verified the same.

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Note Issue Summary

The information in this Note Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.

Date of Sale:	Wednesday, January 10, 2018 at 11:30 A.M. (Eastern Time).
Location of Sale:	Colchester Town Hall, 127 Norwich Avenue, Colchester, Connecticut 06415.
Issuer:	Town of Colchester, Connecticut (the "Town").
Issue:	$20,850,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	Date of Delivery
Principal Due:	At maturity: October 17, 2018
Interest Due:	At maturity: October 17, 2018
Purpose:	The Notes are being issued to temporarily finance improvements to the Town's William J. Johnston Middle School Project.
Redemption:	The Notes are NOT subject to redemption prior to maturity.
Security:	The Notes will be general obligations of the Town of Colchester, Connecticut, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
Credit Rating:	No application for a rating has been made. The Town's underlying long-term rating is "Aa3" by Moody's Investors Service.
Note Insurance:	The Town does not expect to purchase a credit enhancement facility.
Basis of Award:	Lowest Net Interest Cost (NIC), as of the dated date.
Tax Exemption:	See Appendix B - "Opinion of Bond Counsel and Tax Exemption".
Bank Qualification:	The Notes shall NOT be designated by the Issuer as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Notes.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data and timely notices of certain events with respect to the Notes pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement.
Registrar, Transfer Agent, Certifying Agent, and Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, LLC of Milford, Connecticut. Barry Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut. Email: bbernabe@muniadvisors.com telephone (203) 283-1110.
Legal Opinion:	Day Pitney LLP, of Hartford, Connecticut.
Delivery and Payment:	It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about January 19, 2018. Delivery of the Notes will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Town should be directed to Ms. N. Maggie Cosgrove, Chief Financial Officer, 127 Norwich Avenue, Suite 203, Colchester, Connecticut 06415, Telephone: (860) 537-7229.

I. Note Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Colchester, Connecticut (the "Town"), in connection with the issuance and sale of $20,850,000 General Obligation Bond Anticipation Notes (the "Notes") of the Town.

The Notes are being offered for sale at public bidding. A Notice of Sale dated January 2, 2018 has been furnished to prospective bidders. Reference is made to the Notice of Sale, which is included as Appendix D for the terms and conditions of the bidding.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. All quotations from and summaries and explanations of provisions of Statutes, Charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

U.S. Bank National Association will certify and act as Registrar, Transfer Agent, Paying Agent, and Certifying Agent for the Notes.

The presentation of information in this Official Statement is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town.

The Town deems this Official Statement to be "final" for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment.

Municipal Advisor

Phoenix Advisors, LLC, of Milford, Connecticut serves as Municipal Advisor to the Town with respect to the issuance of the Notes (the "Municipal Advisor"). The information in this Official Statement has been prepared by the Town of Colchester, with the help of the Municipal Advisor. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Description of the Notes

The Notes will be dated January 19, 2018 and will be due and payable as to both principal and interest at maturity, October 17, 2018. The Notes will bear interest calculated on the basis of twelve 30-day months and a 360-day year at such rate or rates per annum as are specified by the successful bidder or bidders. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of $5,000 or any multiple thereof, with transfers of ownership effected on the records of DTC, and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-Entry-Only Transfer System". The Notes are not subject to redemption prior to maturity.

U.S. Bank National Association, 225 Asylum Street, Goodwin Square, Hartford, Connecticut 06103 will act as Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Notes. The legal opinion for the Notes will be rendered by Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. See Appendix B "Opinion of Bond Counsel and Tax Exemption".

Authorization and Purpose

The Notes are issued pursuant to Title 7 of the General Statutes of the State of Connecticut, as amended, and to a vote taken at referendum June 16, 2015.

Use of Proceeds

The Notes are being issued to provide financing for the following project:

Project	*Amount Authorized*	*Maturing Notes Due: 1/19/2018*	*New Money*	*Notes Due: 10/17/2018*
WJJMS Project……	$ 48,860,000	$ 9,550,000	$ 11,300,000	$ 20,850,000
Total…….	$ 48,860,000	$ 9,550,000	$ 11,300,000	$ 20,850,000

School Projects

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996 for eligible construction costs during project construction. The State grant will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for its share of project costs.

Book-Entry-Only Transfer System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each interest rate of the Note.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes;

DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Town or the Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

DTC Practices

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of Notes act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Replacement Notes

In the event that: (a) DTC determines not to continue to act as securities depository for the Notes, and the Town fails to identify another qualified securities depository for the Notes to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will issue fully-registered Note certificates directly to the Beneficial Owner. A Beneficial Owner of the Notes, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Notes.

Security and Remedies

The Notes will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due.

Unless paid from other sources, the Notes are payable from general property tax revenues of the Town. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation under certain of the statutes upon its power to tax dwelling houses of qualified elderly persons of low income.

Payment of the Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Notes.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Notes, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation debt and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the Town. A Court of competent jurisdiction also has the power in appropriate proceedings to order a payment of a judgment on such Notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor's rights heretofore or hereafter enacted and to the exercise of judicial discretion.

Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State of Connecticut having the power to levy taxes and issue bonds or other obligations.

THE TOWN HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.

Qualification for Financial Institutions

The Notes shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

Availability of Continuing Information

The Town will enter into a Continuing Disclosure Agreement with respect to the Notes, substantially in the form included in Appendix C to this Official Statement (the "Continuing Disclosure Agreement for Notes"), to provide or cause to be provided, in accordance with the requirements of the Securities and Exchange Commission Rule 15c2-12 (the "Rule"), (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain events with respect to the Notes and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement. The Underwriter's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement.

The Town of Colchester prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management, within six months of the end of its fiscal year. The Town provides, and will continue to provide, to Moody's Investors Service ongoing disclosure in the form of the annual financial report, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

Pursuant to the Rule, the Town has previously undertaken in continuing disclosure agreements entered into for the benefit of the holders of certain of its general obligation bonds and notes to provide certain annual financial information, operating data, and event notices. In the past five years, the Town has not failed to comply in any material respect with its undertakings under such agreements.

Rating

The Notes are not rated. The Town's underlying long-term rating is "Aa3" by Moody's Investors Service.

Note Insurance

The Town does not expect to purchase a credit enhancement facility for the Notes.

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Description of the Town

The Town was incorporated in 1698 and covers an area of 49.1 square miles, located approximately 25 miles southeast of Hartford, Connecticut, the State capital. The Town is intersected by Connecticut Route 2, which connects with Interstate 91 in Hartford and Interstate 95 in North Stonington. Colchester is bordered on the north by the towns of Marlborough and Hebron, on the south by East Haddam and Salem, on the east by Lebanon, and on the west by East Hampton. Easy access to interstate highways, abundance of undeveloped land, affordable housing stock, and availability of public water and sewers, as well as its pleasant rural setting have attracted growth to the Town. About 89% of Colchester is zoned for residential purposes. Colchester's population has more than doubled since the 1980 Census. During the past decade, Colchester was one of the fastest growing municipalities in Connecticut. In addition, the surrounding towns have also been growing faster than the State average.

Description of Government

The Town has a Town meeting form of government, with a Board of Selectmen consisting of five elected members serving concurrent two-year terms and a Board of Finance consisting of six elected members serving overlapping six-year terms. Powers and privileges are conferred and granted to the Town by the Connecticut General Statutes, as amended. The Town has a Charter which was most recently amended in November 2017. Legislative power is vested with the Board of Selectmen and the Town Meeting. The annual budget, all supplemental appropriations equal to or exceeding 3% of the budget to which the transfer is being made (either the Board of Selectmen budget, excluding debt service and capital expenditures, or the Board of Education budget), and all bond and note authorizations are submitted to a referendum vote.

The First Selectman is the Chief Executive Officer of the Town and is a full voting and participating member of the Board of Selectmen. The First Selectman is responsible for the direction and activities of all Town departments except the Board of Education and all appointed boards. In 2001, the Town approved the position of Chief Financial Officer who is directly responsible to the Boards of Selectmen and Education for the administration of the financial operation for the Town and Board of Education.

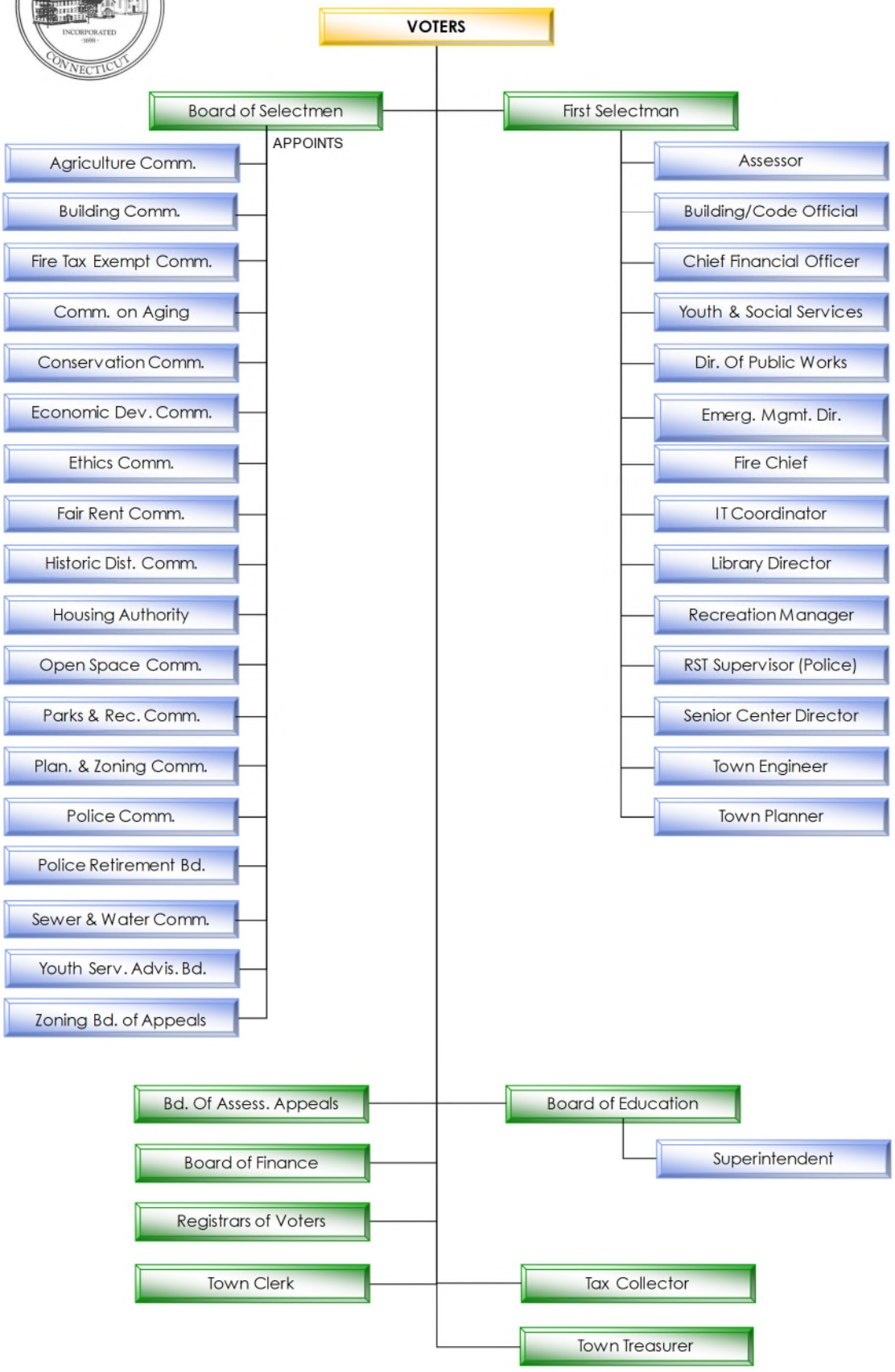
The Board of Finance is responsible for presenting to the Town voters the budgets for all Town Departments and the Combined Budget and has all of the powers and performs all of the duties conferred or imposed upon Boards of Finance by the General Statutes. The Board of Finance has the authority to approve supplemental appropriations from, and transfers within, the Board of Selectmen Budget as recommended by the Board of Selectmen, subject to the further approval of the Town Meeting, if so required. The Board of Finance establishes the mill rate, as set forth in the General Statutes.

The Board of Education is responsible for maintaining all public elementary and secondary schools in the Town, and implements the educational interests of the State, as defined in the General Statutes, and has all of the powers and performs all of the duties conferred or imposed upon boards of education by the General Statutes. The Superintendent of Schools is directly responsible to the Board of Education for the supervision and administration of the educational system for the Town.

The Sewer and Water Commission has jurisdiction over all property of the Town used for sewage disposal and water supply for the Town and operates on an enterprise fund basis. The Director of Public Works prepares a budget and recommends rates to the Commission and Board of Selectmen, acting as the Water Pollution Control Authority for the Town, for their concurrence.

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ORGANIZATIONAL CHART



Principal Municipal Officials

Office	*Name*	*Manner of Selection*	*Length Of Service*
First Selectman	Arthur P. Shilosky	Elected/2 years	2 years
Selectman	Rosemary Coyle	Elected/2 years	6 years
Selectman	James Ford [1]	Elected/2 years	0 years
Selectman	Stanley Soby	Elected/2 years	8 years
Selectman	Denise Q. Mizla	Elected/2 years	4 years
Town Clerk	Gayle Furman	Elected/4 years	2 years
Town Treasurer	Brenden M. Healy	Elected/2 years	0 years
Chief Financial Officer	N. Maggie Cosgrove	Appointed	12 years
Town Planner	Randall Benson	Appointed	4 years
Tax Collector	Michele Wyatt	Elected/4 years	2 years
Superintendent of Schools	Dr. Mary Conway [2]	Appointed	0 years

[1] *James Ford previously served on the Board of Selectmen for 4 years.*

[2] *Dr. Mary Conway has been appointed as Interim Superintendent of Schools effective January 1, 2018.*

Source: Town of Colchester

Summary of Municipal Services

The Town provides a broad range of services including public safety, Town roads, solid waste disposal, youth and social services, parks and recreation, planning and zoning, police and fire protection, education, and water and sewer services. Town departments include Finance, Public Works, and Planning and Zoning. Municipal services are funded through the Town's General Fund with the exception of the sewer and water services that are funded by the Sewer and Water Commission on an Enterprise Fund basis through service charges, connection fees, special assessments against benefited properties, or a combination thereof.

Public Works – The Public Works Department is responsible for the maintenance of Town roads, public buildings, and sidewalks, and sewer and water facilities.

Public Safety – Police protection is provided by the Connecticut State Police, Troop K, Colchester, one resident state trooper supervisor and eleven full-time Colchester police officers. In addition to the training of the police officers, the resident state trooper supervisor is responsible for the investigation and reporting of criminal activity, motor vehicle accidents, domestic disputes, and other incidents. Police officers are used to respond to accidents, domestic disputes, burglaries, and alarms, and provide coverage at community events. All police officers have either completed or are enrolled in the required classes as mandated by the Municipal Police Training Council.

Fire protection is provided by the Fire Department consisting of volunteer fire officers and permanent salaried officers. All dispatching is done through Quinebaug Valley Emergency Communications (QVEC) located in Killingly, CT.

Ambulance service is provided by the Town through the Fire Department. Paramedic services are provided by Middlesex Hospital.

Solid Waste – Curbside collection of refuse and garbage may be privately contracted by businesses and residents. Private contractors haul and dispose of collected refuse and garbage at their expense at a facility of their choice. The Town owns and operates a transfer station in Colchester accepting household waste, recyclables, e-waste, waste oil, demolition debris, automobile batteries, bulky waste, brush, leaves, and tires generated within the Town. The Town charges a fee of $3.00 per 25-30 gallon bag to cover the cost of transportation and disposal of solid waste at the volume reduction processing facility in Windham, CT. Recyclables, waste oil, scrap metal, e-waste, automobile batteries, mattresses and leaves are disposed of by residents at no charge at the transfer station. Cost of transportation and disposal of recyclables at recycling facilities are covered by revenue paid to the Town by recycling facilities, product stewardship vendor recovery programs, or through taxation. Bulky waste, demolition debris, brush, and tires are disposed of by residents for a fee based on a schedule established by the Town.

The Town has closed its landfill site and is in full compliance with Federal and State laws and regulations regarding post-closure monitoring.

Sewer/Water – Developed properties are served by either public water and sanitary sewer or on-site septic systems and wells. Approximately 27 miles of public water lines and 35 miles of sanitary sewer system lines serve an approximately two-square-mile land area located in the center of Town that includes most of the Town's commercial and industrial uses, higher density residential users, and public uses such as the Town Hall, schools, and the Public Safety Complex.

A joint sewer treatment facility, located in the Town of East Hampton, is operated under an intermunicipal agreement with the Town of East Hampton. The Towns of Hebron, Lebanon and Marlborough also are served by the waste water treatment plant. Approximately 1,986 Town units are connected to the public sewer system, which serves nearly 33% of the Town's population. The Town's public water system, consisting of five wells, an air stripper tower, three water storage tanks, water filtration facility, and distribution system, serves 2,096 units and nearly 35% of the Town's population.

Services to Senior Citizens – The Senior Center provides special services to senior citizens, gearing its activities to the healthy senior as well as the frail person needing supportive services to remain at home. Activities include crafts, health education, meals, exercise, volunteer development, and special-interest groups. The Center continues to assure independence of the older person and tries to enhance the quality of one's life.

Municipal Recreation Facilities – Public Works (Grounds Maintenance Division) maintains over 360 acres, including the Colchester Recreation Complex, along with additional parks, cemeteries, playgrounds, ballfields, tennis courts, basketball courts, natural areas and all school grounds. Thousands of children and adults participate in hundreds of programs, activities and events offered by the Recreation Department each year, from sports and after school programs to concerts and other special events.

Public Library – The Cragin Memorial Library is a 20,000-square-foot, state-of-the-art facility, expanded in 2002. Visitors average 333 per day, and circulation in fiscal year 2016–17 was 103,849 items. In addition to books, ebooks, audiobooks, periodicals, CDs and DVDs, the library provides a high-speed internet connection, educational and cultural programs for all ages, and meeting rooms for community groups. In fiscal year 2016–17, the library offered 647 programs which were attended by 11,925 people, the meeting rooms were used 592 times by a total of 5,212 people, and library staff answered 7,706 reference questions.

Educational System

The Colchester school system services grades pre-kindergarten through twelve and is governed by the local Board of Education. Colchester has a seven-member Board of Education elected to four-year staggered terms. The primary function of the Board is to establish policy. Some of the areas for which such policies are set include curriculum, budget requests submission, ensuring funds for education as appropriated by the Town are properly expended, implementation of State and Federal laws, and planning for facilities needed by the system, including construction and renovation. The Town has two elementary schools, one middle school, and one high school. Enrollment in the system as of October 1, 2017 was 2,442 with an operating capacity of 3,563 prior to the demolition of a portion of William J. Johnston Middle School. The Town does not have updated capacity numbers.

School Enrollments

School Year	Grades Pre K-2	Grades 3-5	Grades 6-8	Grades 9-12	Total
Historical [1]					
2009-2010	734	706	761	1,003	3,204
2010-2011	698	688	705	987	3,078
2011-2012	680	654	700	983	3,017
2012-2013	612	630	701	937	2,880
2013-2014	551	614	668	900	2,733
2014-2015	542	585	625	886	2,638
2015-2016	570	531	600	850	2,551
2016-2017	503	498	605	820	2,426
2017-2018	544	514	571	813	2,442
Projected					
2018-2019	526	505	522	792	2,345
2019-2020	529	487	499	774	2,289
2020-2021	519	480	505	749	2,253
2021-2022	550	460	497	718	2,225

Source: Town of Colchester, Board of Education

[1] *Includes Special Education students.*

School Facilities

School	Grades	Date of Construction (Additions, Remodeling)	Number of Classrooms	10/1/2017 Enrollment	Rated Capacity
Colchester Elementary School	PreK-2	2006	58	544	833
Jack Jackter Intermediate School	3-5	1966, 1976, 2005	61	514	850
William J. Johnston Middle School ...	6-8	1954, 1966, 1982, 1989	69	571	880 [1]
Bacon Academy High School	9-12	1993	79	813	1,000
Total.....			267	2,442	

[1] *This number reflects the rated capacity prior to demolition of a portion of the building. The Town does not have updated numbers yet.*

Source: Town of Colchester, Board of Education

Municipal Employees

	2017	2016	2015	2014	2013
General Government.....	98	99	102	103	105
Board of Education.....	417	421	421	429	431
Total.....	515	520	523	532	536

Source: Finance Office, Town of Colchester. General Government figures include WPCA employees.

Municipal Employees Bargaining Organizations

Employees	*Bargaining Groups*	*Full-Time Positions Covered*	*Current Contract Expiration Date*
Teachers	Colchester Federation of Teachers, Local 1827 American Federation of Teachers, AFT-CT, AFL-CIO	231.77	06/30/2020
Custodians	Local 1303-77, Council #4, AFL-CIO	32.50	06/30/2019
Central Office (non-certified)	Local 818, Council #4, AFSCME, AFL-CIO	5.00	06/30/2017 [1]
Nurses	United Professional and Service Employees Union, Local 1222	4.50	06/30/2019
Education (Para's and Caf. Workers)	Colchester Federation of Education Personnel, Local 3279, AFT-CT, AFL-CIO	97.81	06/30/2017 [1]
Education (Office Professionals)	Local 1303-450, Council #4, AFSCME, AFL-CIO (Office Professionals)	18.05	06/30/2019
School Administrators	Colchester Association of School Administrators	12.00	06/30/2021
Public Works	Municipal Employees Union Independent, Local 506, SEIU, AFL-CIO, CLC	22.00	06/30/2020
Town Clerical Workers	Local 1303-254, Council #4, AFSCME/AFL-CIO	17.00	06/30/2021
Library	Local 1303-448, Council #4, AFSCME/AFL-CIO	5.00	06/30/2019
Fire/Ambulance	Colchester Firefighters Union, UPPFA, IAFF, Local 3831	6.00	06/30/2018
Town Administrators	Municipal Employees Union Independent, Local 506, SEIU, AFL-CIO, CLC	12.00	06/30/2021
Police	Colchester Police Local 2693T, AFSCME, Council #15	11.00	06/30/2020
	Total Positions	474.63	

[1] *In Negotiations.*

Source: Town of Colchester, Finance Department.

General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In the light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

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SECTION III – DEMOGRAPHIC AND ECONOMIC DATA SECTION

Current Economic Information

While Colchester remains a semi-rural residential community, the Town has focused on increasing its non-residential resources. Since 2000, Colchester's residential growth has continued, although at a slower pace than experienced in the 1980s and 1990s. The Town grew annually by approximately 300 people between 1990 and 2000 as compared to 100 people annually between 2000 and 2017. This trend is projected to continue as several large subdivisions will continue to build out. In September 2017, the Town's largest permitted residential development (White Oak Farm) began a new phase of development. Another large development (Northwoods Development) is in its final phase of development, with approximately 116 of a proposed 140 homes completed. Average home prices have been stable with the median sale price of $240,000 in the top half of the State average.

Strategically, the Town has sought to focus on non-residential growth in a smart growth and designed focused manner, and is developing a new land development regulation that reflects that philosophy. The new regulations will respond to contemporary development needs by focusing on design and other performance requirements rather than restrictive or proscriptive standards. Included in the strategy to develop non-residential lands are firm commitments to provide water and sewer infrastructure to certain growth areas of the Town over the next 10 years. A master infrastructure plan was completed that addressed the phased expansion of the water and sewer system to serve future non-residential development including design and costing of required pump stations, pipe sizes and specifications, other infrastructure needed and costs for each phase of the expansion. The first phase of the water/sewer expansion program was completed in 2012 to connect the new State Department of Transportation facility and the new Tractor Supply store to the sewer and water system.

A 40,000-square-foot Tractor Supply store and a 50,000-square-foot State maintenance facility were completed in 2013. The State facility includes construction of a regional truck and equipment facility to replace several outdated ones. The retail development includes the 40,000-square-foot Tractor Supply building with an additional 10,000-square-foot building pad for expansion. From 2012 to present, over 92,500 square feet of new commercial space was developed and 105,200 square feet of commercial development was approved and permitted. The existing approved retail center of 253,420 square feet is approved but not constructed.

The Town also is focused on maintaining a strong downtown and has built on the successful rehabilitation programs of the early part of the decade with new programs to redevelop and strengthen other central areas. The Lebanon Avenue corridor that includes significant properties such as the S & S Corporation, and the Airline Trail, a major rails to trails facility, has been targeted for streetscape and lighting improvements. A grant has been submitted to the State of Connecticut for the improvements. A streetscape and lighting improvement project for Linwood Avenue was completed in 2014. Several historic facilities in the downtown historic district are currently being renovated, including extensive landscaping. The Stop & Shop center will expand with an additional 30,000 square feet of retail/restaurant space, and the Galaxy Shoppes (35,000 square feet) has leased 30% of their space over the last year. The Town is also working with an existing manufacturer to develop larger spaces to house their expanding business, including new development of a total of 54,000 square feet. This development is now in the process of being permitted. A proposed 7,400 retail/restaurant building is now being permitted on Linwood Avenue.

The Town has also permitted and construction has been completed on approximately 23,700 square feet of redevelopment of previously existing but vacant commercial space in the last two years. These redeveloped properties have a positive impact on the Town with the renovation or replacement of derelict buildings and enhance the area with new thriving businesses.

The Town is also focused on promoting rural "niche" agricultural uses. While Colchester does not have the large traditional "dairy type" mega-farms, it does have significant agricultural enterprises such as cheese, wine, and herb production, horse training and breeding, and egg farming. The Town approved its first farm brewery in 2017. A Farmers Market is held on the Town Green every Sunday from May until October where local farms can come and sell their products. The Town recently adopted a "right to farm" regulation and has developed a "made in Colchester" marketing program. There are also firm plans to develop a farming corridor along Westchester Road as there are numerous agriculture interests that are serving wholesale and drive-in retail clients.

Population Trends and Densities

Year	Population [1]	% Increase (Decrease)	Density [2]
2015 [3]	16,142	0.46%	329
2010	16,068	10.43%	327
2000	14,551	32.52%	296
1990	10,980	41.48%	224
1980	7,761	17.54%	158
1970	6,603	--	134

[1] *U.S. Department of Commerce, Bureau of Census.*

[2] *Per square mile: 36.8 square miles*

[3] *U.S. Census Bureau, 2011-2015 American Community Survey*

Age Distribution of the Population

	Town of Colchester		State of Connecticut	
Age	Number	Percent	Number	Percent
Under 5	772	4.8%	191,445	5.3%
5 - 9	1,076	6.7	214,983	6.0
10 - 14	1,175	7.3	231,075	6.4
15 - 19	1,292	8.0	255,286	7.1
20 - 24	846	5.2	237,578	6.6
25 - 34	2,146	13.3	436,678	12.2
35 - 44	2,007	12.4	448,840	12.5
45 - 54	2,855	17.7	556,454	15.5
55 - 59	1,145	7.1	259,565	7.2
60 - 64	837	5.2	219,040	6.1
65 - 74	1,303	8.1	291,955	8.1
75 - 84	461	2.9	162,332	4.5
85 and over	227	1.4	87,991	2.4
Total	16,142	100.0%	3,593,222	100.0%
Median Age (Years)	39.4		40.4	

Source: U.S. Census Bureau, 2011-2015 American Community Survey

Income Levels

	Town of Colchester	State of Connecticut
Per Capita Income, 2015	$ 38,599	$ 38,803
Per Capita Income, 2010	$ 35,479	$ 36,775
Median Family Income, 2015	$ 105,285	$ 89,031
Percent Below Poverty	3.3%	7.6%

Source: U.S. Department of commerce, Bureau of Census, 2010;
U.S. Census Bureau, 2011-2015 American Community Survey

Income Distribution

	Town of Colchester		State of Connecticut	
	Families	*Percent*	*Families*	*Percent*
Less than $10,000	27	0.6%	30,926	3.5%
$10,000 to $14,999	112	2.6	18,063	2.0
$15,000 to $24,999	53	1.2	46,085	5.1
$25,000 to $34,999	85	2.0	55,715	6.2
$35,000 to $49,999	264	6.2	83,173	9.3
$50,000 to $74,999	599	14.1	139,724	15.6
$75,000 to $99,999	823	19.4	126,557	14.1
$100,000 to $149,999	1,294	30.5	183,030	20.4
$150,000 to $199,999	609	14.4	94,575	10.6
$200,000 or more	375	8.8	117,791	13.2
Total	4,241	100.0%	895,639	100.0%

Source: U.S. Census Bureau, 2011-2015 American Community Survey

Educational Attainment

Years of School Completed – Age 25 and Over

	Town of Colchester		State of Connecticut	
	Number	*Percent*	*Number*	*Percent*
Less than 9th grade	242	1.0%	105,725	4.5%
9th to 12th grade, no diploma	300	2.9	144,132	6.5
High School graduate (includes equivalency)	3,093	27.3	673,973	27.9
Some college, no degree	2,129	18.7	430,129	17.6
Associate degree	1,040	10.0	183,289	7.3
Bachelor's degree	2,823	22.3	516,001	20.3
Graduate or professional degree	1,354	17.8	409,606	15.8
Total	10,981	100.0%	2,462,855	100.0%
Percent high school graduate or higher		95.1%		89.9%
Percent bachelor's degree or higher		38.0%		37.6%

Source: U.S. Census Bureau, 2011-2015 American Community Survey

Major Employers
As of December 2017

Employer	*Type of Business*	*Approximate Number of Employees*
Town of Colchester	Municipal Government	542
S&S Worldwide	Arts & Crafts Manufacturing	225
Incord	Manufacturing	215
Stop & Shop	Supermarket	160
Genesis Health Care	Nursing Home	150
Apple Rehab	Convalescent/Nursing Home	87
Alpha Q	Aerospace Manufacturing	86
Connecticut State Police	Law Enforcement	72

Source: Town of Colchester, Planning Department.

Labor Force Data

	Town of Colchester		Percentage Unemployed		
			Town of	Hartford	State of
Period	Employed	Unemployed	Colchester	Labor Market	Connecticut
November 2017	9,085	316	3.4	4.4	4.3
Annual Average					
2016	9,018	397	4.2	5.3	5.3
2015	9,031	422	4.4	5.6	5.6
2014	8,601	534	5.9	6.6	6.7
2013	8,355	602	6.7	7.9	7.8
2012	8,539	666	7.2	8.4	8.3
2011	8,366	711	7.8	8.8	8.9
2010	8,350	725	8.3	9.4	9.3
2009	8,405	652	8.1	8.3	8.2
2008	8,487	449	5.7	5.7	5.6
2007	8,432	324	4.8	4.7	4.6

Source: Department of Labor, State of Connecticut

Industry Classification

	Town of Colchester		State of Connecticut	
Sector	Number	Percent	Number	Percent
Agriculture, forestry, fishing/hunting, & mining	113	1.3%	7,214	0.4%
Construction	670	7.7	100,593	5.6
Manufacturing	935	10.7	191,286	10.7
Wholesale trade	278	3.2	44,581	2.5
Retail trade	935	10.7	193,799	10.9
Transportation and warehousing, and utilities	390	4.5	66,850	3.8
Information	158	1.8	41,486	2.3
Finance, insurance, real estate, rental & leasing	1,059	12.1	163,822	9.2
Professional, scientific, management, administrative, and waste mgmt services	812	9.3	199,942	11.2
Education, health and social services	2,129	24.4	471,587	26.5
Arts, entertainment, recreation, accommodation and food services	635	7.3	153,516	8.6
Other services (except public administration)	319	3.7	79,998	4.5
Public Administration	302	3.5	66,743	3.7
Total Labor Force, Employed	8,735	100.0%	1,781,417	100.0%

Source: U.S. Census Bureau, 2011-2015 American Community Survey

Building Permits

Fiscal Year	Residential		Comm./Industrial		Total	
Ending 6/30	No.	Value	No.	Value	No.	Value
2017	696	$ 15,331,857	75	$ 22,487,823	771	$ 37,819,680
2016	658	13,164,328	71	2,680,005	729	15,844,333
2015	593	9,816,619	75	2,817,577	668	12,634,196
2014	552	9,368,282	49	2,142,166	601	11,510,448
2013	584	9,755,275	47	3,595,433	631	13,350,708
2012	622	7,680,466	58	2,111,745	680	9,792,211
2011	554	9,057,441	29	1,960,399	583	11,017,840
2010	533	17,262,738	54	731,554	587	17,994,292
2009	578	8,363,696	58	2,419,565	636	10,783,261
2008	653	10,463,971	93	6,140,963	746	16,604,934

Source: Town of Colchester, Planning & Code Administration Department

Age Distribution of Housing

	Town of Colchester		State of Connecticut	
Year Built	Units	Percent	Units	Percent
2010 or Later.....	125	2.0%	11,427	0.8%
2000 to 2009.....	746	12.0	103,911	7.0
1990 to 1999	1,371	22.1	115,076	7.7
1980 to 1989	1,255	20.2	193,595	13.0
1960 to 1979	1,578	25.4	399,827	26.8
1940 to 1959	580	9.3	336,121	22.5
1939 or earlier	554	8.9	331,829	22.2
***Total*.....**	6,209	100.0%	1,491,786	100.0%
Percent Owner Occupied....		77.4%		67.0%

Source: U.S. Census Bureau, 2011-2015 American Community Survey

Housing Units by Type of Structure

	Town of Colchester		State of Connecticut	
Housing Units	**Units**	**Percent**	**Units**	**Percent**
1-unit, detached	4,734	76.2%	882,941	59.2%
1-unit, attached	213	3.4	80,636	5.4
2 units	339	5.5	121,410	8.1
3 or 4 units	273	4.4	132,512	8.9
5 to 9 units	373	6.0	82,727	5.5
10 to 19 units	90	1.4	55,826	3.7
20 or more units	55	0.9	123,561	8.3
Mobile home	132	2.1	11,898	0.8
Boat, RV, van, etc	-	-	275	0.0
Total Inventory	6,209	100.0%	1,491,786	100.0%

Source: U.S. Census Bureau, 2011-2015 American Community Survey

Owner-Occupied Housing Units

	Town of Colchester		State of Connecticut	
Specified Owner Occupied Units	**Number**	**Percent**	**Number**	**Percent**
Less than $50,000	71	1.6%	24,620	2.7%
$50,000 to $99,999	140	3.2	28,771	3.2
$100,000 to $149,999	246	5.5	78,066	8.6
$150,000 to $199,999	469	10.6	140,544	15.5
$200,000 to $299,999	1,730	39.0	251,106	27.7
$300,000 to $499,999	1,636	36.9	235,670	26.0
$500,000 to $999,999	81	1.8	106,965	11.8
$1,000,000 or more	63	1.4	40,485	4.5
Total	4,436	100.0%	906,227	100.0%
Median (dollars)	$ 274,400		$ 270,500	

Source: U.S. Census Bureau, 2011-2015 American Community Survey

Land Use Summary

Land Use Category	**Number of Acres**	**Percent**
Residential	14,532	46.2%
Commercial	1,304	4.1%
Industrial	150	0.5%
Institutional / Utility	1,355	4.3%
Mixed Use	250	0.8%
Transportation	2,020	6.4%
Total Developed	19,611	62.3%
Open Space	6,225	19.8%
Agricultural / Undeveloped	5,646	17.9%
Total	31,482	100.0%

Source: Town Planner

SECTION IV – TAX BASE DATA

Comparative Assessed Valuations
Taxable Grand List
($ in thousands)

Grand List As Of 10/1	Residential Real Property (%)	Commercial & Industrial Real Property (%)	Land (%)	Personal Property (%)	Motor Vehicles (%)	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
2016 [1]	73.7	9.4	2.2	4.2	10.5	$ 1,209,445,140	$7,740,711	$ 1,201,704,429
2015	75.6	8.3	2.5	3.7	9.9	1,224,948,480	8,938,270	1,216,010,210
2014	75.8	8.3	2.5	3.5	9.9	1,209,675,944	7,802,079	1,201,873,865
2013	75.4	8.2	3.0	3.6	9.8	1,203,567,058	7,751,883	1,195,815,175
2012	75.1	8.2	2.9	4.0	9.8	1,197,750,009	6,577,745	1,191,172,264
2011 [1]	75.4	8.3	3.0	3.4	9.9	1,183,353,950	6,833,510	1,176,520,440
2010	78.1	7.9	2.8	2.8	8.4	1,305,253,481	7,971,987	1,297,281,494
2009	78.1	7.9	3.1	2.7	8.2	1,283,291,579	7,930,076	1,275,361,503
2008	77.6	7.9	3.4	3.0	8.1	1,275,129,999	6,881,344	1,268,248,655
2007	77.1	7.8	3.2	3.1	8.8	1,254,720,501	5,251,780	1,249,468,721

[1] *Revaluation.*

Source: Town of Colchester, Assessor's Office.

Major Taxpayers

Name of Taxpayer	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List [1]
Connecticut Light & Power	Utility	$ 14,609,230	1.22%
Country Place of Colchester LTD Partners ..	Housing Development	9,899,330	0.82%
SS1 Colchester LLC	Grocery Store	8,337,700	0.69%
Genesis Health Ventures of Bloomfield	Convalescent Home	5,331,000	0.44%
City of Norwich	Utility	4,835,900	0.40%
GAIA Colchester LLC	Manufacturing/Distribution	4,142,750	0.34%
Alpha Q Inc.	Manufacturing	4,074,400	0.34%
Sharr Realty LLC	Commercial Leasing	3,804,300	0.32%
GND Too of Colchester LLC	Elderly Housing	3,730,900	0.31%
S&S Worldwide Inc.	Manufacturing/Distribution	3,533,100	0.29%
Total		$ 62,298,610	5.18%

[1] *Net Taxable Grand List October 1, 2016 of $1,201,704,429.*

Source: Town of Colchester, Assessor's Office

Property Tax Levies and Collections

Grand List as of 10/1	Fiscal Year Ended 6/30	Net Taxable Grand List	Tax Rate (in Mills)	Adjusted Tax Levy	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/17
2016 [2]	2018	$ 1,201,704,429	32.37	$ 38,765,372	*IN COLLECTION*		
2015	2017 [1]	1,216,010,210	30.91	38,112,512	99.0%	1.0%	1.0%
2014	2016	1,201,873,865	30.76	37,393,155	98.8%	1.2%	0.4%
2013	2015	1,195,815,175	30.57	36,891,618	98.5%	1.5%	0.2%
2012	2014	1,191,172,264	30.28	36,156,049	98.4%	1.6%	0.2%
2011 [2]	2013	1,176,520,440	28.80	34,157,365	98.4%	1.6%	0.2%
2010	2012	1,297,281,494	25.85	33,774,921	98.4%	1.6%	0.1%
2009	2011	1,275,361,503	25.07	32,238,714	98.6%	1.4%	0.1%
2008	2010	1,268,248,655	23.65	30,066,131	98.3%	1.7%	0.2%
2007	2009	1,249,468,721	23.01	28,929,185	98.4%	1.6%	0.2%

[1] *Subject to audit.*

[2] *Revaluation.*

Source: Town of Colchester, Tax Collector

Property Taxes Receivable

Fiscal Year Ended 6/30	Current Year	Total
2017	$ 369,269	$ 1,041,001
2016	445,936	1,152,256
2015	558,424	1,473,941
2014	590,731	1,582,768
2013	549,342	1,427,081
2012	525,089	1,381,850

Tax Levy

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real property taxes are generally payable in two equal installments on July 1 and January 1 following the levy date and personal property and motor vehicle taxes are payable in one installment on July 1 following the levy date, although a 30-day grace period is provided. Motor vehicle supplemental bills are payable on January 1. An estimate for outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills.

Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State statutes.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as a deferred revenue.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes, which are deemed to be uncollectible.

SECTION V – DEBT SECTION

Outstanding Bonded Debt
Pro Forma
As of January 19, 2018

Date	Purpose	Interest Rate %	Original Issue	Amount Outstanding	Fiscal Year of Maturity
06/03/2010	General Purpose ……	2.25-5.00	$ 3,535,900	$ 1,228,700	2021
06/03/2010	School ……	2.25-5.00	3,059,100	1,176,300	2021
03/01/2012	General Purpose - Refunding …	2.00-4.00	60,200	9,800	2018
03/01/2012	School - Refunding ……	2.00-4.00	8,339,800	5,745,200	2025
	Total……		$ 14,995,000	$ 8,160,000	

Note: The table above excludes captial leases and self-supporting debt.

Outstanding Short-term Debt
Pro Forma
As of January 19, 2018

Project	Amount Authorized	Maturing Notes Due: 1/19/2018	New Money	Notes Due: 10/17/2018
WJJMS Project……	$ 48,860,000	$ 9,550,000	$ 11,300,000	$ 20,850,000
Total……	$ 48,860,000	$ 9,550,000	$ 11,300,000	$ 20,850,000

Drinking Water State Revolving Fund Program

The Town is a participant in the State of Connecticut's Drinking Water State Revolving Fund Program (General Statutes Sections 22a-475 et seq., as amended), which provides financial assistance to the Town through loans at a rate of 2.12% per annum.

Loans to each municipality are made pursuant to a Project Loan Agreement. Each municipality is obligated to repay only that amount that it draws down for the payment of project costs (Interim Funding Obligation). Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the project's scheduled completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each loan is 20 years from the scheduled completion date. Principal and interest payments are payable 1) in equal monthly installments commencing one month after the scheduled completion date, or 2) in a single annual installment representing 1/20 of total principal not later than one year from the project's scheduled completion date specified in the Loan Agreement, and thereafter in monthly installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

Self Supporting Debt (Water Enterprise)
Pro Forma
As of January 19, 2018

Date	Purpose	Interest Rate %	Original Issue	Amount Outstanding	Fiscal Year of Maturity
07/31/2009	Drinking Water Fund ……	2.12	$ 2,496,990	$ 1,437,817	2029
	Total……		$ 2,496,990	$ 1,437,817	

Overlapping/Underlying Debt
Pro Forma
As of January 19, 2018

The Town does not have any overlapping or underlying debt.

Bonded Debt Maturity Schedule [1]
Pro Forma
As of January 19, 2018

Fiscal Year Ended 6/30	*Principal Payments*	*Interest Payments*	*Total Debt Service*	*Total Principal*	*Cumulative Principal Retired*
2018 [2]	$ 1,525,000	$ 133,333	$ 1,658,333	$ 1,525,000	18.7%
2019	1,495,000	215,415	1,710,415	1,495,000	37.0%
2020	1,490,000	157,165	1,647,165	1,490,000	55.3%
2021	1,200,000	99,065	1,299,065	1,200,000	70.0%
2022	800,000	61,115	861,115	800,000	79.8%
2023	560,000	37,115	597,115	560,000	86.6%
2024	550,000	24,795	574,795	550,000	93.4%
2025	540,000	12,420	552,420	540,000	100.0%
Total	$ 8,160,000	$ 740,423	$ 8,900,423	$ 8,160,000	

[1] *Excludes Drinking Water Fund and capital leases.*

[2] *Excludes $133,323 of interest paid for during the period of July 1, 2017 through January 19, 2018.*

Self Supporting Debt (Water Enterprise)
Pro Forma
As of January 19, 2018

Fiscal Year Ended 6/30	*Principal Payments*	*Interest Payments*	*Total Debt Service*	*Total Principal*	*Cumulative Principal Retired*
2018 [1]	$ 60,921	$ 14,972	$ 75,893	$ 60,921	4.2%
2019	123,795	27,992	151,787	123,795	12.8%
2020	126,444	25,342	151,786	126,444	21.6%
2021	129,151	22,635	151,786	129,151	30.6%
2022	131,916	19,870	151,786	131,916	39.8%
2023	134,740	17,046	151,786	134,740	49.2%
2024	137,625	14,162	151,787	137,625	58.7%
2025	140,571	11,216	151,787	140,571	68.5%
2026	143,580	8,206	151,786	143,580	78.5%
2027	146,654	5,133	151,787	146,654	88.7%
2028	149,793	1,993	151,786	149,793	99.1%
2029	12,627	22	12,649	12,627	100.0%
Total	$ 1,437,817	$ 168,589	$ 1,606,406	$ 1,437,817	

[1] *Excludes $60,279 of principal and $15,614 of interest paid for during the period of July 1, 2017 through January 19, 2018.*

THE TOWN OF COLCHESTER HAS NEVER DEFAULTED IN THE PAYMENT OF ITS DEBT OBLIGATIONS EITHER AS TO PRINCIPAL OR INTEREST

Current Debt Statement
Pro Forma
As of January 19, 2018

Long-Term Debt Outstanding:	
General Purpose	$ 1,238,500
Schools	6,921,500
Sewers	-
Total Long-Term Debt	8,160,000
Short-Term Debt:	
Outstanding Bond Anticipation Notes (This Issue Due: 10/17/18)	20,850,000
Direct Debt	29,010,000
Overlapping/Underlying Debt	-
Overall Debt	29,010,000
Less: School Construction Grants (As of 6/30/17) [1]	-
Overall Net Debt	$ 29,010,000

[1] *Represents actual school building grants receivable for previously issued school bonds under the pre-1996 State reimbursement program.*

Note: The table above excludes captial leases and self-supporting debt.

Current Debt Ratios
Pro Forma
As of January 19, 2018

Population (2015) [1]	16,142
Net Taxable Grand List (10/1/16)	$ 1,201,704,429
Estimated Full Value (70%)	$ 1,716,720,613
Equalized Net Taxable Grand List (10/1/14) [2]	$ 1,686,095,860
Income per Capita (2015) [1]	$ 38,599

	Total Long Term Debt $8,160,000	***Direct Debt $29,010,000***	***Overall Net Debt $29,010,000***
Per Capita	$505.51	$1,797.18	$1,797.18
Ratio to Net Taxable Grand List	0.68%	2.41%	2.41%
Ratio to Estimated Full Value	0.48%	1.69%	1.69%
Ratio to Equalized Net Taxable Grand List	0.48%	1.72%	1.72%
Debt per Capita to Money Income per Capita 2015	1.31%	4.66%	4.66%

[1] *U.S. Department of Commerce, Bureau of Census. American Community Survery 2011-2015.*

[2] *State of Connecticut, Office of Policy Management.*

Capital Leases

As of June 30, 2017, the Town has $2,605,315 of outstanding leases with final maturity in Fiscal Year 2025.

Authority to Incur Debt

The Town has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. The issuance of bonds and notes is approved at a referendum by the voters of the Town.

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third year and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of $1/20^{th}$ ($1/30^{th}$ for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years from their initial borrowing date, except for sewer notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the sewer notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by $1/15^{th}$ of the total amount of the notes issued by funds derived from certain sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Past Pension Purposes:	3.00 times annual receipts from taxation

"Annual receipts from taxation" (the "base") are defined as total tax collections including interest and penalties, late payment of taxes and state payments for revenue losses under Connecticut General Statutes Section 12-129d and 7-528. In no case shall total indebtedness exceed seven times the base.

The Connecticut General Statutes also provide for exclusion from the debt limit calculation debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, gas, electricity, electric demand response, conservation and load management, distributed generation and renewable energy projects; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; for the construction and operation of a municipal community antenna television system and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or for which allocation has been approved by the State Bond Commission or from a contract with the state, state agencies or another municipality providing for the reimbursement of costs but only to the extent such indebtedness can be paid from such proceeds; (v) issued for certain water pollution control projects; and (vi) upon placement in an escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient to provide for the payment when due of principal of and interest on such bond, note or other evidence of indebtedness.

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Statement of Statutory Debt Limitation [1]
Pro Forma
As of January 19, 2018

Total Tax Collections (including interest and lien fees) for the year ended June 30, 2017 ……	$ 38,458,255
Reimbursement for Revenue Loss On:	
Tax relief for elderly for the year ended June 30, 2017 (estimated) ……	41,718
BASE FOR DEBT LIMITATION COMPUTATION…….	$ 38,499,973

Debt Limitation:	***General Purposes***	***Schools***	***Sewers***	***Urban Renewal***	***Unfunded Past Pension***
2 1/4 times base……	$ 86,624,939	-	-	-	-
4 1/2 times base……	-	$ 173,249,879	-	-	-
3 3/4 times base……	-	-	$ 144,374,899	-	-
3 ¼ times base……	-	-	-	$ 125,124,912	-
3 times base……	-	-	-	-	$ 115,499,919
Total Debt Limitation……..	$ 86,624,939	$ 173,249,879	$ 144,374,899	$ 125,124,912	$ 115,499,919
Less Indebtedness:					
Bonds ……..……	1,238,500	6,921,500	-	-	-
Notes (This Issue)……..……	-	20,850,000	-	-	-
Underlying Debt……	-	-	-	-	-
Authorized But Unissued Debt……	-	23,521,418	-	-	-
Total Indebtedness……..	1,238,500	51,292,918	-	-	-
Less: School Grants Receivable ……	-	(24,876,143)	-	-	-
Net Debt for Calculation of Debt Limit……	1,238,500	26,416,775	-	-	-
Debt Limitation in Excess of Outstanding And Authorized Debt……	$ 85,386,439	$ 146,833,104	$ 144,374,899	$ 125,124,912	$ 115,499,919

**Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or $269,499,811.*

[1] *Does not reflect drinking water debt excluded by statutes or capital leases.*

Authorized but Unissued Debt
Pro Forma
As of January 19, 2018

Project	***Amount Authorized***	***Grants Received/ Paid-down***	***Bonds Issued***	***Maturing Notes Due: 1/19/2018***	***New Money***	***Notes Due: 10/17/2018***	***Authorized but Unissued Debt***
WJJMS Project……	$ 48,860,000	$ 4,513,870	$ -	$ 9,550,000	$ 11,300,000	$ 20,850,000	$ 23,496,130
Bacon Academy Portables……	850,000	399,712	425,000	-	-	-	25,288
Total…….	$ 49,710,000	$ 4,913,582	$ 425,000	$ 9,550,000	$ 11,300,000	$ 20,850,000	$ 23,521,418

Ratios of Net Long-Term Debt to Valuation, Population, and Income

Fiscal Year Ended 6/30	***Net Assessed Value***	***Estimated Full Value***	***Overall Long-Term Debt***	***Ratio of Direct Overall Debt to Assessed Value***	***Ratio of Direct Overall Debt to Estimated Full Value***	***Population*** [1]	***Net Long-Term Debt per Capita***	***Ratio of Net Long-Term Debt per Capita to Per Capita Income*** [2]
2017 [3]	$ 1,216,010,210	$ 1,737,157,443	$ 8,160,000	0.67%	0.47%	16,142	$ 505.51	1.30%
2016	1,201,873,865	1,716,962,664	9,675,000	0.80%	0.56%	16,142	599.37	1.54%
2015	1,195,815,175	1,708,307,393	11,205,000	0.94%	0.66%	16,142	694.15	1.79%
2014	1,191,172,264	1,701,674,663	12,755,000	1.07%	0.75%	16,142	790.17	2.04%
2013	1,176,520,440	1,680,743,486	14,330,000	1.22%	0.85%	16,142	887.75	2.29%
2012	1,297,281,494	1,853,259,277	15,905,000	1.23%	0.86%	16,142	985.32	2.54%

[1] *U.S. Bureau of Census, American Community Survey (2015)*

[2] *Bureau of Census, American Community Survey (2015), Money Income Per Capita: $38,803.*

[3] *Subject to Audit.*

Five-year Debt Statement Summary

Long-Term Debt	*2017*	*2016*	*2015*	*2014*	*2013*
Bonds.....	$ 8,160,000	$ 9,675,000	$ 11,205,000	$ 12,755,000	$ 14,330,000
Short-Term Debt					
Bond Anticipation Notes...	9,550,000	-	-	-	-
Totals**.....**	$ 17,710,000	$ 9,675,000	$ 11,205,000	$ 12,755,000	$ 14,330,000

Source: Town of Colchester Financial Reports 2013-2017.

Comparison of Annual Debt Service to General Fund Expenditures and Transfers Out

Fiscal Year Ended 6/30	*Gross Debt Service*	*Total General Fund Expenditures* [1]	*Ration of Net Debt Service to General Fund Expenditures (%)*
2017	$ 1,842,265	$ 61,623,465	3.0%
2016	1,901,465	57,933,173	3.3%
2015	1,972,865	57,608,506	3.4%
2014	2,054,914	57,694,147	3.6%
2013	2,095,890	54,087,611	3.9%
2012	2,914,282	53,907,883	5.4%

[1] *Includes transfers out.*

Source: Town of Colchester Financial Reports 2012-2017.

Five-year Capital Improvement Program

	Fiscal Year					
Use of Funds	***2019***	***2020***	***2021***	***2022***	***2023***	***Total***
Facilities & Grounds	$ 895,000	$ 988,000	$ 938,000	$ 918,750	$ 929,750	$ 4,669,500
Equipment	138,317	224,700	219,200	114,000	77,000	773,217
Vehicles	237,500	453,000	381,000	399,000	155,000	1,625,500
Vehicles - Approved Leasing	98,318	96,858	95,398	93,938	92,478	476,990
Vehicles - Proposed Leasing	-	235,600	289,400	343,600	328,600	1,197,200
Funding for Reserves	397,100	459,675	510,775	594,675	603,575	2,565,800
Total**.....**	$ 1,766,235	$ 2,457,833	$ 2,433,773	$ 2,463,963	$ 2,186,403	$11,308,207
Sources of Funds						
Local Sources	$ 1,515,417	$ 1,840,375	$ 1,777,975	$ 1,781,425	$ 1,453,325	$ 8,368,517
General Obligation Bonds	-	-	-	-	-	-
State/Federal Grants	152,500	275,000	251,000	190,000	300,000	1,168,500
Capital Lease	98,318	332,458	384,798	437,538	421,078	1,674,190
Reserve Funds	-	10,000	20,000	55,000	12,000	97,000
Total**.....**	$ 1,766,235	$ 2,457,833	$ 2,433,773	$ 2,463,963	$ 2,186,403	$11,308,207

SECTION VI – FINANCIAL SECTION

Fiscal Year

The Town's fiscal year begins July 1 and ends June 30.

Summary of Accounting Principles

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The statement established a new reporting model for governments that is substantially different from prior reporting standards. The government-wide financial statements report information on all of the non-fiduciary activities of the Town. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The Town has established separate funds for governmental functions under General Fund, Special Revenue Funds, and Capital Projects Funds in addition to an Internal Service Fund – Medical Insurance Fund – for self-insured medical services for the Town and Board of Education employees. The Town's accounting records for Governmental Funds follow the modified accrual basis of accounting; that is, revenues are recognized in the accounting period in which they become both measurable and available to finance operations of the fiscal period. The major source of revenue that is recognized under the modified accrual basis are funds received from the State of Connecticut and the Federal government. Expenditures are recognized in the accounting period in which the fund liability is incurred. The accrual basis of accounting is used for Proprietary and Fiduciary Funds. Revenues are recognized when earned and expenses are recognized when incurred. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

See "Notes to Financial Statements" in Appendix A herein for more information.

Budget Procedure

The Chief Financial Officer compiles preliminary estimates from all departments and agencies, except for the Board of Education, for the annual budget for presentation by the First Selectman to the Board of Selectmen and Board of Finance. The Board of Education submits its estimates directly to the Board of Finance. The basis of budgeting is the modified accrual basis except for encumbrances. Additionally, the Town does not budget for payments made by the State of Connecticut on behalf of Colchester teachers to the State Teachers' Retirement Fund.

The Board of Finance may make revisions to the Selectmen's and Education budget estimates. The Board of Selectmen convenes a Town Meeting (the "Annual Budget Meeting") for the purpose of considering the annual Combined Budget. Prior to the Annual Budget Meeting, the Board of Finance shall hold at least two Public Hearings for the purpose of presenting the Combined Budget to interested Town Voters for their comments and suggestions. The Annual Budget Meeting is automatically continued to the Annual Budget Referendum, at which the budgets of the Board of Selectmen and the Board of Education as recommended by the Annual Budget Meeting, shall be presented to the Town Voters for final approval or disapproval.

The legal budget of the Town is a departmental budget. The First Selectman and Chief Financial Officer have authority to approve all transfers from salary or benefit line items within a Town Department budget. Following recommendation by the Board of Selectmen, the Board of Finance has authority to approve the transfer of funds between previously adopted Town Department budgets. The Board of Finance has the authority to approve supplemental appropriations in an amount that is less than 2.0% of the budget to which the supplemental appropriation is being made (either the Board of Selectmen budget, excluding debt service and capital expenditures, or the Board of Education budget). The Board of Selectmen shall call a Town meeting to consider the approval of any supplemental appropriation in an amount that is equal to or exceeds 2% and less than 3% of the budget to which the supplemental appropriation is being made (either the Board of Selectmen budget, excluding debt service and capital expenditures, or the Board of Education budget). No such Town meeting shall be called unless the Board of Finance has recommended such supplemental appropriation. The Board of Selectmen shall call a Special Budget Referendum for approval of any supplemental appropriation in an amount that is equal to or exceeds 3% of the budget to which the transfer is being made (either the Board of Selectmen budget, excluding debt service and capital expenditures, or the Board of Education budget). No such

referendum shall be called unless the Board of Finance recommends such supplemental appropriation. These requirements do not pertain to appropriations of grant monies or matching funds received by the Town.

General Fund unencumbered appropriations lapse at year-end.

The Town does not adopt budgets for all Special Revenue Funds. Budgets are utilized to account for specific grant programs and are established in accordance with the requirements of the grantor agencies. Legal authorization for expenditures of the capital project funds is provided by the related bond ordinance. Capital appropriations do not lapse until completion of the applicable projects.

Property Tax - Assessment Practices

The Town of Colchester had a general property revaluation effective October 1, 2016. Under Section 12-62 of the Connecticut General Statutes, the Town must do a revaluation every five years based on generally accepted mass appraisal methods and a revaluation by physical inspection no later than ten years from the preceding physical inspection. Prior to the completion of each revaluation, the Assessor shall conduct a field review.

The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last general revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Each year a Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. Upon issuance of a certification of completion, a physical inspection is conducted and a new fair market value is determined with the aid of schedules developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties and estimate changes to existing income streams.

All personal property (furniture, fixtures, equipment, machinery, supplies, non-registered motor vehicles, and leased equipment) is revalued annually. Random audits are conducted periodically.

Motor vehicle registration lists are furnished to the Town by the State Department of Motor Vehicles. The Office of Policy and Management has determined that the average retail values represented by the National Automobile Dealers Association pricing guides must be utilized in preparation of the grand lists. These values are applied uniformly and equitably to all vehicles in the Town; a myriad of exemptions are then applied to qualifying applicants. The same process is applied to the Supplemental Motor Vehicle list, which represents new or replacement vehicles which were registered after the October 1 assessment date, but before the following July 1. Bills for this supplemental list are issued the following January, eighteen months after the grand list date.

The Assessor's Office is also responsible for the administration of several property exemption and payment-in-lieu-of-taxes programs which include, but are not limited to, the following: special veterans programs; elderly tax relief for homeowners and renters; farm, forest and open space; blind and disabled taxpayers; manufacturing exemptions; and State-owned property reimbursement programs.

Motor Vehicle Property Tax Cap: Connecticut General Statutes Section 12-71e creates a cap on the local property tax mill rate for motor vehicles. The State of Connecticut's 2017-2019 biennium budget legislation amended that statute to provide that (1) for the assessment year October 1, 2016 (the fiscal year ending June 30, 2018), the mill rate for motor vehicles shall not exceed 39 mills, and (2) for the assessment year October 1, 2017 (the fiscal year ending June 30, 2019), and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 45 mills. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town or city in which such district or borough is located would result in a combined motor vehicle mill rate in excess of these mill rate caps. The amendment raised the mill rate cap for the assessment year October 1, 2016 from 32 mills to 37 mills after the Town's budget was adopted with a mill rate of 32.37 mills. Tax bills for real estate and personal property were issued in July 2017. The mill rate for motor vehicles was approved by the Board of Finance on October 18, 2017 and motor vehicle tax bills were issued on October 25, 2017.

For the fiscal year ending June 30, 2018, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 39 mills or that, when combined with the mill

rate of any district located within the municipality, impose mill rates greater than 39 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year October 1, 2013 (the fiscal year ending June 30, 2015), and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 39 mills. For the fiscal year ending June 30, 2019, and each fiscal year thereafter, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 45 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 45 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year October 1, 2013, and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 45 mills.

Audit

The Town, pursuant to local ordinance and provisions of the Connecticut General Statutes, is required to undergo an annual audit by an independent public accountant. The auditor is required to conduct the audit under the guidelines outlined by the State of Connecticut, Office of Policy and Management, which also receives a copy of the audit report. For the fiscal year ended June 30, 2017, the financial statements of the various funds of the Town were audited by RSM US LLP, Certified Public Accountants.

Pension Plans

The Town does not maintain a pension plan for municipal or Board of Education employees except faculty and professional personnel, and certain police personnel. Effective July 1, 2005, the Town established a contributory defined benefit plan (the "Police Plan") for full-time police officers, which is administered by the Town. Police officers are eligible to participate in the Police Plan and are required to contribute 12.5% of their weekly pay to the Police Plan. The Town is required to contribute 12.5% of pay on behalf of each participant and the amounts necessary to provide the defined plan benefits. The Town contributed $121,754 in the June 30, 2017 fiscal year and has included $143,351 in the fiscal year 2017-18 budget for such purpose. As of July 1, 2016, the latest actuarial valuation date for the plan, the funded ratio was 82.2%.

Board of Education faculty and professional personnel participate in a contributory defined benefit plan (the "Board of Education Plan") established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. Certain part-time and all full-time certified teachers are eligible to participate in the Board of Education Plan and are required to contribute 7.25% of their annual earnings to the Board of Education Plan. The Town does not and is not legally responsible to contribute to the Board of Education Plan. (See Appendix A – "2017 Financial Statements, Notes to Financial Statements" herein.)

Schedule of Employer Contributions

	2017	*2016*	*2015*	*2014*	*2013*
Actuarially Determined Contribution ……	$ 123,370	$ 119,514	$ 106,914	$ 101,215	$ 82,202
Contributions in Relation to the Actuarially Determined Contribution …	121,754	105,755	100,616	105,624	88,321
Contribution Deficiency (excess) …….	1,616	13,759	6,298	(4,409)	(6,119)
Covered Employee Payroll ……	$ 665,300	$ 743,711	$ 694,695	$ 662,403	$ 633,878
Contributions as a Percentage of Covered Employee Payroll ……	18.30%	14.22%	14.48%	15.95%	13.93%

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 7.0%, 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 6.00%	*Current Discount Rate 7.00%*	*1% Increase 8.00%*
Net Pension Liability	$ 1,001,553	$ 506,384	$ 113,880

See Appendix A – "2017 Financial Statements, Notes to Financial Statements" herein.

Other Post-Employment Benefits

The Town has a policy of providing 40–50% of certain health care benefits to retired employees should the employees have retired under a normal retirement or with disability. The Town recognizes the cost of these benefits in the year when the employee services are received and recognizes the liability accumulated from prior years. The annual OPEB cost for the fiscal year ending June 30, 2017 was $514,953. As of July 1, 2015, the latest actuarial valuation date of the OPEB obligation, the net OPEB obligation at June 30, 2017 for the Town was $2,655,958.

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 (AOC)*	*Employer Contributions*	*% of AOC Contributed*	*Net OPEB Obligation*
6/30/2017	514,953	188,802	36.66%	2,655,958
6/30/2016	584,000	213,180	36.50%	2,329,807
6/30/2015	548,907	197,603	36.00%	1,958,987
6/30/2014	459,870	184,000	40.01%	1,607,683
6/30/2013	431,000	142,000	32.95%	1,331,813
6/30/2012	470,219	204,000	43.38%	1,042,813

Schedule of Funding Progress

Actuarial Valuation Date	*Actuarial Value of Assets (a)*	*Actuarial Accrued Liability (AAL) (b)*	*Unfunded AAL (b-a)*	*Funded Ratio (a/b)*	*Covered Payroll*	*UAAL as a Percentage of Covered Payroll*
7/1/2015	$ -	$ 5,574,161	($5,574,161)	0.00%	$ 22,177,000	25.13%
7/1/2013	-	6,178,930	(6,178,930)	0.00%	23,807,077	25.95%
7/1/2011	-	4,209,000	(4,209,000)	0.00%	n/a	n/a
7/1/2009	-	4,306,000	(4,306,000)	0.00%	n/a	n/a

Compensated Absences

Employees are paid by prescribed formula for absence due to vacation or sickness. Accumulated vacation and sick pay earned by Town employees is reflected as a long-term liability in the government-wide financial statements. As of June 30, 2017, the estimated obligation for employee compensated absences which is not expected to be paid with current available resources was $2,963,703. It is the Town's policy to recognize vacation and sick leave costs at the time payments are made.

Investment Practices

The Town invests its public funds in accordance with Connecticut General Statutes Section 7-402. Deposits may be made in a "qualified public depository" as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an "out-of state bank," as defined by the Statutes, which is not a "qualified public depository."

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in obligations of the United States and its agencies, highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated investment companies (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 STIF and the Tax Exempt Proceeds Fund. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, the laws applicable to fiduciaries and the provisions of the applicable plan generally control investment of such funds.

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 a stop-loss policy of 125% of expected claims paid which was $7,347,184 for the year ended June 30, 2017.

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.

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 commercial coverage in any of the past three years.

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Comparative Balance Sheets – General Fund

	Actual 2016-17	*Actual 2015-16*	*Actual 2014-15*	*Actual 2013-14*	*Actual 2012-13*
Assets					
Cash and Cash Equivalents	$ 8,685,763	$ 8,455,874	$ 6,294,803	$ 5,549,446	$ 5,992,880
Property Taxes	961,521	1,022,155	1,210,945	1,255,582	1,155,988
Intergovernmental	-	117,313	116,846	236,997	117,828
Accounts Receivable	14,970	26,115	7,086	26,482	16,804
Prepaid	3,600	1,000	1,615	-	-
Inventory	24,010	36,820	29,040	19,510	28,351
Total Assets	$ 9,689,864	$ 9,659,277	$ 7,660,335	$ 7,088,017	$ 7,311,851
Liabilities					
Accounts Payable and Accrued Liabilities	1,654,162	2,010,553	932,322	702,526	744,338
Deferred Revenue	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Total Liabilities	$ 1,654,162	$ 2,010,553	$ 932,322	$ 702,526	$ 744,338
Deferred Inflow of Resources					
Advance Tax Collections	22,233	41,324	-	-	-
Unavailable Resources - Other	840,669	936,344	1,003,807	1,106,050	1,036,723
Total Deferred Inflows of Resources	$ 862,902	$ 977,668	$ 1,003,807	$ 1,106,050	$ 1,036,723
Fund Balances					
Nonspendable	27,610	37,820	30,655	19,510	28,351
Restricted	-	-	-	-	-
Committed	110,303	418,455	67,500	120,829	44,936
Assigned	612,254	502,848	370,685	250,730	698,770
Unassigned	6,422,633	5,711,933	5,255,366	4,888,372	4,758,733
Total Fund Balances	$ 7,172,800	$ 6,671,056	$ 5,724,206	$ 5,279,441	$ 5,530,790
Total Liabilities, Defferred Inflows of Resources and Fund Balances (deficits)	$ 9,689,864	$ 9,659,277	$ 7,660,335	$ 7,088,017	$ 7,311,851

General Fund Revenues and Expenditures

The General Fund revenues, expenditures, and changes in fund balance for the fiscal years ended June 30, 2013 through 2017 have been derived from audited financial statements. The fiscal year 2017-18 budget has been provided by the Town. The financial information presented herein is the responsibility of the Town of Colchester's management (Appendix A – "2017 Financial Statements" was taken from the Annual Financial Report of the Town of Colchester for the fiscal year ended June 30, 2017).

	Adopted Budget 2017-18 [1]	Actual 2016-17	Actual 2015-16	Actual 2014-15	Actual 2013-14	Actual 2012-13
Revenues:						
Property Taxes	$ 39,468,561	$ 38,500,512	$ 37,712,051	$ 37,226,671	$ 36,248,381	$ 34,364,251
Intergovernmental	14,128,487	21,992,787	19,575,213	19,483,781	19,727,811	19,347,462
Investment Income	60,000	88,500	61,139	48,566	51,533	47,491
Fees, Permits, and Sales	747,490	834,337	860,660	627,586	662,264	683,481
Charges for Services	512,750	566,429	550,432	544,455	514,562	506,988
Other	427,200	134,404	120,528	122,212	238,247	104,759
Total Revenues	55,344,488	62,116,969	58,880,023	58,053,271	57,442,798	55,054,432
Expenditures:						
General government	3,573,234	3,534,368	3,151,674	3,310,137	3,387,956	3,196,386
Public Safety	2,859,187	2,699,729	2,676,389	2,438,800	2,403,418	2,204,883
Public Works	3,518,788	3,312,050	3,133,633	3,489,369	3,695,205	2,849,686
Community & Human Services	1,607,338	1,534,864	1,480,902	1,434,099	1,404,709	1,286,636
Public Health and Welfare	-	-	-	-	-	-
Civic and Culture	-	-	-	-	-	-
Education	40,636,405	46,630,541	44,296,560	43,909,369	43,879,506	41,828,767
Debt Service	1,791,666	1,842,265	1,901,465	1,972,865	2,054,914	2,095,890
Capital Outlay	-	-	-	-	-	-
Total Expenditures	53,986,618	59,553,817	56,640,623	56,554,639	56,825,708	53,462,248
Revenues over (under) expenditures	1,357,870	2,563,152	2,239,400	1,498,632	617,090	1,592,184
Other Financing Sources Uses:						
Operating Transfers In	-	8,240	-	-	-	-
Operating Transfers (Out)	(1,357,870)	(2,069,648)	(1,292,550)	(1,053,867)	(868,439)	(625,363)
Total other Financing Sources (uses)	(1,357,870)	(2,061,408)	(1,292,550)	(1,053,867)	(868,439)	(625,363)
Revenues and other financing sources over (under) expenditures and other financing (uses)	-	501,744	946,850	444,765	(251,349)	966,821
Fund Balance, Beginning	7,172,800	6,671,056	5,724,206	5,279,441	5,530,790	4,563,969
Fund Balance, Ending	$ 7,172,800	$ 7,172,800	$ 6,671,056	$ 5,724,206	$ 5,279,441	$ 5,530,790

[1] *Budgetary basis and subject to audit.*

Municipal Budget Expenditures Cap: Connecticut General Statutes Section 4-661 creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of $100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality's percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality's population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded. The 2017-2019 biennium budget legislation does not provide funding for the municipal revenue sharing grant in the fiscal years ending June 30, 2018 and June 30, 2019, but provides that such funding will resume following July 1, 2019.

State of Connecticut 2017-2019 Biennium Budget

On June 7, 2017, the regular session of the State of Connecticut General Assembly ended without the passage of the budget for the 2017-2019 biennium, beginning on July 1, 2017. On June 30, 2017, the Governor issued Executive Order No. 58, which the Governor revised on August 18, 2017, in order to continue operation of essential functions of the State in the absence of an approved appropriations act for the fiscal year ending June 30, 2018. Executive Order 58, among other things, significantly reduced disbursements of State funding to municipalities. In mid-September 2017, the Connecticut General Assembly adopted a budget for the 2017-2019 biennium which, among other things, restored significant portions of the State funding to municipalities for the current fiscal year impacted by Executive Order No. 58. The Governor vetoed the adopted budget, and the House of Representatives failed to override the Governor's veto. On October 26, 2017, the Connecticut General Assembly adopted a second budget for the 2017-2019 biennium. On October 31, 2017, the Governor signed the budget legislation into law, other than appropriations in support of a new hospital tax proposal with respect to which the Governor exercised a line-item veto. Under the 2017-2019 biennium budget, the amount of overall State aid that the Town is projected to receive in the first year of the budget decreases by approximately $780,000 from the amount received in the fiscal year ending June 30, 2017. Since the Town included the mid-year reduction in State aid during 2016-2017 and did not include any State aid from the Municipal Revenue sharing or Pequot/Mohegan grants in the 2017-2018 budget, the reduction in State aid as compared to the Town's 2017-2018 adopted budget is approximately $385,000. Pursuant to the 2017-2019 biennium budget act, the Governor is mandated to achieve approximately $880 million in General Fund savings in the fiscal year ending June 30, 2018. On November 17, 2017, the Governor ordered the holdback of various aid to municipalities for the current fiscal year as part of the implementation of that mandate. Pursuant to that holdback the amount of overall State aid the Town is projected to receive in the current fiscal year decreases by $1,121,030 from that set out in the 2017-2019 biennium budget.

The Town plans to address the reduction in State aid through a combination of spending reductions in both the Town and Education budgets and increases in various revenue estimates, along with a portion of the growth in General Fund fund balance during the Fiscal Year ended June 30, 2017.

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SECTION VII – ADDITIONAL INFORMATION

Litigation

Following consultation with the Town Attorney, and other attorneys providing legal services to the Town, Town officials advise that the Town of Colchester, Connecticut, its officers, employees, boards and commissions are named defendants in a number of lawsuits. With regard to these pending lawsuits, it is the Town officials' opinion that such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the Town which would materially adversely affect its financial position.

Documents Furnished at Delivery

The original purchaser will be furnished the following documents when the Notes are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Notes or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town, signed by the Selectmen, or the majority of them, and the Treasurer, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the bids were awarded for the Notes, the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Notes.
4. The approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut.
5. An executed Continuing Disclosure Agreement for the Notes in substantially the form attached hereto as Appendix C to this Official Statement.
6. The Town of Colchester has prepared an Official Statement for the Notes which is dated January 10, 2018. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(1), but it is subject to revision or amendment. The Town will make available to each winning bidder twenty (20) copies of the final Official Statement at the Town's expense. The copies of the Official Statement will be made available to the winning bidder at the office of the Town's municipal advisor no later than seven business days after the bid opening. If the Town's municipal advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Notes are received, the copies of the final Official Statement will include an additional cover page and other pages indicating the interest rates, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, and any changes on the Notes. The purchaser shall arrange with the municipal advisor the method of delivery of the copies of the Official Statement to the purchaser.

A record of the proceedings taken by the Town in authorizing the Notes will be kept on file at offices of U.S. Bank National Association, and may be examined upon reasonable request.

Concluding Statement

This Official Statement is submitted only in connection with the sale of the Notes by the Town of Colchester, Connecticut and may not be reproduced or used in whole or in part for any other purpose.

The following officials, in their capacity as officers of the Town, and in the name and on behalf of the Town, do hereby certify in connection with this issue that they have examined this Official Statement, and to the best of their knowledge and belief, the description and statements relating to the Town and its finances were true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

By /s/ *Arthur P. Shilosky*
Arthur P. Shilosky
First Selectman

By /s/ *Rosemary Coyle*
Rosemary Coyle
Selectman

By /s/ *James Ford*
James Ford
Selectman

By /s/ *Stanley Soby*
Stanley Soby
Selectman

By /s/ *Denise Q. Mizla*
Denise Q. Mizla
Selectman

By /s/ *Brenden M. Healy*
Brenden M. Healy
Treasurer

By /s/ *N. Maggie Cosgrove*
N. Maggie Cosgrove
Chief Financial Officer

Dated as of January 10, 2018

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Appendix A

2017 Financial Statements
Excerpted from the Town's Annual Financial Report

The following includes the Basic Financial Statements of the Town of Colchester, Connecticut for the fiscal year ended June 30, 2017. The supplemental data that was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Barry J. Bernabe, Managing Director, Phoenix Advisors, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 283-1110.

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RSM

Independent Auditor's Report

RSM US LLP

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Colchester, Connecticut (the Town) as of and for the year ended June 30, 2017, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Connecticut as of June 30, 2017, 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.

RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

Other Matters

Required Supplementary Information

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

RSM US LLP

New Haven, Connecticut
December 29, 2017

Town of Colchester, Connecticut
Management's Discussion and Analysis - Unaudited
June 30, 2017

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, 2017. Please read it in conjunction with the Town's financial statements, which immediately follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $76,927,593 (net position). Total net position of Governmental Activities at fiscal year-end was $71,871,157 and total net position for Business-Type Activities was $5,056,436. Of the Town's total net position at June 30, 2017, $8,886,339 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by $4,195,489.
- At the end of the current fiscal year, the total fund balance for the General Fund was $7,172,800, an increase of $501,744 from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2017, $6,422,633 represents unassigned fund balance of the General Fund. Unassigned General Fund fund balance represents 11.84% of total General Fund budgetary expenditures and transfers out ($54,245,260). The Town of Colchester's governmental funds reported combined ending fund balances of $10,017,031, a decrease of $2,438,805 from the prior fiscal year.
- The Town of Colchester's total bonded debt had a decrease of $1,515,000 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.

		Fund Financial Statements		
Type of Statements	**Government-wide Financial Statements**	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	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.
Required financial statements	➢ Statement of net position ➢ Statement of activities	➢ Balance sheet ➢ Statement of revenues, expenditures and changes in fund balances.	➢ Statement of net position. ➢ Statement of revenues, expenses, changes in fund net position. ➢ Statement of cash flows.	➢ Statement of fiduciary net position. ➢ Statement of changes in fiduciary net position.
Accounting basis and measurement focus	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.
Type of asset/liability information	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow information	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, deferred outflows of resources, liabilities, deferred inflows of resources, expenses and revenues regardless of actual collections or disbursements. The statements provide both long-term and short-term information about the Town's overall financial status.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's assets and deferred inflows of resources and liabilities and deferred outflows of resources.

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

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

The government-wide financial statements for the Town 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 position can be compared with the fund financial statements to better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.
- ***Proprietary funds*** are generally used for reporting services for which the Town charges a fee such as the water operations for the Town. They are reported in the same way as the government-wide statements. The Town has two types of proprietary funds. One is the enterprise fund and the other is the internal service fund.

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial status. The Town's combined assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $76,927,593 at the close of the recent fiscal year.

Net position of the Town's Governmental Activities increased approximately 6.00% to $71,871,157 and total net position for Business-type Activities increased approximately 2.57% to $5,056,436. The amount of $68,041,254 ($64,287,269 for Governmental Activities and $3,753,985 for Business-type Activities) of combined net position at June 30, 2017, 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 $8,886,339 ($7,583,888 for Governmental Activities and $1,302,451 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 (86.37%) reflects its net investment in capital assets (i.e., land, buildings, vehicles, machinery & equipment and infrastructure). The Town uses these capital assets to provide services to citizens. Although the Town 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, 2017 and 2016

	June 30, 2017			June 30, 2016		
	Primary Government			Primary Government		
	Governmental Activities	**Business-type Activities**	**Total**	Governmental Activities	Business-type Activities	Total
Current and other assets	**$ 27,925,494**	**$ 1,349,422**	**$ 29,274,916**	$ 19,754,958	$ 1,149,365	$ 20,904,323
Capital assets	**76,153,192**	**5,252,081**	**81,405,273**	71,358,402	5,414,863	76,773,265
Total assets	**104,078,686**	**6,601,503**	**110,680,189**	91,113,360	6,564,228	97,677,588
Deferred outflows of resources	**262,483**	**-**	**262,483**	367,715	-	367,715
Current liabilities	**15,211,232**	**46,971**	**15,258,203**	4,162,105	17,659	4,179,764
Long-term liabilities outstanding	**17,236,547**	**1,498,096**	**18,734,643**	19,475,355	1,616,756	21,092,111
Total liabilities	**32,447,779**	**1,545,067**	**33,992,846**	23,637,460	1,634,415	25,271,875
Deferred inflows of resources	**22,233**	**-**	**22,233**	41,324	-	41,324
Net Position:						
Net investment in capital assets	**62,690,578**	**3,753,985**	**66,444,563**	58,665,353	3,798,107	62,463,460
Restricted	**1,596,691**	**-**	**1,596,691**	1,531,221	-	1,531,221
Unrestricted	**7,583,888**	**1,302,451**	**8,886,339**	7,605,717	1,131,706	8,737,423
Total Net Position	**$ 71,871,157**	**$ 5,056,436**	**$ 76,927,593**	$ 67,802,291	$ 4,929,813	$ 72,732,104

Change in Net Position. The Town's total net position increased by $4,195,489 during the fiscal year, with net position of Governmental Activities increasing by $4,068,866, and net position of Business-type Activities increasing by $126,623.

	Year Ended June 30, 2017			Year Ended June 30, 2016		
	Primary Govt.			Primary Govt.		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues:						
Charges for Services	**$ 3,758,450**	**$ 1,080,337**	**$ 4,838,787**	$ 3,503,829	$ 1,106,288	$ 4,610,117
Operating Grants and Contributions	**23,207,753**	**-**	**23,207,753**	21,164,622	-	21,164,622
Capital Grants and Contributions	**5,058,238**	**-**	**5,058,238**	1,130,875	-	1,130,875
General Revenues:						
Property Tax	**38,404,837**	**-**	**38,404,837**	37,644,588	-	37,644,588
Grants not restricted to specific programs	**450,587**	**-**	**450,587**	180,571	-	180,571
Unrestricted investment earnings	**94,206**	**2,966**	**97,172**	66,565	2,483	69,048
Miscellaneous	**223,183**	**-**	**223,183**	125,792	-	125,792
Transfers	**13,218**	**-**	**13,218**	10,912	-	10,912
Total Revenues	**71,210,472**	**1,083,303**	**72,293,775**	63,827,754	1,108,771	64,936,525
Expenses						
General Government	**3,665,017**	**-**	**3,665,017**	3,378,111	-	3,378,111
Public Safety	**3,399,787**	**-**	**3,399,787**	3,223,844	-	3,223,844
Public Works	**5,070,505**	**-**	**5,070,505**	4,764,149	-	4,764,149
Community and Human Services	**2,590,100**	**-**	**2,590,100**	2,319,518	-	2,319,518
Education	**52,048,986**	**-**	**52,048,986**	50,139,886	-	50,139,886
Other	**-**	**910,335**	**910,335**	-	882,061	882,061
Interest on long-term debt	**367,211**	**33,127**	**400,338**	414,717	35,614	450,331
Transfer	**-**	**13,218**	**13,218**	-	10,912	10,912
Total Expenses	**67,141,606**	**956,680**	**68,098,286**	64,240,225	928,587	65,168,812
Change in Net Position	**4,068,866**	**126,623**	**4,195,489**	(412,471)	180,184	(232,287)
Net Position - Beginning	**67,802,291**	**4,929,813**	**72,732,104**	68,214,762	4,749,629	72,964,391
Net Position - Ending	**$ 71,871,157**	**$ 5,056,436**	**$ 76,927,593**	$ 67,802,291	$ 4,929,813	$ 72,732,104

Governmental Activities

Approximately 53.93% of the revenues were generated from property taxes, followed by 44.97% from program revenues, which include governmental revenues for Education, then 0.63% was derived from other unrestricted grants, 0.32% from miscellaneous revenues, 0.13% from unrestricted investment earnings, and 0.02% from transfers.

Major revenue factors include:

- Increase in School construction grant progress payments received for expenditures incurred on the William J. Johnston Middle School Project in FY 16/17 as compared to FY 15/16.
- Increased tax revenues resulting from an increase in the property tax rate of 0.15 mills, increase in delinquent tax collections, and an increase in the current year tax collection rate from 98.81% to 99.03%.
- Increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement System.
- Increase in investment income, ambulance fees, and transfer station fees. Increase in intergovernmental revenues for various grant funded programs, and increase in police special duty fees.

- The Town's current levy collected tax rate was 99.03%, an increase of 0.22% from the previous year current levy collected tax rate of 98.81%.

For governmental activities, 77.52% of the Town's expenditures relate to education, 5.46% relate to general government, 5.06% relate to public safety, 7.55% relate to public works, 3.86% relate to community and human services, and the remaining 0.55% relate to interest payments on long-term debt.

Major expenditure factors include:

- Increase in general government, mainly due to an increase in health insurance claims and administrative costs compared to FY 15/16, and increase in legal fees for contract negotiations and other personnel matters, land use matters, and general legal issues.
- Increase in public safety due to increases in police department costs for overtime. Increase in Police Special Duty assignments (supported by increased revenues from charges for these services).
- Increase in education, mainly as a result of construction costs associated with the William J. Johnston Middle School Project. In addition, there was an increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement System, and the difference in the allocation of Internal Service Fund operating results between FY 15/16 and FY 16/17.
- Increase in public works expenditures related to road maintenance and improvements, and increase in costs related to winter snow and ice events.

Business-Type Activities

Business-type activities increased the Town's net position by $126,623. Key elements of this increase are:

- Establishment of water use fees sufficient to fund operating costs and depreciation, and provide funding for future capital needs, and an increase in operating expenses compared to the prior fiscal year.

Financial Analysis of the Town's Fund Financial Statements

Governmental funds. The focus of the Town 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 $10,017,031, a decrease from $12,455,836 as of June 30, 2016. This decrease is mainly due to the capital outlay expenditures for the William J. Johnston Middle School project that have not yet been permanently financed by the issuance of long-term debt. The Town also experienced positive financial results in the Town's General Fund, and continued to increase funding in the Capital Reserve Fund for the future acquisition/replacement of Town vehicles and equipment.

The general fund is the chief operating fund for the Town of Colchester. At the end of the current fiscal year, unassigned fund balance of the general fund was $6,422,633, while total fund balance was $7,172,800. 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 11.84% of the total general fund budgetary expenditures and transfers out.

At June 30, 2017, the Town of Colchester's General Fund unassigned fund balance increased by $710,700 from the previous year. On the revenue side, the Town received additional tax collections due to an increase in the current year tax collection rate, and increased efforts regarding the collection of delinquent tax payments, along with increases in investment income, ambulance fees, and transfer station fees. On the expenditure side, the Town achieved savings from staffing vacancies due to resignations, and employees on workers compensation and family medical leaves in various Town

departments throughout the organization. Unexpended funds budgeted for snow removal were transferred to a Reserve Fund for use in future years. Unexpended funds from the Education budget are reflected in assigned fund balance as these funds will be available for appropriation to the Education Capital Reserve Fund for future capital and equipment needs.

The Capital Reserve Fund had an increase in fund balance of $223,103 for a total fund balance of $1,495,610 mainly due to the funding of future acquisition/replacement of Town vehicles and equipment.

Johnston Building Project Fund - During the fiscal year, the Town incurred expenditures of $7,635,677 for demolition, construction and renovation costs. A total of $4,013,240 was received from the State of Connecticut School Construction progress payments as reimbursement for the State's share of the project costs incurred to date. The fund also has $9,550,000 of bond anticipation notes outstanding at the end of the year. The deficit fund balance of $4,151,796 will be funded through future State payments and general obligation bonding.

The Education Grants Fund had revenues of $1.22 million and expenditures of $1.26 million for the year ended June 30, 2017.

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 $1,302,451. The Water Fund experienced an increase in net position of $126,623. 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 $541,200. These additional appropriations were for the purchase of the existing Senior Center, purchase of land to be used as the potential site for a new Senior Center, additional road maintenance and improvements funded by unexpended funds for this purpose in FY 14/15, and capital expenditures for Educational facilities funded by unexpended funds of prior years' Education budgets. Additional appropriations were also approved for transfer station costs and fees paid to a third party administrator for ambulance billing – both of these appropriations were funded by additional revenue for those operations.

Budget transfers were approved during the year between line items within departmental budgets for various issues. Budget transfers between departments included funding for the following: reassignment of the Fire Marshal position from Planning & Code Administration to the Fire Department; legal expenses for continuing defense of appeals related to land use and enforcement of regulations, union contract negotiations and other personnel matters, and various general legal issues; Police overtime; additional funding for capital expenditures; and union contract settlements. Funds for these transfers were available from: salary and benefits from staffing vacancies due to resignations and retirements, and employees on workers compensation and family medical leaves in various Town departments throughout the organization; and funds budgeted for contract settlements. In addition, unexpended funds budgeted for snow removal were transferred to a reserve fund for future snow/ice storm events.

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, 2017, amount to $81,405,273 (net of accumulated depreciation). The net investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, sidewalks, roads, highways, bridges, water and sewer lines (infrastructure), and construction in process (William J. Johnston Middle School project). The total increase in the Town of Colchester's net investment in capital assets for the current fiscal year was $4,632,008 or approximately 6.03 percent.

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

Governmental Activities

- Road improvements funded by General Fund appropriations
- Acquisition of existing Senior Center, and purchase of land for potential site of new Senior Center funded by General Fund appropriations.
- Replacement of Senior Center 14 passenger bus funded by Vehicle Reserve and grant funds, and replacement of Senior Center 7 passenger van funded by Vehicle Reserve funds.
- Replacement of a police cruiser funded by General Fund appropriations, and acquisition of a Fire Command vehicle funded by Vehicle Reserve funds. Replacement of two plow trucks, and four plows funded by General Fund appropriations, Town Aid Road grant funds, and insurance proceeds.
- Replacement of pickup truck and plow funded by Sewer Capital Fund appropriations.
- Compressor replacements at Jack Jackter Intermediate School and Bacon Academy, and replacement of VAV field controllers at Bacon Academy funded by Capital Reserve funds and Education budget.
- Replacement of roof snow guard system and gutters at Jack Jackter Intermediate School, replacement of gutters at Colchester Elementary School, and installation of energy efficient parking lot lighting at Colchester Elementary School funded by Capital Reserve funds and Education budget.
- Acquisition of CNC plasma cutter, and router for Tech Education at Bacon Academy funded by Education grant funds.
- Upgrades to technology infrastructure and data storage capacity funded by Education budget.
- Acquisition of chest compression unit for the Fire Department funded by donations, acquisition of thermal camera, turnout gear dryer, hose washer and replacement of emergency communication/radio siren funded by General Fund appropriations for capital, and Equipment Reserve funds.

Town of Colchester - Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 3,586,879	$ 3,497,379	$ -	$ -	$ 3,586,879	$ 3,497,379
Land Improvements	585,284	607,406	3,150	3,360	588,434	610,766
Building. & Improvements	50,941,573	52,480,692	3,495,028	3,581,077	54,436,601	56,061,769
Machinery & Equipment	5,602,868	5,769,757	207,930	233,134	5,810,798	6,002,891
Infrastructure	9,029,622	9,003,168	1,545,973	1,597,292	10,575,595	10,600,460
Construction in Process	6,406,966	-	-	-	6,406,966	-
Total	$ 76,153,192	$ 71,358,402	$ 5,252,081	$ 5,414,863	$ 81,405,273	$ 76,773,265

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

Debt. At year-end the Town of Colchester had $8,160,000 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	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds (backed by the Town)	$ 8,160,000	$ 9,675,000	$ -	$ -	$ 8,160,000	$ 9,675,000
Clean Water Fund Loan	$ -	$ -	$ 1,498,096	$ 1,616,756	$ 1,498,096	$ 1,616,756

The Town also issued bond anticipation notes (BANs) in April of 2017 in the amount of $9,550,000. The BANS mature in January of 2018. The BANs were issued with an interest rate of 1.18%.

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

In May 2016, Moody's Investors Service issued a Local Government Issuer Comment Report on Colchester. In this report, Moody's noted "Colchester has a high quality credit position, and its Aa3 rating is equivalent to the median rating of Aa3 for U.S. cities. Key credit factors include an affordable debt burden with an extremely small pension liability. It also incorporates an affluent socioeconomic profile with a solid tax base, and a sound financial position." In December 2017, Moody's Investors Service conducted a review prompted by the State of Connecticut budget impasse and the significant cuts to State funding contained in the Governor's executive order which governed spending prior to the adoption of a State budget. Moody's issued a credit opinion confirming the Town's general obligation rating at Aa3. The opinion noted that Colchester "has a recent history of surplus operations, reflecting conservative fiscal management. The town has low debt and pension burdens and very affordable fixed costs, but is exposed to fiscal stress at the state level because of its above-average reliance on state funding." The opinion also indicated that "Town fiscal management is strong, as evidenced by recent surpluses, expenditure controls, and a credible plan for addressing reductions in state funding."

In June 2015, the Town voted at referendum to authorize a building project for the renovation and new construction of the William J. Johnston Middle School. The project was submitted to the State Department of Education for review, and final approval for State funding was received in June 2016. The total project authorization is $48,860,000 with an estimated $29,390,000 reimbursement from State of Connecticut school construction progress payment grant funds. Bond anticipation notes of $9,550,000 were issued in April 2017, with a maturity date in January 2018. The Town plans to rollover these notes and issue new notes for a total BAN issue of $20,850,000 in January 2018 with maturity in October 2018, at which time general obligation bonds are expected to be issued.

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 4.2% as of June 2017, which remains less than the State of Connecticut rate of 5.1% for the same time period. As of October 2017, the Town's unemployment rate had decreased to 3.2% and the State's unemployment rate decreased to 4.3%. 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 continue to be taken to closely monitor revenues and expenditures, implement energy cost-saving measures, participate in energy rebate programs, pursue grant opportunities, and review opportunities to share services with surrounding Towns and School districts.

The grand list as of October 2017, which was a revaluation year, reflected a small decrease of 1.1%. This followed several years of small increases in the taxable grand list of 1.4% as of October 2012, 0.6% as of October 2013, 0.6% as of October 2014, and 1.15% as of October 2015. Two of the Town's major employers are expanding operations in Colchester, and two large residential developments continue construction of new homes.

The FY 2017-2018 final adopted budget of $55,344,488 represents an increase of $1,249,712 over the adopted budget for FY 2016-2017 of $54,094,776. The adopted budget reflects an increase of 1.46 mils for a property tax mil rate of 32.37. The Town and Education budgets were adopted at a referendum vote on June 13, 2017 prior to the adoption of a State budget. On October 26, 2017, the Connecticut General Assembly adopted a budget for the 2017-2019 biennium which was signed into law by the Governor on October 31, 2017. Under the 2017-2019 biennium budget, the amount of overall State aid that the Town was projected to receive in the first year of the budget decreased by approximately $780,000 from that received in the fiscal year ending June 30, 2017. Since the Town had included the mid-year reduction in State aid during 2016-2017 and did not include State aid from the Municipal Revenue sharing or Pequot/Mohegan grants in the 2017-2018 budget, the reduction in State aid as compared to the Town's 2017-2018 adopted budget is approximately $385,000. Pursuant to the 2017-2019 biennium budget act, the Governor was mandated to achieve approximately $880 million in General Fund savings in the fiscal year ending June 30, 2018. On November 17, 2017, the Governor ordered the holdback of various aid to municipalities for the current fiscal year as part of the implementation of that mandate. Pursuant to that holdback, the amount of overall State aid the Town is projected to receive in the 2017-2018 fiscal year decreases by $1,121,030 from that set out in the 2017-2019 biennium budget. The Town plans to address the reduction in State aid through a combination of spending reductions in both the Town and Education budgets, and increases in various revenue estimates, along with a portion of the growth in General Fund fund balance during the fiscal year ended June 30, 2017.

The Town was presented with the Government Finance Officers Association Distinguished Budget Presentation Award for the adopted budget documents for the fiscal years 2012-2013, 2013-2014, 2014-2015, 2015-2016, and 2016-2017. The Town believes that the FY 2017-2018 budget continues to conform to program requirements, and will be submitting 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

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Town of Colchester, Connecticut

Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 25,078,831	$ 940,817	$ 26,019,648
Receivables (net of allowances for collection losses):			
Property taxes and interest	961,521	-	961,521
Assessments	276,136	-	276,136
Accounts receivable	110,996	347,828	458,824
Intergovernmental	1,462,353	-	1,462,353
Prepaid	3,600	-	3,600
Inventory	32,057	60,777	92,834
Capital assets, non-depreciable	9,993,845	-	9,993,845
Capital assets, net of accumulated depreciation	66,159,347	5,252,081	71,411,428
Total assets	104,078,686	6,601,503	110,680,189
Deferred outflows of resources:			
Deferred charges on refundings	186,123	-	186,123
Deferred pension-related items	76,360	-	76,360
Total deferred outflows of resources	262,483	-	262,483
Liabilities			
Accounts payable and accrued liabilities	5,012,632	46,971	5,059,603
Claims payable	559,432	-	559,432
Unearned revenues	89,168	-	89,168
Bond anticipation notes	9,550,000	-	9,550,000
Noncurrent liabilities:			
Due within one year	2,013,443	121,200	2,134,643
Due in more than one year	15,223,104	1,376,896	16,600,000
Total liabilities	32,447,779	1,545,067	33,992,846
Deferred inflows of resources:			
Advance tax collections	22,233	-	22,233
Total deferred inflows of resources	22,233	-	22,233
Net position:			
Net investment in capital assets	62,690,578	3,753,985	66,444,563
Restricted	1,596,691	-	1,596,691
Unrestricted	7,583,888	1,302,451	8,886,339
Total net position	$ 71,871,157	$ 5,056,436	$ 76,927,593

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Total
Governmental activities:							
General Government	$ (3,665,017)	$ 660,279	$ 4,000	$ 299,804	$ (2,700,934)	$ -	$ (2,700,934)
Public Safety	(3,399,787)	883,211	22,005	9,075	(2,485,496)	-	(2,485,496)
Public Works	(5,070,505)	1,046,919	-	457,339	(3,566,247)	-	(3,566,247)
Community and Human Services	(2,590,100)	392,050	281,573	267,834	(1,648,643)	-	(1,648,643)
Education	(52,048,986)	775,991	22,900,175	4,024,186	(24,348,634)	-	(24,348,634)
Interest on long-term debt	(367,211)	-	-	-	(367,211)	-	(367,211)
Total governmental activities	(67,141,606)	3,758,450	23,207,753	5,058,238	(35,117,165)	-	(35,117,165)
Business-type activities:							
Water	(943,462)	1,080,337	-	-	-	136,875	136,875
Total business-type activities	(943,462)	1,080,337	-	-	-	136,875	136,875
Total primary government	$ (68,085,068)	$ 4,838,787	$ 23,207,753	$ 5,058,238	(35,117,165)	136,875	(34,980,290)
General revenues:							
Property taxes					38,404,837	-	38,404,837
Grants and contributions not restricted to specific programs					450,587	-	450,587
Unrestricted investment earnings					94,206	2,966	97,172
Miscellaneous					223,183	-	223,183
Transfers					13,218	(13,218)	-
Total general revenues and transfers					39,186,031	(10,252)	39,175,779
Change in net position					4,068,866	126,623	4,195,489
Net position - beginning					67,802,291	4,929,813	72,732,104
Net position - ending					$ 71,871,157	$ 5,056,436	$ 76,927,593

See notes to financial statements.

Town of Colchester, Connecticut

Balance Sheet - Governmental Funds
June 30, 2017

	Major Funds					
	General Fund	Capital Reserve Fund	Johnston Building Project Fund	Educational Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 8,685,763	$ 1,498,307	$ 6,906,765	$ 55,507	$ 5,713,442	$ 22,859,784
Receivables (net of allowances for collection losses):						
Property taxes	961,521	-	-	-	-	961,521
Assessments and user charges	-	-	-	-	276,136	276,136
Intergovernmental	-	-	1,011,326	36,057	414,970	1,462,353
Accounts receivable	14,970	-	-	4,966	49,060	68,996
Prepaid	3,600	-	-	-	-	3,600
Inventory	24,010	-	-	-	8,047	32,057
Total assets	$ 9,689,864	$ 1,498,307	$ 7,918,091	$ 96,530	$ 6,461,655	$ 25,664,447
Liabilities						
Accounts payable and accrued liabilities	$ 1,654,162	$ 2,697	$ 2,519,887	$ 24,191	$ 698,240	$ 4,899,177
Unearned revenue	-	-	-	-	89,168	89,168
Bond anticipation notes payable	-	-	9,550,000	-		9,550,000
Total liabilities	1,654,162	2,697	12,069,887	24,191	787,408	14,538,345
Deferred inflows of resources:						
Advance tax collections	22,233	-	-	-	-	22,233
Unavailable resources-other	840,669	-	-	-	246,169	1,086,838
Total deferred inflows of resources	862,902	-	-	-	246,169	1,109,071
Fund balances:						
Nonspendable	27,610	-	-	-	8,047	35,657
Restricted	-	-	-	72,339	1,524,352	1,596,691
Committed	110,303	1,495,610	-	-	3,963,183	5,569,096
Assigned	612,254	-	-	-	-	612,254
Unassigned	6,422,633	-	(4,151,796)	-	(67,504)	2,203,333
Total fund balances (deficits)	7,172,800	1,495,610	(4,151,796)	72,339	5,428,078	10,017,031
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 9,689,864	$ 1,498,307	$ 7,918,091	$ 96,530	$ 6,461,655	

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.	76,153,192
Other long term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,086,838
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.	1,628,565
Deferred charge on refunding	186,123
Deferred pension-related items	76,360
Accrued interest payable is not recorded in the funds	(40,405)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(17,236,547)
Net position of governmental activities	$ 71,871,157

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) - Governmental Funds
For the Year Ended June 30, 2017

	Major Funds					
	General Fund	Capital Reserve Fund	Johnston Building Project Fund	Educational Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes, interest & lien fees	$ 38,500,512	$ -	$ -	$ -	$ -	$ 38,500,512
Intergovernmental revenues	21,992,787	-	4,013,240	1,057,876	1,347,439	28,411,342
Revenues from use of money	88,500	-	-	-	5,706	94,206
Fees, permits and sales	834,337	-	-	-	443,025	1,277,362
Charges for services and assessments	566,429	-	-	90,000	1,771,492	2,427,921
Other	134,404	70,784	-	72,854	313,150	591,192
Total revenues	62,116,969	70,784	4,013,240	1,220,730	3,880,812	71,302,535
Expenditures:						
Current:						
General government	3,534,368	-	-	-	82,452	3,616,820
Public safety	2,699,729	-	-	-	349,599	3,049,328
Public works	3,312,050	-	-	-	879,997	4,192,047
Community and human services	1,534,864	-	-	-	789,312	2,324,176
Education	46,630,541	-	-	1,260,727	874,492	48,765,760
Debt service	1,842,265	-	-	-	401,774	2,244,039
Capital outlay	-	86,520	7,635,677	-	1,840,191	9,562,388
Total expenditures	59,553,817	86,520	7,635,677	1,260,727	5,217,817	73,754,558
Excess (deficiency) of revenues over over expenditures	2,563,152	(15,736)	(3,622,437)	(39,997)	(1,337,005)	(2,452,023)
Other financing sources (uses):						
Transfers in	8,240	313,839	-	-	1,894,116	2,216,195
Transfers out	(2,069,648)	(75,000)	-	-	(58,329)	(2,202,977)
Total other financing sources (uses)	(2,061,408)	238,839	-	-	1,835,787	13,218
Net change in fund balances (deficits)	501,744	223,103	(3,622,437)	(39,997)	498,782	(2,438,805)
Fund balances (deficits), beginning	6,671,056	1,272,507	(529,359)	112,336	4,929,296	12,455,836
Fund balances (deficits), ending	$ 7,172,800	$ 1,495,610	$ (4,151,796)	$ 72,339	$ 5,428,078	$ 10,017,031

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, 2017

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances – total governmental funds	$	(2,438,805)
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.		4,794,790
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.		(105,281)
Change in deferred pension-related items.		(68,008)
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.		1,873,670
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.		331,072
The net income of certain activities of internal service funds is reported with governmental activities.		(318,572)
Change in net position of governmental activities	$	4,068,866

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Net Position - Proprietary Funds
June 30, 2017

	Major Fund	Governmental Activities
	Business-Type Activities Enterprise Fund	Internal Service Fund
	Water Fund	Medical Self-Insurance Fund
Assets		
Current assets:		
Cash and cash equivalents	$ 940,817	$ 2,219,047
Accounts receivable	347,828	42,000
Inventory	60,777	-
Total current assets	1,349,422	2,261,047
Capital assets, net of accumulated depreciation	5,252,081	-
Total assets	6,601,503	2,261,047
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	46,971	73,050
Claims payable	-	559,432
Loan payable- current	121,200	-
Total current liabilities	168,171	632,482
Noncurrent liabilities:		
Loan payable	1,376,896	-
Total noncurrent liabilities	1,376,896	-
Total liabilities	1,545,067	632,482
Net position:		
Net investment in capital assets	3,753,985	-
Unrestricted	1,302,451	1,628,565
Total net position	$ 5,056,436	$ 1,628,565

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, 2017

	Major Fund	Governmental Activities
	Business-Type Activities Enterprise Fund	Internal Service Fund
	Water Fund	Medical Self-Insurance Fund
Operating revenues:		
Water use fees and charges	$ 1,080,337	$ -
Premiums	-	7,072,595
Total operating revenues	1,080,337	7,072,595
Operating expenses:		
Claims/operating	688,154	6,217,869
Depreciation	222,181	-
Administration	-	1,173,541
Total operating expenses	910,335	7,391,410
Operating income (loss)	170,002	(318,815)
Nonoperating revenues (expenses):		
Interest income	2,966	243
Interest expense	(33,127)	-
Total nonoperating revenue (expenses)	(30,161)	243
Other financing uses:		
Transfers out	(13,218)	-
Total transfers out	(13,218)	-
Change in fund net position	126,623	(318,572)
Fund net position, beginning	4,929,813	1,947,137
Fund net position, ending	$ 5,056,436	$ 1,628,565

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2017

	Major Fund	Governmental Activities
	Business-Type Activities Enterprise Fund	Internal Service Fund
	Water Fund	Medical Self-Insurance Fund
Cash flows from operating activities:		
Cash received from charges for services	$ 1,074,378	$ -
Cash received for premiums	-	7,072,595
Cash paid to vendors and beneficiaries	(663,379)	(7,439,102)
Net cash provided by (used in) operating activities	410,999	(366,507)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(59,399)	-
Interest paid	(46,345)	-
Principal payments of debt	(118,660)	-
Net cash used in capital and related financing activities	(224,404)	-
Cash flows from investing activities:		
Interest on cash and cash equivalents	2,966	243
Net increase (decrease) in cash and cash equivalents	189,561	(366,264)
Cash and cash equivalents:		
Beginning	751,256	2,585,311
Ending	$ 940,817	$ 2,219,047
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ 170,002	$ (318,815)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	222,181	-
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	(5,959)	(40,886)
(Increase)/Decrease in inventories	(4,537)	-
Increase in accounts payable	29,312	73,050
Increase/(Decrease) in claims payable	-	(79,856)
Net cash provided by (used in) operating activities	$ 410,999	$ (366,507)

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2017

	Pension Trust Fund	Private Purpose Trust Fund	Agency Fund
Assets			
Cash and cash equivalents	$ -	$ 450	$ 396,426
Investments	2,029,506	-	-
Total assets	2,029,506	450	396,426
Liabilities			
Amounts held for student activities and other	-	-	396,426
Total liabilities	-	-	396,426
Net position restricted for pension benefits and other purposes	$ 2,029,506	$ 450	$ -

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2017

	Pension Trust Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Employee	$ 85,201	$ -
Employer	121,754	-
Total contributions	206,955	-
Investment Income:		
Net appreciation in fair value of investments	167,059	-
Investment income	167,059	-
Total additions	374,014	-
Deductions:		
Administrative	-	11
Total deductions	-	11
Change in net position	374,014	(11)
Net position held in trust:		
Beginning of year	1,655,492	461
End of year	$ 2,029,506	$ 450

See 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 (GAAP) as applicable to governments.

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

Accounting standards adopted in the current year: GASB Statement No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by Other Postemployment Benefit (OPEB) Plans that administer benefits on behalf of governments. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and required supplemental information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The implementation of this statement had no impact on the Town’s financial statements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of this statement had no impact on the Town’s financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*. Financial statements prepared by state and local governments in conformity with GAAP provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The implementation of this statement had no impact on the Town’s financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This standard narrows the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting specific criteria; establishes new guidance for these employers, including separate requirements for recognition and measurement of pension expense or expenditures and liabilities, note disclosures and RSI. The implementation of this statement had no impact on the Town's financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* This standard establishes new criteria to continue amortization cost accounting for certain external investment pools in light of recent changes to money market fund criteria. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. Portfolio quality and monthly shadow pricing are effective for periods beginning after December 15, 2015. The implementation of this statement had no impact on the Town's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No.14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The implementation of this statement had no impact on the Town's financial statements.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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).

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 ***Johnston Building Project Fund*** accounts for and reports financial resources to be used for the William J. Johnston construction and renovation project.

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

The Town reports the following major proprietary fund:

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

Note 1. Summary of Significant Accounting Policies (Continued)

Additionally, the Town reports the following fund types:

Governmental funds:

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

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

The Debt Service Fund: Used for the accumulation of resources for, and payment of, capital lease debt, principal, interest and related costs.

Proprietary fund:

Internal Service Fund: Used to account for the Town and Board of Education's medical self-insurance fund.

Fiduciary Funds:

Pension Trust Fund: Used to account for the accumulation of resources to be used for retirement benefits.

Private-purpose Trust Fund: Used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments.

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

Accounting estimates: The preparation of financial statements in conformity with GAAP 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. The Connecticut State Treasurer's Short-Term Investment Fund (STIF) is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. The fair value of the position in the pool is the same as the value of the pool shares. The cash portfolio adheres to GASB Statement No. 79, *Certain Investment Pools and Pool Participants*, which amends GASB Statement No. 31 and establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

Allowances for doubtful accounts: Accounts and notes receivable, including property taxes receivable, are reported net of allowance for doubtful accounts of $850,335. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's ability to pay.

Note 1. Summary of Significant Accounting Policies (Continued)

Investments: Investments are stated at fair value.

Fair value: The Town uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Town's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

The three categories within the hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

Level 3: Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

See Note 3 for additional information regarding fair value.

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

Capital assets: Capital assets, which include property, buildings, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner.

Note 1. Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance tax collections in the government-wide statement of net position and in the governmental fund balance sheet. Advance tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes, interest on property taxes, and long-term loans. The Town currently does not report any deferred inflows of resources related to the pension. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during which the amounts become available. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner.

Net pension liability: The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

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 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, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Nonspendable fund balance: These amounts cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

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

Committed fund balance: This represents amounts constrained, prior to year-end, for a specific purpose by a government using its highest level of decision-making authority (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 been delegated the authority to assign fund balances.

Unassigned fund balance: The residual amount not allocated to any other fund balance category in the General Fund and any residual deficit balance of any other governmental funds.

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

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	$ 8,160,000
Bond premium, net of amortization	240,187
Capital lease obligation	2,605,315
Landfill closure costs	105,000
Compensated absences	2,963,703
Net pension liability	506,384
OPEB obligation	2,655,958
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	$ 17,236,547

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	$ 8,240,062
Depreciation expense	(3,446,131)
Loss on disposal	859
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ 4,794,790

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

Principal repayments	$ 1,862,856
Net amortization of premiums and deferred losses	10,814
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ 1,873,670

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

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	$	613,621
Landfill closure		15,000
Accrued interest		3,158
Net pension liability		25,444
OPEB obligation		(326,151)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$	331,072

Note 3. Cash, Cash Equivalents and Investments

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

Investments: The Town and the Pension Trust Fund do not have a custodial credit risk policy for investments; however, it is their practice to follow statutes. The Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the STIF. 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, 2017, approximately $17,553,000 of the Town's bank balance of approximately $22,892,000 was uninsured and uncollateralized.

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

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

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2017:

Cash and cash equivalents:	
Deposits with financial institutions	$ 21,069,639
STIF	5,346,885
Total cash and cash equivalents	26,416,524
Investments:	
Pension trust funds:	
Equity mutual funds	2,029,506
Total cash, cash equivalents, and investments	$ 28,446,030

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

Statement of net position:	
Cash and cash equivalents	$ 26,019,648
Fiduciary funds:	
Cash and cash equivalents	396,876
Investments	2,029,506
	2,426,382
Total cash, cash equivalents, and investments	$ 28,446,030

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	$ 5,346,885	$ 5,346,885

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 & Poor's	Pooled Income Fund
STIF	AAAm	$ 5,346,885
		$ 5,346,885

Fair value: The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Plan has the following recurring fair value measurements as of June 30, 2017:

		Fair Value Measurements Using		
	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
Investments by fair value level:				
Equity mutual funds	$ 2,029,506	$ 2,029,506	$ -	$ -
Total investments by fair value level	$ 2,029,506	$ 2,029,506	$ -	$ -

Note 4. Unearned Revenue/Deferred Inflows of Resources

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

	Deferred Inflows	Unearned Revenue
General fund:		
Advance tax collections	$ 22,233	$ -
Taxes and accrued interest on delinquent property taxes	840,669	-
Nonmajor funds:		
Assessments receivable	204,319	-
Grants and other	41,850	89,168
Total	$ 1,109,071	$ 89,168

Note 5. Interfund Transfers

Interfund transfers during the year ended June 30, 2017 were as follows:

	Transfers In	Transfers Out
General fund	$ 8,240	$ (2,069,648)
Capital reserve fund	313,839	(75,000)
Water fund	-	(13,218)
Nonmajor governmental funds	1,894,116	(58,329)
Total	$ 2,216,195	$ (2,216,195)

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

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 3,497,379	$ 89,500	$ -	$ 3,586,879
Construction in process	-	6,406,966	-	6,406,966
Total capital assets, not being depreciated	3,497,379	6,496,466	-	9,993,845
Capital assets, being depreciated:				
Improvements other than buildings	2,109,612	32,870	-	2,142,482
Buildings	89,454,311	333,590	-	89,787,901
Machinery and equipment	16,907,919	821,703	(286,085)	17,443,537
Infrastructure	38,616,098	555,433	-	39,171,531
Total capital assets being depreciated	147,087,940	1,743,596	(286,085)	148,545,451
Less accumulated depreciation for:				
Improvements other than buildings	1,502,206	54,992	-	1,557,198
Buildings	36,973,619	1,872,709	-	38,846,328
Machinery and equipment	11,138,162	989,451	(286,944)	11,840,669
Infrastructure	29,612,930	528,979	-	30,141,909
Total accumulated depreciation	79,226,917	3,446,131	(286,944)	82,386,104
Total capital assets, being depreciated, net	67,861,023	(1,702,535)	859	66,159,347
Governmental activities capital assets, net	$ 71,358,402	$ 4,793,931	$ 859	$ 76,153,192

Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Buildings	$ 5,413,113	$ 53,911	$ -	$ 5,467,024
Machinery and equipment	450,558	5,488	(36,760)	419,286
Improvements other than buildings	25,591	-	-	25,591
Infrastructure	3,232,929	-	-	3,232,929
Total capital assets, being depreciated	9,122,191	59,399	(36,760)	9,144,830
Less accumulated depreciation for:				
Buildings	1,832,036	139,960	-	1,971,996
Machinery and equipment	217,424	30,692	(36,760)	211,356
Improvements other than buildings	22,231	210	-	22,441
Infrastructure	1,635,637	51,319	-	1,686,956
Total accumulated depreciation	3,707,328	222,181	(36,760)	3,892,749
Total capital assets, being depreciated, net	5,414,863	(162,782)	-	5,252,081
Business-type activities capital assets, net	$ 5,414,863	$ (162,782)	$ -	$ 5,252,081

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

Governmental activities:	
General government	$ 93,184
Public works	1,060,520
Public safety	191,730
Community and human services	264,554
Education	1,836,143
Total depreciation expense – governmental activities	$ 3,446,131
Business-type activities:	
Water fund	$ 222,181

Note 7. Long-Term Obligations and Bond Anticipation Notes

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 9,675,000	$ -	$ (1,515,000)	$ 8,160,000	$ 1,525,000
Bond premium	288,225	-	(48,038)	240,187	48,038
Capital lease obligation	2,953,171	-	(347,856)	2,605,315	312,848
Landfill post-closure monitoring	120,000	-	(15,000)	105,000	15,000
Compensated absences	3,577,324	-	(613,621)	2,963,703	112,557
Net pension liability	531,828	-	(25,444)	506,384	-
OPEB obligation	2,329,807	326,151	-	2,655,958	-
Governmental activity long-term liabilities	$ 19,475,355	$ 326,151	$ (2,564,959)	$ 17,236,547	$ 2,013,443
Business-type Activities					
CWF loans	$ 1,616,756	$ -	$ (118,660)	$ 1,498,096	$ 121,200
Business-type long-term liabilities	$ 1,616,756	$ -	$ (118,660)	$ 1,498,096	$ 121,200

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, 2017 consisted of the following:

	Outstanding Amount
General obligation bonds payable:	
$8,400,000 refunding bond, issue of 2012 due 2025, annual principal payments range from $320,000 to $850,000 plus interest due semi-annually at 2.0% to 4.0%	$ 5,755,000
$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%	2,405,000
Total general obligation bonds payable	$ 8,160,000

The following is a summary as of June 30, 2017, of the future principal and interest requirements for the Town's general obligation bonds:

	Principal	Interest	Total
2018	$ 1,525,000	$ 266,665	$ 1,791,665
2019	1,495,000	215,415	1,710,415
2020	1,490,000	157,165	1,647,165
2021	1,200,000	99,065	1,299,065
2022	800,000	61,115	861,115
2023-2025	1,650,000	74,330	1,724,330
Total	$ 8,160,000	$ 873,755	$ 9,033,755

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

Capital leases: The Town owns various vehicles and equipment with an approximate carrying value of $2,590,800 which were acquired under capital lease arrangements. The Town is required under these agreements to make the following annual lease payments:

2018	$ 360,225
2019	360,225
2020	360,225
2021	360,225
2022	360,225
Thereafter	1,016,179
Total payments	2,817,304
Less interest	(211,989)
Present value of minimum payments	$ 2,605,315

The Town received Clean Water Fund Project loans that are recorded as a loan payable in the Water Fund. The balance at June 30, 2017 is $1,498,096. These loans accrue interest at 2.0%. The following is a summary as of June 30, 2017, of the future principal and interest payments on these loans:

	Principal	Interest	Total
2018	$ 121,200	$ 30,586	$ 151,786
2019	123,795	27,992	151,787
2020	126,444	25,342	151,786
2021	129,151	22,635	151,786
2022	131,916	19,870	151,786
2023-2027	703,170	55,763	758,933
2028-2029	162,420	2,015	164,435
Total	$ 1,498,096	$ 184,203	$ 1,682,299

Bond anticipation notes: The Town issued bond anticipation notes (BANs) in April of 2017 in the amount of $9,550,000. The BANS mature in January of 2018. The BANs were issued with an interest rate of 1.18%.

Debt limitation: The Town's statement of debt limitation under Connecticut General Statutes, Section 7-434(b) as of June 30, 2017, is as follows:

Total tax collections (including interest and lien fees) for the year ended June 30, 2017	$ 38,458,255
Reimbursement for revenue loss	
Tax relief for elderly	41,718
Base	$ 38,499,973

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

The Connecticut General Statutes provides that total authorized debt of the Town shall not exceed seven times the above base cash receipts of $38,499,973 or $269,499,811 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	$ 86,624,939	$ -	$ -	$ -	$ -
4-1/2 times base	-	173,249,879	-	-	-
3-3/4 times base	-	-	144,374,899	-	-
3-1/4 times base	-	-	-	125,124,912	-
3 times base	-	-	-	-	115,499,919
Total debt limitation	86,624,939	173,249,879	144,374,899	125,124,912	115,499,919
Debt as defined by statute:					
Bonds payable [1]	1,238,500	6,921,500	-	-	-
Bond anticpation notes	-	9,550,000	-	-	-
Authorized and unissued	-	34,821,418	-	-	-
Total indebtedness	1,238,500	51,292,918	-	-	-
Estimated school construction grant progress payments	-	(24,876,143)	-	-	-
Debt limitation in excess of outstanding and authorized debt	$ 85,386,439	$ 146,833,104	$ 144,374,899	$ 125,124,912	$ 115,499,919

(1) Clean Water Fund financing totaling $1,498,096 are excluded from this calculation pursuant to Connecticut General Statutes.

Bonds authorized but unissued: Total authorized but unissued debt at June 30, 2017 consists of the following:

General purpose	$ -
Schools	34,821,418
	$ 34,821,418

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 Plans

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

Note 9. Pension Plans (Continued)

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 a nonvoting, ex officio member.

1. *Classes of Employees Covered*

   At July 1, 2016, Plan membership consisted of:

Retirees and beneficiaries receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	9
Total	9

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.

   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.

Note 9. Pension Plans (Continued)

b. Funding Policy

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

Investments:

Investment policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the 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, 2017.

Asset Class	Target Allocation %
Cash	4.0%
Equities	64.0%
Fixed Income	32.0%
Total weighted average real return	100.0%

Rate of return: For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.56%. 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, 2017 were as follows:

Net Pension Liability	June 30, 2017
Total pension liability	$ 2,535,890
Plan fiduciary net position	2,029,506
Net pension liability	$ 506,384
Plan fiduciary net position as a percentage of total pension liability	80.03%
Covered employee payroll	$ 665,300
Net pension liability as % of covered payroll	76.11%

Note 9. Pension Plans (Continued)

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.75%
- Salary Increases: 2.75% plus Service Merit Scale
- Investment Return: 7.0%, compounded annually, net of investment expenses
- Actuarial Cost Method: Entry Age Normal Cost Method (level percentage salary)
- Asset Valuation Method: Fair Value
- Amortization Method: Level Dollar
- Remaining Amortization Period: 13 Years, Closed

Mortality rates were based on the RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2016.

The total pension liability was determined by an actuarial valuation as of July 1, 2016, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date June 30, 2017. There have been no significant changes between the valuation date and the fiscal year end.

Discount rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Assumed rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of returns for each major asset class are included in the pension plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2016, and the final investment return assumption, are summarized in the following table:

Asset Class	Long -term Expected Real Rate of Return	Weighting
Cash	0.00%	0.00%
Equities	5.25%	3.36%
Fixed Income	2.00%	0.64%
		4.00%
Long-term inflation expectation		2.75%
Long-term expected nominal return		6.75%

Note 9. Pension Plans (Continued)

Net pension liability of the Town: The components of the net pension liability of the Town at June 30, 2017 were as follows:

	Changes in the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 2,187,320	$ 1,655,492	$ 531,828
Changes for the year:			
Service cost	183,453	-	183,453
Interest	177,808	-	177,808
Differences between expected and actual experience	(128,587)	-	(128,587)
Changes of assumptions	115,896	-	115,896
Contributions - employer	-	121,754	(121,754)
Contributions - member	-	85,202	(85,202)
Net investment income (including investment expenses)	-	167,058	(167,058)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	-	-
Net changes	348,570	374,014	(25,444)
Balances at June 30, 2017	$ 2,535,890	$ 2,029,506	$ 506,384

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 7.0%, 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 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability	$ 1,001,553	$ 506,384	$ 113,880

Note 9. Pension Plans (Continued)

For the year ended June 30, 2017, the Town of Colchester recognized pension expense of $176,033. As of June 30, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (118,696)
Changes of assumptions	106,981	-
Net difference between projected and actual earnings on pension plan investments	76,360	-
Total	$ 183,341	$ (118,696)

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

Years Ended June 30:	
2018	$ 31,897
2019	31,898
2020	16,664
2021	(8,003)
2022	(976)
Thereafter	(6,835)
	$ 64,645

Connecticut State Teachers' Retirement System:

Description of system: Certified personnel within the Town's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the System) is a cost sharing multiple employer defined benefit pension system with a special funding situation. The Town has no liability associated with the State Teachers' Retirement System.

The System is considered 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 at www.ct.gov.

The System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the System is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation in the System is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement System (TIAA-CREF).

Note 9. Pension Plans (Continued)

Summary of significant accounting policies: For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the System, information about System's fiduciary net position and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System.

For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Town does not have any liability related to the System.

Benefits provided: The benefits provided to participants by the System are as follows:

Normal benefit: A member at age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut is eligible for vested benefits of 2% of average annual salary times years of credited service (maximum benefit is 75% of average annual salary.)

Prorated benefit: A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60. The benefit is 2% less 0.1% for each year less than 20 years of average annual salary times years of credited service.

Minimum benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of $1,200 to teachers who retire under the Normal Benefit provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Contribution requirements: The pension contributions made by the State to the System are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z. The Town is not required to contribute to the Plan.

Eligible employees are required to contribute 6.0% of their annual salary rate to the System as required by CGS Section 10-183b (7).

Actuarial assumptions: The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015. The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following key actuarial assumptions:

Inflation	2.75 Percent
Salary increases, including inflation	3.25-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	8.00 Percent
Asset Valuation Method	Fair Value
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, closed
Single equivalent amortization period	20.4 year

For healthy retirees and beneficiaries, the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80 projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale.

Note 9. Pension Plans (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	21.0%	5.8%
Developed non- U.S. equities	18.0%	6.6%
Emerging markets (non- U.S.)	9.0%	8.3%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Fixed income (core)	7.0%	1.3%
High yield bonds	5.0%	3.9%
Emerging market bonds	5.0%	3.7%
Inflation linked bonds	3.0%	1.0%
Cash	6.0%	0.4%
	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the State's proportionate share of the net pension liability associated with the Town, calculated using the discount rate of 8.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
State's proportionate share of the NPL associated with the Town	$ 82,069,649	$ 66,522,123	$ 53,379,136

Note 9. Pension Plans (Continued)

Pension liabilities, pension expense, and deferred inflows/outflows of resources: The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by GASB No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the net pension liability that was associated with the Town was $66,522,123 and 100% of the collective net pension liability is allocated to the State.

June 30, 2016 is the actuarial valuation date upon which the total pension liability is based. Since the prior valuation, the State adopted new assumptions based on the 2015 Experience Study. The changes in assumptions are summarized below:

Economic assumptions:

1. Reduce the inflation assumption from 3.00% to 2.75%.
2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.50% to 8.00%.
3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%.
4. Slightly modify the merit portion of the salary scale.
5. Reduce the payroll growth assumption from 3.75% to 3.25%.

Demographic assumptions:

6. Update mortality tables to projected versions of the RPH-2014 mortality tables.
7. Increase normal retirement rates for females at most ages and proratable retirement rates for males at most ages. Decrease early retirement rates for both males and females.
8. Increase rates of withdrawal.
9. Decrease rates of disability for males.

The Town recognized the total pension expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the Town. For the fiscal year ended June 30, 2017, the Town recognized $7,254,477 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

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

Note 9. Pension Plans (Continued)

All Town employees who are regularly scheduled to work at least 35 hours per week, must participate in a Section 401(a) defined contribution plan. Employees who are regularly scheduled to work at least 30 hours per week are eligible to participate in the plan. Police Officers hired after 1/1/2012 are not eligible to participate in the Police Defined Benefit Plan and must participate in the 401(a) plan. The contribution from both the Town and employees ranges from 5% to 8% of base pay (not including overtime, longevity, etc.) for full-time employees and from 3% to 5.5% for part-time employees, as defined by union contracts or the Town personnel policy for non-union personnel. Employees may be eligible to participate at the end of their probationary period or on their first anniversary date of employment as set forth in union contracts and the personnel policy. Employees that are eligible to participate in the Town's plan are subject to a 5 year vesting period for the employer contribution. All full-time and part-time Town employees have the option of contributing to the Town's Section 457 Plan. The Town does not make matching contributions to the 457 plan.

Board of Education employees participate in a Section 457 plan. This plan covers all regular full-time employees except teachers and administrators covered by the Connecticut Teachers' Retirement System. As defined by union contracts and non-union employee salary and benefit agreements, the Board will make contributions ranging from 3% to 7% of base pay. Board of Education employees may also participate on a voluntary basis in a 403(b) plan. With the exception of the Superintendent of Schools and the members of the School Administrators union, the Board does not make contributions to the employees' 403(b) plan.

Note 10. Other Post-employment Benefits

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

Post-employment benefits: From an accrual accounting perspective, the cost of post-employment 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 post-employment healthcare in the year when the employee services are received, discloses the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Plan description: The Town provides post-employment benefits for certain employees for current and future health and life insurance benefit expenses. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2015.

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.

Note 10. Other Post-employment Benefits (Continued)

Membership in the plan consisted of the following at July 1, 2015, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	24
Active plan members	367
Total	391

The Town's annual 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, 2017	$ 514,953	$ 188,802	36.7%	$ 2,655,958
June 30, 2016	584,000	213,180	36.5%	2,329,807
June 30, 2015	548,907	197,603	36.0%	1,958,987

OPEB Obligation:

Annual required contribution	$ 531,897
Interest on net pension obligation	93,192
Adjustment of ARC	(110,136)
Annual OPEB cost	514,953
Contributions made	188,802
Increase in net OPEB liability	326,151
Net OPEB obligation, beginning of year	2,329,807
Net OPEB obligation, end of year	$ 2,655,958

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, 2015	$ -	$ 5,574,161	$ (5,574,161)	-	$ 22,177,000	25.1%
July 1, 2013	$ -	$ 6,178,930	$ (6,178,930)	-	$ 23,807,077	25.9%

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.

Note 10. Other Post-employment Benefits (Continued)

Actuarial assumptions are as follows:

Valuation Date:	July 1, 2015
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Fair Value
Medical inflation rate	5.70% - 4.70% over 67 years
Remaining Amortization Period	30 Years - decreasing
Actuarial Assumptions:	
Discount rate	4.00%

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

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

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

Note 11. Risk Management

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

The Medical Self-Insurance Fund is funded by monthly contributions from all funds incurring payroll charges. Anthem Blue Cross/Blue Shield, administrator of the claims process, aids the Town in calculating "premium" rates per contract. Under the Town’s current policy, the Medical Self-Insurance Fund covers all employee claims up to $125,000 per claim with an aggregate stop loss of 125% of expected claims paid which was approximately $7,347,000 for the year ended June 30, 2017.

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.

Note 11. Risk Management (Continued)

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,
2016-2017	$ 639,288	$ 6,217,869	$ 6,297,725	$ 559,432
2015-2016	$ 619,930	$ 6,588,715	$ 6,569,357	$ 639,288

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

Note 12. Landfill Post-closure Care Cost

The Town's municipal solid waste landfill stopped accepting waste in 1994. State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the site for thirty years after closure. The remaining post-closure costs are estimated to be $105,000 ($15,000 per year for 7 years). Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The responsibility for post-closure monitoring will remain with the Town.

Note 13. Fund Balances (Deficits)

The details for the Town's fund balances (deficits) are the following:

	General Fund	Capital Reserve Fund	Johnston Building Project Fund	Educational Grants Fund	Nonmajor Governmental Funds
Fund balances (deficits):					
Non-spendable:					
Prepaid	$ 3,600	$ -	$ -	$ -	$ -
Inventory	24,010	-	-	-	8,047
	27,610	-	-	-	8,047
Restricted:					
General government	-	-	-	-	77,722
Education	-	-	-	72,339	-
Community and human services	-	-	-	-	498,302
Public safety	-	-	-	-	47,595
Capital outlay	-	-	-	-	900,733
	-	-	-	72,339	1,524,352
Committed:					
Debt service	-	-	-	-	243,239
Capital outlay	-	1,495,610	-	-	3,013,796
Education	-	-	-	-	161,848
Public safety	-	-	-	-	43,331
Public works	110,303	-	-	-	500,969
	110,303	1,495,610	-	-	3,963,183
Assigned:					
General government	917	-	-	-	-
Public safety	4,717	-	-	-	-
Public works	6,685	-	-	-	-
Education	599,935	-	-	-	-
	612,254	-	-	-	-
Unassigned (deficit)	6,422,633	-	(4,151,796)	-	(67,504)
Total fund balances (deficits)	$ 7,172,800	$ 1,495,610	$ (4,151,796)	$ 72,339	$ 5,428,078

Note 13. Fund Balances (Deficits) (Continued)

Fund deficits: The following funds had fund deficits as of June 30, 2017:

Johnston Building Project	$	4,151,796
Miscellaneous Grants		56,925
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 currently determined what, if any, impact implementation of the following statements may have on the financial statements, except for GASB 75, which will most likely have a material impact.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:
  - Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.
  - Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.
  - Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

  Statement 75 carries forward from Statement 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

Note 14. Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

- GASB Statement No. 83*, Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
- GASB Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
- GASB Statement No. 85*, Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.
- GASB Statement No. 86*, Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Note 14. Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

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Required Supplementary Information - unaudited

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Town of Colchester, Connecticut

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	**$ 123,370**	$ 119,514	$ 106,914	$ 101,215	$ 82,202	$ 74,068	$ 93,178	$ 77,704	$ 45,732	$ 44,587
Contributions in relation to the actuarially determined contribution	**121,754**	105,755	100,616	105,624	88,321	101,034	86,428	80,798	64,866	48,252
Contribution deficiency (excess)	**$ 1,616**	$ 13,759	$ 6,298	$ (4,409)	$ (6,119)	$ (26,966)	$ 6,750	$ (3,094)	$ (19,134)	$ (3,665)
Covered employee payroll	**$ 665,300**	$ 743,711	$ 694,695	$ 662,403	$ 633,878	$ 571,675	$ 421,643	$ 550,743	$ 557,408	$ 410,312
Contributions as a percentage of covered employee payroll	**18.30%**	14.22%	14.48%	15.95%	13.93%	17.67%	20.50%	14.67%	11.64%	11.76%

Town of Colchester, Connecticut

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

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment income	**9.56%**	-0.37%	1.93%	14.47%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Town of Colchester, Connecticut

Required Supplementary Information - unaudited
Schedule of Changes in the Town's Net Pension Liability and Related Ratios
Last Four Fiscal Years

	2017	2016	2015	2014
Changes in Net Pension Liability				
Total pension liability:				
Service cost	**$ 183,453**	$ 175,553	$ 167,993	$ 178,216
Interest on total pension liability	**177,808**	152,603	130,517	106,587
Differences between expected and actual experience	**(128,587)**	-	-	234,034
Changes of assumptions	**115,896**	-	-	(356,174)
Benefit payments, including refunds of member contributions	**-**	-	(23,169)	-
Net change in total pension liability	**348,570**	328,156	275,341	162,663
Total pension liability, beginning	**2,187,320**	1,859,164	1,583,823	1,421,160
Total pension liability, ending (a)	**2,535,890**	2,187,320	1,859,164	1,583,823
Fiduciary net position:				
Employer contributions	**121,754**	105,755	100,616	105,624
Member contributions	**85,202**	82,346	81,805	86,864
Investment income net of investment expenses	**167,058**	(5,796)	26,378	149,423
Benefit payments	**-**	-	(23,169)	-
Net change in plan fiduciary net position	**374,014**	182,305	185,630	341,911
Fiduciary net position, beginning	**1,655,492**	1,473,187	1,287,557	945,646
Fiduciary net position, ending (b)	**2,029,506**	1,655,492	1,473,187	1,287,557
Net pension liability, ending = (a) - (b)	**$ 506,384**	$ 531,828	$ 385,977	$ 296,266
Fiduciary net position as a % of total pension liability	**80.03%**	75.69%	79.24%	81.29%
Covered payroll	**$ 665,300**	$ 743,711	$ 694,695	$ 662,403
Net pension liability as a % of covered payroll	**76.11%**	71.51%	55.56%	44.73%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Town of Colchester, Connecticut

Schedule of the Town's Proportionate Share of the Net Pension Liability -
Teachers' Retirement System
Required Supplementary Information - unaudited
Last Three Fiscal Years

	2017	2016	2015
Town's proportion of the net pension liability	**0.0%**	0.0%	0.0%
Town's proportionate share of the net pension liability	**$ -**	$ -	$ -
State's proportionate share of the net pension liability associated with the Town	**$ 66,522,123**	$ 53,087,310	$ 49,068,579
Total	**$ 66,522,123**	$ 53,087,310	$ 49,068,579
Town's covered-employee payroll	**$ 19,263,402**	$ 19,732,839	$ 17,695,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	**0%**	0%	0%
System fiduciary net position as a percentage of the total pension liability	**52.26%**	59.50%	61.56%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Town of Colchester, Connecticut

Required Supplementary Information - unaudited
Schedules of Funding Progress and Employer Contributions – OPEB
Last Seven Fiscal Years

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	-	6,178,930	(6,178,930)	-	23,807,077	25.9%
July 1, 2015	-	5,574,161	(5,574,161)	-	22,177,000	25.1%

Schedule of Employer Contributions - OPEB

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2011	$ 440,000	40.5%
2012	468,000	43.6%
2013	431,000	32.9%
2014	462,000	39.8%
2015	554,266	35.7%
2016	594,221	35.9%
2017	531,897	35.5%

Town of Colchester, Connecticut

Statement of Revenues and Expenditures - Budgetary Basis -
Budget and Actual - General Fund
Required Supplementary Information - unaudited
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Budgetary	Variance With
	Original	Final	Basis	Final Budget
Revenues:				
Property taxes, interest and lien fees	$ 38,130,697	$ 38,130,697	$ 38,500,512	$ 369,815
Intergovernmental revenues	14,639,989	14,639,989	14,533,855	(106,134)
Revenues from the use of money	55,000	55,000	88,500	33,500
Charges for services	501,500	506,261	566,429	60,168
Licenses, permits and fees	708,290	729,788	834,337	104,549
Other revenues	59,300	59,300	149,325	90,025
Total revenues	54,094,776	54,121,035	54,672,958	551,923
Expenditures:				
General government	3,694,918	3,608,321	3,534,690	73,631
Public works	3,377,938	3,367,848	3,318,735	49,113
Public safety	2,689,100	2,780,458	2,704,446	76,012
Community and human services	1,566,434	1,566,434	1,534,864	31,570
Education	39,705,064	39,705,064	39,518,416	186,648
Debt service	1,842,266	1,842,266	1,842,265	1
Total expenditures	52,875,720	52,870,391	52,453,416	416,975
Excess (deficiency) of revenues over expenditures	1,219,056	1,250,644	2,219,542	968,898
Other financing sources (uses):				
Transfers in	-	-	8,240	8,240
Transfers out	(1,219,056)	(1,791,844)	(1,791,844)	-
Total other financing (uses)	(1,219,056)	(1,791,844)	(1,783,604)	8,240
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ (541,200)	$ 435,938	$ 977,138

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 level of budgetary control is at the department level.

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

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

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

Revenues and transfers, budgetary basis	$ 54,681,198
Prior year encumbrances cancelled	(14,921)
Excess cost revenue net against expenditures	204,455
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	7,254,477
Revenues and transfers, GAAP basis	$ 62,125,209

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	$ 54,245,260
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	7,254,477
Excess cost revenue net against expenditures	204,455
Reclassified to General Fund in accordance with GASB 54	(25,088)
Encumbrances	
June 30, 2016	92,953
June 30, 2017	(148,592)
Expenditures and transfers, GAAP basis	$ 61,623,465

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.

Appendix B

Opinion of Bond Counsel and Tax Exemption

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APPENDIX B - OPINION OF BOND COUNSEL AND TAX EXEMPTION

The following information has been prepared by Bond Counsel in connection with this note issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.

BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the successful bidder when the Notes are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Notes. The opinion will be dated and given on and will speak only as of the date of original delivery of the Notes to the successful bidder.

The opinion of Day Pitney LLP with respect to the Notes will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Colchester
Colchester, Connecticut

We have represented the Town of Colchester, Connecticut as Bond Counsel in connection with the issuance by the Town of $20,850,000 Bond Anticipation Notes, dated as of January 19, 2018.

We have examined a record of proceedings authorizing the Notes, and based on our examination, we are of the opinion that the Town of Colchester is authorized to issue the Notes; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Notes have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Notes; the Notes will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Notes against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Notes is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Notes have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Notes will be excluded from gross income for Federal income tax purposes. Based on such representations and agreements and on the record of proceedings authorizing the Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (2) the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax.

Based on the record of proceedings authorizing the Notes, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

Interest Excluded From Gross Income. The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Notes is excluded from the gross income of the owners thereof for federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Notes. Failure to comply with any of these requirements may cause the interest on the Notes to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Notes will enter into a Tax Compliance Agreement in connection with the delivery of the Notes, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Notes will be excluded from the gross income of the owners thereof for federal income tax purposes.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals and, for tax years beginning prior to January 1, 2018, and an alternative minimum tax on corporations. The alternative minimum tax on corporations has been repealed for tax years beginning after December 31, 2017. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt “private activity bonds” is treated as a preference item. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes are not “private activity bonds” so that interest on the Notes will not be treated as a preference item for individuals or corporations in calculating alternative minimum taxable income.

For tax years beginning prior to January 1, 2018, the Code provides, however, that for most corporations a portion of the excess of adjusted current earnings (which includes certain tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation's alternative minimum tax.

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Notes will ***not*** be "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Additional Federal Income Tax Matters. Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the “IRS”) is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity (“qualified stated interest”), or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity (“original issue discount”). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance with respect to short-term debt

obligations, taxpayers holding such obligations may treat the stated interest payable at maturity either as qualified stated interest or as included in the stated redemption price at maturity of the obligation. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Prospective purchasers of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of the Notes and the treatment elected.

In addition to the matters addressed above, prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations, such as the Notes, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Notes may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Notes, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Notes is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Notes and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Notes held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

ORIGINAL ISSUE PREMIUM.

The initial public offering price of certain of the Notes may be greater than the amount payable on the Notes at maturity. The excess of the initial public offering price at which a substantial amount of such Notes are sold over the amount payable thereon at maturity constitutes original issue premium. No representation is made by the Town regarding the prices at which a substantial amount of the Notes ultimately will be sold to the public. An owner who purchases a note with original issue premium must amortize such original issue premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the note for federal income tax purposes. Owners of Notes having original issue premium, and especially any owner who is not an original owner of a note who bought the note at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such notes.

GENERAL.

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Notes will not have an effect on the federal tax status or the market price of the Notes or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Notes, and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Notes or any gain made on the sale or exchange thereof

from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Notes are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Notes. Prospective owners of the Notes, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Notes, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

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Appendix C

Continuing Disclosure Agreement

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APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR NOTES

***In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Notes to be executed by the Town substantially in the following form, to provide, or cause to be provided, notice of the occurrence of certain events with respect to the Notes*:**

Continuing Disclosure Agreement For Notes

This Continuing Disclosure Agreement for Notes ("Agreement") is made as of January 19, 2018 by the Town of Colchester, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of $20,850,000 Bond Anticipation Notes, dated as of January 19, 2018 of the Issuer (the "Notes"), for the benefit of the beneficial owners from time to time of the Notes.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Notice of Certain Events.

The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository, notice of the occurrence of any of the following events with respect to the Notes:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the notes, or other material events affecting the tax status of the Notes;

(g) modifications to rights of holders of the Notes, if material;

(h) Note calls, if material, and tender offers;

(i) Note defeasances;

(j) release, substitution, or sale of property securing repayment of the Notes, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Issuer;

(m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Events (d) and (e). The Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes, unless the Issuer applies for or participates in obtaining the enhancement.

Event (f). Event (f) is relevant only to the extent interest on the Notes is excluded from gross income for federal income tax purposes.

Event (h). The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if (A) the terms, dates and amounts of redemption are set forth in detail in the Final Official Statement, (B) the sole matter to be determined is which of the Notes will be redeemed in the case of a partial redemption, (C) notice of redemption is given to the holders of the Note to be redeemed as required under the terms of the Notes, and (D) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced due to prior optional redemptions or Note purchases.

Section 3. Use of Agents.

Notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

Section 4. Termination.

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Notes, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Notes within the meaning of the Rule.

Section 5. Enforcement.

The Issuer acknowledges that the undertakings set forth in Section 2 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding five business days with respect to the undertakings set forth in Section 2 of this Agreement) from the time the Issuer's Chief Financial Officer, or a successor, receives written notice from any beneficial owner of the Notes of such failure. The present address of the Chief Financial Officer is Town Hall, 127 Norwich Avenue, Colchester, Connecticut 06415.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Notes shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Notes.

Section 6. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Section 2 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such information, data or additional notices from time to time as it deems appropriate in connection with the Notes. If the Issuer elects to provide any such information, data or additional notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further information, data or additional notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Notes, and (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF COLCHESTER

By: _____
Arthur P. Shilosky
First Selectman

By: _____
Stanley F. Soby
Selectman

By: _____
Denise Q. Mizla
Selectman

By: _____
Rosemary Coyle
Selectman
.

By: _____
James Ford
Selectman

By: _____
Brenden M. Healy
Treasurer

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Appendix D

Notice of Sale

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NOTICE OF TELEPHONE AND PARITY® SALE
$20,850,000
Town of Colchester, Connecticut
Bond Anticipation Notes
(BOOK-ENTRY)

TELEPHONE PROPOSALS and ELECTRONIC BIDS via PARITY® will be received by the Town of Colchester, Connecticut until **11:30 A.M. Eastern Time on WEDNESDAY**,

JANUARY 10, 2018

for the purchase of $20,850,000 Bond Anticipation Notes of the Town of Colchester, dated January 19, 2018, maturing on October 17, 2018 (the "Notes").

The Notes will be payable with interest at maturity. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are not subject to redemption prior to maturity.

The Notes will be general obligations of the Town payable from ad valorem taxes levied on all taxable property in the Town without limitation as to rate or amount except classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

DTC Book-Entry. The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of $5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered certificates. Any such replacement Notes, will provide that principal of and interest on the Notes will be payable to the registered owner upon presentation and surrender of the Notes at the principal office of the Paying Agent, or of its successors as paying agent for the Notes.

Option For No Book Entry. A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Town as the Certifying Agent, Registrar and Paying Agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in non-book-entry form, or to be designated as Certifying Agent, Registrar and Paying Agent for such Notes, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form, or to designate the successful bidder as Certifying Agent, Registrar and Paying Agent

for the Notes, if it should determine, in its sole discretion, that issuing the Notes in such manner or with such designation is not in its best interests. If the Notes are issued in non-book-entry form, the successful bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Town any costs or expenses of any re-registration or transfer of Notes from time to time, including any costs of counsel or of converting the Notes to book-entry only form, or for any costs or expenses of services as Certifying Agent, Registrar and Paying Agent for the Notes if the successful bidder is so designated.

Proposals. Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest rate to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Telephone Proposals Bidding Procedure. Telephone bids for the purchase of the Notes will be received on behalf of the Town by telephone call to a representative of Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut at (203)-283-1110.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Notes must be submitted through the facilities of PARITY®. Any prospective bidder must be a subscriber of I-Deal's Bidcomp competitive bidding system. Further information about PARITY®, including any fee charged, may be obtained from PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021, email notice: parity@i-deal.com). The Town neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of PARITY® is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Town. By submitting a bid for the Notes via PARITY®, the bidder represents and warrants to the Town that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Town will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Notes on the terms described in this Notice. **The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, the use of such facilities being the sole risk of the prospective bidder.**

Disclaimer - Each PARITY® prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY® shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The Town is using PARITY® as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Notes. The Town is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via PARITY® are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone PARITY® at (212) 849-5021. If any provision of this Notice of Sale shall conflict with information provided by PARITY®, this Notice of Sale shall control.

All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale.

Basis of Award. As between proposals which comply with this Notice, the Notes will be sold to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest rate, which will be determined for each

interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest rate, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified or, if the same principal amount of Notes is specified in such proposals, to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid at such rate, carried to four places.

The Town reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Notes in accordance with the provisions of this Notice of Sale.

Certifying and Paying Agent. Unless the successful bidder on the Notes is designated as the Certifying Agent, Registrar and Paying Agent for the Notes as provided in "Option For No Book Entry" above, the Notes will be authenticated by U.S. Bank National Association, Hartford, Connecticut, which will also act as Registrar and Paying Agent.

Delivery. At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, substantially in the form set out in Appendix B to the Official Statement; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this Note issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Notes. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

Establishment of Issue Price. The winning bidder shall assist the Town in establishing the issue price of the Notes and shall execute and deliver to the Town at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications, substantially in the applicable form set out in the Appendix hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Town by the Town's Municipal Advisor identified herein and any notice or report to be provided to the Town may be provided to the Town's Municipal Advisor.

By submitting a bid for the Notes, a bidder, other than a bidder purchasing the Notes for its own account and not with a view to distribution or resale to the Public, represents that it has an established industry reputation for underwriting new issuances of municipal obligations.

If the winning bidder has purchased the Notes for its own account and not with a view to distribution or resale to the Public, then, whether or not the Competitive Sale Requirements, as herein defined, were met, the certificate will recite such facts and identify the price or prices at which the purchase of the Notes was made.

The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "Competitive Sale Requirements") because:

(1) the Town shall disseminate this Notice of Sale to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the Town may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the Town anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid**.**

In the event that the Competitive Sale Requirements are not satisfied, the Town shall so advise the winning bidder. The Town shall treat the first price at which 10% of a maturity of the Notes (the "10% Test") is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the Town if any maturity of the Notes satisfies the 10% Test as of the date and time of the award of the Notes. The Town will not require bidders to comply with the "Hold-The-Offering-Price Rule", as described in Treasury Regulations Section 1.148-1(f)(2)(ii), and therefore does not intend to use the initial offering price to the Public as of the Sale Date of any maturity of the Notes as the issue price of that maturity. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Notes, the winning bidder agrees to promptly report to the Town the prices at which the unsold Notes of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the earlier to occur of the satisfaction of the 10% Test as to the Notes of that maturity or the sale of all Notes of that maturity.

By submitting a bid, each bidder confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a Related Party to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

(i) "Public" means any person other than an Underwriter or a Related Party,

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the Town (or with the lead Underwriter to form an underwriting syndicate)

to participate in the initial sale of the Notes to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public),

(iii) a purchaser of any of the Notes is a "Related Party" to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "Sale Date" means the date that the Notes are awarded by the Town to the winning bidder.

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, but in the case of corporations a portion of such interest may be included in alternative minimum taxable income for purposes of computing any Federal alternative minimum tax; and (3) that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. The Notes will *not* be "qualified tax-exempt obligations" for purposes of the deduction by financial institutions of interest expenses that is allocable to tax-exempt obligations.

Municipal Advisor. The Town of Colchester has retained Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut (the "Municipal Advisor") to serve as its municipal advisor in connection with the issuance of the Notes. The Municipal Advisor has not independently verified any of the information contained in the Notice of Sale and its appendices and makes no guarantee as to their completeness or accuracy.

Official Statement. The Town of Colchester has prepared a preliminary Official Statement for the Note issue which is dated January 2, 2018. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1) but it is subject to revision or amendment. The Town will make available to each winning purchaser 50 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser(s) at the office of the Town's Municipal Advisor by the delivery of the Notes or by the seventh business day after the day bids on the Notes are received if earlier. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement. The Town will enter into a Continuing Disclosure Agreement with respect to the Notes, substantially in the form attached as Appendix C to the Official Statement (the "Continuing Disclosure Agreement for Notes"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, timely notice of the occurrence of certain events with respect to the Notes. The winning bidder's obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement for Notes.

CUSIP Numbers. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the purchaser to apply for CUSIP numbers for the Notes prior to delivery. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Delivery Date and Payment. The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on January 19, 2018.

More Information. For more information regarding this issue and the Town reference is made to Official Statement. Copies of the Official Statement may be obtained from Mr. Barry Bernabe, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460 (telephone: (203) 283-1110) or from Ms. N. Maggie Cosgrove, Chief Financial Officer, Town of Colchester, Town Hall, 127 Norwich Avenue, Colchester, Connecticut 06415 (telephone: (860) 537-7229).

ARTHUR P. SHILOSKY,
First Selectman

STANLEY F. SOBY,
Selectman

DENISE Q. MIZLA,
Selectman

ROSEMARY COYLE,
Selectman

JAMES FORD,
Selectman

BRENDEN M. HEALY,
Treasurer

January 2, 2018

APPENDIX TO NOTICE OF SALE
FORM OF ISSUE PRICE CERTIFICATE

Competitive Sale Requirements Satisfied

Town of Colchester, Connecticut
$20,850,000 BOND ANTICIPATION NOTES, ISSUE OF 2018

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of *Name of the Underwriter* ("*Underwriter Short Name*"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Notes").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by *Underwriter Short Name* are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Notes used by *Underwriter Short Name* in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by *Underwriter Short Name* to purchase the Notes.

(b) *Underwriter Short Name* was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by *Underwriter Short Name* constituted a firm offer to purchase the Notes.

2. ***Defined Terms.***

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is January 10, 2018.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

(e) *Issuer* means the Town of Colchester, Connecticut.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents *Underwriter Short Name*'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the

Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Name of the Underwriter

By:_____
Name:_____

Dated: __/__/____

Attachments:

SCHEDULE A
EXPECTED OFFERING PRICES

SCHEDULE B
COPY OF UNDERWRITER'S BID

[Remainder of page intentionally left blank]

Competitive Sale Requirements Not Satisfied - 10% Test Applied

Town of Colchester, Connecticut
$20,850,000 BOND ANTICIPATION NOTES, ISSUE OF 2018

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of *Name of the Underwriter* ("*Underwriter Short Name*"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Notes").

1. ***Sale of the Notes***. As of the date of this certificate, for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms***.

(a) *"Issuer"* means the Town of Colchester, Connecticut.

(b) "*Maturity"* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "*Public"* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "*Underwriter"* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents *Underwriter Short Name*'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Name of the Underwriter

By:_____
Name:_____

Dated: __/__/____

Attachment:

SCHEDULE A
SALE PRICES

[Remainder of page intentionally left blank]

☐ ***Only if submitting request that Notes not be issued in book-entry form:*** We request to be designated as the Certifying Agent, Registrar and Paying Agent for the Notes, as provided in the Notice of Sale.