

Town of Colchester, Connecticut

Financial Report
June 30, 2018

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Financial Section

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Colchester, Connecticut (the Town) as of and for the year ended June 30, 2018, and the related notes thereto which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Connecticut as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter—Adoption of Standards

As explained in the Summary of Significant Accounting Policies in the notes to the financial statements, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, which resulted in the Town restating net position for recognition of the Town's OPEB related activity incurred prior to July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Colchester, Connecticut as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated December 29, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2017 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018 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.

RSM US LLP

New Haven, Connecticut
December 31, 2018

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Town of Colchester, Connecticut
Management's Discussion and Analysis - Unaudited
June 30, 2018

As management of the Town of Colchester, Connecticut we offer readers of the financial statements this overview and analysis of the financial performance of the Town of Colchester for the fiscal year ended June 30, 2018. Please read it in conjunction with the Town's financial statements, which immediately follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$85,929,888 (net position). Total net position of Governmental Activities at fiscal year-end was \$80,747,068 and total net position for Business-Type Activities was \$5,182,820. Of the Town's total net position at June 30, 2018, \$9,525,953 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$12,457,165.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$8,406,943, an increase of \$1,234,143 from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2018, \$6,869,784 represents unassigned fund balance of the General Fund. Unassigned General Fund fund balance represents 12.79% of total General Fund budgetary expenditures and transfers out (\$53,697,025). The Town of Colchester's governmental funds reported combined ending fund balances of \$13,469,495, an increase of \$3,452,464 from the prior fiscal year.
- The Town of Colchester's total bonded debt had a decrease of \$1,525,000 from the prior fiscal year.

Overview of the Financial Statements

This annual report consists of three parts: 1) management's discussion and analysis (this section), 2) the basic financial statements and 3) an additional section that presents combining statements for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services such as police, fire and parks were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities the government operates like business, such as the water system.
- Fiduciary funds statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

		<u>Fund Financial Statements</u>		
<u>Type of Statements</u>	<u>Government-wide Financial Statements</u>	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
<i>Scope</i>	Entire Town government (except fiduciary activities)	The activities of the Town that are not proprietary or fiduciary, such as police, fire and parks.	Activities the Town operates similar to businesses; the water system.	Instances in which the Town administers resources on behalf of someone else such as student activity funds.
<i>Required financial statements</i>	<ul style="list-style-type: none"> ➤ Statement of net position ➤ Statement of activities 	<ul style="list-style-type: none"> ➤ Balance sheet ➤ Statement of revenues, expenditures and changes in fund balances. 	<ul style="list-style-type: none"> ➤ Statement of net position. ➤ Statement of revenues, expenses, changes in fund net position. ➤ Statement of cash flows. 	<ul style="list-style-type: none"> ➤ Statement of fiduciary net position. ➤ Statement of changes in fiduciary net position.
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
<i>Type of asset/liability information</i>	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	All assets and liabilities, both financial and capital, and short-term and long-term.
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash are received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during year, regardless of when cash is received or paid.	All additions and deductions during the year regardless of when cash is received or paid.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information that they contain. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Colchester's finances. The statement of net position and the statement of activities present financial information on all of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, expenses and revenues regardless of actual collections or disbursements. The statements provide both long-term and short-term information about the Town's overall financial status.

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial status. The Town's combined assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$85,929,888 at the close of the recent fiscal year.

Net position of the Town's Governmental Activities increased approximately 18.02% to \$80,747,068 which reflects the restatement of beginning net position at July 1, 2017 resulting from the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Total net position for Business-type Activities increased approximately 2.50% to \$5,182,820. The amount of \$76,403,935 (\$72,675,375 for Governmental Activities and \$3,728,560 for Business-type Activities) of combined net position at June 30, 2018, is restricted as to the purposes they can be used for or are invested in capital assets, net of related debt (buildings, roads, bridges, and so on). The remaining balance of \$9,525,953 (\$8,071,693 for Governmental Activities and \$1,454,260 for Business-type Activities) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

The most significant portion of the Town of Colchester's net position (86.88%) reflects its net investment in capital assets (i.e., land, buildings, vehicles, machinery & equipment and infrastructure). The Town uses these capital assets to provide services to citizens. Although the Town of Colchester's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves may not be used to liquidate these liabilities.

Town of Colchester, Connecticut
Summary Statement of Net Position
June 30, 2018 and 2017

	June 30, 2018			June 30, 2017 (as restated)		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 29,908,157	\$ 1,474,972	\$ 31,383,129	\$ 27,925,494	\$ 1,349,422	\$ 29,274,916
Capital assets	95,510,984	5,105,456	100,616,440	76,153,192	5,252,081	81,405,273
Total assets	125,419,141	6,580,428	131,999,569	104,078,686	6,601,503	110,680,189
Deferred outflows of resources	319,585	-	319,585	262,483	-	262,483
Current liabilities	13,354,181	20,712	13,374,893	15,211,232	46,971	15,258,203
Long-term liabilities outstanding	31,337,101	1,376,896	32,713,997	20,691,417	1,498,096	22,189,513
Total liabilities	44,691,282	1,397,608	46,088,890	35,902,649	1,545,067	37,447,716
Deferred inflows of resources	300,376	-	300,376	22,233	-	22,233
Net position:						
Net investment in capital assets	70,925,735	3,728,560	74,654,295	62,690,578	3,753,985	66,444,563
Restricted	1,749,640	-	1,749,640	1,596,691	-	1,596,691
Unrestricted	8,071,693	1,454,260	9,525,953	4,129,018	1,302,451	5,431,469
Total net position	\$ 80,747,068	\$ 5,182,820	\$ 85,929,888	\$ 68,416,287	\$ 5,056,436	\$ 73,472,723

Change in Net Position. The Town's total net position increased by \$12,457,165 during the fiscal year, with net position of Governmental Activities increasing by \$12,330,781, and net position of Business-type Activities increasing by \$126,384. This reflects the restatement of beginning net position at July 1, 2017 resulting from the implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*.

	Year Ended June 30, 2018			Year Ended June 30, 2017		
	Primary Govt.			Primary Govt.		
	Governmental	Business-	Total	Governmental	Business-	Total
	Activities	Type		Activities	Type	
	Activities	Activities		Activities	Activities	
Revenues						
Program Revenues:						
Charges for Services	\$ 3,943,408	\$ 1,114,532	\$ 5,057,940	\$ 3,758,450	\$ 1,080,337	\$ 4,838,787
Operating Grants and Contributions	22,195,832	-	22,195,832	23,207,753	-	23,207,753
Capital Grants and Contributions	13,131,946	-	13,131,946	5,058,238	-	5,058,238
General Revenues:						
Property Tax	39,567,148	-	39,567,148	38,404,837	-	38,404,837
Grants not restricted to specific programs	287,048	-	287,048	450,587	-	450,587
Unrestricted investment earnings	437,614	8,091	445,705	94,206	2,966	97,172
Miscellaneous	111,218	-	111,218	223,183	-	223,183
Transfers	13,580	-	13,580	13,218	-	13,218
Total Revenues	79,687,794	1,122,623	80,810,417	71,210,472	1,083,303	72,293,775
Expenses						
General Government	3,531,523	-	3,531,523	3,665,017	-	3,665,017
Public Safety	3,478,855	-	3,478,855	3,399,787	-	3,399,787
Public Works	4,858,649	-	4,858,649	5,070,505	-	5,070,505
Community and Human Services	2,838,049	-	2,838,049	2,590,100	-	2,590,100
Education	52,096,191	-	52,096,191	52,048,986	-	52,048,986
Other	-	952,073	952,073	-	910,335	910,335
Interest on long-term debt	553,746	30,586	584,332	367,211	33,127	400,338
Transfer	-	13,580	13,580	-	13,218	13,218
Total Expenses	67,357,013	996,239	68,353,252	67,141,606	956,680	68,098,286
Change in Net Position	12,330,781	126,384	12,457,165	4,068,866	126,623	4,195,489
Net Position - Beginning	68,416,287	5,056,436	73,472,723	67,802,291	4,929,813	72,732,104
Restatement GASB 75	-	-	-	(3,454,870)	-	(3,454,870)
Net Position - Ending	\$ 80,747,068	\$ 5,182,820	\$ 85,929,888	\$ 68,416,287	\$ 5,056,436	\$ 73,472,723

Governmental Activities

Approximately 49.65% of the revenues were generated from property taxes, followed by 49.28% from program revenues, which include governmental revenues for Education, then 0.36% was derived from other unrestricted grants, 0.14% from miscellaneous revenues, 0.55% from unrestricted investment earnings including premium from the issuance of bond anticipation notes, and 0.02% from transfers.

Major revenue factors include:

- Increase in School construction grant progress payments received for expenditures incurred on the William J. Johnston Middle School Project in FY 17/18 as compared to FY 16/17.
- Receipt of Small Cities Block grant for improvements to Senior housing managed by the Colchester Housing Authority.
- Increased tax revenues resulting from an increase in the property tax rate of 1.46 mills, offset by a decrease in delinquent tax collections, and a slight decrease in the current year tax collection rate from 99.03% to 98.90%.
- Increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement System for pensions and other postemployment benefits (OPEB).
- Significant reduction in the Education Cost Sharing grant received from the State of Connecticut.
- Increase in investment income and receipt of premium on the issuance of bond anticipation notes.

- The Town's current levy collected tax rate was 98.90%, a decrease of 0.13% from the previous year current levy collected tax rate of 99.03%.

For governmental activities, 77.35% of the Town's expenditures relate to education, 5.24% relate to general government, 5.17% relate to public safety, 7.21% relate to public works, 4.21% relate to community and human services, and the remaining 0.82% relate to interest payments on long-term debt.

Major expenditure factors include:

- Decrease in general government, mainly due to a decrease in health insurance claims and administrative costs compared to FY 16/17, and unfilled positions due to budget freeze imposed in response to delayed adoption of State budget and reduction in State funding.
- Increase in public safety due to increases in personnel costs in accordance with negotiated contracts. Increase in costs for vehicle fuel and heating oil due to increased price per gallon. Increase in Police Special Duty assignments (supported by increased revenues from charges for these services).
- Increase in education, mainly as a result of construction costs associated with the William J. Johnston Middle School Project. In addition, there was an increase in on-behalf payments made by the State of Connecticut to the State Teachers' Retirement System for pensions and other postemployment benefits (OPEB).
- Decrease in public works expenditures related to unfilled positions due to budget freeze imposed in response to delayed adoption of State budget and reduction in State funding. Increase in expenditures related to road maintenance and improvements.
- Increase in community and human services mainly due to expenditures incurred for improvements to Senior housing managed by the Colchester Housing Authority. Improvements were funded by receipt of a Small Cities block grant.
- Increase in interest on long-term debt due to the issuance of bond anticipation notes to finance the William J. Johnston Middle School Project.

Business-Type Activities

Business-type activities increased the Town's net position by \$126,384. Key elements of this increase are:

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

Financial Analysis of the Town's Fund Financial Statements

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

As the Town completed the year, its governmental funds reported combined fund balances of \$13,469,495, an increase from \$10,017,031 as of June 30, 2017. This increase is mainly due to the receipt of school construction progress payments and the issuance of debt to finance the capital outlay expenditures for the William J. Johnston Middle School project. The Town also experienced positive financial results in the Town's General Fund as a result of conservative budgeting for State funding and other revenues, combined with expenditure budget freezes imposed by both the Town and Board of Education in response to the significant reduction in the Education Cost Sharing grant from the State of Connecticut. The Town also continued to increase funding in the Capital Reserve Fund for the future acquisition/replacement of Town vehicles and equipment.

The general fund is the chief operating fund for the Town of Colchester. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,869,784, while total fund balance was \$8,406,943. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 12.79% of the total general fund budgetary expenditures and transfers out.

At June 30, 2018, the Town of Colchester's General Fund unassigned fund balance increased by \$447,151 from the previous year. On the revenue side, the Town received a significant reduction in the Education Cost Sharing grant, which was partially offset by additional State grant funding to support the Town budget, along with increased investment income. On the expenditure side, the Town achieved savings from unfilled positions due to the budget freeze in various Town departments throughout the organization. Unexpended funds from the Education budget, in excess of the amount set aside from the budget freeze of \$825,000, are reflected in assigned fund balance as these funds will be available for appropriation to the Education Capital Reserve Fund for future capital and equipment needs.

The Capital Reserve Fund had an increase in fund balance of \$277,225 for a total fund balance of \$1,772,835 mainly due to the continued funding of future acquisition/replacement of Town vehicles and equipment.

Johnston Building Project Fund - During the fiscal year, the Town incurred expenditures of \$22,539,261 for demolition, construction and renovation costs. A total of \$11,735,633 was received from the State of Connecticut School Construction progress payments as reimbursement for the State's share of the project costs incurred to date. The fund also recorded the issuance of \$12,000,000 in bond anticipation notes (permanently funded with bonds in October 2018) and has an additional amount of \$8,850,000 of bond anticipation notes outstanding at the end of the year. The deficit fund balance of \$2,955,424 will be funded through future State payments and general obligation bonding.

The Education Grants Fund had revenues and other financing sources of \$1.31 million and expenditures of \$1.27 million for the year ended June 30, 2018.

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

Unrestricted net position of the Water Fund at the end of the year amounted to \$1,454,260. The Water Fund experienced an increase in net position of \$126,384. The explanations concerning the finances of the Water Fund were addressed earlier in the discussion of the Town of Colchester's Business-type activities.

General Fund Budgetary Highlights

A budget transfer was approved during the year between salary line items within the Tax Office departmental budget to fund temporary staff coverage due to a position vacancy. Budget transfers between departments included funding for the following: legal expenses for various general legal issues funded by a transfer from the contingency budget; capital funding for improvements and upgrade to the information technology infrastructure funded by a transfer from the Information Technology department professional services budget.

Capital Asset and Debt Administration

Capital Assets. The Town of Colchester's investment in capital assets for its governmental and business type activities as of June 30, 2018, amount to \$100,616,440 (net of accumulated depreciation). The net investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, sidewalks, roads, highways, bridges, water and sewer lines (infrastructure), and construction in process (William J. Johnston Middle School project and the Caverly Mill Road Bridge). The total increase in the Town of Colchester's net investment in capital assets for the current fiscal year was \$19,211,167 or approximately 23.60%.

Major capital assets during the current fiscal year included the following:

Governmental Activities

- Road improvements funded by General Fund appropriations
- Replacement of a police cruiser funded by General Fund appropriations. Replacement of a backhoe loader and a compact wheel loader with attachments funded by Town Aid Road grant funds.
- Replacement of flashover simulator and other equipment for the Fire department funded by General Fund appropriations to Capital accounts.
- Compressor replacements at Bacon Academy, and replacement of the public address system at Bacon Academy funded by Capital Reserve funds and Education budget.
- Acquisition of wheel alignment machine and tire changer for Tech Education at Bacon Academy funded by Education grant funds.
- Upgrades to technology infrastructure and data storage capacity at William J. Johnston Middle School funded by the building project.
- Replacement of Bacon Academy van used for student transportation funded by General Fund appropriations to BOE Capital Reserve.
- Sidewalk installation and replacements at Colchester Elementary School and Bacon Academy. Replacement of loading dock stairs at Jack Jackter Intermediate School.

Town of Colchester - Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,586,879	\$ 3,586,879	\$ -	\$ -	\$ 3,586,879	\$ 3,586,879
Land Improvements	529,112	585,284	2,940	3,150	532,052	588,434
Building & Improvements	49,067,304	50,941,573	3,428,430	3,495,028	52,495,734	54,436,601
Machinery & Equipment	5,232,979	5,602,868	179,282	207,930	5,412,261	5,810,798
Infrastructure	9,083,898	9,029,622	1,494,804	1,545,973	10,578,702	10,575,595
Construction in Process	28,010,812	6,406,966	-	-	28,010,812	6,406,966
Total	\$ 95,510,984	\$ 76,153,192	\$ 5,105,456	\$ 5,252,081	\$ 100,616,440	\$ 81,405,273

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

Debt. At year-end the Town of Colchester had \$18,635,000 in bonds and bond anticipation notes outstanding. All of the bonds are backed by the full faith and credit of the Town of Colchester.

Town of Colchester Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation						
Bonds (backed by the Town)	\$ 6,635,000	\$ 8,160,000	\$ -	\$ -	\$ 6,635,000	\$ 8,160,000
Bonds anticipation notes	12,000,000	-	-	-	12,000,000	-
	18,635,000	8,160,000	-	-	18,635,000	8,160,000
Clean Water Fund						
Loan	\$ -	\$ -	\$ 1,376,896	\$ 1,498,096	\$ 1,376,896	\$ 1,498,096

The Town issued bond anticipation notes (BANs) in January 2018 in the amount of \$20,850,000 with an interest rate of 2.50%. The BANS matured in October 2018, at which time the Town funded the outstanding issue with \$12,000,000 in general obligation bonds and \$8,850,000 in bond anticipation notes. The bonds were issued with interest rates ranging from 3.00% to 5.00% with final maturity in FY 2045-2046. The BANs were issued with an interest rate of 3.00% and will mature on October 16, 2019, at which time general obligation bonds are expected to be issued.

Official statements for the bond and bond anticipation note issues are available on the Town's website, www.colchesterct.gov.

In September 2018, S&P Global Ratings issued a rating of AA+ on the Town's general obligation bond issue of \$12,000,000 and SP-1+ on the Town's bond anticipation note issue of \$8,850,000. The rating report indicated that the rating reflects S&P Global Ratings' opinion of the following factors for Colchester: strong economy, strong management with good financial policies and practices, strong budgetary performance, and very strong budgetary flexibility with an available fund balance that is expected to improve in the near term from its fiscal 2017 level, very strong liquidity, and very strong debt and contingent liability profile.

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

Economic Factors and Next Year's Budgets and Rates

The Town of Colchester's unemployment rate decreased to 3.5% as of June 2018, which remains less than the State of Connecticut rate of 4.5% for the same time period. As of November 2018, the Town's unemployment rate had decreased to 2.6% and the State's unemployment rate decreased to 3.0%. In response to reductions in State funding, steps continue to be taken to closely monitor revenues and expenditures, implement energy cost-saving measures, participate in energy rebate programs, pursue grant opportunities, and review opportunities to share services with surrounding Towns and School districts.

The grand list as of October 2017 reflected an increase of 1.2%. This followed several years of small increases in the taxable grand list of 0.6% as of October 2013, 0.6% as of October 2014, and 1.15% as of October 2015. The grand list of October 2016, which was a revaluation year, reflected a small decrease of 1.1%.

Two of the Town's major employers are expanding operations in Colchester, and two large residential developments continue construction of new homes. Average home prices have remained stable with a median sale price in the top half of the State average. New commercial space has been developed, or has been approved and permitted, or is in the design stages for permitting. A retail center has been approved, but is not yet constructed. Streetscape and lighting improvement projects have been approved and/or completed, and existing retail spaces are considering expansion, while vacant commercial properties are being redeveloped.

The FY 2018-2019 final adopted budget of \$55,370,654 represents an increase of \$26,166 over the adopted budget for FY 2017-2018 of \$55,344,488. The adopted budget reflects a decrease of 0.09 mills for a property tax mil rate of 32.28. The Town and Education budgets were adopted at a referendum vote on June 19, 2018. The budget reflects an increase in the estimated tax collection rate from 98.6% to 98.8%, along with a projected decrease in State funding, and an increase in estimated revenue from investment income.

The Town was presented with the Government Finance Officers Association Distinguished Budget Presentation Award for the adopted budget documents for the fiscal years 2012-2013, 2013-2014, 2014-2015, 2015-2016, 2016-2017 and 2017-2018. The Town believes that the FY 2018-2019 budget continues to conform to program requirements, and has submitted it to GFOA to determine its eligibility for another award.

Requests for Information

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

Basic Financial Statements

Town of Colchester, Connecticut

**Statement of Net Position
June 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 27,658,636	\$ 1,060,186	\$ 28,718,822
Receivables (net of allowances for collection losses):			
Property taxes and interest	944,583	-	944,583
Assessments	301,985	-	301,985
Accounts receivable	72,235	349,767	422,002
Intergovernmental	897,654	-	897,654
Prepaid	985	49	1,034
Inventory	32,079	64,970	97,049
Capital assets, non-depreciable	31,597,691	-	31,597,691
Capital assets, net of accumulated depreciation	63,913,293	5,105,456	69,018,749
Total assets	125,419,141	6,580,428	131,999,569
Deferred outflows of resources:			
Deferred charges on refundings	148,899	-	148,899
Deferred pension-related items	170,686	-	170,686
Total deferred outflows of resources	319,585	-	319,585
Liabilities			
Accounts payable and accrued liabilities	3,969,425	20,712	3,990,137
Claims payable	506,588	-	506,588
Unearned revenues	28,168	-	28,168
Bond anticipation notes	8,850,000	-	8,850,000
Noncurrent liabilities:			
Due within one year	2,022,880	123,795	2,146,675
Due in more than one year	29,314,221	1,253,101	30,567,322
Total liabilities	44,691,282	1,397,608	46,088,890
Deferred inflows of resources:			
Advance tax collections	62,897	-	62,897
Deferred pension-related items	108,805	-	108,805
Deferred OPEB-related items	128,674	-	128,674
Total deferred inflows of resources	300,376	-	300,376
Net position:			
Net investment in capital assets	70,925,735	3,728,560	74,654,295
Restricted	1,749,640	-	1,749,640
Unrestricted	8,071,693	1,454,260	9,525,953
Total net position	\$ 80,747,068	\$ 5,182,820	\$ 85,929,888

See notes to financial statements.

Town of Colchester, Connecticut

**Statement of Activities
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General Government	\$ (3,531,523)	\$ 585,987	\$ 9,250	\$ -	\$ (2,936,286)	\$ -	\$ (2,936,286)
Public Safety	(3,478,855)	952,672	19,113	-	(2,507,070)	-	(2,507,070)
Public Works	(4,858,649)	1,041,953	-	719,631	(3,097,065)	-	(3,097,065)
Community and Human Services	(2,838,049)	362,144	274,274	676,682	(1,524,949)	-	(1,524,949)
Education	(52,096,191)	1,000,652	21,893,195	11,735,633	(17,466,711)	-	(17,466,711)
Interest on long-term debt	(553,746)	-	-	-	(553,746)	-	(553,746)
Total governmental activities	(67,357,013)	3,943,408	22,195,832	13,131,946	(28,085,827)	-	(28,085,827)
Business-type activities:							
Water	(982,659)	1,114,532	-	-	-	131,873	131,873
Total business-type activities	(982,659)	1,114,532	-	-	-	131,873	131,873
Total primary government	\$ (68,339,672)	\$ 5,057,940	\$ 22,195,832	\$ 13,131,946	(28,085,827)	131,873	(27,953,954)
General revenues:							
Property taxes					39,567,148	-	39,567,148
Grants and contributions not restricted to specific programs					287,048	-	287,048
Unrestricted investment earnings					437,614	8,091	445,705
Miscellaneous					111,218	-	111,218
Transfers					13,580	(13,580)	-
Total general revenues and transfers					40,416,608	(5,489)	40,411,119
Change in net position					12,330,781	126,384	12,457,165
Net position - beginning, as restated*					68,416,287	5,056,436	73,472,723
Net position - ending					<u>\$ 80,747,068</u>	<u>\$ 5,182,820</u>	<u>\$ 85,929,888</u>

See notes to financial statements.

* See Note 1

Town of Colchester, Connecticut

**Balance Sheet - Governmental Funds
June 30, 2018**

	Major Funds				Nonmajor	Total
	General	Capital	Johnston	Educational	Governmental	Governmental
	Fund	Reserve	Building	Grants	Funds	Funds
	Fund	Fund	Project Fund	Fund		
Assets						
Cash and cash equivalents	\$ 9,358,763	\$ 1,784,309	\$ 7,563,162	\$ 83,024	\$ 6,248,788	\$ 25,038,046
Receivables (net of allowances for collection losses):						
Property taxes	944,583	-	-	-	-	944,583
Assessments and user charges	-	-	-	-	301,985	301,985
Intergovernmental	-	-	659,108	37,170	201,376	897,654
Accounts receivable	18,469	1,543	-	6,514	41,850	68,376
Prepaid	983	-	-	-	2	985
Inventory	24,704	-	-	-	7,375	32,079
Total assets	\$ 10,347,502	\$ 1,785,852	\$ 8,222,270	\$ 126,708	\$ 6,801,376	\$ 27,283,708
Liabilities						
Accounts payable and accrued liabilities	\$ 1,008,901	\$ 13,017	\$ 2,327,694	\$ 9,192	\$ 403,903	\$ 3,762,707
Unearned revenue	-	-	-	-	28,168	28,168
Bond anticipation notes payable	-	-	8,850,000	-	-	8,850,000
Total liabilities	1,008,901	13,017	11,177,694	9,192	432,071	12,640,875
Deferred inflows of resources:						
Advance tax collections	62,897	-	-	-	-	62,897
Unavailable resources-other	868,761	-	-	-	241,680	1,110,441
Total deferred inflows of resources	931,658	-	-	-	241,680	1,173,338
Fund balances(deficits):						
Nonspendable	25,687	-	-	-	7,375	33,062
Restricted	-	-	-	117,516	1,632,124	1,749,640
Committed	273,318	1,772,835	-	-	4,582,459	6,628,612
Assigned	1,238,154	-	-	-	-	1,238,154
Unassigned	6,869,784	-	(2,955,424)	-	(94,333)	3,820,027
Total fund balances (deficits)	8,406,943	1,772,835	(2,955,424)	117,516	6,127,625	13,469,495
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 10,347,502	\$ 1,785,852	\$ 8,222,270	\$ 126,708	\$ 6,801,376	

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

Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds.	95,510,984
Other long term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,110,441
Internal service funds are used by management to charge the costs of health insurance premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	2,117,861
Deferred charge on refunding	148,899
Deferred OPEB-related items	(128,674)
Deferred pension-related items	61,881
Accrued interest payable is not recorded in the funds	(206,718)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(31,337,101)

Net position of governmental activities \$ 80,747,068

See notes to financial statements.

Town of Colchester, Connecticut

**Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) -
Governmental Funds
For the Year Ended June 30, 2018**

	Major Funds				Nonmajor	Total
	General	Capital	Johnston	Educational	Governmental	Governmental
	Fund	Reserve	Building	Grants	Funds	Funds
	Fund	Fund	Project Fund	Fund		
Revenues:						
Property taxes, interest & lien fees	\$ 39,539,056	\$ -	\$ -	\$ -	\$ -	\$ 39,539,056
Intergovernmental revenues	21,032,544	-	11,735,633	1,087,252	1,436,238	35,291,667
Revenues from use of money	272,088	-	-	-	12,174	284,262
Fees, permits and sales	750,679	-	-	-	466,123	1,216,802
Charges for services and assessments	594,493	-	-	90,000	1,677,311	2,361,804
Other	447,926	14,716	-	47,450	293,576	803,668
Total revenues	62,636,786	14,716	11,735,633	1,224,702	3,885,422	79,497,259
Expenditures:						
Current:						
General government	3,413,682	-	-	-	32,678	3,446,360
Public safety	2,761,914	-	-	-	411,951	3,173,865
Public works	3,153,130	-	-	-	1,093,536	4,246,666
Community and human services	1,491,049	-	-	-	1,129,763	2,620,812
Education	47,020,602	-	-	1,267,506	892,772	49,180,880
Debt service	1,791,665	-	-	-	444,430	2,236,095
Capital outlay	-	90,191	22,539,261	-	677,597	23,307,049
Total expenditures	59,632,042	90,191	22,539,261	1,267,506	4,682,727	88,211,727
Excess (deficiency) of revenues over expenditures	3,004,744	(75,475)	(10,803,628)	(42,804)	(797,305)	(8,714,468)
Other financing sources (uses):						
Transfers in	-	366,100	-	87,981	1,343,500	1,797,581
Transfers out	(1,770,601)	(13,400)	-	-	-	(1,784,001)
Proceeds from debt issuance	-	-	12,000,000	-	-	12,000,000
Premium bond anticipation notes	-	-	-	-	153,352	153,352
Total other financing sources (uses)	(1,770,601)	352,700	12,000,000	87,981	1,496,852	12,166,932
Net change in fund balances (deficits)	1,234,143	277,225	1,196,372	45,177	699,547	3,452,464
Fund balances (deficits), beginning	7,172,800	1,495,610	(4,151,796)	72,339	5,428,078	10,017,031
Fund balances (deficits), ending	<u>\$ 8,406,943</u>	<u>\$ 1,772,835</u>	<u>\$ (2,955,424)</u>	<u>\$ 117,516</u>	<u>\$ 6,127,625</u>	<u>\$ 13,469,495</u>

See notes to financial statements.

Town of Colchester, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018**

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

Net change in fund balances – total governmental funds	\$ 3,452,464
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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 depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	19,357,792
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Net changes in deferred revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	23,603
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Change in deferred pension related items.	(14,479)
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Change in deferred OPEB related items.	(128,674)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(10,151,338)
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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.	(697,883)
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The net income of certain activities of internal service funds is reported with governmental activities.	489,296
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Change in net position of governmental activities	<u>\$ 12,330,781</u>
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See notes to financial statements.

Town of Colchester, Connecticut

**Statement of Net Position - Proprietary Funds
June 30, 2018**

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,060,186	\$ 2,620,590
Accounts receivable	349,767	3,859
Inventory	64,970	-
Prepaid Expenses	49	-
Total current assets	1,474,972	2,624,449
Capital assets, net of accumulated depreciation	5,105,456	-
Total assets	6,580,428	2,624,449
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	20,712	-
Claims payable	-	506,588
Loan payable- current	123,795	-
Total current liabilities	144,507	506,588
Noncurrent liabilities:		
Loan payable	1,253,101	-
Total noncurrent liabilities	1,253,101	-
Total liabilities	1,397,608	506,588
Net position:		
Net investment in capital assets	3,728,560	-
Unrestricted	1,454,260	2,117,861
Total net position	\$ 5,182,820	\$ 2,117,861

See notes to financial statements.

Town of Colchester, Connecticut

**Statement of Revenues, Expenses and Changes in Fund Net Position -
Proprietary Funds
For the Year Ended June 30, 2018**

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
Operating revenues:		
Water use fees and charges	\$ 1,114,532	\$ -
Premiums	-	8,165,470
Total operating revenues	1,114,532	8,165,470
Operating expenses:		
Claims/operating	731,171	6,615,057
Depreciation	220,902	-
Administration and premiums	-	1,061,389
Total operating expenses	952,073	7,676,446
Operating income	162,459	489,024
Nonoperating revenues (expenses):		
Interest income	8,091	272
Interest expense	(30,586)	-
Total nonoperating revenue (expenses)	(22,495)	272
Other financing uses:		
Transfers out	(13,580)	-
Total transfers out	(13,580)	-
Change in fund net position	126,384	489,296
Fund net position, beginning	5,056,436	1,628,565
Fund net position, ending	\$ 5,182,820	\$ 2,117,861

See notes to financial statements.

Town of Colchester, Connecticut

**Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018**

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
Cash flows from operating activities:		
Cash received from charges for services	\$ 1,112,593	\$ -
Cash received for premiums	-	8,165,470
Cash paid to vendors, premiums and claims	(761,672)	(7,764,199)
Net cash provided by operating activities	350,921	401,271
Cash flows from capital and related financing activities:		
Purchase of capital assets	(74,277)	-
Interest paid	(44,166)	-
Principal payments of debt	(121,200)	-
Net cash used in capital and related financing activities	(239,643)	-
Cash flows from investing activities:		
Interest on cash and cash equivalents	8,091	272
Net increase in cash and cash equivalents	119,369	401,543
Cash and cash equivalents:		
Beginning	940,817	2,219,047
Ending	<u>\$ 1,060,186</u>	<u>\$ 2,620,590</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 162,459	\$ 489,024
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	220,902	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,939)	38,141
(Increase) decrease in inventories	(4,193)	-
(Increase) decrease in prepaid expenses	(49)	-
Increase (decrease) in accounts payable	(26,259)	(73,050)
Increase (decrease) in claims payable	-	(52,844)
Net cash provided by operating activities	\$ 350,921	\$ 401,271

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2018

	Pension Trust Fund	Private Purpose Trust Fund	Agency Fund
Assets			
Cash and cash equivalents	\$ -	\$ 450	\$ 411,045
Investments	2,373,914	-	-
Total assets	<u>2,373,914</u>	<u>450</u>	<u>411,045</u>
Liabilities			
Amounts held for student activities and other	-	-	411,045
Total liabilities	<u>-</u>	<u>-</u>	<u>411,045</u>
Net position restricted for pension benefits and other purposes	<u>\$ 2,373,914</u>	<u>\$ 450</u>	<u>\$ -</u>

See notes to financial statements.

Town of Colchester, Connecticut

**Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2018**

	Pension Trust Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Employee	\$ 88,107	\$ -
Employer	142,578	-
Total contributions	<u>230,685</u>	<u>-</u>
Investment Income:		
Net appreciation in fair value of investments	113,723	-
Investment income	<u>113,723</u>	<u>-</u>
Total additions	<u>344,408</u>	<u>-</u>
Deductions:		
Administrative	-	-
Total deductions	<u>-</u>	<u>-</u>
Change in net position	344,408	-
Net position- restricted for pension benefits and other purposes:		
Beginning of year	<u>2,029,506</u>	<u>450</u>
End of year	<u>\$ 2,373,914</u>	<u>\$ 450</u>

See notes to financial statements.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

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

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

Accounting standards adopted in the current year: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, was implemented on July 1, 2017. This statement revised and established new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions. Among other requirements, Statement No. 75 required governments to report a liability on the face of the financial statements for the OPEB that they provide: 1) Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. 2) Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. 3) Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

The effects of the implementation of this statement are as follows: The beginning net position was decreased by \$3,454,870, a total OPEB liability of \$6,110,828 was added, and an OPEB obligation of \$2,655,958 was removed.

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

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Town reports the following major governmental funds:

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

The **Capital Reserve Fund** accounts for financial resources to be used for the acquisition of vehicles and equipment which are financed by General Fund appropriations and capital lease proceeds. This fund is reported as major for public interest purposes.

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

The **Educational Grants Fund** accounts for and reports financial resources to be used for the grants associated with education. This fund is reported as major for public interest purposes.

The Town reports the following major proprietary fund:

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

Additionally, the Town reports the following fund types:

Governmental funds:

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

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

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

Proprietary fund:

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

Fiduciary Funds:

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

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

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Cash equivalents: The Town considers all highly liquid investments and those investments with a maturity of three months or less when purchased to be cash equivalents. The Connecticut State Treasurer's Short-Term Investment Fund (STIF) is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. The cash portfolio adheres to GASB Statement No. 79, *Certain Investment Pools and Pool Participants*, which amends GASB Statement No. 31 and establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

Allowances for doubtful accounts: Accounts and notes receivable, including property taxes receivable, are reported net of allowance for doubtful accounts of \$795,913. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's ability to pay.

Investments: Investments are stated at fair value.

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

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

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The three categories within the hierarchy are as follows:

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

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

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

See Note 3 for additional information regarding fair value.

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

Capital assets: Capital assets, which include property, buildings, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed.

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

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

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Total OPEB liability: The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total OPEB liability). The Town has accumulated no assets to fund the OPEB liability and therefore does not have a fiduciary fund to pay OPEB benefits. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. The Town reports the total OPEB liability in the statement of net position.

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

Net investment in capital assets: This category groups all capital assets, including infrastructure, into one component of net position, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

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

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

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

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

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

Committed fund balance: This represents amounts constrained, prior to year-end, for a specific purpose by a government using its highest level of decision-making authority (Town of Colchester Board of Finance/Board of Selectmen) in the form of a resolution/ordinance. Once adopted, the limitation imposed by the resolution/ordinance remains in place until similar action is taken to remove or revise the limitation.

Assigned fund balance: Amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. The Chief Financial Officer has been delegated the authority to assign fund balances.

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

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

Town of Colchester, Connecticut

Notes to Financial Statements

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

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position: The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds, and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ 6,635,000
BAN payable	12,000,000
Premium on bonds	192,149
Capital lease obligation	2,292,467
Landfill closure costs	90,000
Compensated absences	3,327,209
Net pension liability	540,514
Total OPEB liability	<u>6,259,762</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 31,337,101</u>

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

Capital outlay	\$ 22,753,418
Depreciation expense	<u>(3,395,626)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 19,357,792</u>

Town of Colchester, Connecticut

Notes to Financial Statements

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

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

Principal repayments	\$ 1,837,848
BAN proceeds	(12,000,000)
Net amortization of premiums and deferred losses	10,814
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (10,151,338)</u>

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

Compensated absences	(363,506)
Landfill closure	15,000
Accrued interest	(166,313)
Net pension liability	(34,130)
Total OPEB liability	<u>(148,934)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (697,883)</u>

Note 3. Cash, Cash Equivalents and Investments

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

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

Town of Colchester, Connecticut

Notes to Financial Statements

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

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

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

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2018, approximately \$25,208,000 of the Town's bank balance of approximately \$29,398,000 was uninsured and uncollateralized.

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

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2018:

Cash and cash equivalents:	
Deposits with financial institutions	\$ 28,754,497
STIF	375,820
Total cash and cash equivalents	<u>29,130,317</u>
Investments:	
Pension trust funds:	
Equity mutual funds	2,373,914
Total cash, cash equivalents, and investments	<u>\$ 31,504,231</u>

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

Statement of net position:	
Cash and cash equivalents	<u>\$ 28,718,822</u>
Fiduciary funds:	
Cash and cash equivalents	411,495
Investments	2,373,914
Total cash, cash equivalents, and investments	<u>2,785,409</u>
	<u>\$ 31,504,231</u>

Town of Colchester, Connecticut

Notes to Financial Statements

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

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town has no investments subject to interest rate risk.

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

	Standard & Poor's	Pooled Income Fund
STIF	AAAm	\$ 375,820
		<u>\$ 375,820</u>

Fair value: The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Plan has the following recurring fair value measurements as of June 30, 2018:

	Fair Value Measurements Using					
	Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)	
June 30, 2018						
Investments by fair value level:						
Equity mutual funds	\$	2,373,914	\$	2,373,914	\$ -	\$ -
Total investments by fair value level	\$	2,373,914	\$	2,373,914	\$ -	\$ -

Note 4. Unearned Revenue/Deferred Inflows of Resources

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

	Deferred Inflows	Unearned Revenue
General fund:		
Advance tax collections	\$ 62,897	\$ -
Taxes and accrued interest on delinquent property taxes	868,761	-
Nonmajor funds:		
Assessments receivable	199,830	-
Grants and other	41,850	28,168
Total	<u>\$ 1,173,338</u>	<u>\$ 28,168</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 5. Interfund Transfers

Interfund transfers during the year ended June 30, 2018 were as follows:

	Transfers In	Transfers Out
General fund	\$ -	\$ 1,770,601
Capital reserve fund	366,100	13,400
Educational grants fund	87,981	-
Water fund	-	13,580
Nonmajor governmental funds	1,343,500	-
Total	<u>\$ 1,797,581</u>	<u>\$ 1,797,581</u>

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

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,586,879	\$ -	\$ -	\$ 3,586,879
Construction in process	6,406,966	21,603,846	-	28,010,812
Total capital assets, not being depreciated	<u>9,993,845</u>	<u>21,603,846</u>	<u>-</u>	<u>31,597,691</u>
Capital assets, being depreciated:				
Improvements other than buildings	2,142,482	-	-	2,142,482
Buildings	89,787,901	-	-	89,787,901
Machinery and equipment	17,443,537	626,703	(16,000)	18,054,240
Infrastructure	39,171,531	522,869	-	39,694,400
Total capital assets being depreciated	<u>148,545,451</u>	<u>1,149,572</u>	<u>(16,000)</u>	<u>149,679,023</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,557,198	56,172	-	1,613,370
Buildings	38,846,328	1,874,269	-	40,720,597
Machinery and equipment	11,840,669	996,592	(16,000)	12,821,261
Infrastructure	30,141,909	468,593	-	30,610,502
Total accumulated depreciation	<u>82,386,104</u>	<u>3,395,626</u>	<u>(16,000)</u>	<u>85,765,730</u>
Total capital assets, being depreciated, net	<u>66,159,347</u>	<u>(2,246,054)</u>	<u>-</u>	<u>63,913,293</u>
Governmental activities capital assets, net	<u>\$ 76,153,192</u>	<u>\$ 19,357,792</u>	<u>\$ -</u>	<u>\$ 95,510,984</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Buildings	\$ 5,467,024	\$ 74,277	\$ -	\$ 5,541,301
Machinery and equipment	419,286	-	-	419,286
Improvements other than buildings	25,591	-	-	25,591
Infrastructure	3,232,929	-	-	3,232,929
Total capital assets, being depreciated	9,144,830	74,277	-	9,219,107
Less accumulated depreciation for:				
Buildings	1,971,996	140,875	-	2,112,871
Machinery and equipment	211,356	28,648	-	240,004
Improvements other than buildings	22,441	210	-	22,651
Infrastructure	1,686,956	51,169	-	1,738,125
Total accumulated depreciation	3,892,749	220,902	-	4,113,651
Total capital assets, being depreciated, net	5,252,081	(146,625)	-	5,105,456
Business-type activities capital assets, net	\$ 5,252,081	\$ (146,625)	\$ -	\$ 5,105,456

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

Governmental activities:	
General government	\$ 85,111
Public works	1,002,136
Public safety	203,229
Community and human services	253,011
Education	1,852,139
Total depreciation expense – governmental activities	<u>\$ 3,395,626</u>
Business-type activities:	
Water fund	<u>\$ 220,902</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations, Bond Anticipation Notes and Subsequent Event

Bond anticipation notes and subsequent event: The Town had \$20,850,000 of bond anticipation notes outstanding as of June 30, 2018. The bond anticipation notes bear interest at 2.50% and a yield of 1.49% and matured on October 17, 2018. Bond anticipation notes were issued for the William J. Johnston Middle School Project.

Bond anticipation note transactions for the year ended June 30, 2018, were as follows:

Outstanding, July 1, 2017	\$ 9,550,000
Borrowings	20,850,000
Repayments	(9,550,000)
Outstanding, June 30, 2018	<u>\$ 20,850,000</u>
Reported as:	
Long-term debt - governmental	<u>\$ 12,000,000</u>
Short-term debt - governmental	<u>\$ 8,850,000</u>

Subsequent event: On October 17, 2018, the Town issued new BAN's in the amount of \$8,850,000 with an interest rate of 3.00% due on October 16, 2019. In addition, on October 17, 2018, the Town issued \$12,000,000 of General Obligation Bonds with interest rates ranging from 3.00%-5.00%. \$12,000,000 of the outstanding BAN's are considered long-term in the financial statements.

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance as restated*	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 8,160,000	\$ -	\$ (1,525,000)	\$ 6,635,000	\$ 1,495,000
Bond anticipation note proceeds	-	12,000,000	-	12,000,000	
Bond premium	240,187	-	(48,038)	192,149	48,038
Capital lease obligation	2,605,315	-	(312,848)	2,292,467	318,620
Landfill post-closure monitoring	105,000	-	(15,000)	90,000	15,000
Compensated absences	2,963,703	363,506	-	3,327,209	146,222
Net pension liability	506,384	34,130	-	540,514	-
Total OPEB liability*	6,110,828	148,934	-	6,259,762	-
Governmental activity long-term liabilities	<u>\$ 20,691,417</u>	<u>\$ 12,546,570</u>	<u>\$ (1,900,886)</u>	<u>\$ 31,337,101</u>	<u>\$ 2,022,880</u>
Business-type Activities					
CWF loans	\$ 1,498,096	\$ -	\$ (121,200)	\$ 1,376,896	\$ 123,795
Business-type long-term liabilities	<u>\$ 1,498,096</u>	<u>\$ -</u>	<u>\$ (121,200)</u>	<u>\$ 1,376,896</u>	<u>\$ 123,795</u>

* Amounts restated due to implementation of GASB Statement No. 75

Town of Colchester, Connecticut

Notes to Financial Statements

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

All bonds are general obligations of the Town and are secured by the taxing authority powers of the Town. General obligation bonds outstanding as of June 30, 2018 consisted of the following:

	Outstanding Amount
General obligation bonds payable:	
\$8,400,000 refunding bond, issue of 2012 due 2025, annual principal payments range from \$320,000 to \$850,000 plus interest due semi-annually at 2.0% to 4.0%	\$ 4,905,000
\$6,595,000 bond, issue of 2010 due 2021, annual principal payments range from \$390,000 to \$720,000 plus interest due semi-annually at 2.25% to 5.0%	1,730,000
Total general obligation bonds payable	<u>\$ 6,635,000</u>

The following is a summary as of June 30, 2018, of the future principal and interest requirements for the Town's general obligation bonds, excluding bond anticipation notes:

	Principal	Interest	Total
2019	\$ 1,495,000	\$ 215,415	\$ 1,710,415
2020	1,490,000	157,165	1,647,165
2021	1,200,000	99,065	1,299,065
2022	800,000	61,115	861,115
2023	560,000	37,115	597,115
2024-2025	1,090,000	37,215	1,127,215
	<u>\$ 6,635,000</u>	<u>\$ 607,090</u>	<u>\$ 7,242,090</u>

Capital leases: The Town owns various vehicles and equipment with a carrying value of \$2,201,474 which were acquired under capital lease arrangements. The Town is required under these agreements to make the following annual lease payments:

2019	\$ 360,225
2020	360,225
2021	360,225
2022	360,225
2023	360,225
Thereafter	655,954
Total payments	<u>2,457,079</u>
Less interest	(164,612)
Present value of minimum payments	<u>\$ 2,292,467</u>

Town of Colchester, Connecticut

Notes to Financial Statements

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

The Town received Clean Water Fund Project loans that are recorded as a loan payable in the Water Fund. The balance at June 30, 2018 is \$1,376,896. These loans accrue interest at 2.0%. The following is a summary as of June 30, 2018, of the future principal and interest payments on these loans:

	Principal	Interest	Total
2019	\$ 123,795	\$ 27,992	\$ 151,787
2020	126,444	25,342	151,786
2021	129,151	22,635	151,786
2022	131,916	19,870	151,786
2023	134,740	17,046	151,786
2024-2028	718,223	40,710	758,933
2029	12,627	22	12,649
	<u>\$ 1,376,896</u>	<u>\$ 153,617</u>	<u>\$ 1,530,513</u>

Debt limitation: The Town's statement of debt limitation under Connecticut General Statutes, Section 7-434(b) as of June 30, 2018 is as follows:

Total tax collections (including interest and lien fees) for the year ended June 30, 2018	\$ 39,484,008
Reimbursement for revenue loss	
Tax relief for elderly	-
Base	<u>\$ 39,484,008</u>

Town of Colchester, Connecticut

Notes to Financial Statements

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

The Connecticut General Statutes provides that total authorized debt of the Town shall not exceed seven times the above base cash receipts of \$39,484,008 or \$276,388,056 nor shall the total authorized particular purpose debt exceed the individual debt limitations reflected in the table below:

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 88,839,018	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	177,678,036	-	-	-
3-3/4 times base	-	-	148,065,030	-	-
3-1/4 times base	-	-	-	128,323,026	-
3 times base	-	-	-	-	118,452,024
Total debt limitation	88,839,018	177,678,036	148,065,030	128,323,026	118,452,024
Debt as defined by statute:					
Bonds payable ⁽¹⁾	858,000	5,777,000	-	-	-
Bond anticipation notes	-	20,850,000	-	-	-
Authorized and unissued	-	12,444,893	-	-	-
Total indebtedness	858,000	39,071,893	-	-	-
Estimated school construction grant progress payments	-	(13,799,618)	-	-	-
Debt limitation in excess of outstanding and authorized debt	\$ 87,981,018	\$ 152,405,761	\$ 148,065,030	\$ 128,323,026	\$ 118,452,024

(1) Clean Water Fund financing totaling \$1,376,896 are excluded from this calculation pursuant to Connecticut General Statutes.

Bonds authorized but unissued: Total authorized but unissued debt at June 30, 2018 consists of the following:

General purpose	\$ -
Schools	12,444,893
	<u>\$ 12,444,893</u>

Note 8. Contingencies

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans

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

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

1. Classes of Employees Covered

At July 1, 2016, Plan membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	9
Total members	<u>9</u>

2. Benefit Provisions

a. Benefit Provisions

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

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

If an employee leaves covered employment or dies before 10 years of service, accumulated employee contributions are refunded with retirement income being forfeited. Benefits and contributions are established by the Town and may be amended only by the Town. The latest actuarial valuation reflects no material changes in funding method or assumptions.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

b. Funding Policy

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

Investments:

Investment policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Colchester Retirement Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following was the adopted allocation policy as of June 30, 2018.

Asset Class	Target Allocation %
Cash	4.0%
Equities	64.0%
Fixed Income	32.0%
Total	<u>100.0%</u>

Rate of return: For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.33%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability of the Town: The components of the net pension liability of the Town at June 30, 2018 were as follows:

Net Pension Liability	June 30, 2018
Total pension liability	\$ 2,914,428
Plan fiduciary net position	<u>2,373,914</u>
Net pension liability	<u>\$ 540,514</u>
Plan fiduciary net position as a percentage of total pension liability	81.45%
Covered payroll	\$ 693,575
Net pension liability as % of covered payroll	77.93%

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

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

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

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

The total pension liability was determined by an actuarial valuation as of July 1, 2016, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date June 30, 2018. There have been no significant changes between the valuation date and the fiscal year-end.

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

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

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

Net pension liability of the Town: The components of the net pension liability of the Town at June 30, 2018 were as follows:

	Changes in the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 2,535,890	\$ 2,029,506	\$ 506,384
Changes for the year:			
Service cost	187,875	-	187,875
Interest	190,663	-	190,663
Changes of assumptions	-	-	-
Contributions - employer	-	142,578	(142,578)
Contributions - member	-	88,107	(88,107)
Net investment income (including investment expenses)	-	113,723	(113,723)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	-	-
Net changes	378,538	344,408	34,130
Balances at June 30, 2018	<u>\$ 2,914,428</u>	<u>\$ 2,373,914</u>	<u>\$ 540,514</u>

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the Town, calculated using the discount rate of 7.0%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability	\$ 1,095,583	\$ 540,514	\$ 99,840

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

For the year ended June 30, 2018, the Town of Colchester recognized pension expense of \$179,472. As of June 30, 2018, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (108,805)
Changes of assumptions	98,066	-
Net difference between projected and actual earnings on pension plan investments	72,620	-
Total	<u>\$ 170,686</u>	<u>\$ (108,805)</u>

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

Years ending June 30:

2019	\$ 39,181
2020	23,947
2021	(720)
2022	6,308
2023	(976)
Thereafter	(5,859)
	<u>\$ 61,881</u>

Connecticut State Teachers' Retirement System:

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

The System is considered a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained at www.ct.gov.

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

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

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

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

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

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

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

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

Eligible employees are required to contribute 6.0% of their pensionable salary to the System as required by CGS Section 10-183b (7). Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

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

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

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

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

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

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

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

Pension liabilities, pension expense, and deferred inflows/outflows of resources: The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by GASB No. 68 and the State is treated as a non-employer contributing entity in the System. Since the Town does not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the net pension liability that was associated with the Town was \$63,053,688 and 100% of the collective net pension liability is allocated to the State. The Town has recognized pension revenues and expenses of \$7,293,470 for on-behalf payments for pension benefits paid directly to the System by the State of Connecticut.

The total pension liability was determined by an actuarial valuation as of July 1, 2016, and then was projected forward to the measurement date June 30, 2017.

Sensitivity of the proportionate share of the net pension liability (NPL) 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.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

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

Economic assumptions:

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

Demographic assumptions:

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

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

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

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

The Town total contributions to both plans for the year was \$507,903.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits

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

Plan administration: The general administration and management of the Town of Colchester OPEB plan and the responsibility for carrying out the provisions of the plan shall be placed with the Board of Selectmen. The plan does not issue separate financial statements.

Plan description: The Town provides post-employment benefits for certain employees for current and future health and life insurance benefit expenses. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was as of July 1, 2017.

Funding policy: The contribution requirements of plan members and the Town are also negotiated with the various unions representing the employees.

Membership in the plan consisted of the following at July 1, 2017, the date of the last actuarial valuation.

Inactive plan members or beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	26
Active plan members	335
Total members	<u>361</u>

The information presented was determined as part of the actuarial valuation as of July 1, 2017. Additional information as of the last actuarial valuations follows:

Valuation Date:	July 1, 2017
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.75%
Medical trend rate	5.80% - 4.70% over 65 years
Remaining Amortization Period	30 Years - decreasing

Actuarial Assumptions:	
Discount rate	3.87%

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

Total OPEB liability of the Town: The Town's total OPEB liability of \$6,259,762 was measured as of June 30, 2018, as determined by an actuarial valuation as of July 1, 2017, which was projected forward to June 30, 2018. The Town has not accumulated any assets in a fiduciary trust for payment of benefits.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

Total OPEB liability of the Town: The total OPEB liability as of June 30, 2018 is as follows:

	Total OPEB Liability
Total OPEB liability at June 30, 2018	\$ 6,259,762
Covered payroll	\$ 21,277,152
Total OPEB liability as a % of covered payroll	29.42%

Sensitivity of the net OPEB liability to changes in discount rate: The following presents the total OPEB liability of the Town, as well as what the Town's total 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:

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Total OPEB liability	\$ 6,941,393	\$ 6,259,762	\$ 5,670,516

Sensitivity of the net OPEB liability to changes in the health care cost trend rates: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	1% Decrease 4.80% decreasing to 3.70%	Current 5.80% decreasing to 4.70%	1% Increase 6.80% decreasing to 5.70%
Total OPEB liability	\$ 5,479,076	\$ 6,259,762	\$ 7,202,730

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

The Town reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (128,674)
Total	\$ -	\$ (128,674)

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

Years ending June 30:	
2019	\$ (17,388)
2020	(17,388)
2021	(17,388)
2022	(17,388)
2023	(17,388)
Thereafter	(41,734)
	<u>\$ (128,674)</u>

Other Post-Employment Benefit - Connecticut State Teachers' Retirement Plan

Plan description: Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education 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), if they choose to be covered.

Chapter 167a Section 10-183 (t) 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.

Benefit provisions: 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 CTRB 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.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

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). There are three choices for coverage under the CTRB Sponsored Medicare Supplemental Plans. The choices and 2017 calendar year premiums charged for each choice are shown in the table below:

• Medicare Supplement with Prescriptions	\$ 92
• Medicare Supplement with Prescriptions and Dental	136
• Medicare Supplement with Prescriptions, Dental, Vision & Hearing	141

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.

Eligibility: Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Plan.

Credited service: One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, State employment, or wartime military service may be purchased prior to retirement, if the Member pays one-half the cost.

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.

Proratable retirement: Age 60 with 10 years of credited service

Disability retirement: Five years of Credited Service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.

Termination of employment: 10 or more years of Credited Service.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

Contributions:

State of Connecticut

Per Connecticut General Statutes Section 10-183t, contribution requirements of active employees and the State of Connecticut are approved, 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.

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 pensionable salary up to \$500,000. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB: At June 30, 2018, 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 amount 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 was as follows:

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	16,229,300
	<u>\$ 16,229,300</u>

The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the measurement date of June 30, 2017. At June 30, 2018, the Town has no proportionate share of the net OPEB liability.

For the year ended June 30, 2018, the Town recognized OPEB expense and revenue of \$752,148 for on-behalf amounts for the benefits provided by the State.

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Health care costs trend rate	7.25% decreasing to 5.00% by 2022
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.56%, net of OPEB plan investment expense, including inflation
Year fund net position will Be depleted	2018

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the GASB 74 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.04%).

Discount rate: The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination.

Sensitivity of the net OPEB liability to changes in the health care cost trend rate and the discount rate: The Town's proportionate share of the net OPEB liability is \$-0- and, therefore, the change in the health care cost trend rate or the discount rate would only impact the amount recorded by the State of Connecticut.

Other information: Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan. 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 at www.ct.gov.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 11. Risk Management

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

The Medical Self-Insurance Fund is funded by monthly contributions from all funds incurring payroll charges. Anthem Blue Cross/Blue Shield, administrator of the claims process, aids the Town in calculating "premium" rates per contract. Under the Town's current policy, the Medical Self-Insurance Fund covers all employee claims up to \$125,000 per claim with an aggregate stop loss of 125% of expected claims paid which was approximately \$7,604,000 for the year ended June 30, 2018.

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

Changes in the balance of claim liabilities are as follows:

	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2017-2018	\$ 559,432	\$ 6,615,057	\$ 6,667,901	\$ 506,588
2016-2017	\$ 639,288	\$ 6,217,869	\$ 6,297,725	\$ 559,432

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

Note 12. Landfill Post-closure Care Cost

The Town's municipal solid waste landfill stopped accepting waste in 1994. State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the site for 30 years after closure. The remaining post-closure costs are estimated to be \$90,000 (\$15,000 per year for six years). Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The responsibility for post-closure monitoring will remain with the Town.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 13. Fund Balances (Deficits)

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

	General Fund	Capital Reserve Fund	Johnston Building Project Fund	Educational Grants Fund	Nonmajor Governmental Funds
Fund balances (deficits):					
Non-spendable:					
Prepaid	\$ 983	\$ -	\$ -	\$ -	\$ -
Inventory	24,704	-	-	-	7,375
	<u>25,687</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,375</u>
Restricted:					
General government	-	-	-	-	82,066
Education	-	-	-	117,516	-
Community and human services	-	-	-	-	632,070
Public safety	-	-	-	-	33,254
Capital outlay	-	-	-	-	884,734
	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,516</u>	<u>1,632,124</u>
Committed:					
Debt service	-	-	-	-	540,307
Capital outlay	163,015	1,772,835	-	-	3,457,115
Education	-	-	-	-	101,626
Public safety	-	-	-	-	64,739
Public works	110,303	-	-	-	418,672
	<u>273,318</u>	<u>1,772,835</u>	<u>-</u>	<u>-</u>	<u>4,582,459</u>
Assigned:					
Debt service	97,601	-	-	-	-
General government	21,047	-	-	-	-
Public safety	-	-	-	-	-
Public works	58,860	-	-	-	-
Community & human services	447	-	-	-	-
Education	1,060,199	-	-	-	-
	<u>1,238,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned (deficit)	<u>6,869,784</u>	<u>-</u>	<u>(2,955,424)</u>	<u>-</u>	<u>(94,333)</u>
Total fund balances (deficits)	<u>\$ 8,406,943</u>	<u>\$ 1,772,835</u>	<u>\$ (2,955,424)</u>	<u>\$ 117,516</u>	<u>\$ 6,127,625</u>

Fund deficits: The following funds had fund deficits as of June 30, 2018:

Johnston Building Project	\$ 2,955,424
Miscellaneous Grants	65,354
School Cafeteria Fund	21,604

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

Note 14. Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. The impact of the following accounting pronouncements are currently being assessed by the Town as to the impact to the financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, is effective for reporting periods beginning after June 15, 2018. The Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in the Statement. The Town is aware of this Statement and will assess its impact to ensure timely implementation.

GASB Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Town is aware of this Statement and will assess its impact to ensure timely implementation.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, which should result in the recognition and reporting of leased assets and the liability associated with subsequent lease payments, which have historically been classified as operating leases of the current reporting period only. The new Statement requires a Lessee to recognize a lease liability and an intangible right-to-use lease asset, with the lessor required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, defines debt purposes of disclosure in the notes to financial statements as a liability that arises from a contractual obligation to pay cash, or other assets in lieu of cash, to settle a fixed amount established at the date of obligation. The Statement requires additional information related to debt to be disclosed in the notes to financial statements, including unused lines of credit, assets pledged as collateral for the debt, and specified terms in debt agreements related to significant events of default and the resulting financial consequences. The Statement also requires disclosure be provided for direct borrowings and direct placements of debt separate from other forms of debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

**Required Supplementary
Information - unaudited**

Town of Colchester, Connecticut

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 145,300	\$ 123,370	\$ 119,514	\$ 106,914	\$ 101,215	\$ 82,202	\$ 74,068	\$ 93,178	\$ 77,704	\$ 45,732
Contributions in relation to the actuarially determined contribution	142,578	121,754	105,755	100,616	105,624	88,321	101,034	86,428	80,798	64,866
Contribution deficiency (excess)	\$ 2,722	\$ 1,616	\$ 13,759	\$ 6,298	\$ (4,409)	\$ (6,119)	\$ (26,966)	\$ 6,750	\$ (3,094)	\$ (19,134)
Covered payroll	\$ 693,575	\$ 665,300	\$ 743,711	\$ 694,695	\$ 662,403	\$ 633,878	\$ 571,675	\$ 421,643	\$ 550,743	\$ 557,408
Contributions as a percentage of covered payroll	20.56%	18.30%	14.22%	14.48%	15.95%	13.93%	17.67%	20.50%	14.67%	11.64%

Town of Colchester, Connecticut

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

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment income	5.33%	9.56%	-0.37%	1.93%	14.47%

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

Town of Colchester, Connecticut

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

	2018	2017	2016	2015	2014
Changes in Net Pension Liability					
Total pension liability:					
Service cost	\$ 187,875	\$ 183,453	\$ 175,553	\$ 167,993	\$ 178,216
Interest on total pension liability	190,663	177,808	152,603	130,517	106,587
Differences between expected and actual experience	-	(128,587)	-	-	234,034
Changes of assumptions	-	115,896	-	-	(356,174)
Benefit payments, including refunds of member contributions	-	-	-	(23,169)	-
Net change in total pension liability	378,538	348,570	328,156	275,341	162,663
Total pension liability, beginning	2,535,890	2,187,320	1,859,164	1,583,823	1,421,160
Total pension liability, ending (a)	2,914,428	2,535,890	2,187,320	1,859,164	1,583,823
Fiduciary net position:					
Employer contributions	142,578	121,754	105,755	100,616	105,624
Member contributions	88,107	85,202	82,346	81,805	86,864
Investment income net of investment expenses	113,723	167,058	(5,796)	26,378	149,423
Benefit payments	-	-	-	(23,169)	-
Net change in plan fiduciary net position	344,408	374,014	182,305	185,630	341,911
Fiduciary net position, beginning	2,029,506	1,655,492	1,473,187	1,287,557	945,646
Fiduciary net position, ending (b)	2,373,914	2,029,506	1,655,492	1,473,187	1,287,557
Net pension liability, ending = (a) - (b)	\$ 540,514	\$ 506,384	\$ 531,828	\$ 385,977	\$ 296,266
Fiduciary net position as a % of total pension liability	81.45%	80.03%	75.69%	79.24%	81.29%
Covered payroll	\$ 693,575	\$ 665,300	\$ 743,711	\$ 694,695	\$ 662,403
Net pension liability as a % of covered payroll	77.93%	76.11%	71.51%	55.56%	44.73%

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

Town of Colchester, Connecticut

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

	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	\$ 63,053,688	\$ 66,522,123	\$ 53,087,310	\$ 49,068,579
Total	\$ 63,053,688	\$ 66,522,123	\$ 53,087,310	\$ 49,068,579
Town's employee payroll	\$ 19,985,771	\$ 19,263,402	\$ 19,732,839	\$ 17,695,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0%	0%	0%	0%
System fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.56%

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

Town of Colchester, Connecticut

Required Supplementary Information - unaudited
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
Last Fiscal Year

2018

Changes in Total OPEB Liability

Total OPEB liability:

Service cost	\$	284,046
Interest on total pension liability		225,136
Effect of plan changes		-
Differences between expected and actual experience		-
Changes of assumptions		(146,062)
Benefit payments, including refunds of member contributions		(214,186)
Net change in total OPEB liability		<u>148,934</u>

Total OPEB liability, beginning

6,110,828

Total OPEB liability, ending (a)

\$ 6,259,762

Covered payroll

\$ 21,277,152

Total OPEB Liability as a % of covered payroll

29.42%

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

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

Town of Colchester, Connecticut

**Schedule of the Town's Proportionate Share of the Net OPEB Liability -
Teachers' Retirement Board Retiree Health Insurance Plan
Required Supplementary Information - unaudited
Last Fiscal Year**

	2018
Town's proportion of the net OPEB liability	0.0%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>\$ 16,229,300</u>
Total	<u>\$ 16,229,300</u>
Town's covered payroll	<u>\$ 19,985,771</u>
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>0%</u>
System fiduciary net position as a percentage of the total OPEB liability	<u>1.79%</u>

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

Town of Colchester, Connecticut

**Statement of Revenues and Expenditures - Budgetary Basis -
Budget and Actual - General Fund
Required Supplementary Information - unaudited
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
Revenues:				
Property taxes, interest and lien fees	\$ 39,468,561	\$ 39,468,561	\$ 39,539,056	\$ 70,495
Intergovernmental revenues	14,128,487	14,128,487	12,940,611	(1,187,876)
Revenues from the use of money	60,000	60,000	272,088	212,088
Charges for services	512,750	512,750	594,493	81,743
Licenses, permits and fees	747,490	747,490	750,679	3,189
Other revenues	427,200	427,200	458,239	31,039
Total revenues	55,344,488	55,344,488	54,555,166	(789,322)
Expenditures:				
General government	3,573,234	3,558,234	3,434,529	123,705
Public works	3,518,788	3,518,788	3,205,305	313,483
Public safety	2,859,187	2,859,187	2,757,852	101,335
Community and human services	1,607,338	1,607,338	1,516,496	90,842
Education	40,636,405	40,636,405	39,659,108	977,297
Debt service	1,791,666	1,791,666	1,791,665	1
Total expenditures	53,986,618	53,971,618	52,364,955	1,606,663
Excess (deficiency) of revenues over expenditures	1,357,870	1,372,870	2,190,211	817,341
Other financing uses:				
Transfers out	(1,357,870)	(1,372,870)	(1,332,070)	40,800
Total other financing uses	(1,357,870)	(1,372,870)	(1,332,070)	40,800
Revenues over (under) expenditures and other financing uses	\$ -	\$ -	\$ 858,141	\$ 858,141

See note to the required supplementary information.

Town of Colchester, Connecticut

Note to Required Supplementary Information - unaudited

Note 1. Budgets and Budgetary Accounting

The Town's general budget policies are as follows:

General Fund: The Chief Financial Officer compiles preliminary budgets for all departments and agencies, with the exception of the Board of Education, for presentation by the First Selectman to the Board of Selectmen and the Board of Finance. The Board of Education submits its budget directly to the Board of Finance.

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

The legal level of budgetary control is at the department level.

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

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

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

Revenues and transfers, budgetary basis	\$ 54,555,166
Prior year encumbrances cancelled	(10,313)
Excess cost revenue net against expenditures	46,315
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement and Health System	8,045,618
Revenues and transfers, GAAP basis	<u>\$ 62,636,786</u>

Town of Colchester, Connecticut

Note to Required Supplementary Information - unaudited

Note 1. Budgets and Budgetary Accounting (Continued)

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

Expenditures, transfers and encumbrances budgetary basis	\$ 53,697,025
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement and Health System	8,045,618
Excess cost revenue net against expenditures	46,315
Reclassified to General Fund in accordance with GASB 54	-
Encumbrances	
June 30, 2017	139,414
June 30, 2018	(525,729)
Expenditures and transfers, GAAP basis	<u>\$ 61,402,643</u>

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

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

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

General Fund

Town of Colchester, Connecticut

**General Fund
Balance Sheet
June 30, 2018 and 2017**

	2018	2017
Assets		
Cash and cash equivalents	\$ 9,248,460	\$ 8,575,460
Property taxes and interest receivable, net	944,583	961,521
Other receivables	18,469	14,970
Inventory	24,704	24,010
Prepaid expenses	983	3,600
Total assets	\$ 10,237,199	\$ 9,579,561
Liabilities		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,008,901	\$ 1,654,162
Total liabilities	1,008,901	1,654,162
Deferred inflows of resources:		
Advance tax collections	62,897	22,233
Unavailable resources	868,761	840,669
Total deferred inflows of resources	931,658	862,902
Fund balance:		
Nonspendable prepaids	983	3,600
Nonspendable inventory	24,704	24,010
Committed	163,015	-
Assigned	1,238,154	612,254
Unassigned	6,869,784	6,422,633
Total fund balance	8,296,640	7,062,497
Total liabilities, deferred inflows of resources fund balance	\$ 10,237,199	\$ 9,579,561

Note: This balance sheet excludes the Snow Reserve Fund.

Town of Colchester, Connecticut

**General Fund Revenues, Expenditures, and Other Financing Sources and Uses -
Budgetary Basis - Budget and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
Property taxes:				
Current year levy	\$ 38,843,561	\$ 38,843,561	\$ 38,810,079	\$ (33,482)
Prior years levy	425,000	425,000	371,693	(53,307)
Interest and lien fees	200,000	200,000	357,284	157,284
Total property taxes	39,468,561	39,468,561	39,539,056	70,495
Intergovernmental:				
State of Connecticut:				
Municipal Stabilization Grant	-	-	207,276	207,276
Elderly homeowners	45,062	45,062	-	(45,062)
Disability exemption	1,546	1,546	1,682	136
Additional veteran exemption	6,553	6,553	7,770	1,217
Emergency Management	-	-	-	-
Local Capital Improvement Program	97,760	97,760	213,497	115,737
Mashantucket Pequot/Mohegan Grant	-	-	65,420	65,420
Distribution to towns	7,000	7,000	4,900	(2,100)
Youth Services grant	17,256	17,256	17,408	152
Total State of Connecticut	175,177	175,177	517,953	342,776
Education:				
Special Education	450,000	450,000	688,712	238,712
Education cost sharing	13,503,310	13,503,310	11,733,946	(1,769,364)
Total education	13,953,310	13,953,310	12,422,658	(1,530,652)
Total intergovernmental	14,128,487	14,128,487	12,940,611	(1,187,876)
Revenues from use of money:				
Investment income	60,000	60,000	272,088	212,088
Charges for services:				
Ambulance	500,000	500,000	582,728	82,728
Recreation	12,750	12,750	11,765	(985)
Total charges for services	512,750	512,750	594,493	81,743

(Continued)

Town of Colchester, Connecticut

**General Fund Revenues, Expenditures, and Other Financing Sources and Uses -
Budgetary Basis - Budget and Actual (Continued)
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	
Licenses, permits and fees:				
Fire Marshal inspection fees	\$ 240	\$ 240	\$ 360	\$ 120
Sports licenses	300	300	460	160
Transfer station fees	120,000	120,000	139,958	19,958
Conservation Commission fees	5,500	5,500	4,953	(547)
Road inspection fees	4,600	4,600	7,349	2,749
Building code fees	250,000	250,000	278,638	28,638
Conveyance tax	197,000	197,000	181,592	(15,408)
Zoning and planning fees	12,000	12,000	11,290	(710)
Zoning appeal fees	700	700	1,250	550
Copier fees - Tax Collector	200	200	261	61
Copier fees - Assessor	750	750	536	(214)
Copier fees - Town Clerk	15,500	15,500	15,826	326
Copier fees - Planning & Code Administration	300	300	147	(153)
Town Clerk fees	118,500	118,500	83,141	(35,359)
Vendor permits	600	600	1,520	920
Pistol permits	7,000	7,000	8,960	1,960
Library fines and fees	9,000	9,000	9,201	201
Dial-A-Ride	3,000	3,000	3,414	414
Recording fees	2,300	2,300	1,823	(477)
Total licenses, permits and fees	747,490	747,490	750,679	3,189
Other revenues:				
Tuition	367,900	367,900	344,894	(23,006)
Telecommunications tax	38,000	38,000	29,377	(8,623)
State fund for building inspection	800	800	1,069	269
Elderly housing	14,500	14,500	14,689	189
Miscellaneous	6,000	6,000	20,802	14,802
Insurance reimbursements	-	-	2,685	2,685
CIRMA member equity	-	-	44,723	44,723
Total other revenues	427,200	427,200	458,239	31,039
Other financing sources:				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Total revenues and other financing sources	\$ 55,344,488	\$ 55,344,488	\$ 54,555,166	\$ (789,322)

(Continued)

Town of Colchester, Connecticut

**General Fund Revenues, Expenditures, and Other Financing Sources and Uses -
Budgetary Basis - Budget and Actual (Continued)
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
General government:				
Boards and Commissions	\$ 39,836	\$ 39,836	\$ 37,845	\$ 1,991
Contingency	57,505	43,905	-	43,905
First Selectman	255,631	269,231	266,053	3,178
Human Resources	31,780	31,780	27,951	3,829
Finance	300,962	300,962	289,150	11,812
Tax Collector	157,821	157,821	141,504	16,317
Assessor	291,829	291,829	286,518	5,311
Planning and Code Administration	489,653	489,653	486,318	3,335
Town Clerk	170,667	170,667	164,504	6,163
Elections	68,828	68,828	51,885	16,943
Insurances	1,579,325	1,579,325	1,570,658	8,667
Probate	5,365	5,365	5,365	-
Information Technology	124,032	109,032	106,778	2,254
Total general government	3,573,234	3,558,234	3,434,529	123,705
Public works:				
Public Works administration	170,608	170,608	167,543	3,065
Highway	1,478,913	1,478,913	1,348,708	130,205
Fleet maintenance	383,644	383,644	344,376	39,268
Grounds maintenance	445,802	445,802	351,363	94,439
Snow removal	489,165	489,165	489,165	-
Transfer Station	292,492	292,492	268,245	24,247
Facilities	144,419	144,419	123,550	20,869
Engineering	113,745	113,745	112,355	1,390
Total public works	3,518,788	3,518,788	3,205,305	313,483
Public safety:				
Police	1,544,430	1,544,430	1,526,677	17,753
Fire	1,297,266	1,297,266	1,215,980	81,286
Emergency Management	17,491	17,491	15,195	2,296
Total public safety	2,859,187	2,859,187	2,757,852	101,335

(Continued)

Town of Colchester, Connecticut

**General Fund Revenues, Expenditures, and Other Financing Sources and Uses -
Budgetary Basis - Budget and Actual (Continued)
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget
	Original	Final		
Community & human services:				
Cragin Memorial Library	\$ 576,766	\$ 576,766	\$ 567,606	\$ 9,160
Parks and Recreation	175,955	175,955	147,108	28,847
Senior Services	288,405	288,405	283,728	4,677
Youth & Social Services	367,491	367,491	319,334	48,157
Community Agencies	25,000	25,000	25,000	-
Health Services	173,721	173,721	173,720	1
Total community & human services	1,607,338	1,607,338	1,516,496	90,842
Education	40,636,405	40,636,405	39,659,108	977,297
Debt service:				
Principal	1,525,000	1,525,000	1,525,000	-
Interest	266,666	266,666	266,665	1
Total debt service	1,791,666	1,791,666	1,791,665	1
Total expenditures	53,986,618	53,971,618	52,364,955	1,606,663
Other financing uses:				
Transfers out	1,357,870	1,372,870	1,332,070	40,800
Total other financing uses	1,357,870	1,372,870	1,332,070	40,800
Total expenditures and other financing uses	55,344,488	55,344,488	53,697,025	1,647,463
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	\$ 858,141	\$ 858,141

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Nonmajor Governmental Funds

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Town of Colchester, Connecticut

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	Special Revenue					
	Animal Control Fund	Town Aid Road Fund	Small Cities Grants	Sewer Operating Fund	Recreation Activities Fund	School Cafeteria Fund
Assets						
Cash and cash equivalents	\$ 17,047	\$ 916,924	\$ 88,347	\$ 404,512	\$ 270,610	\$ -
Assessments and user charges receivable	-	-	-	219,118	21,107	-
Other receivables	-	-	41,850	-	-	-
Intergovernmental receivable	-	-	4,395	-	-	49,056
Prepaid	-	-	-	-	-	-
Inventory	-	-	-	-	-	7,375
Total assets	\$ 17,047	\$ 916,924	\$ 134,592	\$ 623,630	\$ 291,717	\$ 56,431
Liabilities and Fund Balances (Deficits)						
Liabilities:						
Accounts payable	\$ -	\$ 32,190	\$ 28,496	\$ 5,128	\$ 19,121	\$ 78,035
Unearned revenue	-	-	28,168	-	-	-
Total liabilities	-	32,190	56,664	5,128	19,121	78,035
Deferred inflows of resources:						
Unavailable resources	-	-	41,850	199,830	-	-
Fund balances (deficits):						
Nonspendable	-	-	-	-	-	7,375
Restricted	17,047	884,734	36,078	-	272,596	-
Committed	-	-	-	418,672	-	-
Unassigned	-	-	-	-	-	(28,979)
Total fund balances (deficits)	17,047	884,734	36,078	418,672	272,596	(21,604)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 17,047	\$ 916,924	\$ 134,592	\$ 623,630	\$ 291,717	\$ 56,431

Special Revenue													
Miscellaneous Grants Fund		Adult Education		Special Gifts Fund		Out of District Tuition Fund		Pay to Play		Bacon Academy Summer School		Police Special Duty	
\$	-	\$	-	\$	425,781	\$	31,137	\$	493	\$	22,138	\$	18,473
	-		-		-		-		-		-		61,760
	-		-		-		-		-		-		-
	147,925		-		-		-		-		-		-
	2		-		-		-		-		-		-
	-		-		-		-		-		-		-
\$	147,927	\$	-	\$	425,781	\$	31,137	\$	493	\$	22,138	\$	80,233
\$	213,281	\$	-	\$	4,112	\$	-	\$	493	\$	-	\$	15,494
	-		-		-		-		-		-		-
	213,281		-		4,112		-		493		-		15,494
	-		-		-		-		-		-		-
	-		-		-		-		-		-		-
	-		-		421,669		-		-		-		-
	-		-		-		31,137		-		22,138		64,739
	(65,354)		-		-		-		-		-		-
	(65,354)		-		421,669		31,137		-		22,138		64,739
\$	147,927	\$	-	\$	425,781	\$	31,137	\$	493	\$	22,138	\$	80,233

(Continued)

Town of Colchester, Connecticut

Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2018

	Capital Projects			
	2009 Bond Referendum	Capital Projects Fund	Sewer Capital	Energy Fund
Assets				
Cash and cash equivalents	\$ 56,057	\$ 1,725,391	\$ 1,349,608	\$ 95,608
Assessments and user charges receivable	-	-	-	-
Other receivables	-	-	-	-
Intergovernmental receivable	-	-	-	-
Prepaid	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>\$ 56,057</u>	<u>\$ 1,725,391</u>	<u>\$ 1,349,608</u>	<u>\$ 95,608</u>
Liabilities and Fund Balances (Deficits)				
Liabilities:				
Accounts payable	\$ -	\$ 7,222	\$ -	\$ -
Unearned revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>7,222</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable resources	-	-	-	-
Fund balances (deficits):				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	56,057	1,718,169	1,349,608	95,608
Unassigned	-	-	-	-
Total fund balances (deficits)	<u>56,057</u>	<u>1,718,169</u>	<u>1,349,608</u>	<u>95,608</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 56,057</u>	<u>\$ 1,725,391</u>	<u>\$ 1,349,608</u>	<u>\$ 95,608</u>

Capital Projects				
Use of Schools	BOE Capital Reserve Fund	Debt Service	Totals	
\$ 48,682	\$ 237,673	\$ 540,307	\$ 6,248,788	
-	-	-	301,985	
-	-	-	41,850	
-	-	-	201,376	
-	-	-	2	
-	-	-	7,375	
<u>\$ 48,682</u>	<u>\$ 237,673</u>	<u>\$ 540,307</u>	<u>\$ 6,801,376</u>	
\$ 331	\$ -	\$ -	\$ 403,903	
-	-	-	28,168	
<u>331</u>	<u>-</u>	<u>-</u>	<u>432,071</u>	
-	-	-	241,680	
-	-	-	7,375	
-	-	-	1,632,124	
48,351	237,673	540,307	4,582,459	
-	-	-	(94,333)	
<u>48,351</u>	<u>237,673</u>	<u>540,307</u>	<u>6,127,625</u>	
<u>\$ 48,682</u>	<u>\$ 237,673</u>	<u>\$ 540,307</u>	<u>\$ 6,801,376</u>	

Town of Colchester, Connecticut

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficits)
Nonmajor Governmental Funds
For the Year Ended June 30, 2018**

	Special Revenue					
	Animal Control Fund	Town Aid Road Fund	Small Cities Grants	Sewer Operating Fund	Recreation Activities Fund	School Cafeteria Fund
Revenues:						
Intergovernmental	\$ -	\$ 388,536	\$ 586,156	\$ -	\$ -	\$ 243,902
Food sales, charges for services	-	-	-	-	-	385,054
Fines and fees	14,104	-	-	-	-	-
Interest income	-	-	18	2,646	-	8
Sewer assessments, use and charges for services	-	-	-	820,526	307,695	-
Other local revenue	-	-	61,000	70	3,613	-
Total revenues	14,104	388,536	647,174	823,242	311,308	628,964
Expenditures:						
General government	-	-	-	-	-	-
Public works	-	164,068	-	905,539	-	-
Education	-	-	-	-	-	651,846
Public safety	62,780	-	-	-	-	-
Community & human services	-	-	611,258	-	285,700	-
Capital outlay	-	240,467	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	62,780	404,535	611,258	905,539	285,700	651,846
Excess (deficiency) revenues over expenditures	(48,676)	(15,999)	35,916	(82,297)	25,608	(22,882)
Other financing sources (uses):						
Transfers in	30,223	-	-	-	-	-
Premium on bond anticipation notes	-	-	-	-	-	-
Total other financing sources (uses)	30,223	-	-	-	-	-
Net change in fund balances (deficits)	(18,453)	(15,999)	35,916	(82,297)	25,608	(22,882)
Fund balances (deficits), beginning	35,500	900,733	162	500,969	246,988	1,278
Fund balances (deficits), ending	\$ 17,047	\$ 884,734	\$ 36,078	\$ 418,672	\$ 272,596	\$ (21,604)

Special Revenue							
Miscellaneous Grants Fund	Adult Education	Special Gifts Fund	Out of District Tuition Fund	Pay to Play	Bacon Academy Summer School	Police Special Duty	
\$ 206,815	\$ -	\$ 10,829	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	23,126	114,600	15,650	352,870	
8,250	-	209,069	-	-	-	-	
215,065	-	219,898	23,126	114,600	15,650	352,870	
4,000	-	906	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	94,196	114,600	7,236	-	
17,709	-	-	-	-	-	331,462	
94,513	-	138,292	-	-	-	-	
120,672	-	-	-	-	-	-	
-	-	-	-	-	-	-	
236,894	-	139,198	94,196	114,600	7,236	331,462	
(21,829)	-	80,700	(71,070)	-	8,414	21,408	
13,400	3,810	-	-	-	-	-	
-	-	-	-	-	-	-	
13,400	3,810	-	-	-	-	-	
(8,429)	3,810	80,700	(71,070)	-	8,414	21,408	
(56,925)	(3,810)	340,969	102,207	-	13,724	43,331	
\$ (65,354)	\$ -	\$ 421,669	\$ 31,137	\$ -	\$ 22,138	\$ 64,739	

(Continued)

Town of Colchester, Connecticut

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficits) (Continued)**

**Nonmajor Governmental Funds
For the Year Ended June 30, 2018**

	Capital Projects			
	2009 Bond Referendum	Capital Projects Fund	Sewer Capital	Energy Fund
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Food sales, charges for services	-	-	-	-
Fines and fees	-	-	66,965	-
Interest income	-	-	9,502	-
Sewer assessments, use and charges for services	-	15,516	-	-
Other local revenue	-	11,574	-	-
Total revenues	-	27,090	76,467	-
Expenditures:				
General government	-	27,772	-	-
Public works	-	-	23,929	-
Education	-	-	-	-
Public safety	-	-	-	-
Community & human services	-	-	-	-
Capital outlay	-	140,476	1,000	-
Debt service	-	-	-	-
Total expenditures	-	168,248	24,929	-
Excess (deficiency) revenues over expenditures	-	(141,158)	51,538	-
Other financing sources (uses):				
Transfers in	-	573,517	-	-
Premium on bond anticipation notes	-	-	-	-
Total other financing sources (uses)	-	573,517	-	-
Net change in fund balances (deficits)	-	432,359	51,538	-
Fund balances (deficits), beginning	56,057	1,285,810	1,298,070	95,608
Fund balances (deficits), ending	\$ 56,057	\$ 1,718,169	\$ 1,349,608	\$ 95,608

Capital Projects			
Use of Schools	BOE Capital Reserve Fund	Debt Service	Totals
\$ -	\$ -	\$ -	\$ 1,436,238
-	-	-	385,054
-	-	-	81,069
-	-	-	12,174
27,328	-	-	1,677,311
-	-	-	293,576
27,328	-	-	3,885,422
-	-	-	32,678
-	-	-	1,093,536
24,894	-	-	892,772
-	-	-	411,951
-	-	-	1,129,763
-	174,982	-	677,597
-	-	444,430	444,430
24,894	174,982	444,430	4,682,727
2,434	(174,982)	(444,430)	(797,305)
-	134,404	588,146	1,343,500
-	-	153,352	153,352
-	134,404	741,498	1,496,852
2,434	(40,578)	297,068	699,547
45,917	278,251	243,239	5,428,078
\$ 48,351	\$ 237,673	\$ 540,307	\$ 6,127,625

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Capital Assets Schedules

Town of Colchester, Connecticut

**Capital Assets Used in the Operation of Governmental Funds -
Schedule by Category
June 30, 2018**

Governmental funds capital assets:	
Land	\$ 3,586,879
Buildings	89,787,901
Improvements other than buildings	2,142,482
Machinery and equipment	18,054,240
Infrastructure	39,694,400
Construction in process	<u>28,010,812</u>
Total governmental funds capital assets	<u>\$ 181,276,714</u>

Town of Colchester, Connecticut

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2018**

	Land	Buildings	Improvements Other Than Buildings	Infrastructure	Machinery and Equipment	Construction in Process	Total
General government	\$ 3,497,379	\$ 2,487,509	\$ 1,347,146	\$ -	\$ 442,691	\$ -	\$ 7,774,725
Public safety	-	1,004,298	-	60,567	4,958,226	-	6,023,091
Public works	-	421,001	18,683	39,160,084	6,388,619	46,524	46,034,911
Community & human services	89,500	7,898,990	5,385	268,779	1,047,923	-	9,310,577
Education	-	77,976,103	771,268	204,970	5,216,781	27,964,288	112,133,410
Total	\$ 3,586,879	\$ 89,787,901	\$ 2,142,482	\$ 39,694,400	\$ 18,054,240	\$ 28,010,812	\$ 181,276,714

Other Schedules

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Town of Colchester, Connecticut

**Schedule of Property Taxes Levied, Collected and Outstanding
For the Year Ended June 30, 2018**

Grand List Year	Balance Uncollected July 1, 2017	Current Levy	Lawful Corrections		Written-off Uncollectible	Transfer to Suspense	Balance To Be Collected
			Additions	Deletions			
2000	9,984	\$ -	\$ -	\$ -	\$ (9,984)	\$ -	\$ -
2001	7,800	-	-	-	(6,536)	-	1,264
2002	12,906	-	-	(114)	(11,272)	(16)	1,504
2003	19,085	-	-	(110)	-	(1,056)	17,919
2004	19,149	-	1	-	-	(478)	18,672
2005	15,333	-	123	-	-	(433)	15,023
2006	51,307	-	-	(545)	-	(1,703)	49,059
2007	49,368	-	-	(571)	-	(2,749)	46,048
2008	49,673	-	-	(26)	-	(1,564)	48,083
2009	35,445	-	-	(76)	-	(628)	34,741
2010	42,027	-	-	(152)	-	(861)	41,014
2011	62,951	-	-	(1,485)	-	(1,260)	60,206
2012	67,662	-	4	(2,947)	-	(1,561)	63,158
2013	86,801	-	211	(1,715)	-	(328)	84,969
2014	142,241	-	13,118	(7,154)	-	(2,110)	146,095
2015	369,269	-	11,964	(17,953)	-	(2,817)	360,463
2016	-	39,429,729	72,562	(255,276)	-	(2,354)	39,244,661
	\$ 1,041,001	\$ 39,429,729	\$ 97,983	\$ (288,124)	\$ (27,792)	\$ (19,918)	\$ 40,232,879

Collections						Balance	
						Uncollected	
Taxes		Interest	Fees	Total		June 30, 2018	
\$	-	\$	-	\$	-	\$	-
	1,264		3,462		-		4,726
	985		3,334		-		4,319
	1,752		4,211		230		6,193
	4,283		9,369		-		13,652
	3,369		9,914		-		13,283
	4,881		8,928		12		13,821
	4,874		8,559		20		13,453
	2,928		4,495		-		7,423
	3,698		3,709		-		7,407
	4,188		4,974		998		10,160
	9,680		8,199		104		17,983
	17,616		11,837		144		29,597
	31,241		13,541		266		45,048
	66,225		25,136		481		91,842
	225,206		51,896		1,717		278,819
	38,812,483		105,887		7,912		38,926,282
\$	39,194,673	\$	277,451	\$	11,884	\$	39,484,008
						\$	1,038,206

Town of Colchester, Connecticut

**Balance Sheet - By Account - General Fund
June 30, 2018**

	General Fund	Snow Reserve Fund	Totals
Assets			
Cash and cash equivalents	\$ 9,248,460	\$ 110,303	\$ 9,358,763
Receivables (net of allowances for collection losses):			
Property taxes	944,583	-	944,583
Accounts receivable	18,469	-	18,469
Prepaid	983	-	983
Inventory	24,704	-	24,704
Total assets	\$ 10,237,199	110,303	\$ 10,347,502
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,008,901	\$ -	\$ 1,008,901
Total liabilities	1,008,901	-	1,008,901
Deferred inflows of resources:			
Advance tax collections	62,897	-	62,897
Unavailable resources-other	868,761	-	868,761
Total deferred inflows of resources	931,658	-	931,658
Fund balances:			
Nonspendable	25,687	-	25,687
Committed	163,015	110,303	273,318
Assigned	1,238,154	-	1,238,154
Unassigned	6,869,784	-	6,869,784
Total fund balances	8,296,640	110,303	8,406,943
Total liabilities, deferred inflows of resources and fund balances	\$ 10,237,199	\$ 110,303	\$ 10,347,502

Town of Colchester, Connecticut

**Schedule of Revenues, Expenditures and Changes in Fund Balance - By Account - General Fund
For the Year Ended June 30, 2018**

	General Fund	Snow Reserve Fund	Eliminate Interfund Receivables	Totals
Revenues:				
Property taxes, interest & lien fees	\$ 39,539,056	\$ -	\$ -	\$ 39,539,056
Intergovernmental revenues	21,032,544	-	-	21,032,544
Revenues from use of money	272,088	-	-	272,088
Fees, permits and sales	750,679	-	-	750,679
Charges for services and assessments	594,493	-	-	594,493
Other	447,926	-	-	447,926
Total revenues	62,636,786	-	-	62,636,786
Expenditures:				
Current:				
General government	3,413,682	-	-	3,413,682
Public safety	2,761,914	-	-	2,761,914
Public works	3,153,130	-	-	3,153,130
Community & human services	1,491,049	-	-	1,491,049
Education	47,020,602	-	-	47,020,602
Debt service	1,791,665	-	-	1,791,665
Total expenditures	59,632,042	-	-	59,632,042
Revenues over (under) expenditures	3,004,744	-	-	3,004,744
Other financing uses:				
Transfers out	(1,770,601)	-	-	(1,770,601)
Total other financing uses	(1,770,601)	-	-	(1,770,601)
Net change in fund balances	1,234,143	-	-	1,234,143
Fund balances, beginning	7,062,497	110,303	-	7,172,800
Fund balances, ending	\$ 8,296,640	\$ 110,303	\$ -	\$ 8,406,943

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