

Annual Financial Report
of the
Town of Colchester, Connecticut
For the Year Ended June 30, 2020

Town of Colchester, Connecticut

**Annual Financial Report
For the Year Ended June 30, 2020**

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Introductory Section

Town of Colchester, Connecticut

Principal Officials June 30, 2020

First Selectman

Mary Bylone

Board of Selectmen

Rosemary Coyle, Vice Chair
Denise Mizla, Selectman
Taras Rudko, Selectman
Denise Turner, Selectman

Board of Finance

Rob Tarlov, Chair
Bernard Dennler III, Vice Chair
Michael Hayes
Andreas Bisbikos
Andrea Migliaccio
Mike Egan

Chief Financial Officer

N. Maggie Cosgrove

Administration

Gayle Furman, Town Clerk
Jennifer Pulse, Town Treasurer
Michele Wyatt, Tax Collector
Shannon Ramsby, Director of Human Resources

Board of Education

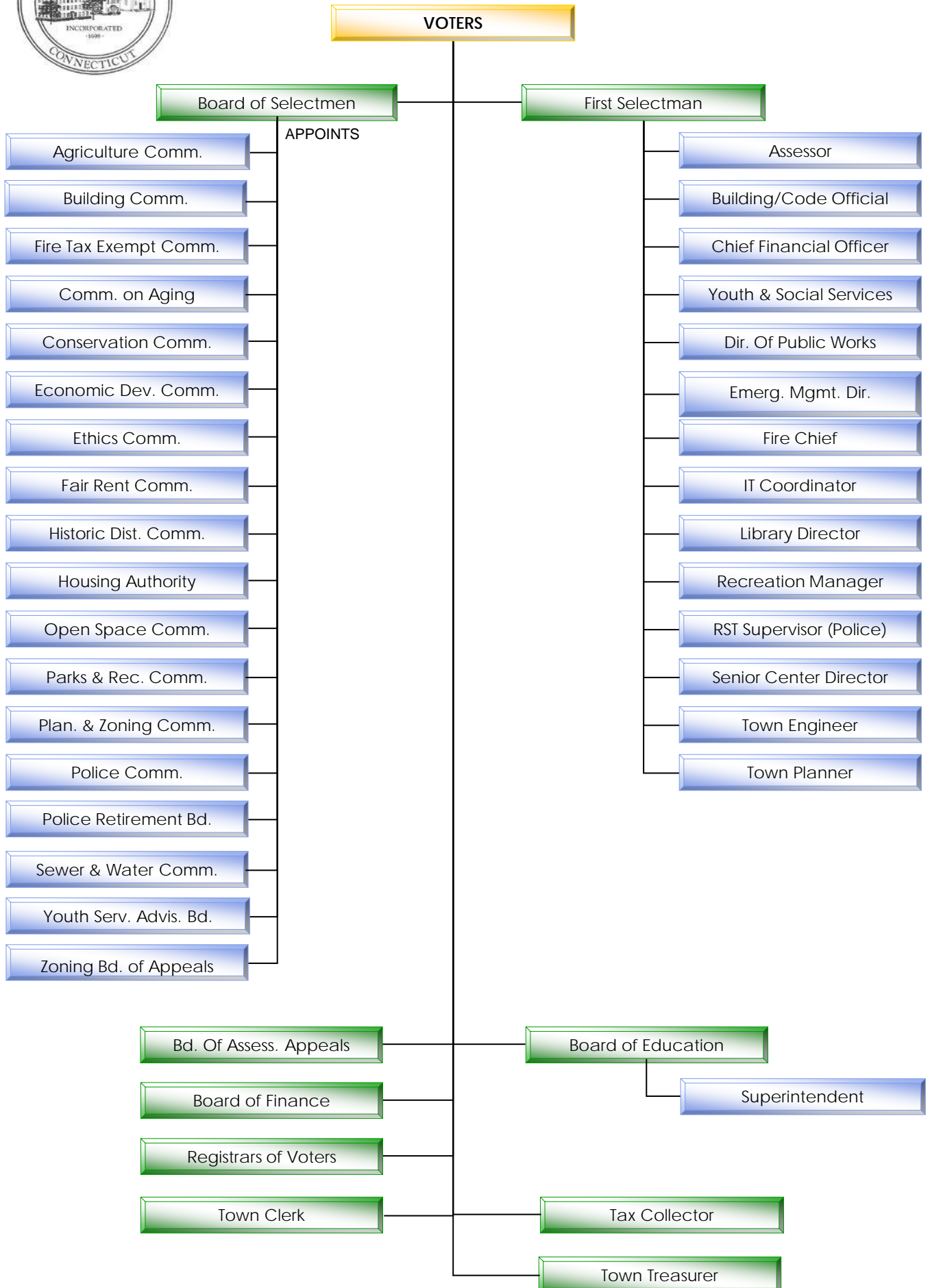
Mary Tomasi, Chair
Christopher McGlynn, Vice Chair
Amy Domeika
Mitchell L. Koziol
Jessica Morozowich
Sue Hickey
Joanne Rose

Administration

Jeffrey E. Burt, Superintendent
N. Maggie Cosgrove, Chief Financial Officer
Shannon Ramsby, Director of Human Resources



ORGANIZATIONAL CHART



Financial Section

Independent Auditors' Report

**Board of Finance
Town of Colchester, Connecticut**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Colchester, Connecticut ("Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, 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.

Auditors' Responsibility

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

**Board of Finance
Town of Colchester, Connecticut**

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, supplemental schedules and trend information section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Board of Finance
Town of Colchester, Connecticut**

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The introductory and trend information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
February 17, 2021



Town of Colchester, Connecticut

127 Norwich Avenue, Colchester, Connecticut 06415

Management's Discussion and Analysis For the Year Ended June 30, 2020

As management of the Town of Colchester, Connecticut ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Please read it in conjunction with the Town's financial statements immediately following this section.

Financial highlights

- On a government-wide basis, the assets and deferred outflows of resources of the Town exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year as follows:

	Governmental Activities	Business-Type Activities	Total
Change in net position	\$ (287,830)	\$ 63,551	\$ (224,279)
Total net position	80,752,071	5,321,000	86,073,071
Unrestricted net position	7,099,201	1,381,602	8,480,803

- The Town's total net position decreased by \$224,279. The decrease is due to the following:
 - positive operations of the general fund of \$ 579,088
 - positive operations of the capital reserve fund of 389,926
 - positive operations of the other governmental funds of 430,171
 - positive operations of the water fund of 63,551
 - positive operations of the internal service fund of 648,589

The positive operations were offset by:

- negative operations of the capital projects fund of (269,504)
- negative operations of the Johnston building project fund of (833,666)

Conversion to accrual basis on Exhibit E:

- capital outlay net of depreciation expense of (1,398,237)
- net principal debt activity of 805,849
- change in compensated absences of (354,592)
- change in OPEB liability of (1,905,283)
- change in pension and OPEB deferred outflows/inflows of resources of 1,427,160

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$14,515,552, an increase of \$325,797 in comparison with the prior year. The majority of the increase is due to the positive operations of the general fund and capital reserve fund of \$579,088 and \$389,926 respectively, offset by deficit operations of the Johnston building project fund of \$833,666.
- At year end, the unassigned fund balance for the general fund was \$7,834,677 or 14.02% of total general fund budgetary basis expenditures and transfers out.
- Net capital assets decreased in the current year by \$1,432,437 due to depreciation expense exceeding capital additions.
- The Town's long-term debt decreased by \$1,940,943 due to scheduled principal payments.

Overview of the basic financial statements

This discussion and analysis is intended to serve as an introduction to the Town of Colchester's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between these accounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement are for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, community and human services, and education. The business-type activities of the Town account for the Water operations.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may 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.

For governmental funds, information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general, educational grants, capital reserve, capital projects, and Johnston building project funds which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided on Schedules 5 and 6 of this report.

Proprietary funds. The Town uses two different types of proprietary funds. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to report the activities of the Water fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the Town's various functions.

The Town uses the internal service fund to account for its employees and retirees' self-insured medical benefits. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water fund. The basic proprietary fund financial statements can be found on Exhibits F, G, and H.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information as follows:

- A budgetary comparison schedule for the General Fund to demonstrate compliance with this budget.
- Schedules to demonstrate the Town's progress in funding its obligation to provide pension benefits.
- Schedules to demonstrate the Town's progress in funding its obligation to provide other post-employment benefits.

Other information. Other required schedules and the combining statements and supplemental schedules referred to earlier in connection with other governmental funds are presented immediately following the required supplementary information section.

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$86,073,071 at the close of the fiscal year.

The largest portion of the Town's net position reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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 the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (2.35%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totals \$8,480,803.

The analysis below focuses on the net position and changes in net position. Unrestricted net position decreased by \$1,102,886 from the prior year.

Summary Statement of Net Position June 30

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 24,521,691	\$ 23,392,723	\$ 1,465,410	\$ 1,537,233	\$ 25,987,101	\$ 24,929,956
Capital assets (net)	99,912,913	101,311,327	5,066,054	5,100,077	104,978,967	106,411,404
Total assets	124,434,604	124,704,050	6,531,464	6,637,310	130,966,068	131,341,360
Deferred outflows of resources	1,839,063	486,470	-	-	1,839,063	486,470
Long-term liabilities outstanding	36,479,012	37,163,402	997,505	1,253,101	37,476,517	38,416,503
Other liabilities	8,709,529	6,578,343	212,959	126,760	8,922,488	6,705,103
Total liabilities	45,188,541	43,741,745	1,210,464	1,379,861	46,399,005	45,121,606
Deferred inflows of resources	333,055	408,874	-	-	333,055	408,874
Net investment in capital assets	71,626,791	71,273,605	3,939,398	3,738,237	75,566,189	75,011,842
Restricted	2,026,079	1,701,819	-	-	2,026,079	1,701,819
Unrestricted	7,099,201	8,064,477	1,381,602	1,519,212	8,480,803	9,583,689
Total net position	\$ 80,752,071	\$ 81,039,901	\$ 5,321,000	\$ 5,257,449	\$ 86,073,071	\$ 86,297,350

Net position may serve over time as a useful indicator of a Town's financial position. The Town's net position decreased \$224,279 as detailed below.

The reader should remember that the basis of accounting used in the government-wide statement of activities excludes capital expenditures while its revenues include general taxes whose primary purpose is for the construction of those very assets or their related debt service.

**Statement of Changes in Net Position
For the Years Ended June 30**

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 4,349,229	\$ 3,937,351	\$ 1,097,778	\$ 1,048,872	\$ 5,447,007	\$ 4,986,223
Operating grants and contributions	20,898,651	21,287,032	-	-	20,898,651	21,287,032
Capital grants and contributions	698,140	5,692,159	-	-	698,140	5,692,159
General revenues:						
Property taxes	40,914,790	39,884,946	-	-	40,914,790	39,884,946
Grants and contributions not restricted to specific programs	283,687	246,475	-	-	283,687	246,475
Income from investments	284,859	367,717	11,767	14,965	296,626	382,682
Gain on sale of assets	38,680	-	-	-	38,680	-
Other	-	107,016	-	-	-	107,016
Total revenues	67,468,036	71,522,696	1,109,545	1,063,837	68,577,581	72,586,533
Expenses:						
General government	3,733,189	3,652,112	-	-	3,733,189	3,652,112
Public safety	3,879,685	3,387,101	-	-	3,879,685	3,387,101
Public works	5,086,478	5,075,575	-	-	5,086,478	5,075,575
Community and human services	2,291,884	2,403,361	-	-	2,291,884	2,403,361
Education	51,872,879	55,855,194	-	-	51,872,879	55,855,194
Interest	905,331	870,100	-	-	905,331	870,100
Water	-	-	1,032,414	975,628	1,032,414	975,628
Total expenses	67,769,446	71,243,443	1,032,414	975,628	68,801,860	72,219,071
Change in net position before transfers	(301,410)	279,253	77,131	88,209	(224,279)	367,462
Transfers	13,580	13,580	(13,580)	(13,580)	-	-
Change in net position	(287,830)	292,833	63,551	74,629	(224,279)	367,462
Net position - July 1	81,039,901	80,747,068	5,257,449	5,182,820	86,297,350	85,929,888
Net position - June 30	\$ 80,752,071	\$ 81,039,901	\$ 5,321,000	\$ 5,257,449	\$ 86,073,071	\$ 86,297,350

The key elements of the decrease are as follows:

Governmental activities – revenues

- Charges for services increased by \$411,878 primarily due to an increase in sewer fees of \$195,954 and police special duty fees of \$338,380. These increased due to increased sewer rates and usage and more projects requiring police services.
- Operating grants and contributions decreased by \$388,381 primarily due to a decrease in the special education - excess cost grant of \$116,442 and education cost sharing grant of \$360,497.
- Capital grants and contributions decreased by \$4,994,019 primarily due to a decrease in school construction progress payments grant of \$5,031,238 related to the Johnson building project.

Governmental activities - expenses

- Public safety expenses increased by \$492,584 primarily due to increases in police special duty expenses of \$315,249, due to more projects requiring police services.
- Education expenses decreased by \$3,982,315 primarily due to prior year non capitalized activity related to the Johnson building project.

Business-type activities - revenues

- Charges for services increased \$48,906 over the prior year due to an increase in fees and rates.

Business-type activities - expenses

- Water expenses increased \$56,786 substantially due to increased repairs and maintenance costs.

Financial analysis of the Town's funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$14,515,552, an increase of \$325,797 in comparison with the prior year.

The components of fund balance were as follows:

Restricted	\$ 2,026,079
Committed	6,115,657
Assigned	2,271,899
Unassigned	<u>4,101,917</u>
Total	<u><u>\$ 14,515,552</u></u>

General Fund. The general fund is the operating fund of the Town. At the end of the current fiscal year, of the total fund balance of the general fund, \$7,834,677 was unassigned. During the current fiscal year, the fund balance of the Town's general fund increased by \$579,088. The increase was substantially attributable to the expenditure budget which was underspent by \$959,360. This was partially offset by revenues under budget by \$231,861. A more detailed discussion is included under budgetary highlights.

Educational Grants Fund. The educational grants fund accounts for and reports financial resources to be used for the grants associated with education. At the end of the current fiscal year, restricted fund balance of the fund was \$124,191. This was the result of positive operations of \$29,782 due to transfers in from general fund of \$137,226 and intergovernmental revenues in the amount of \$1,314,063.

Capital Reserve 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 equipment financing notes issuances. At the end of the current fiscal year, committed fund balance of the fund was \$2,497,730. This was the result of positive operations of \$389,926 due to transfers in from general fund of \$471,700 and sale of capital assets in the amounts of \$38,857.

Capital Projects Fund. The capital projects fund accounts for financial resources to be used for major construction or acquisition of capital facilities. At the end of the current fiscal year, committed fund balance of the fund was \$1,482,963. This was the result of expenditures in excess of revenues and other financing sources of \$269,504.

Johnston Building Project Fund. The Johnston building project fund accounts for and reports financial resources to be used for the William J. Johnston construction and renovation project. At the end of the current fiscal year, deficit fund balance of the fund increased from \$2,827,199 in the prior year to \$3,660,865. This was the result of expenditures in excess of revenues of \$833,666. The deficit will be eliminated when remaining grant revenues are received once the project is audited by the State.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Town has one enterprise fund: water fund which accounts for the operations of the water department.

Water Fund. There was an increase in net position of \$63,551 in the water fund due to an increase in charges for services of \$48,906 due to an increase in fees and rates, offset by an increase in operating costs of \$59,436. Unrestricted net position of the water fund was \$1,381,602 at year end.

Internal Service Funds. The internal service funds are used to account for medical self-insurance claims. The internal service fund had an increase to its net position of \$648,589. This is primarily due to increased operating revenues of \$592,668 and lower than expected claims due to COVID-19. It is expected that the decrease in claims will be partially eliminated in the next fiscal year. The internal service funds had an unrestricted net position of \$2,490,706 at year end.

General fund budgetary highlights

Significant budget transfers made during the year include:

- There were additional appropriations of fund balance totaling \$414,089 for education (technology purchases and security improvements) and the Senior Center building project design fees.
- Transfers out to other funds was increased by \$200,618. \$153,627 was transferred from public works snow removal to the snow reserve fund and \$46,991 from other departments to capital projects for the Senior Center project.
- Education was increased by \$367,098 from additional appropriations to transfers out for Education capital reserve and education grants funds for security improvements and technology purchases.

Significant departments that were underspent during the year were as follows:

- Public works was underspent by \$250,843 due to decreases in highway, transfer station and grounds maintenance costs due to vacant positions and cancellation of waste collection events due to the COVID-19 pandemic.
- Education was underspent by \$341,724 due to schools being closed from the COVID-19 pandemic. The Town's practice has been to assign the unexpended balance for future appropriation to Education related capital and nonrecurring expenditures.

Capital assets and debt administration

Capital assets

The Town's investment in capital assets amounts to \$104,978,967 (net of accumulated depreciation). This investment in capital assets is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 3,626,879	\$ 3,626,879	\$ -	\$ -	\$ 3,626,879	\$ 3,626,879
Construction in progress	500,718	9,564,107	-	-	500,718	9,564,107
Improvements other than buildings	450,644	501,487	2,520	2,730	453,164	504,217
Buildings	80,197,301	72,563,507	3,463,907	3,502,658	83,661,208	76,066,165
Machinery and equipment	5,509,304	5,524,481	135,838	150,635	5,645,142	5,675,116
Infrastructure	9,628,067	9,530,866	1,463,789	1,444,054	11,091,856	10,974,920
Total	<u>\$ 99,912,913</u>	<u>\$ 101,311,327</u>	<u>\$ 5,066,054</u>	<u>\$ 5,100,077</u>	<u>\$ 104,978,967</u>	<u>\$ 106,411,404</u>

The capital assets (net of depreciation) decreased in the current year by \$1,432,437. The decrease is due to depreciation expense exceeding capital additions. In the current year, the Town had capital asset additions totaling \$12,620,890.

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

Governmental activities:

Construction in progress additions of:

- Sewer - pipeline replacement project \$ 432,379

Building additions from construction in progress:

- William J. Johnston middle school project 8,546,315
- William J. Johnston middle school project - pupil services 977,537

Machinery and equipment :

- Fuel management system 54,000
- Fuel tank - public works garage 206,750
- Dump plow truck 154,467
- 2020 Ford F150 police responder 55,819
- Self contained breathing apparatus 216,800
- Water heater - education 57,975

Infrastructure additions of:

- Various roads 608,492

Business-type activities:

Infrastructure additions of:

- Water tank system improvement \$ 70,913

Buildings additions of:

- Redevelopment of wellhouse #3A 64,721

Additional information on the Town's capital assets can be found in Note III D.

Long-term debt

At the end of the fiscal year, the Town had total long-term debt outstanding of \$25,466,005. All debt is backed by the full faith and credit of the Town.

**Long-Term Debt
June 30**

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 22,690,000	\$ 24,180,000	\$ -	\$ -	\$ 22,690,000	\$ 24,180,000
Equipment financing notes	1,649,349	1,973,847	-	-	1,649,349	1,973,847
Clean water note	-	-	1,126,656	1,253,101	1,126,656	1,253,101
Total	\$ 24,339,349	\$ 26,153,847	\$ 1,126,656	\$ 1,253,101	\$ 25,466,005	\$ 27,406,948

During the current fiscal year, the Town's total debt decreased by \$1,940,943 due to scheduled principal payments.

The Town maintains a "AA+" credit rating from Standard and Poor's Investor Service.

State Statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total prior year tax collections including interest and lien fees. The current debt limitation for the Town is \$278,573,057, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note III G.

Economic factors and next year's budgets and rates

- As of June 2020, the unemployment rate for the Town was at 7.7%, which is lower than the State average unemployment rate of 10.1% and a national unemployment rate of 11.1%.
- Connecticut's economic and business growth remains flat. This lack of growth will have a negative impact on the amount of revenue the State receives from taxes. This will affect the amount of intergovernmental revenues the Town will receive in fiscal year 2021 and thereafter.
- The potential impact of the pandemic on the local economy, businesses and Town revenues is being closely monitored. The July 2020 collections were in line with the prior year. There is minimal impact as prior year tax collections in 2020 were in line with budgeted amounts. The State of Connecticut through the Governor's executive order, required local governments to offer taxpayers/rate payers one or both of the following programs: interest rate reduction program and/or the payment deferral program through October 1, 2020. The Town implemented the payment deferral and interest rate reduction programs. For the collection period ended July 31, 2020, current year collections were in line with the prior year.

Requests for Information

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

Basic Financial Statements

Town of Colchester, Connecticut

Statement of Net Position
June 30, 2020

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash	\$ 12,385,328	\$ 976,193	\$ 13,361,521
Investments	9,432,402	-	9,432,402
Receivables (net):			
Property taxes	564,794	-	564,794
Intergovernmental	691,134	-	691,134
Assessments and use charges	290,192	409,703	699,895
Loan	7,000	-	7,000
Other	505,617	-	505,617
Other	48,399	79,514	127,913
Total current assets	23,924,866	1,465,410	25,390,276
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash	118,075	-	118,075
Receivables (net):			
Property taxes	417,090	-	417,090
Loan	61,660	-	61,660
Total receivables (net)	478,750	-	478,750
Capital assets (net of accumulated depreciation):			
Land	3,626,879	-	3,626,879
Construction in progress	500,718	-	500,718
Improvements other than building	450,644	2,520	453,164
Buildings	80,197,301	3,463,907	83,661,208
Machinery and equipment	5,509,304	135,838	5,645,142
Infrastructure	9,628,067	1,463,789	11,091,856
Total capital assets (net of accumulated depreciation)	99,912,913	5,066,054	104,978,967
Total noncurrent assets	100,509,738	5,066,054	105,575,792
Total assets	124,434,604	6,531,464	130,966,068
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	74,451	-	74,451
Pension related	225,277	-	225,277
OPEB related	1,539,335	-	1,539,335
Total deferred outflows of resources	1,839,063	-	1,839,063

(Continued)

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

Town of Colchester, Connecticut

Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 1,363,898	\$ 64,292	\$ 1,428,190
Retainage payable	98,326	2,391	100,717
Accrued payroll	472,826	17,125	489,951
Unearned revenue	933,563	-	933,563
Accrued interest payable	210,819	-	210,819
Bond anticipation notes	2,845,000	-	2,845,000
Bonds and notes payable and related liabilities	1,880,486	129,151	2,009,637
Landfill postclosure liability	15,000	-	15,000
Compensated absences	371,969	-	371,969
Claims payable	517,642	-	517,642
Total current liabilities	8,709,529	212,959	8,922,488
Noncurrent liabilities:			
Performance bonds	118,075	-	118,075
Bonds and notes payable and related liabilities	23,635,087	997,505	24,632,592
Landfill postclosure liability	45,000	-	45,000
Compensated absences	3,347,716	-	3,347,716
Net pension liability	619,107	-	619,107
OPEB liability	8,714,027	-	8,714,027
Total noncurrent liabilities	36,479,012	997,505	37,476,517
Total liabilities	45,188,541	1,210,464	46,399,005
<u>Deferred Inflows of Resources</u>			
Advance property tax collections	59,552	-	59,552
Pension related	179,605	-	179,605
OPEB related	93,898	-	93,898
Total deferred inflows of resources	333,055	-	333,055
<u>Net Position</u>			
Net investment in capital assets	71,626,791	3,939,398	75,566,189
Restricted for:			
General government	68,682	-	68,682
Public works	1,300,924	-	1,300,924
Community and human services	506,418	-	506,418
Education	150,055	-	150,055
Unrestricted	7,099,201	1,381,602	8,480,803
Total net position	\$ 80,752,071	\$ 5,321,000	\$ 86,073,071
			(Concluded)

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

Town of Colchester, Connecticut

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 3,733,189	\$ 966,312	\$ 13,158	\$ -	\$ (2,753,719)	\$ -	\$ (2,753,719)
Public safety	3,879,685	952,386	112,292	-	(2,815,007)	-	(2,815,007)
Public works	5,086,478	1,276,287	18,326	567,131	(3,224,734)	-	(3,224,734)
Community and human services	2,291,884	191,734	271,633	-	(1,828,517)	-	(1,828,517)
Education	51,872,879	962,510	20,483,242	131,009	(30,296,118)	-	(30,296,118)
Interest	905,331	-	-	-	(905,331)	-	(905,331)
Total governmental activities	67,769,446	4,349,229	20,898,651	698,140	(41,823,426)	-	(41,823,426)
Business-type activities:							
Water	1,032,414	1,097,778	-	-	-	65,364	65,364
Total	<u>\$ 68,801,860</u>	<u>\$ 5,447,007</u>	<u>\$ 20,898,651</u>	<u>\$ 698,140</u>	<u>(41,823,426)</u>	<u>65,364</u>	<u>(41,758,062)</u>
General revenues:							
Property taxes					40,914,790	-	40,914,790
Grants and contributions not restricted to specific programs					283,687	-	283,687
Income from investments					284,859	11,767	296,626
Gain on sale of assets					38,680	-	38,680
Total general revenues					41,522,016	11,767	41,533,783
Transfers in (out)					13,580	(13,580)	-
Change in net position					(287,830)	63,551	(224,279)
Net position - July 1, 2019					81,039,901	5,257,449	86,297,350
Net position - June 30, 2020					<u>\$ 80,752,071</u>	<u>\$ 5,321,000</u>	<u>\$ 86,073,071</u>

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

Town of Colchester, Connecticut

Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Educational Grants Fund	Capital Reserve Fund	Capital Projects Fund	Johnston Building Project Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>							
Cash	\$ 376,594	\$ 77,327	\$ 1,769,765	\$ 2,335,588	\$ -	\$ 4,828,245	\$ 9,387,519
Restricted cash	118,075	-	-	-	-	-	118,075
Investments	8,704,437	-	727,965	-	-	-	9,432,402
Receivables (net):							
Property taxes	981,884	-	-	-	-	-	981,884
Intergovernmental	151,622	182,760	-	-	-	356,752	691,134
Assessments and use charges	-	-	-	-	-	290,192	290,192
Loan	-	-	-	-	-	68,660	68,660
Other	298,056	9,502	-	-	-	187,520	495,078
Due from other funds	907,806	-	-	-	-	-	907,806
Other	32,027	-	-	-	-	16,372	48,399
Total assets	<u>\$ 11,570,501</u>	<u>\$ 269,589</u>	<u>\$ 2,497,730</u>	<u>\$ 2,335,588</u>	<u>\$ -</u>	<u>\$ 5,747,741</u>	<u>\$ 22,421,149</u>
<u>Liabilities</u>							
Accounts payable	\$ 658,828	\$ 25,722	\$ -	\$ 34,855	\$ 227,416	\$ 417,077	\$ 1,363,898
Retainage payable	-	-	-	-	98,326	-	98,326
Accrued payroll	390,059	3,883	-	-	-	78,884	472,826
Due to other funds	-	-	-	-	490,123	417,683	907,806
Unearned revenue	-	115,793	-	817,770	-	-	933,563
Bond anticipation notes	-	-	-	-	2,845,000	-	2,845,000
Performance bonds	118,075	-	-	-	-	-	118,075
Total liabilities	<u>1,166,962</u>	<u>145,398</u>	<u>-</u>	<u>852,625</u>	<u>3,660,865</u>	<u>913,644</u>	<u>6,739,494</u>
<u>Deferred Inflows of Resources</u>							
Unavailable revenue:							
Advance property tax collections	59,552	-	-	-	-	-	59,552
Property taxes	881,095	-	-	-	-	-	881,095
Assessments and use charges	-	-	-	-	-	225,456	225,456
Total deferred inflows of resources	<u>940,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,456</u>	<u>1,166,103</u>
<u>Fund Balances</u>							
Restricted	-	124,191	-	-	-	1,901,888	2,026,079
Committed	360,060	-	2,497,730	1,482,963	-	1,774,904	6,115,657
Assigned	1,268,155	-	-	-	-	1,003,744	2,271,899
Unassigned	<u>7,834,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,660,865)</u>	<u>(71,895)</u>	<u>4,101,917</u>
Total fund balances	<u>9,462,892</u>	<u>124,191</u>	<u>2,497,730</u>	<u>1,482,963</u>	<u>(3,660,865)</u>	<u>4,608,641</u>	<u>14,515,552</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,570,501</u>	<u>\$ 269,589</u>	<u>\$ 2,497,730</u>	<u>\$ 2,335,588</u>	<u>\$ -</u>	<u>\$ 5,747,741</u>	<u>\$ 22,421,149</u>

(Continued)

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

Town of Colchester, Connecticut
Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2020

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet due to:

Total fund balance (Exhibit C, Page 1)	\$ 14,515,552
--	---------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Beginning capital assets	101,311,327
Capital assets additions (net of construction in progress)	2,911,945
Depreciation expense	(4,310,182)
Disposal of capital assets	(177)

Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures and, therefore, are unavailable in the funds:

Property taxes - accrual basis change	881,095
Sewer assessments and use charges - accrual basis change	225,456
Deferred charge on refunding	74,451
Deferred outflows related to pensions	225,277
Deferred outflows related to OPEB	1,539,335

Internal service funds are used by management to charge the cost of medical insurance premiums to individual departments:

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	2,490,706
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Some liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(24,339,349)
Premium	(1,176,224)
Landfill postclosure liability	(60,000)
Compensated absences	(3,719,685)
Net pension liability	(619,107)
OPEB liability	(8,714,027)
Accrued interest payable	(210,819)
Deferred inflows related to pensions	(179,605)
Deferred inflows related to OPEB	(93,898)

Net position of governmental activities (Exhibit A)	\$ 80,752,071
	(Concluded)

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

Town of Colchester, Connecticut
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Educational Grants Fund	Capital Reserve Fund	Capital Projects Fund	Johnston Building Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 40,759,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,759,158
Intergovernmental	19,391,531	1,314,063	-	16,230	-	944,887	21,666,711
Charges for services	1,486,816	123,380	5,265	25,447	-	2,154,058	3,794,966
Income from investments	269,519	-	-	-	-	15,340	284,859
Contributions	-	38,122	-	-	-	175,645	213,767
Other	593,302	-	-	-	-	-	593,302
Total revenues	<u>62,500,326</u>	<u>1,475,565</u>	<u>5,265</u>	<u>41,677</u>	<u>-</u>	<u>3,289,930</u>	<u>67,312,763</u>
Expenditures:							
Current:							
General government	3,567,600	-	-	9,625	-	6,219	3,583,444
Public safety	2,928,968	-	-	-	-	540,025	3,468,993
Public works	3,325,588	-	-	99	-	1,182,961	4,508,648
Community and human services	1,569,794	-	-	-	-	448,933	2,018,727
Education	46,584,807	1,583,009	-	-	-	730,434	48,898,250
Debt service	2,075,164	-	-	-	-	791,057	2,866,221
Capital outlay	-	-	125,896	730,229	833,666	976,754	2,666,545
Total expenditures	<u>60,051,921</u>	<u>1,583,009</u>	<u>125,896</u>	<u>739,953</u>	<u>833,666</u>	<u>4,676,383</u>	<u>68,010,828</u>
Excess (deficiency) of revenues over expenditures	<u>2,448,405</u>	<u>(107,444)</u>	<u>(120,631)</u>	<u>(698,276)</u>	<u>(833,666)</u>	<u>(1,386,453)</u>	<u>(698,065)</u>
Other financing sources (uses):							
Sale of capital assets	-	-	38,857	-	-	-	38,857
Premium	-	-	-	-	-	971,425	971,425
Transfers in	-	137,226	471,700	428,772	-	903,230	1,940,928
Transfers out	<u>(1,869,317)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,031)</u>	<u>(1,927,348)</u>
Net other financing sources (uses)	<u>(1,869,317)</u>	<u>137,226</u>	<u>510,557</u>	<u>428,772</u>	<u>-</u>	<u>1,816,624</u>	<u>1,023,862</u>
Net change in fund balances	579,088	29,782	389,926	(269,504)	(833,666)	430,171	325,797
Fund balances - July 1, 2019	<u>8,883,804</u>	<u>94,409</u>	<u>2,107,804</u>	<u>1,752,467</u>	<u>(2,827,199)</u>	<u>4,178,470</u>	<u>14,189,755</u>
Fund Balances - June 30, 2020	<u>\$ 9,462,892</u>	<u>\$ 124,191</u>	<u>\$ 2,497,730</u>	<u>\$ 1,482,963</u>	<u>\$ (3,660,865)</u>	<u>\$ 4,608,641</u>	<u>\$ 14,515,552</u>

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

Town of Colchester, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2020**

Amounts reported for governmental activities in the statement of activities (Exhibit B) are due to:

Net change in fund balances - total governmental funds (Exhibit D)	<u>\$ 325,797</u>
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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 expense.

Capital outlay	2,911,945
Depreciation expense	<u>(4,310,182)</u>
Total	<u>(1,398,237)</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position. In the statement of activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold:

Loss on disposal of assets	<u>(177)</u>
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the fund financial statements are not recognized in the statement of activities:

Change in property tax receivable - accrual basis change	155,632
Change in sewer assessment receivable - accrual basis change	13,006
Change in loan receivable - accrual basis change	<u>(52,045)</u>
Total	<u>116,593</u>

The issuance of long-term debt (e.g., bonds, notes) 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 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 these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Premium	(971,425)
Principal repayments:	
General obligation bonds	1,490,000
Notes payable	324,498
Deferred charge on refunding	<u>(37,224)</u>
Total	<u>805,849</u>

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

(Continued)

Town of Colchester, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2020**

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:

Amortization of premium	\$ 73,957
Change in:	
Landfill postclosure liability	15,000
Compensated absences	(354,592)
Net pension liability	(137,145)
OPEB liability	(1,905,283)
Accrued interest payable	94,659
Amortization of deferred outflows related to pension	62,077
Amortization of deferred inflows related to pension	19,955
Amortization of deferred outflows related to OPEB	1,327,740
Amortization of deferred inflows related to OPEB	17,388
Total	<u>(786,244)</u>
The net revenue (expense) of the activities of the internal service funds is reported with governmental activities	<u>648,589</u>
Change in net position of governmental activities (Exhibit B)	<u><u>\$ (287,830)</u></u>
	(Concluded)

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

Town of Colchester, Connecticut

Statement of Net Position
Proprietary Funds
June 30, 2020

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Medical Self- Insurance Fund</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 976,193	\$ 2,997,809
Receivables:		
Usage	409,703	
Accounts	79,514	10,539
Total current assets	<u>1,465,410</u>	<u>3,008,348</u>
Noncurrent assets:		
Capital assets (net):		
Improvements other than buildings	2,520	-
Buildings	3,463,907	-
Machinery and equipment	135,838	-
Infrastructure	1,463,789	-
Total capital assets (net)	<u>5,066,054</u>	<u>-</u>
Total assets	<u>6,531,464</u>	<u>3,008,348</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	64,292	-
Retainage payable	2,391	-
Accrued payroll	17,125	-
Claims payable	-	517,642
Notes payable	129,151	-
Total current liabilities	212,959	517,642
Noncurrent liabilities:		
Notes payable	997,505	-
Total liabilities	<u>1,210,464</u>	<u>517,642</u>
<u>Net Position</u>		
Net investment in capital assets	3,939,398	-
Unrestricted	1,381,602	2,490,706
Total net position	<u>\$ 5,321,000</u>	<u>\$ 2,490,706</u>

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

Town of Colchester, Connecticut

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020**

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Medical Self- Insurance Fund</u>
Operating revenues:		
Charges for services	<u>\$ 1,097,778</u>	<u>\$ 8,122,241</u>
Operating expenses:		
Personnel services	449,570	-
Repairs and maintenance	136,123	-
Contracted services	55,993	-
Materials and supplies	28,030	-
Utilities	101,847	-
Insurance	16,394	-
Claims incurred	-	5,885,857
Administration	-	1,123,327
HSA contributions	-	468,400
Depreciation and amortization	<u>219,115</u>	<u>-</u>
Total operating expenses	<u>1,007,072</u>	<u>7,477,584</u>
Operating income (loss)	<u>90,706</u>	<u>644,657</u>
Nonoperating revenues (expenses):		
Income from investments	11,767	3,932
Interest expense	<u>(25,342)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(13,575)</u>	<u>3,932</u>
Income (loss) before transfers	77,131	648,589
Transfers out	<u>(13,580)</u>	<u>-</u>
Change in net position	63,551	648,589
Total net position - July 1, 2019	<u>5,257,449</u>	<u>1,842,117</u>
Total net position - June 30, 2020	<u><u>\$ 5,321,000</u></u>	<u><u>\$ 2,490,706</u></u>

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

Town of Colchester, Connecticut
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
Cash flows from (used in) operating activities:		
Cash received for charges for services	\$ 1,059,744	\$ 8,115,128
Cash paid for benefits and claims	-	(5,849,215)
Cash paid for administration	-	(1,123,327)
Cash paid for HSA contributions	-	(468,900)
Cash paid to suppliers	(157,063)	-
Cash paid to employees	(445,929)	-
Cash paid for repairs and maintenance and utilities	(237,970)	-
Net cash from (used in) operating activities	218,782	673,686
Cash flows from (used in) noncapital financing activities:		
Transfer to other funds	(13,580)	-
Cash flows from (used in) capital and related financing activities:		
Purchase of capital assets	(185,092)	-
Principal payments on debt	(126,445)	-
Interest payments	(25,342)	-
Net cash from (used in) capital and related financing activities	(336,879)	-
Cash flows from (used in) investing activities:		
Income from investments	11,767	3,932
Increase (decrease) in cash	(119,910)	677,618
Cash - July 1, 2019	1,096,103	2,320,191
Cash - June 30, 2020	<u>\$ 976,193</u>	<u>\$ 2,997,809</u>
Reconciliation of operating income (loss) to net cash from (used in) operating activities:		
Operating income (loss)	\$ 90,706	\$ 644,657
Adjustments to reconcile operating income (loss) to net cash from (used in) operating activities:		
Depreciation and amortization	219,115	-
(Increase) decrease in:		
Receivables	(38,034)	(7,113)
Other assets	(10,053)	-
Increase (decrease) in:		
Accounts payable	(48,984)	-
Retainage payable	2,391	-
Accrued payroll	3,641	(500)
Claims payable	-	36,642
Net cash from (used in) operating activities	<u>\$ 218,782</u>	<u>\$ 673,686</u>

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

Town of Colchester, Connecticut
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<u>Assets</u>			
Cash	\$ -	\$ 450	\$ 438,143
Investments:			
Mutual funds:			
Money market	33,657	-	-
Equity	2,121,506	-	-
Fixed income	830,446	-	-
Total investments	2,985,609	-	-
Accounts receivable	3,086	-	1,854
Prepays	3,188	-	-
Total other assets	6,274	-	1,854
Total assets	2,991,883	450	439,997
<u>Liabilities</u>			
Payable to student organizations	-	-	439,997
<u>Net Position</u>			
Restricted for:			
Pensions	2,991,883	-	-
Individuals	-	450	-
Total net position	<u>\$ 2,991,883</u>	<u>\$ 450</u>	<u>\$ -</u>

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

Town of Colchester, Connecticut
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Fund</u>
Additions:		
Contributions:		
Employer	\$ 145,500	\$ -
Plan members	<u>82,692</u>	<u>-</u>
Total contributions	<u>228,192</u>	<u>-</u>
Investment income (loss):		
Interest and dividends	<u>65,083</u>	<u>-</u>
Total additions	<u>293,275</u>	<u>-</u>
Deductions:		
Benefits	37,031	-
Administration	<u>200</u>	<u>-</u>
Total deductions	<u>37,231</u>	<u>-</u>
Change in net position	256,044	-
Net position - July 1, 2019	<u>2,735,839</u>	<u>450</u>
Net position - June 30, 2020	<u><u>\$2,991,883</u></u>	<u><u>\$ 450</u></u>

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

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020**History and organization**

The Town of Colchester, Connecticut ("Town") operates under the Selectmen - Town Meeting form of government established by a charter. The Town offers a full range of services authorized by the Connecticut General Statutes, including public safety, public works, community and human services, and education, to its residents.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town does not report any component units.

I. Summary of significant accounting policies**A. Government-wide and fund 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 nonfiduciary activities of the Town. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

B. 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 do not have a measurement focus but are accounted for using the accrual basis of accounting. 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 for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

B. Measurement focus, basis of accounting and financial statement presentation (continued)

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 tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. In addition, the Town considers reimbursement grants to be available if they are collected within one year 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, pension and OPEB benefits, certain other employee benefits, and certain other long-term liabilities, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds.

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, charges for services, transfers and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

General Fund	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.
Educational Grants Fund	Accounts for and reports financial resources to be used for the grants associated with education. This fund is reported as a major fund for public interest purposes.
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 issuance of equipment financing notes.
Capital Projects Fund	Accounts for financial resources to be used for major construction or acquisition of capital facilities.
Johnston Building Project Fund	Accounts for and reports financial resources to be used for the William J. Johnston construction and renovation project.

The Town reports the following major proprietary fund:

Water Fund	Accounts for the operating activity of the water operations. The major source of revenues for this fund is charges for services.
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Additionally, the Town reports the following fund types:

Special Revenue Funds	Accounts for and report the proceeds of specific revenue resources that are restricted, committed or assigned to expenditures for specified purposes other than debt.
Capital Project Funds	Accounts for and report resources and expenditures that are restricted, committed or assigned for the acquisition and construction of capital facilities, including those that are financed through special assessments.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

B. Measurement focus, basis of accounting and financial statement presentation (continued)

Debt Service Fund	Accounts for and report resources and expenditures that are assigned for the repayment of debt.
Internal Service Fund	Accounts for risk financing activities for medical insurance benefits.
Pension Trust Fund	Accounts for the activities of the Town of Colchester Police Retirement Plan which accumulates resources for pension benefit payments to qualified employees.
Private-Purpose Trust Fund	Accounts for the receipt of private donations to be used for cemetery maintenance.
Agency Funds	Accounts for monies held on behalf of student groups.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between certain Town functions because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 enterprise funds and of the Town's internal service fund are charges to customers for sales and services, and premiums for medical and dental insurance.

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the Town's pension and OPEB plan, the Connecticut State Teachers' Retirement System ("TRS"), and the Connecticut State Retiree Health Insurance Plan ("RHIP") have been determined on the same basis as they are reported by the Town's pension and OPEB plan, TRS, and RHIP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

C. Assets, liabilities, deferred outflows/inflows of resources and equity**1. Cash and investments****a. Cash**

The Town considers cash as cash on hand and demand deposits.

For cash flow purposes the Town considers cash equivalents money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**b. Investments**

In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital reserve fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

c. Method used to value investments

Investments for the Town are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Fair value of investments

The Town measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1	Quoted prices for identical investments in active markets
Level 2	Quoted prices for identical investments in markets that are not active
Level 3	Unobservable inputs

d. Risk policies

Interest rate risk	Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
Credit risk	Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)

Concentration of credit risk	Concentration of credit risk is the risk attributed to the magnitude of an entity's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital in any one depository.
Custodial credit risk	Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Town's policy follows the State of Connecticut requirements that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

2. Receivables and payables**a. Interfunds**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

b. Property taxes and other receivables

In the fund financial and government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 33% to 59% of outstanding receivable balances and are calculated based upon prior collections.

In the fund financial statements, all property taxes receivable, which have not been collected within 60 days as of June 30, have been recorded as deferred inflows of resources, since they are not considered to be available to finance expenditures of the current fiscal year. Taxes collected during the 60-day period have been recorded as revenue.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, on July 1, and supplemental motor vehicle taxes are due in full January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

3. Restricted assets

The restricted assets for the Town are restricted for performance bonds. Performance bonds are restricted until the monies are returned to the vendor after satisfactory completion of the contract or the Town calls the bond for nonperformance. The agreement restricts the expenditure of the investment income only for the designated purpose.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**4. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide 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 one year. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years	Capitalization Threshold
Improvements other than buildings	20	\$ 5,000
Buildings	40-50	5,000
Machinery and equipment	5-20	5,000
Infrastructure:		
Distribution and collection system	50-100	5,000
Public domain infrastructure	50	5,000
System infrastructure	30	5,000

5. 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide statements for differences between expected and actual experience, changes in assumptions and net difference between projected and actual earnings on plan investments. The deferred outflow or inflow related to differences between expected and actual experience and changes in assumptions, will be amortized over the average remaining service life of all plan members. The deferred outflow or inflow related to the net difference between projected and actual earnings on plan investments will be amortized over a five-year period.

Deferred outflows of resources also include deferred outflows relating to advance refunding of debt. These amounts are deferred and are amortized over the life of the debt.

Advance tax collections represent taxes associated with a future period. This amount is recognized during the period in which the revenue is associated.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)

For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from property taxes (including advance collections, if any) and sewer assessments. These amounts are recognized as an inflow of resources in the period that the amounts become available.

6. Compensated absences

Town and Education employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources. A liability for these amounts has been recorded in the government-wide financial statements.

7. Long-term liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities' statement of net position. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as project expenses.

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

8. Net position and fund balances

In the government-wide financial statements, net position is classified into the following categories:

Net investment in capital assets	This category presents the net position that reflects capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes and unspent bond proceeds are excluded.
Restricted net position	This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).
Unrestricted net position	This category presents the net position of the Town which is not restricted.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable	This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
Restricted	This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
Committed	This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the Town. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Selectman and the Board of Finance.
Assigned	This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's fund balance policy, the Board of Finance has authorized the Chief Financial Officer to assign fund balance. Intent is also expressed by a properly approved purchase order (encumbrance).
Unassigned	This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless, the Board of Selectman and Board of Finance has provided otherwise in its commitment or assignment actions.

Minimum fund balance policy

The Board of Selectman and Board of Finance have adopted a minimum fund balance policy for the General Fund. The policy establishes the intent to maintain a level of unassigned fund balance 12 to 15% of annual budgeted expenditures, with a minimum of 10% of annual budgeted expenditures.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**9. Use of estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and deferred outflows and inflows of resources including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the mitigation responses. Any such differences are not expected to be material for the year ended June 30, 2020.

10. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance and accountability**A. Basis of budgeting**

Only the General Fund has a legally adopted annual budget.

The Town uses the budgetary basis of accounting under which purchase orders for contracts or other commitments are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in the budgetary statements included as required supplementary information.

B. Capital projects authorizations

The following is a summary of certain capital projects:

<u>Project</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Balance</u>
Local capital improvement	\$ 124,012	\$ 58,086	\$ 65,926
Equipment	1,499,354	1,303,581	195,773
Vehicles	2,906,626	1,015,101	1,891,525
Facilities and grounds maintenance	519,674	333,243	186,431
Johnston building project	48,890,000	44,011,605	4,878,395
Totals	<u>\$ 53,939,666</u>	<u>\$ 46,721,616</u>	<u>\$ 7,218,050</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

III. Detailed notes**A. Cash and investments****1. Deposits – custodial credit risk**

At year end, the Town's bank balance was \$15,620,779 and was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 10,736,739
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>3,884,040</u>
Total amount subject to custodial credit risk	<u><u>\$ 14,620,779</u></u>

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist primarily of cash. From time to time, the Town's cash account balances exceeded the Federal Deposit Insurance Corporation limit. The Town reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

2. Investments

- a. The Town's investments consisted of the following types and maturities. Specific identification was used to determine maturities:

Type of Investment	Fair Value	Investment Maturities (In Years)		
		N/A	Less Than 1	1-5 Years
Private mutual funds				
Money market	\$ 33,657	\$ -	\$ 33,657	\$ -
Common stock	2,121,506	2,121,506	-	-
Fixed income funds	830,446	-	-	830,446
Certificates of deposit	727,965	-	727,965	-
Pooled fixed income	<u>8,704,437</u>	<u>-</u>	<u>8,704,437</u>	<u>-</u>
Total	<u><u>\$ 12,418,011</u></u>	<u><u>\$ 2,121,506</u></u>	<u><u>\$ 9,466,059</u></u>	<u><u>\$ 830,446</u></u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Cash and investments (continued)

- b. The Town had the following recurring fair value measurements:

Investments measured at net asset value (NAV)

Private mutual funds	
Money market	\$ 33,657
Common stock	2,121,506
Fixed income funds	<u>830,446</u>
 Total investments measured at net asset value (NAV)	 <u>2,985,609</u>
 <u>Other investments</u>	
Certificates of deposit	727,965
Pooled fixed income	<u>8,704,437</u>
 Total other investments	 <u>9,432,402</u>
 Total investments	 <u><u>\$ 12,418,011</u></u>

c. Investments measured at the net asset value (NAV):

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The Town values these investments based on the partnerships’ audited financial statements. If June 30 statements are available, those values are used preferentially.

However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is estimated from the most recently available valuation taking into account subsequent calls and distributions. The following table represents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the Town’s alternative investments measured at the NAV:

<u>Investment Description</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Private mutual funds				
Money market	\$ 33,657	\$ -	Daily	Daily
Common stock	2,121,506	-	Daily	Daily
Fixed income funds	<u>830,446</u>	<u>-</u>	Daily	Daily
 Total investments measured at the NAV	 <u><u>\$ 2,985,609</u></u>	 <u><u>\$ -</u></u>		

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Cash and investments (continued)

1. Common stock - This type includes investments in 2 target date fund of funds and 1 balanced fund. One target date fund invests in approximately 51% equity securities and 49% debt instruments. The other target date fund invests in approximately 72% equity securities and 28% debt instruments. The balanced fund invests in approximately 50-75% equities with the remaining balance invested in fixed income, generally investment-grade bonds. The fair values of the investments in this type have been determined using the NAV per share of the investment.
2. Fixed income funds - This type includes investments in 1 target date fund of funds and 1 money market fund. The target date fund invests in approximately 65% debt instruments and 35% equity securities. The money market fund invests at least 99.5% in government securities, cash and repurchase agreements collateralized fully by government securities or cash. The fair values of the investments in this type have been determined using the NAV per share of the investment.

d. The Town's investments are not subject to credit risk.

e. The Town's investments are not subject to custodial credit risk.

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes		
	<u>Taxes</u>	<u>Interest and Lien Fees</u>	<u>Total</u>
Current portion	<u>\$ 431,757</u>	<u>\$ 133,037</u>	<u>\$ 564,794</u>
Long-term portion	\$ 632,995	\$ 534,148	\$ 1,167,143
Less allowance for uncollectibles	<u>(356,330)</u>	<u>(393,723)</u>	<u>(750,053)</u>
Net long-term portion	<u>\$ 276,665</u>	<u>\$ 140,425</u>	<u>\$ 417,090</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Interfund accounts**1. Interfund payables and receivables**

A summary of interfund balances is as follows:

	Corresponding Fund	Due From	Due To
General fund			
Johnston building project fund	N/A	\$ 490,123	\$ -
Miscellaneous grants fund	N/A	369,736	-
Police special duty fund	N/A	47,947	-
Total general fund		907,806	-
Johnston building project fund	General fund	-	490,123
Other governmental funds			
Miscellaneous grants fund	General fund	-	369,736
Police special duty fund	General fund	-	47,947
Total other governmental funds		-	417,683
Total		<u>\$ 907,806</u>	<u>\$ 907,806</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

2. Interfund transfers

A summary of interfund transfers for the fiscal year is as follows:

	Corresponding Fund	Transfers In	Transfers Out
General fund:			
Educational grants fund	N/A	\$ -	\$ 137,226
Capital reserve fund	N/A	-	471,700
School cafeteria fund	N/A	-	139,260
Capital projects fund	N/A	-	370,741
Education capital reserve fund	N/A	-	403,744
Debt service fund	N/A	-	346,646
Total general fund		-	1,869,317
Educational grants fund	General fund	137,226	-
Capital reserve fund	General fund	471,700	-
Capital projects fund:			
General fund	N/A	370,741	-
Town aid road fund	N/A	58,031	-
Total capital projects fund		428,772	-
Other governmental funds:			
Special revenue funds			
Town aid road fund	Capital projects fund	-	58,031
School cafeteria fund	General fund	139,260	-
Capital projects funds			
Education capital reserve fund	General fund	403,744	-
Debt service fund	General fund	346,646	-
Debt service fund	Water fund	13,580	-
Total other governmental funds		903,230	58,031
Enterprise funds:			
Water fund	Debt service	-	13,580
Total		\$ 1,940,928	\$ 1,940,928

Transfers are used to move budgeted appropriations from the general fund for funding of capital projects and various programs and activities in other funds.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

D. Capital assets

Capital asset activity for the fiscal year was as follows:

Governmental Activities:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<u>Capital assets, not being depreciated:</u>				
Land	\$ 3,626,879	\$ -	\$ -	\$ 3,626,879
Construction in progress	9,564,107	460,464	9,523,853	500,718
Total capital assets, not being depreciated	13,190,986	460,464	9,523,853	4,127,597
<u>Capital assets, being depreciated:</u>				
Improvements other than buildings	2,171,269	-	-	2,171,269
Buildings	112,147,023	10,238,385	-	122,385,408
Machinery and equipment	18,428,961	1,128,457	256,434	19,300,984
Infrastructure	40,664,520	608,492	-	41,273,012
Total capital assets, being depreciated	173,411,773	11,975,334	256,434	185,130,673
Total capital assets	186,602,759	12,435,798	9,780,287	189,258,270
<u>Less accumulated depreciation for:</u>				
Improvements other than buildings	1,669,782	50,843	-	1,720,625
Buildings	39,583,516	2,604,591	-	42,188,107
Machinery and equipment	12,904,480	1,143,457	256,257	13,791,680
Infrastructure	31,133,654	511,291	-	31,644,945
Total accumulated depreciation	85,291,432	4,310,182	256,257	89,345,357
Total capital assets, being depreciated, net	88,120,341	7,665,152	177	95,785,316
Capital assets, net	<u>\$ 101,311,327</u>	<u>\$ 8,125,616</u>	<u>\$9,524,030</u>	<u>\$ 99,912,913</u>

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

General government	\$ 83,159
Public safety	269,663
Public works	1,086,822
Community and human services	240,200
Education	2,630,338
Total depreciation expense	<u>\$ 4,310,182</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

D. Capital assets (continued)Business-Type Activities:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<u>Capital assets, being depreciated:</u>				
Improvements other than buildings	\$ 25,591	\$ -	\$ -	\$ 25,591
Buildings	5,752,680	98,879	-	5,851,559
Machinery and equipment	419,286	15,300	-	434,586
Infrastructure	3,232,929	70,913	-	3,303,842
 Total capital assets, being depreciated	 9,430,486	 185,092	 -	 9,615,578
<u>Less accumulated depreciation for:</u>				
Improvements other than buildings	22,861	210	-	23,071
Buildings	2,250,022	137,630	-	2,387,652
Machinery and equipment	268,651	30,097	-	298,748
Infrastructure	1,788,875	51,178	-	1,840,053
 Total accumulated depreciation	 4,330,409	 219,115	 -	 4,549,524
 Business-type capital assets, net	 <u>\$5,100,077</u>	 <u>\$ (34,023)</u>	 <u>\$ -</u>	 <u>\$ 5,066,054</u>

Depreciation expense of \$219,115 was charged to the Water Fund.

E. Construction commitments

The Town had the following construction commitments:

Johnston Building Project	<u>\$ 748,544</u>
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Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

F. Short-term obligations – Bond anticipation notes

The Town uses bond anticipation notes (“BANs”) during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

Description	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
William J. Johnston Middle School Project	10/17/2018	10/16/2019	3.00%	\$ 1,810,000	\$ -	\$ 1,810,000	\$ -
William J. Johnston Middle School Project	10/16/2019	10/15/2020	2.00%	-	2,845,000	-	2,845,000
Total				<u>\$ 1,810,000</u>	<u>\$ 2,845,000</u>	<u>\$ 1,810,000</u>	<u>\$ 2,845,000</u>

In October 2020, the Town issued \$2,845,000 of general obligation bond anticipation notes. These notes mature in October 2021 and have an interest rate of 1.00%.

G. Changes in long-term liabilities**1. Summary of changes**Governmental Activities:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion	Long-Term Portion
<u>Bonds:</u>										
General Purpose:										
Bonds	\$ 1,460,000	05/20/10	06/01/21	2.25%-5.00%	\$ 160,000	\$ -	\$ 160,000	\$ -	\$ -	\$ -
Refunding bonds	<u>2,075,900</u>	05/20/10	06/01/21	2.25%-5.00%	<u>350,000</u>	-	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	-
Total general purpose bonds	<u>3,535,900</u>				<u>510,000</u>	-	<u>335,000</u>	<u>175,000</u>	<u>175,000</u>	-
School bonds:										
Bonds	1,065,000	05/20/10	06/01/21	2.25%-5.00%	120,000	-	120,000	-	-	-
Bonds	1,994,100	05/20/10	06/01/21	2.25%-5.00%	430,000	-	215,000	215,000	215,000	-
Refunding bonds	8,339,800	02/23/12	06/15/25	2.00%-4.00%	4,080,000	-	820,000	3,260,000	810,000	2,450,000
School bonds	12,000,000	10/03/18	10/15/45	3.00%-5.00%	12,000,000	-	-	12,000,000	350,000	11,650,000
School bonds	<u>7,040,000</u>	10/08/19	10/15/45	2.50%-5.00%	<u>7,040,000</u>	-	-	<u>7,040,000</u>	-	<u>7,040,000</u>
Total school bonds	<u>30,438,900</u>				<u>23,670,000</u>	-	<u>1,155,000</u>	<u>22,515,000</u>	<u>1,375,000</u>	<u>21,140,000</u>
Total bonds	<u>33,974,800</u>				<u>24,180,000</u>	-	<u>1,490,000</u>	<u>22,690,000</u>	<u>1,550,000</u>	<u>21,140,000</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

G. Changes in long-term obligations (continued)

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion	Long-Term Portion
<u>Notes:</u>										
Equipment financing notes:										
Energy project	\$ 3,126,409	03/29/13	01/05/25	1.77%	\$ 1,742,020	\$ -	\$ 277,724	\$ 1,464,296	\$ 282,651	\$ 1,181,645
Heavy rescue	460,890	01/27/14	01/27/24	2.25%	231,827	-	46,774	185,053	47,835	137,218
Total notes	3,587,299				1,973,847	-	324,498	1,649,349	330,486	1,318,863
Total bonds/notes	37,562,099				26,153,847	-	1,814,498	24,339,349	1,880,486	22,458,863
Premium					278,756	971,425	73,957	1,176,224	-	1,176,224
Total bonds/notes and related liabilities					26,432,603	971,425	1,888,455	25,515,573	1,880,486	23,635,087
Landfill liability					75,000	-	15,000	60,000	15,000	45,000
Compensated absences					3,365,093	701,991	347,399	3,719,685	371,969	3,347,716
Net pension liability					481,962	430,420	293,275	619,107	-	619,107
OPEB liability					6,808,744	2,155,431	250,148	8,714,027	-	8,714,027
Total long-term obligations					\$ 37,163,402	\$ 4,259,267	\$ 2,794,277	\$ 38,628,392	\$ 2,267,455	\$ 36,360,937

All long-term liabilities are generally liquidated by the general fund.

Business-Type Activities:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion	Long-Term Portion
<u>Notes:</u>										
Clean Water	\$ 2,496,990	07/31/09	07/31/28	2.12%	\$ 1,253,101	\$ -	\$ 126,445	\$ 1,126,656	\$ 129,151	\$ 997,505

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

G. Changes in long-term obligations (continued)**2. The following is a summary of principal and interest amounts of bond and note maturities:**

Year Ended June 30,	Governmental Activities			Business-Type Activities	
	Bond Principal	Note Principal	Total Interest	Note Principal	Note Interest
2021	\$ 1,550,000	\$ 330,486	\$ 853,923	\$ 129,151	\$ 22,635
2022	1,495,000	336,585	783,748	131,916	19,870
2023	1,190,000	342,800	720,410	134,740	17,046
2024	1,180,000	336,229	670,260	137,624	14,162
2025	1,170,000	303,249	620,669	140,571	11,216
2026	780,000	-	567,619	143,580	8,206
2027	780,000	-	531,119	146,654	5,133
2028	780,000	-	497,119	149,793	1,993
2029	780,000	-	463,119	12,627	22
2030	780,000	-	431,619	-	-
2031	780,000	-	402,619	-	-
2032	780,000	-	373,306	-	-
2033	780,000	-	345,081	-	-
2034	780,000	-	317,944	-	-
2035	780,000	-	290,181	-	-
2036	780,000	-	262,106	-	-
2037	780,000	-	235,119	-	-
2038	780,000	-	209,219	-	-
2039	780,000	-	183,006	-	-
2040	780,000	-	156,481	-	-
2041	780,000	-	130,656	-	-
2042	725,000	-	106,500	-	-
2043	725,000	-	83,313	-	-
2044	725,000	-	59,953	-	-
2045	725,000	-	36,141	-	-
2046	725,000	-	12,044	-	-
Total	<u>\$ 22,690,000</u>	<u>\$ 1,649,349</u>	<u>\$ 9,343,274</u>	<u>\$ 1,126,656</u>	<u>\$ 100,283</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

G. Changes in long-term obligations (continued)**3. Assets pledged as collateral**

The Town's outstanding equipment financing notes of \$1,649,349 are secured with collateral of the equipment purchased.

4. Statutory debt limitations

The Town's indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes as reflected in the following schedule:

Category	Debit Limit	Net Indebtedness	Balance
General purpose	\$ 89,541,340	\$ 175,000	\$ 89,366,340
Schools	179,082,680	25,360,000	153,722,680
Sewer	149,235,566	-	149,235,566
Urban renewal	129,337,491	-	129,337,491
Pension deficit	119,388,453	-	119,388,453

The total overall statutory debt limit for the Town is equal to seven times prior year annual receipts from taxation, \$278,573,057.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

5. Authorized/unissued bonds

The amount of authorized, unissued bonds, net of grants, is as follows:

Schools	<u>\$ 5,719,547</u>
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6. Landfill post-closure care costs

State and Federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for 30 years. Estimated total current costs of landfill post-closure care is \$60,000 which is based on the amount estimated to be paid for all equipment, facilities and services required to monitor and maintain the landfill. However, the actual cost of monitoring and other post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

H. Fund balances and restricted net position

Fund balances are composed of the following:

Fund Balance Component	General Fund	Educational Grants Fund	Capital Reserve Fund	Capital Projects Fund	Johnston Building Project Fund	Other Governmental Funds	Total
<u>Restricted:</u>							
Small cities program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,682	\$ 68,682
General government programs	-	-	-	-	-	93,726	93,726
Public safety programs	-	-	-	-	-	15,727	15,727
Public works:							
Sewer facility operations	-	-	-	-	-	322,761	322,761
Road infrastructure programs	-	-	-	-	-	978,163	978,163
Community and human services programs	-	-	-	-	-	396,965	396,965
Food service program	-	-	-	-	-	25,864	25,864
Education programs	-	124,191	-	-	-	-	124,191
Total restricted	-	124,191	-	-	-	1,901,888	2,026,079
<u>Committed:</u>							
Snow reserve program	263,930	-	-	-	-	-	263,930
Education - school security	81,331	-	-	-	-	-	81,331
Senior center owner's representative	14,799	-	-	-	-	-	14,799
Public safety programs	-	-	-	-	-	92,664	92,664
Recreation programs	-	-	-	-	-	233,809	233,809
Education programs	-	-	-	-	-	55,163	55,163
Capital projects	-	-	2,497,730	1,482,963	-	1,393,268	5,373,961
Total committed	360,060	-	2,497,730	1,482,963	-	1,774,904	6,115,657
<u>Assigned:</u>							
Public safety	10,687	-	-	-	-	-	10,687
Education	890,560	-	-	-	-	-	890,560
Debt service	52,908	-	-	-	-	1,003,744	1,056,652
Subsequent year's budget	314,000	-	-	-	-	-	314,000
Total assigned	1,268,155	-	-	-	-	1,003,744	2,271,899
<u>Unassigned</u>	<u>7,834,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,660,865)</u>	<u>(71,895)</u>	<u>4,101,917</u>
Total	\$9,462,892	\$ 124,191	\$2,497,730	\$ 1,482,963	\$ (3,660,865)	\$4,608,641	\$14,515,552

General Fund encumbrances totaled \$211,082, which includes \$207,396 of current year encumbrances and \$3,686 carrying from prior year.

The amount of restricted net position, which was restricted by enabling legislation, totaled \$348,625.

I. Deficit fund balances

The Town had deficit fund balances in the following funds:

Fund	Deficit	Deficit will be eliminated by
Miscellaneous grants fund	\$ (71,895)	Future intergovernmental revenues and transfers in.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

IV. Other information**A. Risk management**

The Town is exposed to various risks of loss including torts, theft of, damage to and destruction of assets; errors or omissions; injuries to employees and natural disasters. Generally, the Town obtains commercial insurance for these risks, but has chosen to retain limited risks for employee medical claims. The Town contracts with outside organizations to pay claims and provide administrative services. Additionally, insurance coverage has been purchased to limit the Town's liability for worker's compensation and general liability claims. Settled claims have not exceeded commercial coverage in any of the past three years, and there has not been any significant reductions in insurance coverage from amounts held in prior years.

The Town utilizes a risk management fund (the Internal Service Fund) to account for and finance its uninsured risks of loss for medical claims. The fund records all claim expenditures and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. All Town departments and agencies are charged premiums by the Internal Service Fund, which are included in department and agency expenditures, to cover the estimated cost of claims payment based on historical cost estimates of the amounts needed to pay prior and current year claims. Maximum liability to the Town per covered participant is \$125,000 with an aggregate stop loss of 125% of expected claims paid. A third party administers the plan for which the Town pays an administrative fee. Claims liabilities include an estimate of claims incurred but not reported and are the Town's best estimate based on available information.

The Town records all claim expenditures and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated in the government-wide statements. The claims liability reported is based upon accounting principles which require that a liability for estimated claims incurred but not reported be accrued. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and social factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

	Claims Payable July 1	Current year Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
<u>Medical insurance</u>				
2018-2019	\$506,588	\$6,581,848	\$6,607,436	\$481,000
2019-2020	481,000	5,885,857	5,849,215	517,642

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

IV. Other information (continued)

B. Commitments and litigation

Amounts received or receivable from Federal and State grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is a defendant in various lawsuits and the outcome of these lawsuits is not presently determinable. In the opinion of the Town attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

C. Contingencies

Coronavirus

In March 2020, the United States declared the outbreak of Coronavirus a national emergency. Similarly, the Governor of the State of Connecticut declared a state of emergency and has since issued over 70 executive orders regarding the pandemic. One of the most significant executive orders required local governments to offer taxpayers/rate payers one or both of the following programs: interest rate reduction program and payment deferral program. The interest rate reduction program reduced the interest rate charged on delinquent taxes/user fees from 18% to 3% for the period April 1, 2020 through October 1, 2020. The payment deferral program also was effective April 1, 2020 for local governments with quarterly payments and July 1, 2020 for those with semi-annual payments. This program allowed taxpayers/rate payers to defer payment of amounts due without incurring any penalty interest until October 1, 2020. The Town implemented the payment deferral and interest rate reduction programs. The impact of these programs on property tax and user fee revenues and delinquent interest collections was not significant during this period. The Town did see an impact on both cafeteria revenues and park and recreation program fees. Cafeteria revenues decreased by \$115,539 or 31% and parks and recreation fees decreased by \$139,972 or 46%. The Town transferred \$139,260 to the cafeteria fund during the year to support operations.

The state of emergency has had a negative impact on the Town's economically sensitive revenues such as park and recreation program fees, interest earnings and certain other charges for services for the last quarter of the fiscal year and the impact continues into the 2021 fiscal year. On the expenditure side, expenditures for health and safety measures, including additional personnel costs, technology and supplies are expected to increase and may exceed adopted budgets. There continues to be uncertainty related to the duration, possible reemergence and future severity of the pandemic, as well as to what actions may be taken by the Federal government, the State of Connecticut and health care authorities to contain or mitigate its effects. This includes the nature and extent of any financial support.

The Town is continuously monitoring its financial condition and will take proactive measures as necessary to maintain operations and meet its obligations. Given this level of uncertainty, management cannot reasonably estimate the complete impact on the Town's future financial position at this time.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

V. Pensions and other post-employment benefit (“OPEB”) plans**A. Town pension plans****1. Plan description****a. Plan administration**

The Town is the administrator of a single-employer defined benefit pension plan established and administered by the Town to provide benefits that covers the Police department employees of the Town, the Town of Colchester Police Department Retirement Plan (“Plan”). The plan is considered to be part of the Town’s financial reporting entity and is included in the Town’s financial reports as a pension trust fund. The Plan was established by Town Meeting. The plan does not issue a standalone report. Benefits and refunds of post-employment defined benefit plans are recognized when due and payable in accordance with the terms of the Plan. The Town’s General Fund contributes an amount as recommended by their Actuary to fund the net pension obligations.

Benefits and contributions are established by the Town, via negotiated contracts, and may be amended only by the approval of the Board of Selectmen, and as agreed upon with the appropriate bargaining unit. The Plan is closed to employees hired on or after January 1, 2012.

The general administration and management of the plan and the responsibility for carrying out the provisions of the plan shall be placed in the Colchester Retirement Board. This Board is appointed by the Board of Selectmen and consists of a representative of the Board of Selectmen, a representative of the Board of Finance, the Town Treasurer, and two electors of the Town. The Chief Financial Officer is a nonvoting ex officio member.

b. Plan membership

As of July 1, 2018, the memberships in the Plan is comprised of the following:

Active members 9

2. Benefit provisions

Normal retirement	20 years of service
Benefit calculation	2.5% of final average salary multiplied by years of service. Maximum benefit of 60% of final average salary
Final average compensation	Highest 3 years of base salary
Vesting - service	10 years
Vesting - amount	100% of accrued benefit
Pre-retirement death benefit amount	Lump sum equal to the participant's employee contributions
Post-retirement death benefit amount	100%, 75% or 50% depending on the participant's annuity selection
Cost of living increases	2.5%

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Town pension plans (continued)**3. Contributions**

Contribution requirements of the plan members and the Town are established, and may be amended, by the Board of Selectmen and collectively bargained contracts.

The Town is required to contribute amounts necessary to fund benefits. The Town's contributions to the plan are actuarially determined on an annual basis. Administrative costs are financed through investment earnings.

Employee contributions	12.50%
Town average contribution rate as a percentage of covered payroll was	19.85%

4. Investments**a. Investment policy**

The pension plans' policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Town's Retirement Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The following is the Board's adopted asset allocation policy for the plans:

Asset Class	Target Allocation
Cash	4.00%
Equities	64.00%
Fixed income	32.00%
Total	100.00%

b. Concentrations

There were no investments in any one organization that represented 5% or more of the pension plan's net position.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Town pension plans (continued)**c. 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 (expected returns, net of pension plan 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. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plan's investment policy) are as follows:

Asset Class	Long-Term Expected Real Rate of Return
Cash	0.00%
Equities	5.25%
Fixed income	2.00%
Long-term expected nominal rate of return	6.60%

d. Annual money-weighted rate of return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.31%.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

5. Net pension liability

The components of the net pension liability were as follows:

Total pension liability	\$ 3,610,990
Plan fiduciary net position	<u>2,991,883</u>
Net pension liability	<u>\$ 619,107</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>82.85%</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Town pension plans (continued)**6. Actuarial methods and significant assumptions**

The net pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2018
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Investment rate of return	7.00%
Inflation	2.60%
Salary increases	2.60% plus Service Merit Scale
Cost of living adjustments	2.50%
Mortality rates	RP-2014 Adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2018

7. Changes from prior year**a. Changes in assumptions**

There were no changes in assumptions.

b. Changes in benefit terms

There were no changes in benefit terms.

8. Discount rate

The discount rate used to measure the total pension liability was 7.00%.

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 projected fiduciary net position will be sufficient to cover projected benefit payments and administrative expenses indefinitely. Therefore, the long-term expected rate of return on pension plan investments was used to discount plan liabilities.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Town pension plans (continued)**9. Changes in the net pension liability**

The Town's net pension liability was measured at June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2019	\$ 3,217,801	\$ 2,735,839	\$ 481,962
Service cost	192,980	-	192,980
Interest	237,240	-	237,240
Contributions - employer	-	145,500	(145,500)
Contributions - member	-	82,692	(82,692)
Net investment income	-	65,083	(65,083)
Benefit payments, including refunds of member contributions	(37,031)	(37,031)	-
Administration	-	(200)	200
Net change	393,189	256,044	137,145
Balance at June 30, 2020	<u>\$ 3,610,990</u>	<u>\$ 2,991,883</u>	<u>\$ 619,107</u>

10. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	<u>\$1,268,821</u>	<u>\$ 619,107</u>	<u>\$ 100,685</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Town pension plans (continued)**11. Pension expense and deferred outflows and inflows of resources**

The Town recognized pension expense of \$200,638 for the plan.

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	\$ -	\$ (139,779)	\$ (139,779)
Changes in assumptions	80,236	(39,826)	40,410
Net difference between projected and actual earnings on pension plan investments	<u>145,041</u>	<u>-</u>	<u>145,041</u>
Total	<u>\$ 225,277</u>	<u>\$ (179,605)</u>	<u>\$ 45,672</u>

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Changes of assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactive employees, which was 11.0 years.

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

Year Ending June 30	
2021	\$ 26,191
2022	33,219
2023	25,933
2024	15,538
2025	(11,040)
Thereafter	<u>(44,169)</u>
Total	<u>\$ 45,672</u>

Town of Colchester, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2020**

B. Defined contribution retirement savings plan and deferred compensation plan

Town employees are eligible to participate in a defined contribution plan administered by the Town. The benefits and contribution requirements are established by approval of the Board of Selectman.

Defined contribution plan

All Town employees, other than police officers hired prior to January 1, 2012, 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.

The contribution from both the Town and employees ranges from 6.00% to 8.00% of base pay for full-time employees and from 3.00% to 5.50% for part-time employees.

The Town contributions for each employee are vested 20% per year over five years. Voluntary contributions are allowed in combination with the Town's contribution up to the maximum amount allowed by IRS regulations.

Deferred compensation plan

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.

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 of Education will make contributions ranging from 3.00% to 7.00% of base pay. The 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 of Education does not make contributions to the employees' 403(b) plan.

During the year, the employer contributions for both plans were \$548,776 and employee contributions were \$718,274.

C. Connecticut state teachers' retirement system**1. Plan description**

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System ("TRS"), a cost sharing multiple-employer defined benefit pension plan administered by the Teachers' Retirement Board ("TRB"). Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov/trb.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Connecticut state teachers' retirement system (continued)**2. Benefit provisions**

Normal retirement	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
Benefit calculation	2.00% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary)
Early retirement	25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service
Early retirement amount	Benefit amounts are reduced by 6.00% per year for the first 5 years preceding normal retirement age and 4.00% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.00% per year by which retirement precedes normal retirement date
Service connected disability amount	2.00% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of annual average salary
Non-service connected disability service requirement	Five years of credited service
Vesting - service	10 years of service
Vesting - amount	100%
Pre-retirement death benefit amount	Lump-sum return of contributions with interest or surviving spouse benefit depending on length of service

3. Contributions**State of Connecticut**

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Connecticut state teachers' retirement system (continued)**Employer (school districts)**

School district employers are not required to make contributions to the plan.

Employees

Each teacher is required to contribute 7.00% of their salary for the pension benefit.

4. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

The Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>77,141,798</u>
Total	<u><u>\$ 77,141,798</u></u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Town has no proportionate share of the net pension liability.

During the year the Town recognized pension expense and revenue of \$5,839,223 for on-behalf amounts for contributions to the plan by the State.

5. Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.90%
Inflation	2.50%
Salary increases	3.25-6.50%, including inflation
Mortality rates	Mortality rates were based on the RP-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

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Connecticut state teachers' retirement system (continued)

Future cost-of-living increases - For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3.00% and a maximum of 5.00% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 6.00% per annum. If the return on assets in the previous year was less than 8.50%, the maximum increase is 1.50%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 5.00% per annum. If the return on assets in the previous year was less than 11.50%, the maximum increase is 3.00%, and if the return on the assets in the previous year was less than 8.50%, the maximum increase is 1.00%.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

Changes in assumptions and inputs

- The inflation assumption was decreased from 2.75% to 2.50%.
- The investment rate of return was decreased from 8.00% to 6.90%.

Long-term expected rate of return

The long-term expected rate of return on pension plan 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 plan 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 geometric rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity - US equity	20.00%	8.10%
Public equity - international developed equity	11.00%	8.50%
Public equity - emerging markets equity	9.00%	10.40%
Fixed income - core fixed income	16.00%	4.60%
Fixed income - inflation linked bonds	5.00%	3.60%
Fixed income - high yield	6.00%	6.50%
Fixed income - emerging market debt	5.00%	5.20%
Private equity	10.00%	9.80%
Real estate	10.00%	7.00%
Alternative investments - real assets	4.00%	8.20%
Alternative investments - hedge funds	3.00%	5.40%
Liquidity fund	1.00%	2.90%
Total	<u>100.0%</u>	

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Connecticut state teachers' retirement system (continued)**6. Discount rate**

The discount rate used to measure the total pension liability was 6.90%. 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 State 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 rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Sensitivity of the net pension liability to changes in the discount rate

The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' Retirement Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2019.

D. Other post-employment benefit ("OPEB") plan**1. Plan description****a. Plan administration**

The Town administers a single-employer, post-retirement healthcare plan for the Town and Board of Education Other Post-Employment Benefits ("OPEB"). The Town and the Board of Education plan provides medical, dental and life insurance benefits for eligible retirees and their spouses. The plan does not have assets accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan does not issue a stand-alone financial report.

b. Plan membership

As of July 1, 2019, the plan's membership consisted of:

	<u>Town</u>
Retirees and beneficiaries receiving benefits	24
Active members	<u>459</u>
Total	<u><u>483</u></u>

2. Benefit provisions

The plan provides for medical, dental and life insurance benefits for all eligible retirees and their spouses. Benefits and contributions are established by contract and State Statutes and may be amended by union negotiations.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

D. Other post-employment benefit ("OPEB") plan (continued)**3. Contributions**

Employees	0%
Library, Town Hall retirees	Non-Medicare eligible employees hired prior to July 1, 2009 with 10 years of service - access to medical coverage for up to 5 years or upon retiree's eligibility for Medicare D coverage. Retiree pays 100% of the cost
Municipal, Town Administrators retirees	Non-Medicare eligible employees - access to medical coverage for up to 5 years or upon retiree's eligibility for Medicare D coverage. Retiree pays 100% of the cost
Noncertified education retirees	20 years of service - access to medical plan. Retiree pays 100% of the cost
Teachers and administrators	Teachers who no longer work for the Board of Education are allowed by State Statute to participate in the Town's group medical insurance plan until they formally begin receiving benefits from the State Teachers' Retirement Plan. These retirees are required to contribute the cost of the insurance to the Town
Employer	Funding the plan on a pay as you go basis

4. Actuarial methods and significant assumptions:

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation date	July 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percent
Discount rate	2.21%
Salary increases	Graded based on service for teachers and administrators; 3.50% for all others
Healthcare cost trend rates:	
Inflation	2.60%
Initial medical trend rate	6.40%
Ultimate medical trend rate	4.10%

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

D. Other post-employment benefit ("OPEB") plan (continued)

Mortality rates	Teachers and Administrators: 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
	Police and Fire: PubS-2010 Mortality Table with generational projection per MP ultimate scale
	All Others: PubG-2010 Mortality Table with generational projection per MP ultimate scale

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index as of the measurement date.

5. Changes from prior year**a. Changes in assumptions**

The Town's plan had the following changes in assumptions:

- The discount rate decreased from 3.50% to 2.21%.
- The inflation rate decreased from 2.75% to 2.60%.
- The healthcare cost trend rate changed from 5.80% - 4.70% over 65 years to 6.40% - 4.10% over 54 years.

b. Changes in benefit terms

There were no changes in benefit terms.

6. Changes in the total OPEB liability

The Town's OPEB liability was measured at June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Balance at July 1, 2019	<u>\$ 6,808,744</u>
Service cost	298,808
Interest	244,424
Differences between expected and actual experience	524,866
Changes in assumptions	1,087,333
Benefit payments, including refunds of member contributions	<u>(250,148)</u>
Net change	<u>1,905,283</u>
Balance at June 30, 2020	<u><u>\$ 8,714,027</u></u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

D. Other post-employment benefit ("OPEB") plan (continued)**7. Sensitivity of the OPEB liability to changes in the discount rate**

The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
OPEB Liability	<u>\$ 9,727,872</u>	<u>\$ 8,714,027</u>	<u>\$ 7,852,528</u>

8. Sensitivity of the OPEB liability to changes in the healthcare cost trend rate

The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
OPEB Liability	<u>\$ 7,568,679</u>	<u>\$ 8,714,027</u>	<u>\$10,119,830</u>

9. OPEB expense and deferred outflows of resources related to OPEB

For the fiscal year, the Town recognized OPEB expense of \$810,303. The Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description of Inflows</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
Differences between expected and actual experience	\$ 442,856	\$ -	\$ 442,856
Changes in assumptions	<u>1,096,479</u>	<u>(93,898)</u>	<u>1,002,581</u>
Total	<u>\$1,539,335</u>	<u>\$ (93,898)</u>	<u>\$1,445,437</u>

Experience losses (gains) are amortized over the average remaining service period of actives and inactive, which was 6.4 years.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

D. Other post-employment benefit (“OPEB”) plan (continued)

Amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	
2021	\$ 267,071
2022	267,071
2023	267,071
2024	267,071
2025	267,071
Thereafter	<u>110,082</u>
Total	<u><u>\$ 1,445,437</u></u>

E. Connecticut state teachers’ retirement board retiree health insurance plan**1. Plan description**

Teachers, principals, superintendents or supervisors engaged in service of public schools that are currently receiving a retirement or disability benefit through the Connecticut Teachers’ Retirement System are eligible to participate in the Connecticut State Teachers’ Retirement System Retiree Health Insurance Plan (“TRS-RHIP”) - a cost sharing multiple-employer defined benefit other post-employment benefit plan administered by the Teachers’ Retirement Board (“TRB”). Chapter 167a Section 10-183t of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

2. Benefit provisions

The Plan provides for retiree health insurance benefits. Eligibility is as follows:

Normal retirement	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
Early retirement	25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service
Service connected disability service requirement	No service requirement
Non-service connected disability service requirement	Five years of credited service
Vesting - service	10 years of service

Town of Colchester, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2020**

E. Connecticut state teachers' retirement board retiree health insurance plan (continued)**Retiree health care coverage**

Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Plan. There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost.

The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

Those participants electing vision, hearing, and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the Plan for these benefits.

Survivor health care coverage

Survivors of former employees or retirees remain eligible to participate in the Plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplemental Plans, as long as they do not remarry.

3. Contributions**State of Connecticut**

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

E. Connecticut state teachers' retirement board retiree health insurance plan (continued)**Employer (school districts)**

School district employers are not required to make contributions to the plan.

Employees

Each member is required to contribute 1.25% of their annual salary.

4. OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

The Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the Town were as follows:

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>12,030,700</u>
Total	<u><u>\$ 12,030,700</u></u>

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The Town has no proportionate share of the net OPEB liability.

The Town recognized OPEB expense and revenue of \$159,591 for on-behalf amounts for the benefits provided by the State.

5. Actuarial methods and significant assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	3.00%
Inflation	2.50%
Health care cost trend rate	
Pre-Medicare	5.95% decreasing to 4.75% by 2025
Medicare	5.00% decreasing to 4.75% by 2028
Salary increases	3.25-6.50%, including inflation
Mortality rates	Mortality rates were based on the RP-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
Year fund net position will be depleted	2020

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

E. Connecticut state teachers' retirement board retiree health insurance plan (continued)**Changes in assumptions and inputs**

- The discount rate was decreased from 3.87% to 3.50% to reflect the change in the Municipal Bond Index rate.

Additionally, expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on January 1, 2019. Further, the expected rate of inflation was decreased and the Real Wage Growth assumption was increased.

Long-term expected rate of return

The long-term expected rate of return on OPEB plan 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 OPEB plan 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

All the plan assets are assumed to be invested in cash equivalents due to the need for liquidity. The expected rate of return is 3.00%.

6. Discount rate

The discount rate used to measure the total OPEB liability was 3.50%. The Municipal Bond Index Rate was used in the determination in the discount rate. 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 no future employer contributions were assumed to be made.

7. Sensitivity of the OPEB liability to changes in the discount rate and the health care cost trend rate

The Town's proportionate share of the net OPEB liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2019.

VI. Fund reclassifications

The following funds were reclassified during the year.

<u>Fund</u>	<u>From</u>	<u>To</u>	<u>Amount</u>
Capital projects fund	Other governmental funds	Major Fund	\$ 1,752,467
Animal control fund	Other governmental funds	General Fund	980

Required Supplementary Information

Type	Description
Budgetary	Schedule of Revenues, Expenditures and Other Financing Uses - Budget and Actual - General Fund
	Notes to Required Supplementary Information - Budgets and Budgetary Accounting
<u>Pension Plans</u>	
Police State Teachers' Retirement System	Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Investment Returns
	Schedule of Proportionate Share of the Net Pension Liability
	Schedule of Contributions
	Notes to Required Supplementary Information
<u>Other Post-Employment Benefits Plans</u>	
Town State Teacher's Retirement Board Retiree Health Insurance Plan	Schedule of Changes in OPEB Liability and Related Ratios
	Schedule of Proportionate Share of the Net OPEB Liability
	Schedule of Contributions
	Notes to Required Supplementary Information

Town of Colchester, Connecticut
Required Supplementary Information

General Fund
Schedule of Revenues, Expenditures and Other Financing Uses
Budget and Actual
For the Year Ended June 30, 2020

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Revenues:					
Property taxes:					
Current taxes	\$ 40,304,659	\$ -	\$40,304,659	\$40,182,494	\$ (122,165)
Arrears taxes	550,000	-	550,000	300,629	(249,371)
Interest and liens	330,000	-	330,000	276,035	(53,965)
Total property taxes	41,184,659	-	41,184,659	40,759,158	(425,501)
Intergovernmental:					
Education grants:					
Special education	500,000	-	500,000	369,346	(130,654)
Education cost sharing	12,359,179	-	12,359,179	12,299,883	(59,296)
Total education grants	12,859,179	-	12,859,179	12,669,229	(189,950)
State of Connecticut:					
Municipal stabilization grant	134,167	-	134,167	134,167	-
Payment in lieu of taxes	74,928	-	74,928	74,928	-
Disability exemption	1,674	-	1,674	1,610	(64)
Additional veteran exemption	7,211	-	7,211	7,357	146
Local capital improvement program	116,454	-	116,454	115,954	(500)
Mashantucket Pequot/Mohegan grant	23,167	-	23,167	23,167	-
Distribution to towns	5,000	-	5,000	6,790	1,790
Youth services grant	17,000	-	17,000	17,732	732
Cares Act DOL unemployment	-	-	-	35,668	35,668
Total State of Connecticut	379,601	-	379,601	417,373	37,772
Total intergovernmental	13,238,780	-	13,238,780	13,086,602	(152,178)
Charges for services:					
Ambulance	575,000	-	575,000	490,915	(84,085)
Recreation	12,000	-	12,000	3,734	(8,266)
Licenses, permits and fees:					
Fire Marshal inspection fees	240	-	240	60	(180)
Sports licenses	470	-	470	240	(230)
Transfer station fees	127,500	-	127,500	138,071	10,571
Conservation commission fees	5,500	-	5,500	6,570	1,070
Road inspection fees	3,900	-	3,900	31,968	28,068
Building code fees	245,000	-	245,000	470,120	225,120
Conveyance tax	185,000	-	185,000	189,006	4,006
Zoning and planning fees	13,000	-	13,000	13,250	250
Zoning appeal fees	700	-	700	1,350	650
Copier fees - tax collector	200	-	200	206	6
Copier fees - assessor	550	-	550	527	(23)
Copier fees - town clerk	16,500	-	16,500	16,097	(403)
Copier fees - planning and code administration	150	-	150	123	(27)
Town clerk fees	87,000	-	87,000	107,450	20,450
Vendor permits	1,200	-	1,200	1,340	140
Pistol permits	8,500	-	8,500	4,480	(4,020)

(Continued)

Town of Colchester, Connecticut
Required Supplementary Information

General Fund
Schedule of Revenues, Expenditures and Other Financing Uses
Budget and Actual
For the Year Ended June 30, 2020

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Charges for services: (continued)					
Library fines and fees	\$ 7,600	\$ -	\$ 7,600	\$ 4,312	\$ (3,288)
Dial-A-ride	3,150	-	3,150	2,225	(925)
Recording fees	2,000	-	2,000	1,751	(249)
Total charges for services	1,295,160	-	1,295,160	1,483,795	188,635
Income from investments	225,000	-	225,000	269,519	44,519
Other:					
Tuition	402,038	-	402,038	487,501	85,463
Telecommunications tax	27,000	-	27,000	27,341	341
State fund for building inspection	1,000	-	1,000	-	(1,000)
Elderly housing	14,350	-	14,350	15,774	1,424
Miscellaneous	5,000	-	5,000	4,659	(341)
Insurance reimbursements	-	-	-	125	125
Recovery	-	31,250	31,250	57,902	26,652
Total other	449,388	31,250	480,638	593,302	112,664
Total revenues	56,392,987	31,250	56,424,237	56,192,376	(231,861)
<u>Expenditures and other financing uses:</u>					
General government:					
Boards and commissions	35,870	-	35,870	21,830	14,040
Contingency	60,212	(54,577)	5,635	-	5,635
First selectman	249,564	27,500	277,064	274,339	2,725
Human resources	66,880	17,500	84,380	74,957	9,423
Finance	308,574	(20,000)	288,574	267,547	21,027
Tax collector	171,559	-	171,559	160,919	10,640
Assessor	311,234	16,000	327,234	302,926	24,308
Planning and code administration	478,181	(13,750)	464,431	430,275	34,156
Town clerk	172,189	-	172,189	164,373	7,816
Elections	71,482	-	71,482	61,865	9,617
Insurances	1,683,540	-	1,683,540	1,672,753	10,787
Probate	5,271	-	5,271	5,271	-
Information technology	116,789	20,000	136,789	130,545	6,244
Total general government	3,731,345	(7,327)	3,724,018	3,567,600	156,418
Public safety:					
Police	1,605,865	-	1,605,865	1,575,189	30,676
Fire	1,347,973	30,827	1,378,800	1,282,789	96,011
Emergency management	18,858	-	18,858	16,696	2,162
Total public safety	2,972,696	30,827	3,003,523	2,874,674	128,849

(Continued)

Town of Colchester, Connecticut
Required Supplementary Information

General Fund
Schedule of Revenues, Expenditures and Other Financing Uses
Budget and Actual
For the Year Ended June 30, 2020

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Public works:					
Public works administration	\$ 177,289	\$ -	\$ 177,289	\$ 175,791	\$ 1,498
Highway	1,605,254	-	1,605,254	1,454,528	150,726
Fleet maintenance	390,501	-	390,501	380,727	9,774
Grounds maintenance	504,931	-	504,931	473,450	31,481
Snow removal	495,165	(153,627)	341,538	341,537	1
Transfer station	312,583	-	312,583	275,201	37,382
Facilities	125,539	-	125,539	107,054	18,485
Engineering	118,796	-	118,796	117,300	1,496
Total public works	<u>3,730,058</u>	<u>(153,627)</u>	<u>3,576,431</u>	<u>3,325,588</u>	<u>250,843</u>
Community and human services:					
Cragin memorial library	609,796	-	609,796	593,716	16,080
Parks and recreation	155,011	7,750	162,761	153,629	9,132
Senior services	299,870	-	299,870	291,523	8,347
Youth and social services	388,949	-	388,949	340,982	47,967
Community agencies	25,000	-	25,000	25,000	-
Health services	189,944	-	189,944	189,944	-
Total community and human services	<u>1,668,570</u>	<u>7,750</u>	<u>1,676,320</u>	<u>1,594,794</u>	<u>81,526</u>
Education	<u>41,237,122</u>	<u>367,098</u>	<u>41,604,220</u>	<u>41,262,496</u>	<u>341,724</u>
Debt service	<u>2,075,164</u>	<u>-</u>	<u>2,075,164</u>	<u>2,075,164</u>	<u>-</u>
Total expenditures	<u>55,414,955</u>	<u>244,721</u>	<u>55,659,676</u>	<u>54,700,316</u>	<u>959,360</u>
Excess (deficiency) of revenues over expenditures	<u>978,032</u>	<u>(213,471)</u>	<u>764,561</u>	<u>1,492,060</u>	<u>727,499</u>
Other financing uses:					
Transfers out	<u>978,032</u>	<u>200,618</u>	<u>1,178,650</u>	<u>1,178,650</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (414,089)</u>	<u>\$ (414,089)</u>	<u>313,410</u>	<u>\$ 727,499</u>
Fund balance - July 1, 2019				<u>8,774,481</u>	
Fund balance - June 30, 2020				<u>\$ 9,087,891</u>	

(Concluded)

Town of Colchester, Connecticut

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Budgets and Budgetary Accounting

The Town adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. The operating budget, which is prepared by function and department, includes proposed expenditures and the means of financing them.

This budget is adopted on a basis consistent with generally accepted accounting principles (modified accrual basis) with the following exceptions:

1. Encumbrances are recognized as valid and proper charges against budget appropriations in the year in which the order is issued and, accordingly, encumbrances outstanding at year-end are reflected in the required supplementary information general fund budget and actual as expenditures in the current year but are reported as assigned fund balance on a GAAP basis.
2. The Town does not budget for the total revenue or expenditures for the excess cost grant.
3. Certain transfers out that were budgeted as expenditures.
4. Certain funds that are required to be reported as part of the general fund under the requirement of GASB No. 54.
5. The Town does not budget for as revenue or expenditures payments made for the State Teachers' pension and OPEB by the State of Connecticut on the Town's behalf.

<u>Reconciliation to Exhibit D</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Budgetary Basis - RSI-1	\$56,192,376	\$ 54,700,316	\$ 9,087,891
Prior year encumbrances liquidated in the current year	-	94,252	(94,252)
Current year encumbrances charged to budgetary expenditures	-	(207,396)	207,396
Excess cost grant	306,115	306,115	-
Transfers out budgeted as expenditures	-	(892,566)	-
Other funds (Schedule 2)	3,021	52,386	261,857
State Teachers' pension on behalf amount	5,839,223	5,839,223	-
State Teachers' OPEB on behalf amount	159,591	159,591	-
GAAP Basis - Exhibit D	<u>\$62,500,326</u>	<u>\$ 60,051,921</u>	<u>\$ 9,462,892</u>

Formal budgetary integration is employed as a management control device during the year.

Town department heads, except for education, submit expenditure requests to the First Selectmen. The First Selectmen after review of these initial estimates, compiles the revised estimates and submits them to the Board of Finance. The Education Department submits its requests directly to the Board of Finance.

(Continued)

Town of Colchester, Connecticut

**Notes to Required Supplementary Information
For the Year Ended June 30, 2020**

Budgets and Budgetary Accounting

At least two public hearings are held on the budget before the annual budget meeting. At the annual budget meeting, the Town voters in attendance may reduce, but not increase, the Board of Selectmen budget and/or the Board of Education budget. The annual budget meeting is automatically continued to the annual budget referendum. The budget becomes effective when approved at the annual budget referendum.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

Supplemental budget appropriations must be approved by the Board of Finance and, if in excess of 2.00% of the budget to which the supplemental appropriation is being made, recommended to the Town Meeting for approval. Supplemental budget appropriations equal to or in excess of 3.00% require a special budget referendum.

The Board of Finance is authorized to transfer budgeted amounts between departments as recommended by the Board of Selectmen.

The Board of Education is authorized under state law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education and Board of Finance approval and, if over 2.00% of the annual budget, Town Meeting approval. Supplemental budget appropriations equal to or in excess of 3.00% require a special budget referendum.

There were additional appropriations of \$445,339 from the following sources:

Fund balance	\$ 414,089
Other revenues	<u>31,250</u>
Total	<u><u>\$ 445,339</u></u>

(Concluded)

Town of Colchester, Connecticut
Required Supplementary Information

Police Retirement Plan
Last Seven Years (1)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
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Schedule of Changes in Net Pension Liability and Related Ratios

Total pension liability:							
Service cost	\$ 192,980	\$ 196,330	\$ 187,875	\$ 183,453	\$ 175,553	\$ 167,993	\$ 178,216
Interest	237,240	217,753	190,663	177,808	152,603	130,517	106,587
Differences between expected and actual experience	-	(62,034)	-	(128,587)	-	-	234,034
Changes in assumptions	-	(48,676)	-	115,896	-	-	(356,174)
Benefit payments, including refunds of member contributions	(37,031)	-	-	-	-	(23,169)	-
Net change in total pension liability	393,189	303,373	378,538	348,570	328,156	275,341	162,663
Total pension liability - July 1	3,217,801	2,914,428	2,535,890	2,187,320	1,859,164	1,583,823	1,421,160
Total pension liability - June 30 (a)	<u>\$3,610,990</u>	<u>\$3,217,801</u>	<u>\$2,914,428</u>	<u>\$2,535,890</u>	<u>\$2,187,320</u>	<u>\$1,859,164</u>	<u>\$1,583,823</u>
Plan fiduciary net position:							
Contributions - employer	\$ 145,500	\$ 148,899	\$ 142,578	\$ 121,754	\$ 105,755	\$ 100,616	\$ 105,624
Contributions - member	82,692	90,458	88,107	85,202	82,346	81,805	86,864
Net investment income (loss)	65,083	122,568	113,723	167,058	(5,796)	26,378	149,423
Benefit payments, including refunds of member contributions	(37,031)	-	-	-	-	(23,169)	-
Administration	(200)	-	-	-	-	-	-
Net change in plan fiduciary net position	256,044	361,925	344,408	374,014	182,305	185,630	341,911
Plan fiduciary net position - July 1	2,735,839	2,373,914	2,029,506	1,655,492	1,473,187	1,287,557	945,646
Plan fiduciary net position - June 30 (b)	<u>\$2,991,883</u>	<u>\$2,735,839</u>	<u>\$2,373,914</u>	<u>\$2,029,506</u>	<u>\$1,655,492</u>	<u>\$1,473,187</u>	<u>\$1,287,557</u>
Net pension liability - June 30 (a)-(b)	<u>\$ 619,107</u>	<u>\$ 481,962</u>	<u>\$ 540,514</u>	<u>\$ 506,384</u>	<u>\$ 531,828</u>	<u>\$ 385,977</u>	<u>\$ 296,266</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>82.85%</u>	<u>85.02%</u>	<u>81.45%</u>	<u>80.03%</u>	<u>75.69%</u>	<u>79.24%</u>	<u>81.29%</u>
Covered payroll	<u>\$ 732,871</u>	<u>\$ 705,453</u>	<u>\$ 693,575</u>	<u>\$ 665,300</u>	<u>\$ 743,711</u>	<u>\$ 694,695</u>	<u>\$ 662,403</u>
Net pension liability as a percentage of covered payroll	<u>84.48%</u>	<u>68.32%</u>	<u>77.93%</u>	<u>76.11%</u>	<u>71.51%</u>	<u>55.56%</u>	<u>44.73%</u>

Schedule of Investment Returns

Annual money weighted rate of return, net of investment expense	<u>2.31%</u>	<u>4.94%</u>	<u>5.33%</u>	<u>9.56%</u>	<u>-0.37%</u>	<u>1.93%</u>	<u>14.47%</u>
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(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Colchester, Connecticut

Required Supplementary Information

**Police Retirement Plan
Schedule of Contributions
Last Ten Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contributions	\$ 147,856	\$ 149,560	\$ 145,300	\$ 123,370	\$ 119,514	\$ 106,914	\$ 101,215	\$ 82,202	\$ 74,068	\$ 93,178
Contributions in relation to the actuarially determined contribution	<u>145,500</u>	<u>148,899</u>	<u>142,578</u>	<u>121,754</u>	<u>105,755</u>	<u>100,616</u>	<u>105,624</u>	<u>88,321</u>	<u>101,034</u>	<u>86,428</u>
Contribution excess (deficiency)	<u>\$ (2,356)</u>	<u>\$ (661)</u>	<u>\$ (2,722)</u>	<u>\$ (1,616)</u>	<u>\$ (13,759)</u>	<u>\$ (6,298)</u>	<u>\$ 4,409</u>	<u>\$ 6,119</u>	<u>\$ 26,966</u>	<u>\$ (6,750)</u>
Covered payroll	<u>\$ 732,871</u>	<u>\$ 705,453</u>	<u>\$ 693,575</u>	<u>\$ 665,300</u>	<u>\$ 743,711</u>	<u>\$ 694,695</u>	<u>\$ 662,403</u>	<u>\$ 633,878</u>	<u>\$ 571,675</u>	<u>\$ 421,643</u>
Contributions as a percentage of covered payroll	<u>19.85%</u>	<u>21.11%</u>	<u>20.56%</u>	<u>18.30%</u>	<u>14.22%</u>	<u>14.48%</u>	<u>15.95%</u>	<u>13.93%</u>	<u>17.67%</u>	<u>20.50%</u>

Town of Colchester, Connecticut

Notes to Required Supplementary Information

**Police Retirement Plan
Schedule of Contributions
Last 10 Years**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Changes of Benefit Terms	None	None	None	None	None	None	None	None	None	None
The actuarially determined contribution rates are calculated as of	7/1/2018	7/1/2016	7/1/2016	7/1/2014	7/1/2014	7/1/2012	7/1/2012	7/1/2011	7/1/2010	7/1/2010
Actuarial methods and assumptions used to determine contribution rates:										
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization Method	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar
Asset Valuation Method	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Inflation	2.60%	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%	N/A	N/A	N/A
Salary Increases	2.50% plus Service Merit Scale	2.75% plus Service Merit Scale	2.75% plus Service Merit Scale	5.00% (3.50% cost-of living, 1.50% steps)	5.00% (3.50% cost-of living, 1.50% steps)	5.00% (3.50% cost-of living, 1.50% steps)	5.00% (3.50% cost-of living, 1.50% steps)	4.50%	4.50%	4.50%
Post-Retirement Cost of Living Adjustments	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Investment Rate of Return (net)	7.00%	7.00%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Mortality Rate	RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2018	RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2016	RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2016	RP-2000 Mortality Table projected to the valuation date with Scale AA	RP-2000 Mortality Table projected to the valuation date with Scale AA	RP-2000 Mortality Table projected to the valuation date with Scale AA	RP-2000 Mortality Table projected to the valuation date with Scale AA	N/A	N/A	N/A

N/A - not available

Town of Colchester, Connecticut
Required Supplementary Information
Connecticut State Teachers' Retirement System
Last Six Years (3)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Schedule of Proportionate Share of the Net Pension Liability</u>						
Town's proportion of the net pension liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the net pension liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State of Connecticut's proportionate share of the net pension liability associated with the Town	<u>77,141,798</u>	<u>59,480,808</u>	<u>63,053,688</u>	<u>66,522,123</u>	<u>53,087,310</u>	<u>49,068,579</u>
Total	<u>\$77,141,798</u>	<u>\$59,480,808</u>	<u>\$63,053,688</u>	<u>\$66,522,123</u>	<u>\$ 53,087,310</u>	<u>\$ 49,068,579</u>
Town's covered payroll	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>52.00%</u>	<u>57.69%</u>	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.56%</u>

Schedule of Contributions

Contractually required contribution (1)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Contributions as a percentage of covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

(1) Local employers are not required to contribute to the plan

(2) Not applicable since 0% proportional share of the net pension liability

(3) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Colchester, Connecticut
Notes to Required Supplementary Information
Connecticut State Teachers' Retirement System
Schedule of Contributions
Last Six Years (1)

	2020	2019	2018	2017	2016	2015
Changes of Benefit Terms	None	Beginning January 1, 2018, member contributions increased from 6% to 7% of salary	None	None	None	None
The actuarially determined contribution rates are calculated as of	June 30, 2018	June 30, 2018	June 30, 2016	June 30, 2016	June 30, 2014	June 30, 2014
Actuarial methods and assumptions used to determine contribution rates:						
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed
Remaining Amortization Period	17.6 years	17.6 years	20.4 years	20.4 years	21.4 years	22.4 years
Asset Valuation Method	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing
Inflation	2.50%	2.75%	2.75%	2.75%	3.00%	3.00%
Salary Increases	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.75%-7.00%, average, including inflation	3.75%-7.00%, average, including inflation
Investment Rate of Return (net)	6.90%	8.00%	8.00%	8.00%	8.50%	8.50%
Mortality Rate	RP-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	RP-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	RP-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	RP-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	RP-2000 Combined Mortality Table projected 19 years using scale AA	RP-2000 Combined Mortality Table projected 19 years using scale AA

(1) This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

Town of Colchester, Connecticut
Required Supplementary Information
Other Post-Employment Benefit Plan
Last Three Years (1)

Schedule of Changes in OPEB Liability and Related Ratios

	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPEB liability:			
Service cost	\$ 298,808	\$ 266,608	\$ 284,046
Interest	244,424	248,540	225,136
Differences between expected and actual experience	524,866	-	-
Changes in assumptions	1,087,333	244,148	(146,062)
Benefit payments, including refunds of member contributions	<u>(250,148)</u>	<u>(210,314)</u>	<u>(214,186)</u>
Net change in OPEB liability	1,905,283	548,982	148,934
OPEB liability - July 1	<u>6,808,744</u>	<u>6,259,762</u>	<u>6,110,828</u>
OPEB liability - June 30 *	<u><u>\$ 8,714,027</u></u>	<u><u>\$ 6,808,744</u></u>	<u><u>\$ 6,259,762</u></u>
Covered payroll	<u><u>\$ 29,339,464</u></u>	<u><u>\$ 21,277,152</u></u>	<u><u>\$ 21,277,152</u></u>
OPEB liability as a percentage of covered payroll	<u><u>29.70%</u></u>	<u><u>32.00%</u></u>	<u><u>29.42%</u></u>

(1) These schedules are intended to present information for 10 years.
Additional years will be presented as the information becomes available.

* There are no assets that are being accumulated in a trust that meets the criteria in GASB No. 75 to pay benefits

Town of Colchester, Connecticut

Required Supplementary Information

Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan
Last Three Years (3)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Schedule of Proportionate Share of the Net OPEB Liability</u>			
Town's proportion of the net OPEB liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the net OPEB liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State of Connecticut's proportionate share of the net OPEB liability associated with the Town	<u>12,030,700</u>	<u>11,890,600</u>	<u>16,229,300</u>
Total	<u>\$12,030,700</u>	<u>\$11,890,600</u>	<u>\$16,229,300</u>
Town's covered payroll	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>2.08%</u>	<u>1.49%</u>	<u>1.79%</u>

Schedule of Contributions

Contractually required contribution (1)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Contributions as a percentage of covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

(1) Local employers are not required to contribute to the plan

(2) Not applicable since 0% proportional share of the net OPEB liability

(3) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Colchester, Connecticut

Notes to Required Supplementary Information

Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan
Schedule of Contributions
Last Three Years (1)

	2020	2019	2018
Changes of Benefit Terms	None	None	None
The actuarially determined contribution rates are calculated as of	June 30, 2018	June 30, 2018	June 30, 2016
Actuarial methods and assumptions used to determine contribution rates:			
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level percentage, open	Level percentage, open	Level percentage, open
Amortization Period	30 years	30 years	30 years
Asset Valuation Method	Fair value	Fair value	Fair value
Inflation	2.75%	2.75%	2.75%
Healthcare Inflation Rate	Initial 5.95% decreasing to 4.75% (ultimate) by 2025	Initial 5.95% decreasing to 4.75% (ultimate) by 2025	Initial 7.25% decreasing to 5.00% (ultimate) by 2022
Salary Increases	3.25% to 6.50%, including inflation	3.25% to 6.50%, including inflation	3.25% to 6.50%, including inflation
Investment Rate of Return	3.00%	3.00%	4.25%
Mortality Rate	RP-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	RP-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	RP-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

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Supplemental Schedules

General Fund

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, community and human services, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

For reporting in accordance with generally accepted accounting principles, the general fund includes certain funds that are required to be reported as part of the general fund under the requirements of GASB No. 54.

Fund	Funding Source	Function
Snow Reserve Fund	Transfers in	Snow removal
Animal Control Fund	Fees and transfers in	Animal control programs

Town of Colchester, Connecticut

**General Fund
Combining Balance Sheet
June 30, 2020**

	<u>General Fund</u>	<u>Snow Reserve Fund</u>	<u>Animal Control Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 108,212	\$ 263,930	\$ 4,452	\$ 376,594
Restricted cash	118,075	-	-	118,075
Investments	8,704,437	-	-	8,704,437
Receivables (net):				
Property taxes	981,884	-	-	981,884
Intergovernmental	151,622	-	-	151,622
Other	298,056	-	-	298,056
Due from other funds	907,806	-	-	907,806
Other	32,027	-	-	32,027
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 11,302,119</u>	<u>\$ 263,930</u>	<u>\$ 4,452</u>	<u>\$ 11,570,501</u>
<u>Liabilities</u>				
Accounts payable	\$ 652,303	\$ -	\$ 6,525	\$ 658,828
Accrued payroll	390,059	-	-	390,059
Performance bonds	118,075	-	-	118,075
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>1,160,437</u>	<u>-</u>	<u>6,525</u>	<u>1,166,962</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenue:				
Advance property tax collections	59,552	-	-	59,552
Property taxes	881,095	-	-	881,095
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>940,647</u>	<u>-</u>	<u>-</u>	<u>940,647</u>
<u>Fund Balances</u>				
Committed	96,130	263,930	-	360,060
Assigned	1,268,155	-	-	1,268,155
Unassigned	7,836,750	-	(2,073)	7,834,677
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>9,201,035</u>	<u>263,930</u>	<u>(2,073)</u>	<u>9,462,892</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,302,119</u>	<u>\$ 263,930</u>	<u>\$ 4,452</u>	<u>\$ 11,570,501</u>

Town of Colchester, Connecticut

General Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2020

	<u>General Fund</u>	<u>Snow Reserve Fund</u>	<u>Animal Control Fund</u>	<u>Eliminations</u>	<u>Total</u>
Revenues:					
Property taxes	\$40,759,158	\$ -	\$ -	\$ -	\$40,759,158
Intergovernmental	19,391,531	-	-	-	19,391,531
Charges for services	1,483,795	-	3,021	-	1,486,816
Income from investments	269,519	-	-	-	269,519
Other	593,302	-	-	-	593,302
Total revenues	<u>62,497,305</u>	<u>-</u>	<u>3,021</u>	<u>-</u>	<u>62,500,326</u>
Expenditures:					
Current:					
General government	3,567,600	-	-	-	3,567,600
Public safety	2,876,582	-	52,386	-	2,928,968
Public works	3,325,588	-	-	-	3,325,588
Community and human services	1,569,794	-	-	-	1,569,794
Education	46,584,807	-	-	-	46,584,807
Debt service	2,075,164	-	-	-	2,075,164
Total expenditures	<u>59,999,535</u>	<u>-</u>	<u>52,386</u>	<u>-</u>	<u>60,051,921</u>
Excess (deficiency) of revenues over expenditures	<u>2,497,770</u>	<u>-</u>	<u>(49,365)</u>	<u>-</u>	<u>2,448,405</u>
Other financing sources (uses):					
Transfers in	-	153,627	48,272	(201,899)	-
Transfers out	<u>(2,071,216)</u>	<u>-</u>	<u>-</u>	<u>201,899</u>	<u>(1,869,317)</u>
Net other financing sources (uses)	<u>(2,071,216)</u>	<u>153,627</u>	<u>48,272</u>	<u>-</u>	<u>(1,869,317)</u>
Net change in fund balances	426,554	153,627	(1,093)	-	579,088
Fund balances - July 1, 2019	<u>8,774,481</u>	<u>110,303</u>	<u>(980)</u>		<u>8,883,804</u>
Fund balances - June 30, 2020	<u>\$ 9,201,035</u>	<u>\$ 263,930</u>	<u>\$ (2,073)</u>	<u>\$ -</u>	<u>\$ 9,462,892</u>

Town of Colchester, Connecticut

Report of Tax Collector
For The Year Ended June 30, 2020

Grand List Year	Uncollected Taxes July 1, 2019	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Amount Collectible	Collections			Uncollected Taxes June 30, 2020
			Additions	Deductions			Net Taxes Collected	Interest, Liens and Other Fees	Total	
2002	\$ 519	\$ -	\$ -	\$ 519 *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003	15,838	-	-	15,660 *	-	178	178	500	678	-
2004	12,431	-	-	-	-	12,431	542	1,785	2,327	11,889
2005	11,013	-	-	-	-	11,013	292	1,515	1,807	10,721
2006	40,503	-	120	533	453	39,637	1,209	4,246	5,455	38,428
2007	36,459	-	-	205	187	36,067	1,316	2,591	3,907	34,751
2008	41,312	-	-	163	970	40,179	1,667	2,986	4,653	38,512
2009	29,544	-	14	-	1,008	28,550	1,760	3,116	4,876	26,790
2010	29,711	-	1	-	1,584	28,128	2,510	4,231	6,741	25,618
2011	34,990	-	460	1,619	920	32,911	2,140	3,068	5,208	30,771
2012	37,971	-	2	521	226	37,226	2,762	3,416	6,178	34,464
2013	45,689	-	-	-	178	45,511	5,980	5,799	11,779	39,531
2014	55,302	-	271	1,186	75	54,312	11,523	7,720	19,243	42,789
2015	22,855	-	51,529	659	1,243	72,482	20,745	12,115	32,860	51,737
2016	169,080	-	302	1,455	1,359	166,568	104,773	32,214	136,987	61,795
2017	442,294	-	1,330	18,255	603	424,766	268,743	57,576	326,319	156,023
Total Prior Years	1,025,511	-	54,029	40,775	8,806	1,029,959	426,140	142,878	569,018	603,819
2018	-	40,795,991	59,948	210,377	2,136	40,643,426	40,182,493	116,100	40,298,593	460,933
Total All Years	<u>\$ 1,025,511</u>	<u>\$ 40,795,991</u>	<u>\$ 113,977</u>	<u>\$ 251,152</u>	<u>\$ 10,942</u>	<u>\$ 41,673,385</u>	<u>\$ 40,608,633</u>	<u>\$ 258,978</u>	<u>\$ 40,867,611</u>	<u>\$ 1,064,752</u>

* Amount written off based upon state statutes requirements

Tax interest and liens receivable 667,185

Allowance for doubtful accounts (750,053)

Net taxes receivable - General Fund \$ 981,884

Other Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are restricted, committed, or assigned to expenditures for particular purposes.

Fund	Funding Source	Function
Town Aid Road Fund	Grants	Road improvements
Small Cities Grants Fund	Fees and grants	Housing rehabilitation
Sewer Operating Fund	Fees	Sewer operations
Recreation Activities Fund	Fees and contributions	Recreation programs
Miscellaneous Grants Fund	Grants and contributions	Various specified purposes
Special Gifts Fund	Fees and contributions	Various specified purposes
Police Special Duty Fund	Fees	Public safety programs
School Cafeteria Fund	Fees and grants	School lunch and breakfast program
Out of District Tuition Fund	Fees	Education programs
Pay to Play Fund	Fees	Athletic programs
Bacon Academy Summer School Fund	Fees	Summer school operations

Capital Projects Funds

Capital projects funds are used to account for acquisition and construction of major capital assets other than those financed by proprietary and trust funds.

Fund	Funding Source	Function
2009 Bond Referendum Fund	Bonds	Various capital projects
Sewer Capital Fund	Fees	Sewer capital projects
Energy Project Fund	Fees and equipment financing notes	Energy project
Use of Schools Fund	Fees and contributions	Custodial, facility improvements, equipment and other rental related costs
Education Capital Reserve Fund	Transfers in	Education maintenance and capital projects

Debt Service Fund

The debt service fund is used to account for and report resources for the payment of future debt service payments.

Town of Colchester, Connecticut

Combining Balance Sheet
Other Governmental Funds
June 30, 2020

Special Revenue Funds

	Town Aid Road Fund	Small Cities Grants Fund	Sewer Operating Fund	Recreation Activities Fund	Miscellaneous Grants Fund	Special Gifts Fund	Police Special Duty Fund
<u>Assets</u>							
Cash	\$ 985,663	\$ 22	\$ 271,919	\$ 237,210	\$ -	\$ 517,408	\$ -
Receivables:							
Intergovernmental	-	-	-	-	333,644	-	-
Assessments and use charges	-	-	290,192	-	-	-	-
Loan	-	68,660	-	-	-	-	-
Accounts	-	-	-	-	-	-	187,520
Other	-	-	-	-	-	-	-
Total assets	<u>\$ 985,663</u>	<u>\$ 68,682</u>	<u>\$ 562,111</u>	<u>\$ 237,210</u>	<u>\$ 333,644</u>	<u>\$ 517,408</u>	<u>\$ 187,520</u>
<u>Liabilities</u>							
Accounts payable	\$ 7,500	\$ -	\$ 9,377	\$ 1,263	\$ 22,047	\$ 10,990	\$ -
Accrued payroll	-	-	4,517	2,138	13,756	-	46,909
Due to other funds	-	-	-	-	369,736	-	47,947
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>7,500</u>	<u>-</u>	<u>13,894</u>	<u>3,401</u>	<u>405,539</u>	<u>10,990</u>	<u>94,856</u>
<u>Deferred Inflows of Resources</u>							
Unavailable revenue:							
Assessments and use charges	-	-	225,456	-	-	-	-
<u>Fund Balances</u>							
Restricted	978,163	68,682	322,761	-	-	506,418	-
Committed	-	-	-	233,809	-	-	92,664
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(71,895)	-	-
Total fund balances	<u>978,163</u>	<u>68,682</u>	<u>322,761</u>	<u>233,809</u>	<u>(71,895)</u>	<u>506,418</u>	<u>92,664</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 985,663</u>	<u>\$ 68,682</u>	<u>\$ 562,111</u>	<u>\$ 237,210</u>	<u>\$ 333,644</u>	<u>\$ 517,408</u>	<u>\$ 187,520</u>

(Continued)

Town of Colchester, Connecticut

Combining Balance Sheet
Other Governmental Funds
June 30, 2020

	Special Revenue Funds					Capital Projects Funds
	School Cafeteria Fund	Out of District Tuition Fund	Pay to Play Fund	Bacon Academy Summer School Fund	Total Special Revenue Funds	2009 Bond Referendum Fund
<u>Assets</u>						
Cash	\$ 6,553	\$ 42,035	\$ -	\$ 15,963	\$ 2,076,773	\$ 56,057
Receivables:						
Intergovernmental	23,108	-	-	-	356,752	-
Assessments and use charges	-	-	-	-	290,192	-
Loan	-	-	-	-	68,660	-
Accounts	-	-	-	-	187,520	-
Other	16,372	-	-	-	16,372	-
87 Total assets	<u>\$ 46,033</u>	<u>\$ 42,035</u>	<u>\$ -</u>	<u>\$ 15,963</u>	<u>\$ 2,996,269</u>	<u>\$ 56,057</u>
<u>Liabilities</u>						
Accounts payable	\$ 11,440	\$ -	\$ -	\$ -	\$ 62,617	\$ -
Accrued payroll	8,729	-	-	2,835	78,884	-
Due to other funds	-	-	-	-	417,683	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>20,169</u>	<u>-</u>	<u>-</u>	<u>2,835</u>	<u>559,184</u>	<u>-</u>
<u>Deferred Inflows of Resources</u>						
Unavailable revenue:						
Assessments and use charges	-	-	-	-	225,456	-
<u>Fund Balances</u>						
Restricted	25,864	-	-	-	1,901,888	-
Committed	-	42,035	-	13,128	381,636	56,057
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	(71,895)	-
Total fund balances	<u>25,864</u>	<u>42,035</u>	<u>-</u>	<u>13,128</u>	<u>2,211,629</u>	<u>56,057</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 46,033</u>	<u>\$ 42,035</u>	<u>\$ -</u>	<u>\$ 15,963</u>	<u>\$ 2,996,269</u>	<u>\$ 56,057</u>

(Continued)

Town of Colchester, Connecticut

Combining Balance Sheet
Other Governmental Funds
June 30, 2020

		Capital Projects Funds				Debt Service Fund	Total Other Governmental Funds
		Sewer Capital Fund	Energy Project Fund	Use of Schools Fund	Education Capital Reserve Fund	Total Capital Projects Funds	
<u>Assets</u>							
Cash		\$ 1,153,520	\$ 95,608	\$ 49,275	\$ 393,268	\$ 1,747,728	\$ 4,828,245
Receivables:							
Intergovernmental		-	-	-	-	-	356,752
Assessments and use charges		-	-	-	-	-	290,192
Loan		-	-	-	-	-	68,660
Accounts		-	-	-	-	-	187,520
Other		-	-	-	-	-	16,372
Total assets		<u>\$ 1,153,520</u>	<u>\$ 95,608</u>	<u>\$ 49,275</u>	<u>\$ 393,268</u>	<u>\$ 1,747,728</u>	<u>\$ 5,747,741</u>
<u>Liabilities</u>							
Accounts payable		\$ 351,621	\$ -	\$ 191	\$ 2,648	\$ -	\$ 417,077
Accrued payroll		-	-	-	-	-	78,884
Due to other funds		-	-	-	-	-	417,683
Unearned revenue		-	-	-	-	-	-
Total liabilities		<u>351,621</u>	<u>-</u>	<u>191</u>	<u>2,648</u>	<u>-</u>	<u>913,644</u>
<u>Deferred Inflows of Resources</u>							
Unavailable revenue:							
Assessments and use charges		-	-	-	-	-	225,456
<u>Fund Balances</u>							
Restricted		-	-	-	-	-	1,901,888
Committed		801,899	95,608	49,084	390,620	-	1,774,904
Assigned		-	-	-	-	1,003,744	1,003,744
Unassigned		-	-	-	-	-	(71,895)
Total fund balances		<u>801,899</u>	<u>95,608</u>	<u>49,084</u>	<u>390,620</u>	<u>1,003,744</u>	<u>4,608,641</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 1,153,520</u>	<u>\$ 95,608</u>	<u>\$ 49,275</u>	<u>\$ 393,268</u>	<u>\$ 1,003,744</u>	<u>\$ 5,747,741</u>

(Concluded)

Town of Colchester, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For The Year Ended June 30, 2020

Special Revenue Funds

	Town Aid Road Fund	Small Cities Grants Fund	Sewer Operating Fund	Recreation Activities Fund	Miscellaneous Grants Fund	Special Gifts Fund	Police Special Duty Fund
Revenues:							
Intergovernmental	\$ 388,173	\$ -	\$ -	\$ -	\$ 268,350	\$ 8,273	\$ -
Charges for services	-	68,495	1,106,185	160,594	-	5,205	453,560
Income from investments	-	-	1,682	-	-	-	-
Contributions	-	-	-	4,010	2,361	161,457	-
Total revenues	<u>388,173</u>	<u>68,495</u>	<u>1,107,867</u>	<u>164,604</u>	<u>270,711</u>	<u>174,935</u>	<u>453,560</u>
Expenditures:							
Current:							
General government	-	-	-	-	5,000	1,219	-
Public safety	-	-	-	-	110,893	1,100	428,032
Public works	33,473	-	1,132,657	-	-	-	-
Community and human services	-	-	-	234,208	88,678	126,047	-
Education	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	162,467	-	-	-	61,004	-	-
Total expenditures	<u>195,940</u>	<u>-</u>	<u>1,132,657</u>	<u>234,208</u>	<u>265,575</u>	<u>128,366</u>	<u>428,032</u>
Excess (deficiency) of revenues over expenditures	<u>192,233</u>	<u>68,495</u>	<u>(24,790)</u>	<u>(69,604)</u>	<u>5,136</u>	<u>46,569</u>	<u>25,528</u>
Other financing sources (uses):							
Premium	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	(58,031)	-	-	-	-	-	-
Net other financing sources (uses)	<u>(58,031)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	134,202	68,495	(24,790)	(69,604)	5,136	46,569	25,528
Fund balances - July 1, 2019	843,961	187	347,551	303,413	(77,031)	459,849	67,136
Fund balances - June 30, 2020	<u>\$ 978,163</u>	<u>\$ 68,682</u>	<u>\$ 322,761</u>	<u>\$ 233,809</u>	<u>\$ (71,895)</u>	<u>\$ 506,418</u>	<u>\$ 92,664</u>

(Continued)

Town of Colchester, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For The Year Ended June 30, 2020

	Special Revenue Funds					Capital Projects Funds
	School Cafeteria Fund	Out of District Tuition Fund	Pay to Play Fund	Bacon Academy Summer School Fund	Total Special Revenue Funds	2009 Bond Referendum Fund
Revenues:						
Intergovernmental	\$ 280,091	\$ -	\$ -	\$ -	\$ 944,887	\$ -
Charges for services	261,866	-	55,080	7,250	2,118,235	-
Income from investments	6	-	-	-	1,688	-
Contributions	-	-	-	-	167,828	-
Total revenues	<u>541,963</u>	<u>-</u>	<u>55,080</u>	<u>7,250</u>	<u>3,232,638</u>	<u>-</u>
Expenditures:						
Current:						
General government	-	-	-	-	6,219	-
Public safety	-	-	-	-	540,025	-
Public works	-	-	-	-	1,166,130	-
Community and human services	-	-	-	-	448,933	-
Education	634,847	-	55,080	13,977	703,904	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	223,471	-
Total expenditures	<u>634,847</u>	<u>-</u>	<u>55,080</u>	<u>13,977</u>	<u>3,088,682</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(92,884)</u>	<u>-</u>	<u>-</u>	<u>(6,727)</u>	<u>143,956</u>	<u>-</u>
Other financing sources (uses):						
Premium	-	-	-	-	-	-
Transfers in	139,260	-	-	-	139,260	-
Transfers out	-	-	-	-	(58,031)	-
Net other financing sources (uses)	<u>139,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,229</u>	<u>-</u>
Net change in fund balances	46,376	-	-	(6,727)	225,185	-
Fund balances - July 1, 2019	<u>(20,512)</u>	<u>42,035</u>	<u>-</u>	<u>19,855</u>	<u>1,986,444</u>	<u>56,057</u>
Fund balances - June 30, 2020	<u>\$ 25,864</u>	<u>\$ 42,035</u>	<u>\$ -</u>	<u>\$ 13,128</u>	<u>\$ 2,211,629</u>	<u>\$ 56,057</u>

(Continued)

Town of Colchester, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2020

Capital Projects Funds

	Sewer Capital Fund	Energy Project Fund	Use of Schools Fund	Education Capital Reserve Fund	Total Capital Projects Funds	Debt Service Fund	Total Other Governmental Funds
Revenues:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 944,887
Charges for services	8,390	-	27,433	-	35,823	-	2,154,058
Income from investments	13,652	-	-	-	13,652	-	15,340
Contributions	-	-	7,817	-	7,817	-	175,645
Total revenues	22,042	-	35,250	-	57,292	-	3,289,930
Expenditures:							
Current:							
General government	-	-	-	-	-	-	6,219
Public safety	-	-	-	-	-	-	540,025
Public works	16,831	-	-	-	16,831	-	1,182,961
Community and human services	-	-	-	-	-	-	448,933
Education	-	-	26,530	-	26,530	-	730,434
Debt service	-	-	-	-	-	791,057	791,057
Capital outlay	432,379	-	10,128	310,776	753,283	-	976,754
Total expenditures	449,210	-	36,658	310,776	796,644	791,057	4,676,383
Excess (deficiency) of revenues over expenditures	(427,168)	-	(1,408)	(310,776)	(739,352)	(791,057)	(1,386,453)
Other financing sources (uses):							
Premium	-	-	-	-	-	971,425	971,425
Transfers in	-	-	-	403,744	403,744	360,226	903,230
Transfers out	-	-	-	-	-	-	(58,031)
Net other financing sources (uses)	-	-	-	403,744	403,744	1,331,651	1,816,624
Net change in fund balances	(427,168)	-	(1,408)	92,968	(335,608)	540,594	430,171
Fund balances - July 1, 2019	1,229,067	95,608	50,492	297,652	1,728,876	463,150	4,178,470
Fund balances - June 30, 2020	\$ 801,899	\$ 95,608	\$ 49,084	\$ 390,620	\$ 1,393,268	\$ 1,003,744	\$ 4,608,641

(Concluded)

Fiduciary Funds

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations, other governments, and/or other funds. These include pension trust, private-purpose trust, and agency funds.

Pension Trust Fund

Fund	Function
Pension Trust Fund	To account for contributions made by the Town and its employees for pension benefits for members of the Police Department

Private-Purpose Trust Funds

Fund	Function
Private-Purpose Trust Fund	To account for resources legally held in trust for the benefit of individuals

Agency Funds

Fund	Function
Student Activities	To account for various activities undertaken by students of the public school system

Town of Colchester, Connecticut

Agency Fund

Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
<u>Assets</u>				
Student activities:				
Cash	\$ 427,037	\$512,677	\$501,571	\$ 438,143
Accounts receivable	-	1,854	-	1,854
Total assets	<u>\$ 427,037</u>	<u>\$514,531</u>	<u>\$501,571</u>	<u>\$ 439,997</u>
<u>Liabilities</u>				
Student activities:				
Payable to student organizations	<u>\$ 427,037</u>	<u>\$514,531</u>	<u>\$501,571</u>	<u>\$ 439,997</u>

Trend Information

This part of the Town's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Table	Description
Financial Trends (Tables 1-2)	These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time
Revenue Capacity (Table 3)	This schedule contains information to help the reader assess the Town's most significant local revenue source, the property tax
Debt Capacity (Table 4)	This schedule presents information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the fiscal year.

Table 1

Town of Colchester, Connecticut

Fund Balances - Governmental Funds
Last Ten Years
(Modified Accrual Basis Accounting)
(Unaudited)

June 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General fund:										
Nonspendable	\$ -	\$ 6,578	\$ 25,687	\$ 27,610	\$ 37,820	\$ 30,655	\$ 19,510	\$ 28,351	\$ 20,945	\$ 23,740
Committed	360,060	477,401	273,318	110,303	418,455	67,500	120,829	44,936	32,000	32,000
Assigned	1,268,155	585,619	1,238,154	612,254	502,848	370,685	250,730	698,770	176,476	40,772
Unassigned	7,834,677	7,815,186	6,869,784	6,422,633	5,711,933	5,255,366	4,888,372	4,758,733	4,334,548	3,518,813
Total general fund	9,462,892	8,884,784	8,406,943	7,172,800	6,671,056	5,724,206	5,279,441	5,530,790	4,563,969	3,615,325
All other governmental funds:										
Restricted	2,026,079	1,707,827	1,757,015	1,604,738	1,538,464	1,344,735	1,291,700	988,019	941,379	1,045,620
Committed	5,755,597	6,065,724	5,814,987	5,215,554	4,644,724	4,203,246	4,477,042	4,139,501	2,689,738	2,866,509
Assigned	1,003,744	463,150	540,307	243,239	162,415	91,014	91,013	52,314	52,313	198,504
Unassigned	(3,732,760)	(2,931,730)	(3,049,757)	(4,219,300)	(560,823)	(81,082)	(33,654)	(3,810)	(33,226)	(105,242)
Total all other governmental funds	5,052,660	5,304,971	5,062,552	2,844,231	5,784,780	5,557,913	5,826,101	5,176,024	3,650,204	4,005,391
Grand total	<u>\$ 14,515,552</u>	<u>\$ 14,189,755</u>	<u>\$ 13,469,495</u>	<u>\$ 10,017,031</u>	<u>\$ 12,455,836</u>	<u>\$ 11,282,119</u>	<u>\$ 11,105,542</u>	<u>\$ 10,706,814</u>	<u>\$ 8,214,173</u>	<u>\$ 7,620,716</u>

Notes:

General fund:

Assigned Increased due to the current year unspent education budget and the appropriation to fund subsequent year's budget

All other governmental funds:

Assigned Increased due to an increase in the Debt Service Fund fund balance

Unassigned Decreased primarily due to decrease in the Johnston Building Project Fund fund balance

Certain balances were reclassified for fiscal year 2020. Prior years were not completely restated for restricted and committed categories.

Table 2

Town of Colchester, Connecticut
Changes in Fund Balances - General Fund
Last Ten Years
(Modified Accrual Basis of Accounting)
(Unaudited)

For the Year Ended June 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Property taxes	\$ 40,759,158	\$ 40,028,244	\$ 39,539,056	\$ 38,500,512	\$ 37,712,051	\$ 37,226,671	\$ 36,248,381	\$ 34,364,251	\$ 33,794,551	\$ 32,548,912
Intergovernmental	19,391,531	19,768,265	21,032,544	21,992,787	19,575,213	19,483,781	19,727,811	19,347,462	19,517,186	16,821,153
Charges for services	1,486,816	1,466,221	1,345,172	1,400,766	1,411,092	1,172,041	1,176,826	1,190,469	1,159,237	1,136,197
Income from investments	269,519	348,258	272,088	88,500	61,139	48,566	51,533	47,491	48,747	27,499
Other	593,302	530,869	447,926	134,404	120,528	122,212	238,247	104,759	122,060	131,475
Total revenues	<u>62,500,326</u>	<u>62,141,857</u>	<u>62,636,786</u>	<u>62,116,969</u>	<u>58,880,023</u>	<u>58,053,271</u>	<u>57,442,798</u>	<u>55,054,432</u>	<u>54,641,781</u>	<u>50,665,236</u>
Expenditures:										
Current:										
General government	3,567,600	3,516,196	3,413,682	3,534,368	3,151,674	3,310,137	3,387,956	3,196,386	3,649,080	3,427,070
Public safety	2,928,968	2,872,691	2,761,914	2,699,729	2,676,389	2,438,800	2,403,418	2,204,883	2,139,001	1,943,222
Public works	3,325,588	3,447,196	3,153,130	3,312,050	3,133,633	3,489,369	3,695,205	2,849,686	2,440,714	2,468,024
Community and human services (1)	1,569,794	1,534,894	1,491,049	1,534,864	1,480,902	1,434,099	1,404,709	1,286,636	1,688,846	1,618,591
Education	46,584,807	46,431,630	47,020,602	46,630,541	44,296,560	43,909,369	43,879,506	41,828,767	40,492,902	36,998,747
Debt service - principal	1,490,000	1,495,000	1,525,000	1,515,000	1,530,000	1,550,000	1,585,307	1,575,000	2,411,925	2,885,000
Debt service - interest	585,164	215,415	266,665	327,265	371,465	422,865	469,607	520,890	502,357	808,538
Total expenditures	<u>60,051,921</u>	<u>59,513,022</u>	<u>59,632,042</u>	<u>59,553,817</u>	<u>56,640,623</u>	<u>56,554,639</u>	<u>56,825,708</u>	<u>53,462,248</u>	<u>53,324,825</u>	<u>50,149,192</u>
Excess (deficiency) of revenues over expenditures	<u>2,448,405</u>	<u>2,628,835</u>	<u>3,004,744</u>	<u>2,563,152</u>	<u>2,239,400</u>	<u>1,498,632</u>	<u>617,090</u>	<u>1,592,184</u>	<u>1,316,956</u>	<u>516,044</u>
Other financing sources (uses):										
Transfers in	-	-	-	8,240	-	-	-	-	214,746	-
Transfers out	(1,869,317)	(2,150,994)	(1,770,601)	(2,069,648)	(1,292,550)	(1,053,867)	(868,439)	(625,363)	(583,058)	(278,003)
Net other financing sources (uses)	<u>(1,869,317)</u>	<u>(2,150,994)</u>	<u>(1,770,601)</u>	<u>(2,061,408)</u>	<u>(1,292,550)</u>	<u>(1,053,867)</u>	<u>(868,439)</u>	<u>(625,363)</u>	<u>(368,312)</u>	<u>(278,003)</u>
Net change in fund balances	<u>\$ 579,088</u>	<u>\$ 477,841</u>	<u>\$ 1,234,143</u>	<u>\$ 501,744</u>	<u>\$ 946,850</u>	<u>\$ 444,765</u>	<u>\$ (251,349)</u>	<u>\$ 966,821</u>	<u>\$ 948,644</u>	<u>\$ 238,041</u>
Debt service as a percentage of noncapital expenditures (2)	<u>3.46%</u>	<u>2.87%</u>	<u>3.00%</u>	<u>3.09%</u>	<u>3.36%</u>	<u>3.49%</u>	<u>3.62%</u>	<u>3.92%</u>	<u>5.47%</u>	<u>7.37%</u>

Notes:

(1) Included grounds maintenance, reported in public works for fiscal years beginning 2013

(2) Excludes amount paid from Debt Service Fund

Table 3

Town of Colchester, Connecticut
Property Tax Rates, Levies and Collections
Last Ten Years
(Unaudited)

<u>Year Ended June 30</u>	<u>(1) Mill Rate</u>	<u>Total Adjusted Tax Levy</u>	<u>Net Current Levy Tax Collections</u>	<u>Percentage of Current Taxes Collected</u>	<u>Current Delinquent Balance</u>
2011	25.07	\$ 32,238,714	\$ 31,793,600	98.62%	\$ 26,790
2012	25.85	33,774,748	33,249,659	98.45%	25,618
2013	28.80	34,157,365	33,608,023	98.39%	30,771
2014	30.28	36,156,049	35,565,318	98.37%	34,464
2015	30.57	36,891,618	36,333,194	98.49%	39,531
2016	30.76	37,393,155	36,947,219	98.81%	42,789
2017	30.91	38,112,513	37,743,244	99.03%	51,737
2018	32.37	39,244,661	38,812,483	98.90%	61,795
2019	32.28	39,552,832	39,110,538	98.88%	156,023
2020	32.84	40,643,426	40,182,493	98.87%	460,933

Source: Town audit reports.

(1) This represents the Town's mill rate per \$1,000 of taxable property. There are no overlapping tax rates.

Town of Colchester, Connecticut
Schedule of Debt Limitation
Connecticut Statutes, Section 7-374(b)
(Unaudited)

Tax base:

Total tax collections (including interest and lien fees) for prior year \$ 39,796,151

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$89,541,340	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	179,082,680	-	-	-
3 3/4 times base	-	-	149,235,566	-	-
3 1/4 times base	-	-	-	129,337,491	-
3 times base	-	-	-	-	119,388,453
Total limitations	<u>89,541,340</u>	<u>179,082,680</u>	<u>149,235,566</u>	<u>129,337,491</u>	<u>119,388,453</u>
Indebtedness:					
Bonds	175,000	22,515,000	-	-	-
Bond anticipation notes	<u>-</u>	<u>2,845,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>175,000</u>	<u>25,360,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding debt	<u>\$89,366,340</u>	<u>\$153,722,680</u>	<u>\$149,235,566</u>	<u>\$129,337,491</u>	<u>\$119,388,453</u>
The total net indebtedness above amounts to:					<u>\$ 25,535,000</u>
In no event shall total indebtedness exceed seven time the base for debt limitation computation:					<u>\$278,573,057</u>
There is no overlapping debt for the Town					