

**TOWN OF COLCHESTER, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2013**

TOWN OF COLCHESTER, VERMONT  
AUDIT REPORT  
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**Independent Auditor's Report**

Selectboard  
Town of Colchester  
P.O. Box 55  
Colchester, Vermont 05446

***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, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Colchester, Vermont'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 Town of Colchester, Vermont'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 Town of Colchester, Vermont'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, Vermont, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 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.

***Other Information***

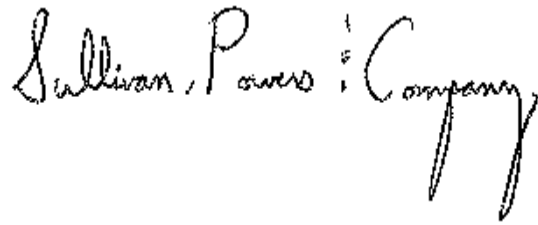
As described in Note I.F. to the financial statements, effective June 30, 2013, the Town of Colchester, Vermont implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position".

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Colchester, Vermont's basic financial statements. The combining fund financial statements and budgetary comparison schedule of the General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by "Government Auditing Standards"***

In accordance with "Government Auditing Standards", we have also issued our report dated January 9, 2014 on our consideration of the Town of Colchester, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Colchester, Vermont's internal control over financial reporting and compliance.

January 9, 2014  
Montpelier, Vermont  
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan Powers & Company". The signature is written in black ink and is positioned to the right of the typed text.

## **TOWN OF COLCHESTER, VERMONT MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Colchester (The Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. The purpose of the management discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

### **FINANCIAL HIGHLIGHTS**

Government-wide Statements (refer to Exhibits A and B)

The assets of the Town of Colchester exceeded its liabilities at the close of the fiscal year by \$38,122,824. Of this amount, \$8,226,648 (unrestricted net position) may be used by the various funds of the Town to meet its ongoing obligations to its citizens and creditors and \$685,303 represent resources that are subject to external restrictions on how they may be used.

- The Town's total governmental net position increased by \$2,186,169. Receivables increased by about \$494,000 due to amounts receivable from FEMA for repairs due to flooding and weather related problems. Accounts payable decreased by about \$727,000 due to the completion of the renovation of the Police Facility. This is also a reason that Construction in Progress decreased by \$3,728,000. The other significant reason for the decrease in Construction in Progress is the completion of the Campus Road Connector with a cost of about \$2,800,000. Other improvements added to Capital Assets included the completion of sidewalks at Warner's Corners at a cost of approximately \$941,000.
- The Town received almost \$300,000 in grant revenue from the EPA Integrated Water Resources Management Grant, \$128,000 from Homeland Security grants and almost \$305,000 to reimburse costs of various capital transportation projects.
- The Police building renovation was completed and \$2,165,000 was added to the value of the facility.
- The Town entered into a lease for \$500,000 for the purpose of purchasing and replacing street lights in the Town with LED lights to save energy. In addition, the Town may save as much as \$1.8 million over the next 30 years.
- Net Position of Business-Type Activities remained relatively stable with an increase of only \$123,700.

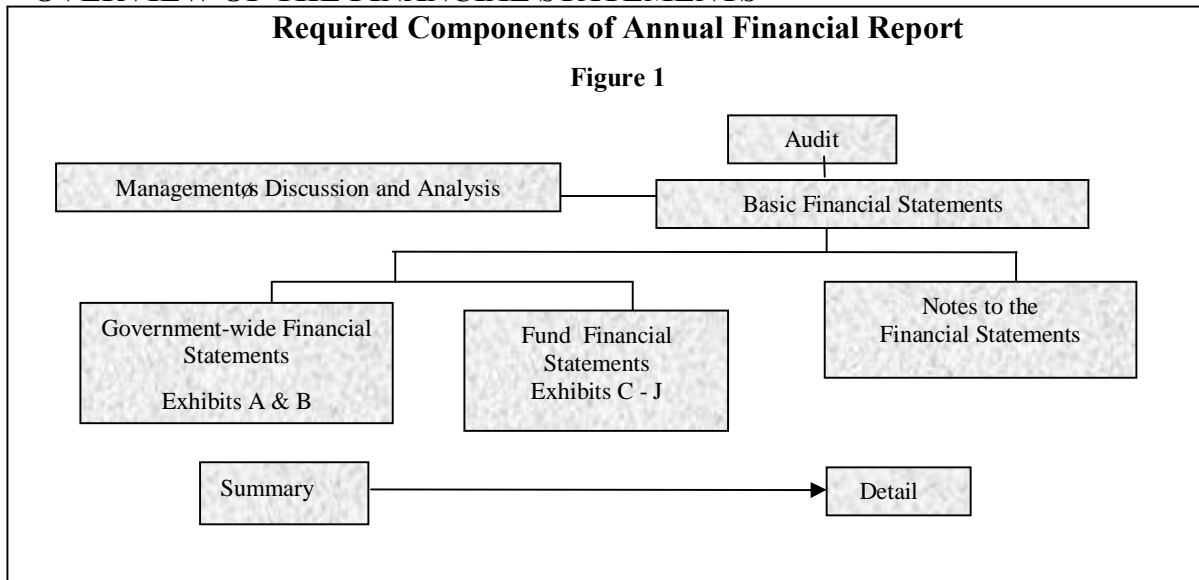
Fund Financial Statements (refer to Exhibit C, D and Footnote 4I)

- Governmental funds contain many funds including General, Capital Project, Reserve Funds and Debt Service funds.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,586,717, a decrease of \$320,073 in comparison with the prior year. The decrease is primarily due to a reduction in accounts payable due to the completion of the Campus Road Connector and the completion of the Police Facility. This also resulted in a decrease in cash between 2012 and 2013.

**TOWN OF COLCHESTER, VERMONT  
MANAGEMENT’S DISCUSSION AND ANALYSIS**

- General Fund expenditures were under budget by over \$216,510 due to lower salaries and benefits primarily in the Public Safety portion of the budget and savings in health insurance costs.
- The total Fund Balance on June 30, 2013 was \$4,586,717. Of this amount \$751,511 or 16% was unassigned. The remainder has been assigned or restricted for various purposes, including \$691,598 restricted for various purposes, the largest portion is for grant and trust restrictions. \$2,980,156 is assigned to various purposes including capital projects and reserve fund expenses for technology, reappraisal and restoration of records.

**OVERVIEW OF THE FINANCIAL STATEMENTS**



**Major Features of the Town of Colchester’s Government-wide & Fund Financial Statements**

**Figure 2**

	Government-wide Statements	Fund Statements Government Funds	Fund Statements Proprietary Funds
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as finance, planning & zoning, police, parks	Activities the Town operates similar to private businesses, the sewer system
Required Financial Statements	-Statement of Net Position -Statement of Activities	-Balance Sheet -Statement of Revenues, Expenditures & Changes in Fund Balances	-Statement of Net Position -Statement of Revenues, Expenses & Changes in Net Position -Statement of Cash Flows
Accounting Basis & Measurement Focus	Accrual accounting & economic resources focus	Modified accrual accounting & current financial resources focus	Accrual accounting & economic resources focus
Type of Asset/Liability Information	All assets & liabilities, both financial & capital, and short-term & long-term	Only assets expected to be used up & liabilities that come due during the year or soon thereafter, no capital assets included	All assets & liabilities, both financial & capital, & short-term & long-term



**TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

	Government-wide Statements	Fund Statements Government Funds	Fund Statements Proprietary Funds
<i>Type of Inflow/Outflow Information</i>	<i>All revenues &amp; expenses during year, regardless of when cash is received or paid</i>	<i>Revenues or expenditures for which cash is received or goods or services have been received &amp; payment is due during or soon after year end.</i>	<i>All revenues &amp; expenses during the year, regardless of when cash is received or paid</i>

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the Town as a whole as of and for the years ended June 30, 2013 and 2012.

<b>Town of Colchester's Net Position</b>							
Figure 3							
	Governmental Activities		Business-Type Activities		Total		<u>% Change</u>
	2013	2012	2013	2012	2013	2012	
Current & Other Assets	\$6,805,634	\$7,262,117	\$6,138,658	\$6,038,269	\$12,944,292	\$13,300,386	(2.7%)
Capital Assets	32,646,457	30,632,830	15,315,869	3,328,425	47,962,326	33,961,255	41.2%
Total Assets	39,452,091	37,894,947	21,454,527	9,366,694	60,906,618	47,261,641	28.9%
Long-Term Liabilities Outstanding	7,127,715	7,127,419	14,280,364	2,367,161	21,408,079	9,494,580	125.4%
Other Liabilities	1,023,855	1,617,375	251,509	200,581	1,275,364	1,817,956	(29.8%)
Total Liabilities	8,151,570	8,744,794	14,531,873	2,567,742	22,683,443	11,312,536	100.5%
Deferred Inflows of Resources	100,351	136,152	0	0	100,351	136,152	(26.3)
Net Position							
Net Investment in Capital Assets	26,507,126	25,187,882	2,703,747	2,775,089	29,210,873	27,962,971	4.5%
Restricted	678,703	592,954	6,600	6,600	685,303	599,554	14.3%
Unrestricted	4,014,341	3,233,165	4,212,307	4,017,263	8,226,648	7,250,428	14.7%
Total Net Position	\$31,200,170	\$29,014,001	\$6,922,654	\$6,798,952	\$38,122,824	\$35,812,953	6.7%

Net Position may serve over time as one useful indicator of a government's financial condition. By far the largest portion of the Town's assets (76.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure (roads, bridges, etc.) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Almost 100% of the Town's cash and Certificates of Deposit are insured or collateralized by U.S. Government securities or General Obligation Vermont Municipal notes or bonds.

**TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Changes in Net Assets**

The chart below is a presentation of Exhibit B that illustrates the components of the revenue and expenditures of the government wide Statement of Activities.

<b><u>Town of Colchester Change in Net Position</u></b>							
Figure 4							
	Governmental Activities		Business-Type Activities		Total		% Chg
	2013	2012	2013	2012	2013	2012	
Revenues:							
Program Revenues:							
Charges for Services	\$1,222,781	\$1,112,284	\$1,533,626	\$1,502,719	\$2,756,407	\$2,615,003	5.4%
Operating Grants & Contributions	1,001,959	577,970	0	1,344	1,001,959	579,314	73.0%
Capital Grants & Contributions	1,489,006	3,329,693	0	0	1,489,006	3,329,693	(55.2%)
General Revenues:							
Property Taxes	10,763,695	10,168,206	0	0	10,763,695	10,168,206	5.9%
Other	483,326	510,057	148,644	271,950	631,970	782,007	(19.2%)
Total Revenues	14,960,767	15,698,210	1,682,270	1,776,013	16,643,037	17,474,223	(4.8%)
Expenses:							
General Government	2,725,677	2,525,203	0	0	2,725,677	2,525,203	7.9%
Public Safety	5,383,637	5,071,486	0	0	5,383,637	5,071,486	6.2%
Public Works	2,909,116	2,776,718	0	0	2,909,116	2,776,718	4.8%
Community Development	1,400	113,530	0	0	1,400	113,530	(987.7%)
Culture & Recreation	1,489,442	1,359,419	652,407	618,529	2,141,849	1,977,948	8.3%
Interest on Long-Term Debt	265,326	261,882	0	0	265,326	261,882	1.3%
Wastewater			906,161	941,371	906,161	941,371	3.7%
Total Expenses	12,774,598	12,108,238	1,558,568	1,559,900	14,333,166	13,668,138	4.9%
Increase in Net Position	2,186,169	3,589,972	123,702	216,113	2,309,871	3,806,085	(39.3%)
Net Position, July 1	29,014,001	25,424,029	6,798,952	6,582,839	35,812,953	32,006,868	11.9%
Net Position, June 30	\$31,200,170	\$29,014,001	\$6,922,654	\$6,798,952	\$38,122,824	35,812,953	6.5%

**Governmental activities**

Key elements in the changes in revenue are as follows:

- The property tax rate increased 2.87% over FY 12, while the Grand List decreased by 0.10% due to reappraisal changes. The reappraisal resulted in an increase in the Grand List value of 39.49% from FY 11 to FY 12
- Property taxes financed approximately 81% of General Fund expenses and the remainder of the cost was paid by those who directly benefited from programs offered and by other governments and organizations that subsidized certain programs with operating grants and contributions. In FY 2012 property taxes financed almost 80% of General Fund expenses.
- Payments in Lieu of Taxes revenues were \$52,996 over budget. This is due to the State of Vermont payment exceeding expectations.

**TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Overall, actual General Fund revenues were higher than last year by \$834,825 or 8.2%. This is primarily due to increased property tax revenue.

Figure 5 shows the changes in types of revenues between fiscal year 2012 and 2013. Property taxes are the largest source of revenues. In FY 13, Charges for Services provided 8.2% of revenue, while Operating and Capital Grants and Contributions comprised almost 16.6% of revenues in FY 13. The combination of these two categories was 32% of revenues in 2012.

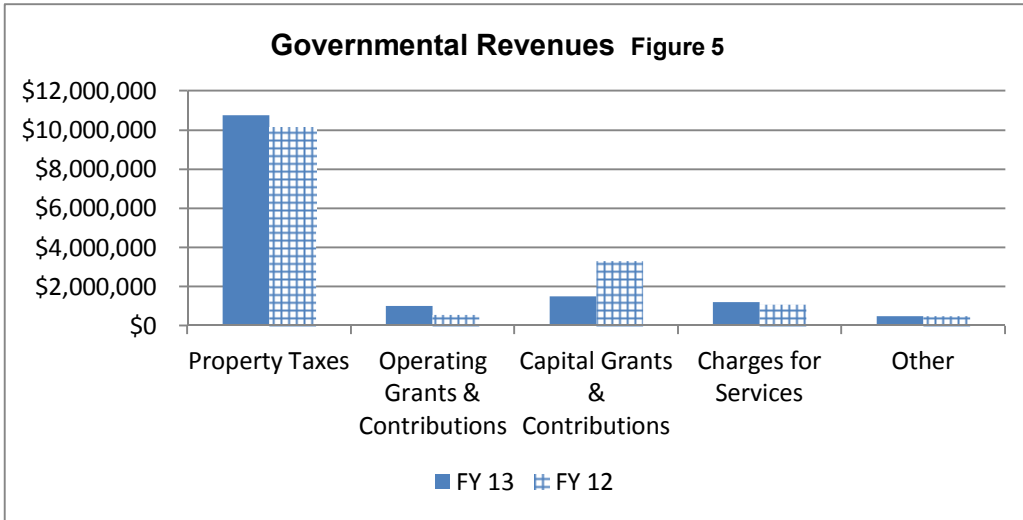
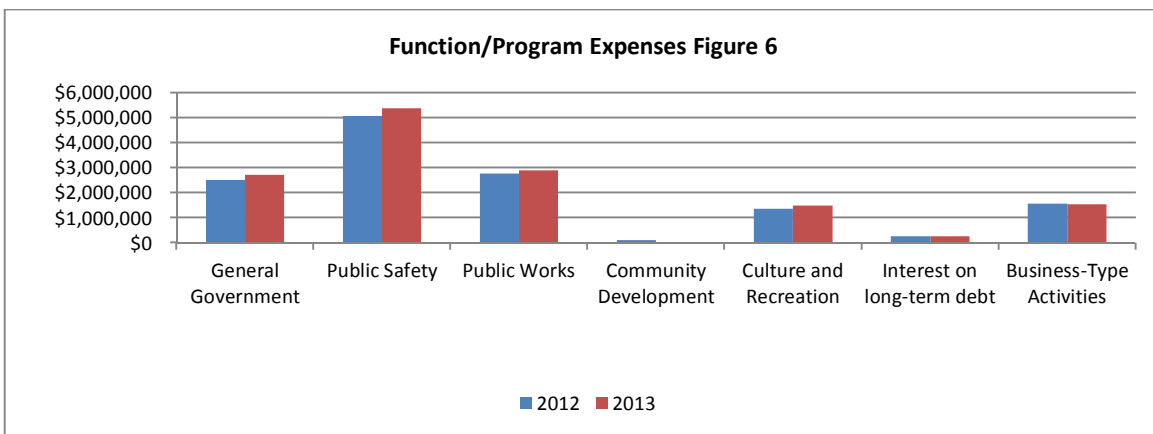
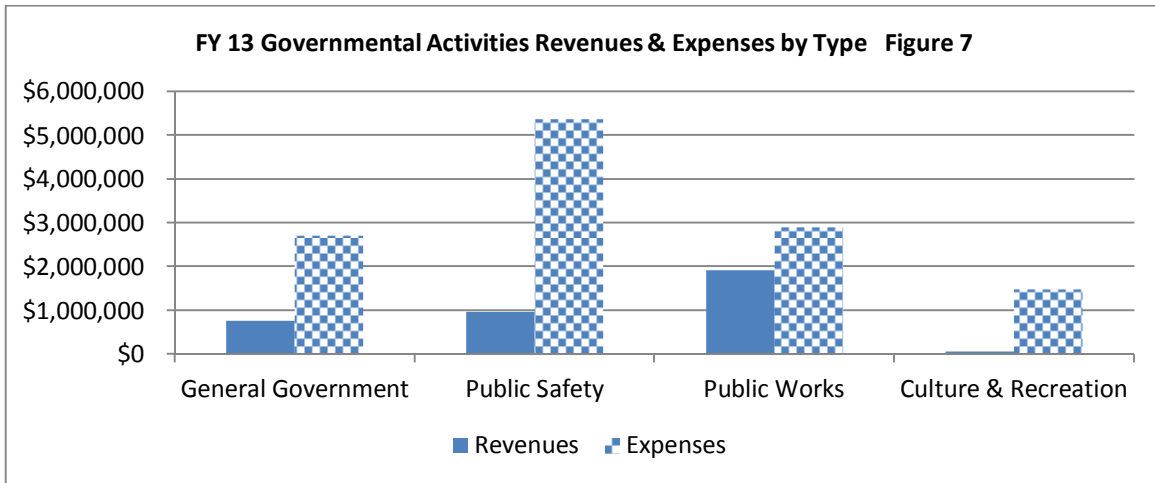


Figure 6 compares the changes in functional or program expenses between 2012 and 2013. This graph shows how the Town spends its revenue. In FY 13, Public Safety comprises 38% of the spending, followed by Public Works with 20% and General Government with 19% of the total spending. Culture & Recreation includes the Library and the Recreation Department and represents almost 10% of the expenses. Business-Type expenses represented 11% of total expenses.



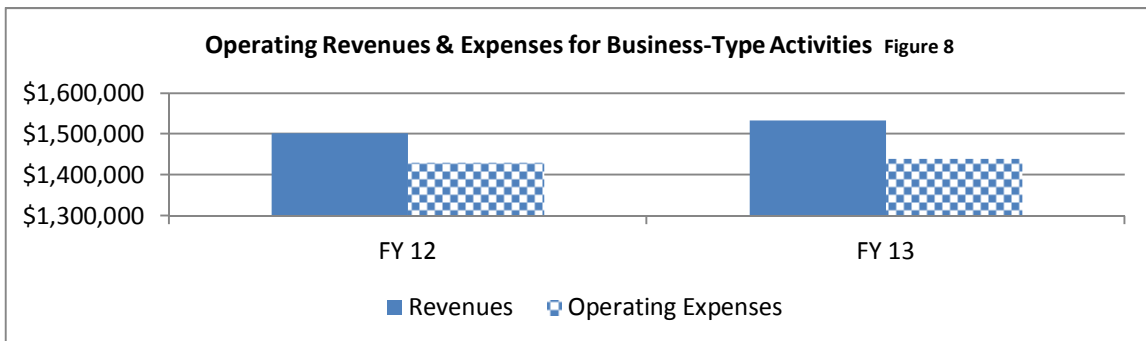
**TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure 7 shows how Charges for Services and Grants and Contributions contribute to the payment of functional expenses. This chart indicates that program revenues do not support program expenses requiring property taxes to pay for the bulk of the expenses.



**Business-type activities (Wastewater and Recreation Funds):**

- The Recreation Program Fund was added to Business-Type activities in 2011. In FY 13 Net Position increased by \$11,963 for the Recreation Program Fund and by \$111,739 for the Wastewater Fund.
- Charges for services remained relatively flat in the Wastewater Fund and increased by 3.8% in the Recreation Program Fund.
- Business type activities represent about 18% of total Net Position.
- Included in operating expenses is depreciation expense in the amount of \$150,390.



**Financial Analysis of the Town's Funds**

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

**TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. Unassigned fund balance provides a reserve for emergencies, enables the Select Board to stabilize tax rates, and provides working capital from which to pay Town bills between tax collection due dates.

The General Fund is the chief operating fund of the Town of Colchester. A key financial statistic to evaluating the financial strength of the Town is the level of the General Fund unassigned fund balance as a percent of total revenues or expenditures. Ideally, the unassigned fund balance should provide coverage of about 2 months expenditures.

- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,427,328 and \$70,402 was non-spendable for inventory and prepaid expenses. \$63,000 was assigned to reduce property taxes in fiscal year 2013.
- The unassigned General Fund fund balance at June 30, 2013 was 14% of total General Fund expenditures or about \$303,000 less than 2 months expenditures.
- Total governmental fund balances totaled \$4,586,717 in 2013 and \$4,906,790 in 2012.

In addition to the General Fund, the Town maintains other funds including the capital project funds maintained to provide infrastructure improvements in the Town, funds for grants received by the Town and funds for special revenues received by the Town.

The Town operates a Septic Revolving Loan Fund to provide financial assistance for the upgrade of failing on-site septic systems. The Town has outstanding loans to 16 individuals or families as of June 30, 2013.

**Proprietary Funds (Wastewater and Recreation Program Funds)**

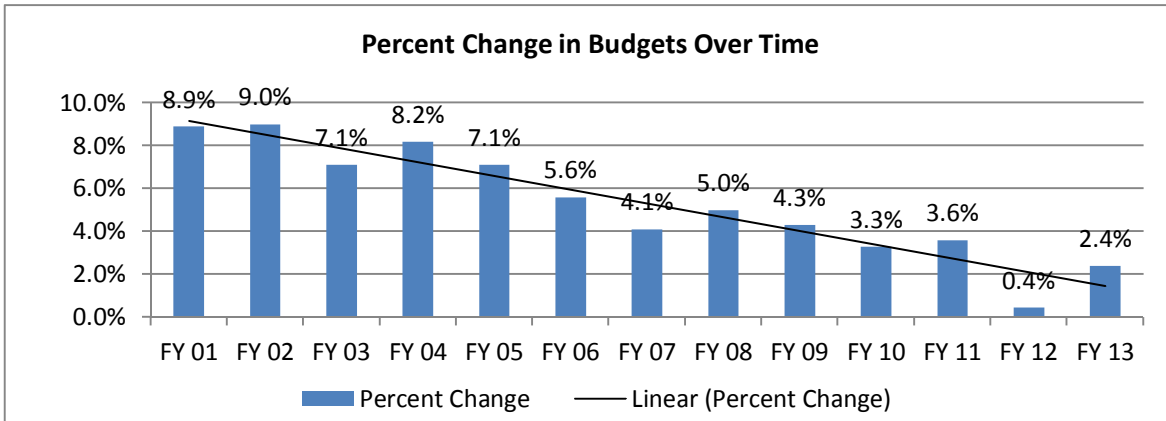
Business-type activities increased the Town's net position of the Wastewater Fund by \$111,739 or about 1.7%. Total Net Assets at June 30, 2013 were \$6,922,654 compared with \$6,798,952 as of June 30, 2012.

**General Fund Budgetary Highlights:**

The FY 2013 General Fund budget totaling \$11,085,390 increased 2.4% over FY 12. The budget increase between FY 11 and FY 12 was 0.4%. Salaries and benefits made up about 72% of the General Fund budget.

**TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Figure 9 shows the percent change in the General Fund budget for the last 13 years.



Actual revenues in the General Fund were higher than budgeted by \$108,653 and actual expenditures were lower than budgeted by \$216,510. The FY 13 budget planned for deficit spending of \$135,000, but the General Fund ended with a surplus of \$190,163.

Some of the key factors contributing to this outcome include:

Revenue Variances

- Property tax revenue was over \$78,945 more than budgeted, primarily due to better collections.
- A large budget variance was from additional funds received from the State of Vermont for Payment in Lieu of Taxes (PILOT). We received over \$52,996 more than budgeted.
- Building and Zoning permit revenue was over budget by \$51,565.
- Recording Fee revenues were over budget by \$29,436.

Expenditure Variances

- Salary type accounts were under budget by about \$226,500 due to unfilled positions and officers serving in the National Guard.
- Employee benefits were under budget by about \$227,000 primarily due to lower retirement and social security costs due to lower salaries and health insurance cost was lower than budget by \$120,000. In 2013 the Town changed from a Health Saving Account with a High Deductible Health insurance plan to a Health Reimbursement Account and increased the deductibles which resulted in most of the health insurance savings. The deductible is now \$5,000 for single plans and \$10,000 for 2-person and family plans.
- Overtime was under budget by about \$33,000, partially due to lower snow removal effort during the winter and also due to efforts by the police department to reduce overtime with the return of deployed officers.

**TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Assets**

The Town of Colchester's investment in capital assets for its governmental and business type activities as of June 30, 2013, totaled \$47,962,326 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The Town is not required to retroactively report infrastructure assets under GASB 34, due to the size of its budget. The Town has elected to report only infrastructure assets put into operation beginning July 1, 2003, but may choose at a later date to inventory all existing infrastructure assets as of June 30, 2003 and include them in the Town financial statements.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Infrastructure increased by about \$4,499,780. \$2.8 million of this amount is due to the completion of the Campus Road Connector. Warner's Corners sidewalk was completed for a cost of \$941,490.
- Buildings increased by \$2,165,203 due to the completion of the Police Facility.
- Construction in Progress increased by approximately \$3.2 million due primarily to work on the Causeway and Bayside Slope as well as the Street Light Project.
- Capacity rights for future wastewater processing.

A table that shows the values of the Town's capital assets net of depreciation is shown below. Additional information can be found in Note IVD of this report.

<u>Town of Colchester Capital Assets (net of depreciation)</u>							
Figure 10							
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>% Change</u>
	2013	2012	2013	2012	2013	2012	
Land	\$2,104,936	\$2,104,936	\$132,568	\$132,568	\$2,237,504	\$2,237,504	0.0%
Construction in Progress	1,999,709	5,727,879	0	0	1,999,709	5,727,879	(650.9%)
Land Improvements	687,395	721,695	0	0	687,395	721,695	(4.8%)
Buildings & Improvements	7,627,568	5,622,209	0	0	7,627,568	5,622,209	35.7%
Equipment & Furniture	1,358,864	1,227,602	0	0	1,358,864	1,227,602	10.7%
Vehicles	1,963,058	2,137,461	0	0	1,963,058	2,137,461	(8.2%)
Infrastructure	16,904,927	13,091,048	0	0	16,904,927	13,091,048	29.1%
Plant & Equipment	0	0	3,045,467	3,195,857	3,045,467	3,195,857	(4.7%)
Capacity Rights	0	0	12,137,834	0	12,137,834	0	N/A
Total	32,646,457	\$30,632,830	\$15,315,869	\$3,328,425	47,962,326	\$33,961,255	5.5%

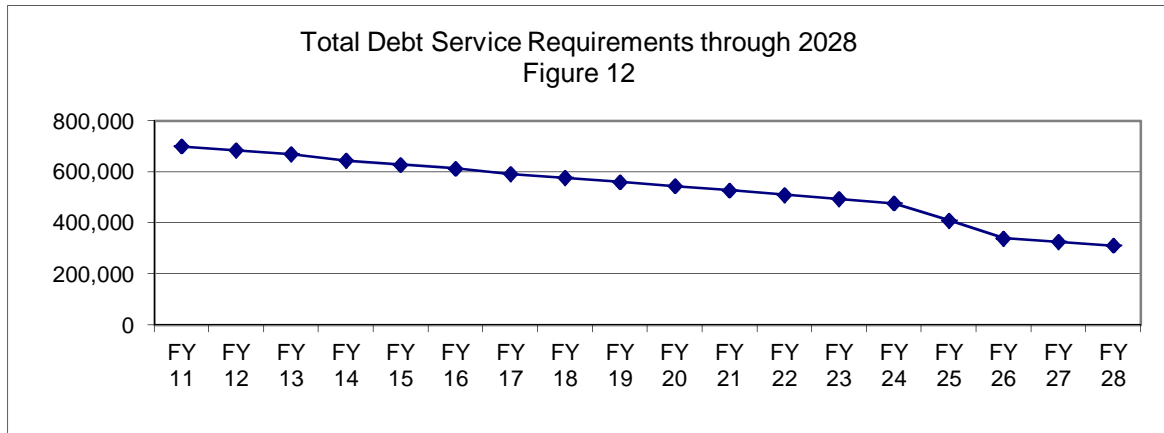
**TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Debt Administration**

There was no new borrowing in the governmental funds or in the business-type funds in Fiscal Year 2013, however the Town entered into a capital lease for the purchase of more energy efficient street lights.

<b>Town of Colchester's Outstanding Debt</b>							
Figure 11							
	Governmental Activities		Business-Type Debt		Total		% Change
	2013	2012	2013	2012	2013	2012	
General Obligation Bonds	\$5,970,604	\$6,406,435	\$474,288	\$553,336	\$6,444,892	\$6,959,771	(7.4%)
Special Assessment Debt with Government Commitment	0	0	1,645,000	1,800,000	1,645,000	1,800,000	(8.6%)
<b>Total</b>	<b>\$5,970,604</b>	<b>\$6,406,435</b>	<b>\$2,119,288</b>	<b>\$2,353,336</b>	<b>8,089,892</b>	<b>\$8,759,771</b>	<b>(7.6%)</b>

Figure 12 indicates the Town's debt service requirements through 2028, after which all current debt will be retired. Additional information regarding the Town's long-term debt can be found in note IVH of this report.

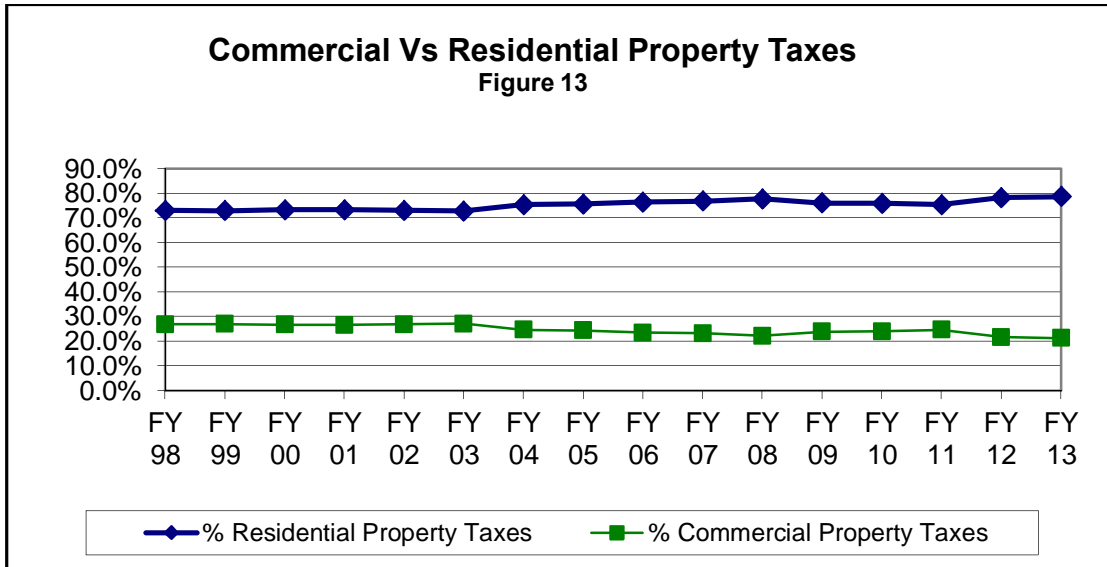


**Economic Factors and Next Year's Budgets and Rates**

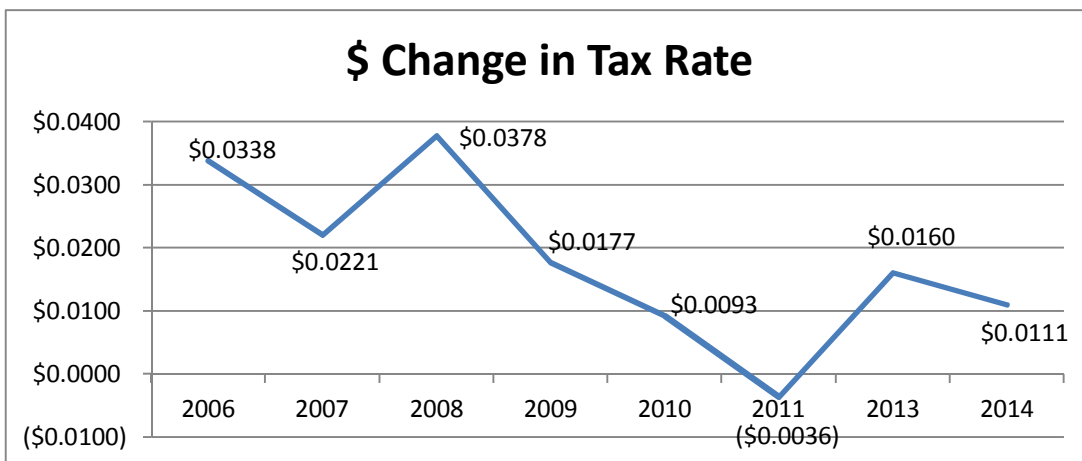
- The Colchester Grand List is made up of primarily residential properties. Figure 13 indicates the 16 year trend in the commercial and residential property tax payments. For FY 13, 78.7% respectively of property tax revenues come from residential properties.



**TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**



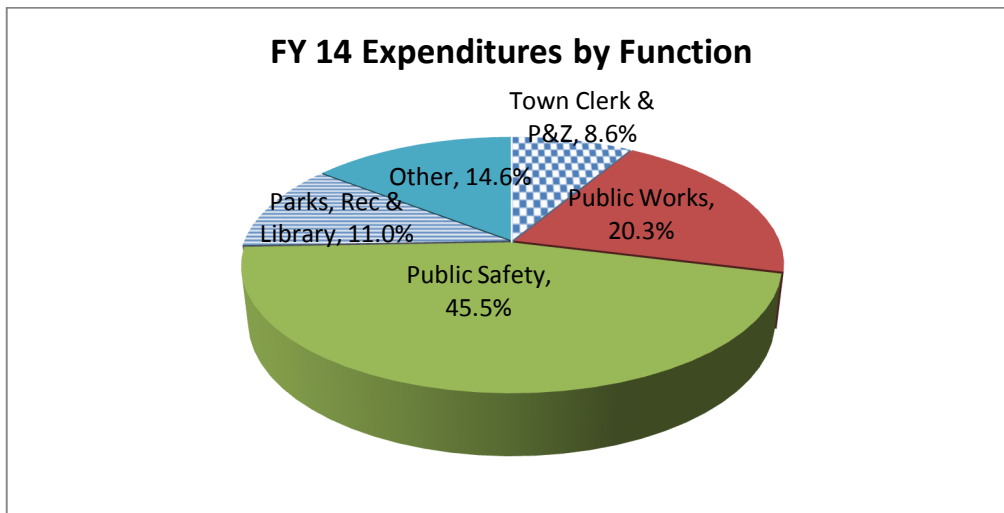
- The Municipal Grand List value for the Town was \$19,549,259 as of the beginning of FY 13. This was a 0.1% decrease over the prior fiscal year. The decrease is primarily due to reappraisal. Since 1970 the Town of Colchester's Grand List has grown from \$169,278 to \$19,549,259. The court case at the Vermont Supreme Court related to values of leased land has been settled in the Town's favor.



## TOWN OF COLCHESTER, VERMONT MANAGEMENT'S DISCUSSION AND ANALYSIS

- The Town of Colchester approved a General Fund budget for 2014 in the amount of \$11,339,109. This represents an increase of 2.3% over the previous year.
- The municipal tax rate increased by 2.86% to \$0.5640.
- In FY 13 and 14, about 46% of the budget is for public safety services.
- Public Works represents about 20% of the General Fund budget in FY 13 and FY 14.
- Parks & Recreation and the Library represent about 11% of the General Fund budget in FY 13 and FY 14.
- 71.9% of the General Fund budget is for salaries and benefits in FY 13 and in FY 14 it represents 72.1% of the budget.
- Overall, there was a 2.5% increase in salaries and benefits over the FY 2013 budget, primarily due to changes in health insurance to lower the rate of increase in health insurance expense.

Figure 15 depicts how the Town spends its General Fund budget.



### Future Budgetary Issues

In fiscal years 2015 and beyond the Town will begin to face pressures of aging and increased infrastructure needs. Some of these increased burdens may result in the need for the following increases in expenditures:

- more highway workers due to increased roadways
- a stormwater utility
- public safety resources to meet demands of new development
- a capital plan for the repair of Town owned buildings as they age.

### Requests for Information

This report is designed to provide an overview of the Town of Colchester's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, Town of Colchester, PO Box 55, Colchester, VT 05446.

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 5,178,218	\$ 3,413,982	\$ 8,592,200
Investments	518,477	272,627	791,104
Receivables (Net of Allowance for Uncollectibles)	1,347,053	1,933,788	3,280,841
Notes Receivable (Net of Allowance for Uncollectibles)	199,421	0	199,421
Internal Balances	(507,937)	507,937	0
Prepaid Expenses	3,659	250	3,909
Inventory	66,743	10,074	76,817
Capital Assets:			
Land	2,104,936	132,568	2,237,504
Construction in Progress	1,999,709	0	1,999,709
Other Capital Assets (Net of Accumulated Depreciation)	28,541,812	15,183,301	43,725,113
Total Assets	<u>39,452,091</u>	<u>21,454,527</u>	<u>60,906,618</u>
<u>LIABILITIES</u>			
Accounts Payable	452,137	87,471	539,608
Accrued Payroll and Benefits Payable	214,482	16,162	230,644
Unearned Revenue	183,033	138,444	321,477
Due to Others	136,463	0	136,463
Accrued Interest Payable	37,740	9,432	47,172
Noncurrent Liabilities:			
Due within One Year	473,857	738,601	1,212,458
Due in More than One Year	6,653,858	13,541,763	20,195,621
Total Liabilities	<u>8,151,570</u>	<u>14,531,873</u>	<u>22,683,443</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	100,351	0	100,351
Total Deferred Inflows of Resources	<u>100,351</u>	<u>0</u>	<u>100,351</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	26,507,126	2,703,747	29,210,873
Restricted	678,703	6,600	685,303
Unrestricted	4,014,341	4,212,307	8,226,648
Total Net Position	<u>\$ 31,200,170</u>	<u>\$ 6,922,654</u>	<u>\$ 38,122,824</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 2,725,677	\$ 656,888	\$ 103,498	\$ 0	\$ (1,965,291)	\$ 0	\$ (1,965,291)
Public Safety	5,383,637	539,159	274,145	157,722	(4,412,611)	0	(4,412,611)
Public Works	2,909,116	2,694	621,568	1,296,274	(988,580)	0	(988,580)
Culture and Recreation	1,489,442	24,040	2,748	35,010	(1,427,644)	0	(1,427,644)
Community Development	1,400	0	0	0	(1,400)	0	(1,400)
Interest on Long-Term Debt	265,326	0	0	0	(265,326)	0	(265,326)
Total Governmental Activities	<u>12,774,598</u>	<u>1,222,781</u>	<u>1,001,959</u>	<u>1,489,006</u>	<u>(9,060,852)</u>	<u>0</u>	<u>(9,060,852)</u>
Business-Type Activities:							
Wastewater	906,161	896,756	0	0	0	(9,405)	(9,405)
Recreation Program	652,407	636,870	0	0	0	(15,537)	(15,537)
Total Business-Type Activities	<u>1,558,568</u>	<u>1,533,626</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(24,942)</u>	<u>(24,942)</u>
Total Primary Government	<u>\$ 14,333,166</u>	<u>\$ 2,756,407</u>	<u>\$ 1,001,959</u>	<u>\$ 1,489,006</u>	<u>(9,060,852)</u>	<u>(24,942)</u>	<u>(9,085,794)</u>
General Revenues:							
Property Taxes					10,763,695	0	10,763,695
Penalties and Interest on Delinquent Taxes					139,033	0	139,033
General State Grants					252,721	0	252,721
Unrestricted Investment Earnings					58,775	121,144	179,919
Other Revenues					60,297	0	60,297
Transfers:					(27,500)	27,500	0
Total General Revenues and Transfers					<u>11,247,021</u>	<u>148,644</u>	<u>11,395,665</u>
Change in Net Position					2,186,169	123,702	2,309,871
Net Position - July 1, 2012					<u>29,014,001</u>	<u>6,798,952</u>	<u>35,812,953</u>
Net Position - June 30, 2013					<u>\$ 31,200,170</u>	<u>\$ 6,922,654</u>	<u>\$ 38,122,824</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF COLCHESTER, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Fund	Capital Projects Fund	Reserve Fund	FEMA Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 2,659,015	\$ 593,876	\$ 1,046,521	\$ 0	\$ 878,806	\$ 5,178,218
Investments	386,063	0	0	0	132,414	518,477
Receivables (Net of Allowance for Uncollectibles)	390,706	226,963	0	639,720	89,664	1,347,053
Notes Receivable (Net of Allowance for Uncollectibles)	0	0	0	0	199,421	199,421
Due from Other Funds	0	1,069,105	198,915	0	6,138	1,274,158
Prepaid Expenses	3,659	0	0	0	0	3,659
Inventory	66,743	0	0	0	0	66,743
Total Assets	\$ <u>3,506,186</u>	\$ <u>1,889,944</u>	\$ <u>1,245,436</u>	\$ <u>639,720</u>	\$ <u>1,306,443</u>	\$ <u>8,587,729</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 198,315	\$ 122,931	\$ 28,715	\$ 12,627	\$ 89,549	\$ 452,137
Accrued Payroll and Benefits Payable	210,929	0	0	0	3,553	214,482
Due to Other Funds	1,059,758	0	0	621,815	100,522	1,782,095
Unearned Revenue	10,563	0	0	0	172,470	183,033
Due to Others	135,963	0	0	0	500	136,463
Total Liabilities	<u>1,615,528</u>	<u>122,931</u>	<u>28,715</u>	<u>634,442</u>	<u>366,594</u>	<u>2,768,210</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Prepaid Property Taxes	100,351	0	0	0	0	100,351
Unavailable Property Taxes, Penalties and Interest	171,793	0	0	0	0	171,793
Unavailable Ambulance Fees	57,784	0	0	0	0	57,784
Unavailable Grants	0	16,371	0	639,720	47,362	703,453
Unavailable Notes Receivable	0	0	0	0	199,421	199,421
Total Deferred Inflows of Resources	<u>329,928</u>	<u>16,371</u>	<u>0</u>	<u>639,720</u>	<u>246,783</u>	<u>1,232,802</u>
<u>FUND BALANCES/(DEFICIT)</u>						
Nonspendable	70,402	0	0	0	93,050	163,452
Restricted	0	102,440	0	0	589,158	691,598
Assigned	63,000	1,648,202	1,216,721	0	52,233	2,980,156
Unassigned/(Deficit)	1,427,328	0	0	(634,442)	(41,375)	751,511
Total Fund Balances/(Deficit)	<u>1,560,730</u>	<u>1,750,642</u>	<u>1,216,721</u>	<u>(634,442)</u>	<u>693,066</u>	<u>4,586,717</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>3,506,186</u>	\$ <u>1,889,944</u>	\$ <u>1,245,436</u>	\$ <u>639,720</u>	\$ <u>1,306,443</u>	

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.	32,646,457
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	1,132,451
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.	(7,165,455)
Net Position of Governmental Activities	\$ <u>31,200,170</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Capital Projects Fund	Reserve Fund	FEMA Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property Taxes	\$ 9,043,959	\$ 733,097	\$ 61,500	\$ 0	\$ 1,041,775	\$ 10,880,331
Penalties and Interest on Delinquent Taxes	139,033	0	0	0	0	139,033
Intergovernmental	619,177	386,701	57,239	76,921	623,480	1,763,518
Charges for Services	610,503	23,629	44,169	0	12,330	690,631
Permits, Licenses and Fees	538,635	0	0	0	33,810	572,445
Fines and Forfeits	39,518	0	0	0	0	39,518
Investment Income	25,876	1,740	3,021	0	28,138	58,775
Loan Repayments	0	0	0	0	37,143	37,143
Donations	1,000	147,501	0	55,108	2,683	206,292
Other	41,342	21,649	0	0	0	62,991
<b>Total Revenues</b>	<b>11,059,043</b>	<b>1,314,317</b>	<b>165,929</b>	<b>132,029</b>	<b>1,779,359</b>	<b>14,450,677</b>
<b>Expenditures:</b>						
General Government	2,286,291	0	147,571	0	193,831	2,627,693
Public Safety	4,817,409	5,126	25,339	0	271,920	5,119,794
Public Works	2,116,130	78,510	0	0	1,775	2,196,415
Culture and Recreation	1,132,709	17,056	0	160,623	14,621	1,325,009
Community Development	1,368	0	0	0	143	1,511
Capital Outlay:						
General Government	19,006	0	5,598	0	94,205	118,809
Public Safety	0	919,186	53,842	0	233,949	1,206,977
Public Works	8,519	1,088,257	12,302	140,282	99,713	1,349,073
Culture and Recreation	0	41,900	0	506,527	10,804	559,231
Debt Service:						
Principal	0	54,284	0	0	435,831	490,115
Interest	0	0	0	0	248,623	248,623
<b>Total Expenditures</b>	<b>10,381,432</b>	<b>2,204,319</b>	<b>244,652</b>	<b>807,432</b>	<b>1,605,415</b>	<b>15,243,250</b>
Excess/(Deficiency) of Revenues Over Expenditures	677,611	(890,002)	(78,723)	(675,403)	173,944	(792,573)
<b>Other Financing Sources/(Uses):</b>						
Proceeds from Long-Term Debt	0	500,000	0	0	0	500,000
Transfers In	0	406,000	49,948	97,063	4,000	557,011
Transfers Out	(487,448)	(97,063)	0	0	0	(584,511)
<b>Total Other Financing Sources/(Uses)</b>	<b>(487,448)</b>	<b>808,937</b>	<b>49,948</b>	<b>97,063</b>	<b>4,000</b>	<b>472,500</b>
<b>Net Change in Fund Balances</b>	<b>190,163</b>	<b>(81,065)</b>	<b>(28,775)</b>	<b>(578,340)</b>	<b>177,944</b>	<b>(320,073)</b>
Fund Balances/(Deficit) - July 1, 2012	1,370,567	1,831,707	1,245,496	(56,102)	515,122	4,906,790
Fund Balances/(Deficit) - June 30, 2013	\$ 1,560,730	\$ 1,750,642	\$ 1,216,721	\$ (634,442)	\$ 693,066	\$ 4,586,717

The accompanying notes are an integral part of this financial statement.

TOWN OF COLCHESTER, VERMONT  
 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, 2013

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$ (320,073)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$3,234,090) is allocated over their estimated useful lives and reported as depreciation expense (\$1,337,558). This is the amount by which capital outlays exceeded depreciation in the current period.	1,896,532
The net effect of various transactions involving capital assets such as losses on disposal of capital assets (\$14,902) and donations of capital assets (\$131,997) is to increase net position.	117,095
The issuance of long-term debt (\$500,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$490,115) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(9,885)
The issuance of loans receivable (\$0) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$37,143) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of loans receivable.	(37,143)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	546,757
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.	<u>(7,114)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 2,186,169</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 9,085,783	\$ 9,182,992	\$ 97,209
Permits, Licenses and Fees	430,950	538,635	107,685
Charges for Services	511,287	558,942	47,655
Fines and Forfeitures	46,000	39,518	(6,482)
Highway State Aid	183,417	189,616	6,199
Payments in Lieu of Taxes	115,000	167,996	52,996
Current Use Payment	12,650	25,751	13,101
Support Payments	158,974	58,974	(100,000)
School Payment	37,758	38,008	250
Investment Income	54,000	25,876	(28,124)
Miscellaneous	12,200	42,342	30,142
Grant Income	20,000	29,048	9,048
Act 60 and Act 68 Reimbursement	46,850	57,324	10,474
Sewer Fund Contribution	104,021	104,021	0
Capital Projects Fund Contribution	101,500	0	(101,500)
Reserve Fund Contribution	30,000	0	(30,000)
	<u>10,950,390</u>	<u>11,059,043</u>	<u>108,653</u>
Total Revenues			
Expenditures:			
Administration	2,301,311	2,273,213	28,098
Public Safety	5,067,048	4,922,357	144,691
Public Works, Highway and Garage	1,983,674	1,985,197	(1,523)
Stormwater	161,281	161,782	(501)
Buildings	95,993	102,988	(6,995)
Health	37,886	35,682	2,204
Parks	345,507	347,052	(1,545)
Recreation	279,722	280,181	(459)
Library	612,797	566,976	45,821
Cemetery	19,910	19,887	23
Intergovernmental	180,261	173,565	6,696
	<u>11,085,390</u>	<u>10,868,880</u>	<u>216,510</u>
Total Expenditures			
Excess/(Deficiency) of Revenues Over Expenditures	\$ <u>(135,000)</u>	190,163	\$ <u>325,163</u>
Fund Balance - July 1, 2012		<u>1,370,567</u>	
Fund Balance - June 30, 2013		<u>\$ 1,560,730</u>	

The accompanying notes are an integral part of this financial statement.



TOWN OF COLCHESTER, VERMONT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013

	Major Fund Wastewater Fund	Non-Major Fund Recreation Program Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 3,413,982	\$ 0	\$ 3,413,982
Investments	272,627	0	272,627
Receivables (Net of Allowance for Uncollectibles)	288,737	51	288,788
Special Assessment Receivable - Current Portion	160,000	0	160,000
Due from Other Funds	56,384	451,553	507,937
Prepaid Expenses	0	250	250
Inventory	10,074	0	10,074
Total Current Assets	<u>4,201,804</u>	<u>451,854</u>	<u>4,653,658</u>
Noncurrent Assets:			
Special Assessment Receivable - Noncurrent Portion	1,485,000	0	1,485,000
Capital Assets:			
Land	132,568	0	132,568
Plant and Equipment	6,214,545	0	6,214,545
Capacity Rights	12,137,834	0	12,137,834
Less: Accumulated Depreciation	<u>(3,169,078)</u>	<u>0</u>	<u>(3,169,078)</u>
Total Noncurrent Assets	<u>16,800,869</u>	<u>0</u>	<u>16,800,869</u>
Total Assets	<u>\$ 21,002,673</u>	<u>\$ 451,854</u>	<u>\$ 21,454,527</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 77,509	\$ 9,962	\$ 87,471
Accrued Payroll and Benefits Payable	206	15,956	16,162
Unearned Revenue	0	138,444	138,444
Accrued Interest Payable	9,432	0	9,432
Special Assessment Debt with Governmental Commitment - Current Portion	160,000	0	160,000
General Obligation Bonds Payable - Current Portion	79,048	0	79,048
Due to South Burlington - Capacity Rights - Current Portion	<u>499,553</u>	<u>0</u>	<u>499,553</u>
Total Current Liabilities	<u>825,748</u>	<u>164,362</u>	<u>990,110</u>
Noncurrent Liabilities:			
Compensated Absences Payable	0	23,242	23,242
Special Assessment Debt with Governmental Commitment - Noncurrent Portion	1,485,000	0	1,485,000
General Obligation Bonds Payable - Noncurrent Portion	395,240	0	395,240
Due to South Burlington - Capacity Rights - Noncurrent Portion	<u>11,638,281</u>	<u>0</u>	<u>11,638,281</u>
Total Noncurrent Liabilities	<u>13,518,521</u>	<u>23,242</u>	<u>13,541,763</u>
Total Liabilities	<u>14,344,269</u>	<u>187,604</u>	<u>14,531,873</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,703,747	0	2,703,747
Restricted	6,600	0	6,600
Unrestricted	<u>3,948,057</u>	<u>264,250</u>	<u>4,212,307</u>
Total Net Position	<u>6,658,404</u>	<u>264,250</u>	<u>6,922,654</u>
Total Liabilities and Net Position	<u>\$ 21,002,673</u>	<u>\$ 451,854</u>	<u>\$ 21,454,527</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Major Fund Wastewater Fund	Non-Major Fund Recreation Program Fund	Total
Operating Revenues:			
Charges for Services	\$ 896,756	\$ 636,870	\$ 1,533,626
Total Operating Revenues	<u>896,756</u>	<u>636,870</u>	<u>1,533,626</u>
Operating Expenses:			
Salaries and Benefits	5,722	498,327	504,049
Insurances	7,438	0	7,438
Administration Costs	104,021	0	104,021
General Expenses	7,184	33,556	40,740
Program Expenses	0	120,524	120,524
Sewage Treatment	412,957	0	412,957
Chemicals	40,616	0	40,616
Repairs and Maintenance	17,282	0	17,282
Utilities	42,954	0	42,954
Depreciation	150,390	0	150,390
Total Operating Expenses	<u>788,564</u>	<u>652,407</u>	<u>1,440,971</u>
Operating Income/(Loss)	<u>108,192</u>	<u>(15,537)</u>	<u>92,655</u>
Non-Operating Revenues/(Expenses):			
Interest Income on Debt Service Special Assessment	110,443	0	110,443
Investment Income	10,701	0	10,701
Interest Expense	(117,597)	0	(117,597)
Total Non-Operating Revenues/(Expenses)	<u>3,547</u>	<u>0</u>	<u>3,547</u>
Net Income/(Loss) Before Transfers	<u>111,739</u>	<u>(15,537)</u>	<u>96,202</u>
Other Financing Sources:			
Transfers In	<u>0</u>	<u>27,500</u>	<u>27,500</u>
Total Other Financing Sources	<u>0</u>	<u>27,500</u>	<u>27,500</u>
Change in Net Position	111,739	11,963	123,702
Net Position - July 1, 2012	<u>6,546,665</u>	<u>252,287</u>	<u>6,798,952</u>
Net Position - June 30, 2013	<u>\$ 6,658,404</u>	<u>\$ 264,250</u>	<u>\$ 6,922,654</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

	Major Fund Wastewater Fund	Non-Major Fund Recreation Program Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Receipts from Customers and Users	\$ 936,922	\$ 670,153	\$ 1,607,075
Payments to Suppliers	(503,840)	(157,477)	(661,317)
Payments for Interfund Services	(104,021)	0	(104,021)
Payments for Wages and Benefits	(5,779)	(490,326)	(496,105)
Net Cash Provided by Operating Activities	<u>323,282</u>	<u>22,350</u>	<u>345,632</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Decrease/(Increase) in Due from Other Funds	(31,811)	(49,850)	(81,661)
Transfers Received from Other Funds	0	27,500	27,500
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(31,811)</u>	<u>(22,350)</u>	<u>(54,161)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Special Assessments Received	155,000	0	155,000
Principal Paid on:			
General Obligation Bonds	(234,048)	0	(234,048)
Interest Paid on:			
General Obligation Bonds	(118,480)	0	(118,480)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(197,528)</u>	<u>0</u>	<u>(197,528)</u>
<b>Cash Flows From Investing Activities:</b>			
Receipt of Interest and Dividends	121,144	0	121,144
Net Decrease in Investments	5,882	0	5,882
Net Cash Provided by Investing Activities	<u>127,026</u>	<u>0</u>	<u>127,026</u>
Net Increase in Cash	220,969	0	220,969
Cash - July 1, 2012	<u>3,193,013</u>	<u>0</u>	<u>3,193,013</u>
Cash - June 30, 2013	<u>\$ 3,413,982</u>	<u>\$ 0</u>	<u>\$ 3,413,982</u>
<b>Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:</b>			
Operating Income/(Loss)	\$ 108,192	\$ (15,537)	\$ 92,655
Depreciation	150,390	0	150,390
(Increase)/Decrease in Accounts Receivable	40,166	1,293	41,459
(Increase)/Decrease in Prepaid Expenses	0	(250)	(250)
(Increase)/Decrease in Inventory	150	0	150
Increase/(Decrease) in Accounts Payable	24,441	(3,147)	21,294
Increase/(Decrease) in Accrued Payroll and Benefits Payable	(57)	(1,416)	(1,473)
Increase/(Decrease) in Unearned Revenue	0	31,990	31,990
Increase/(Decrease) in Compensated Absences Payable	0	9,417	9,417
Net Cash Provided by Operating Activities	<u>\$ 323,282</u>	<u>\$ 22,350</u>	<u>\$ 345,632</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF COLCHESTER, VERMONT  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2013

	Agency Funds
<u>ASSETS</u>	
Cash	\$ <u>235,600</u>
Total Assets	<u>235,600</u>
<u>LIABILITIES</u>	
Due to Others	<u>235,600</u>
Total Liabilities	<u>235,600</u>
Net Position	\$ <u><u>0</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

The Town of Colchester, Vermont, (herein the "Town") operates under a Manager/Selectboard form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, culture and recreation, library, community/economic development, public improvements, planning and zoning, wastewater treatment and general administrative services.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted by the Town of Colchester, Vermont (the "Town") conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

### **A. The Financial Reporting Entity**

This report includes all of the funds of the Town of Colchester, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

### **B. Basis of Presentation**

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category of governmental, proprietary and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

General Fund ó This is the Town's main operating fund. It accounts for all financial resources of the Town, except those accounted for in another fund.

Capital Projects Fund ó This fund accounts for the capital projects of the Town.

Reserve Fund ó This fund accounts for the Town's capital spending reserves for various areas like library renovations, technology and communications.

Federal Emergency Management Agency (FEMA) Fund ó This fund accounts for the flood related activity of the Town.

The Town reports on the following major enterprise fund:

Wastewater Fund ó This fund accounts for the wastewater activities of the Town.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Additionally, the Town reports the following fund type:

Agency Funds ó These funds account for resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals.

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**C. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

**E. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

**F. New Pronouncement – Deferred Outflows/Inflows of Resources**

Effective June 30, 2013, the Town implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". GASB Statement No 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, introduced and defined in GASB Concepts Statement No. 4. This statement amends the net asset reporting requirements in Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, "deferred inflows of resources", represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has five types of items which arise under the modified accrual basis of accounting and one type which arises under the accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, "unavailable revenue", is reported in the statement of net position and governmental funds balance sheet. The governmental activities reports unavailable revenues from one source; prepaid property taxes. The governmental funds reports unavailable revenues from five sources; prepaid property taxes, unavailable property taxes, ambulance fees, grants and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.



TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**G. Assets, Liabilities and Equity**

**1. Cash**

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess withdrawals are shown as due to other funds. Interest income is allocated based on the due from/to other fund balances.

**2. Investments**

The Town invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

**3. Receivables**

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

**4. Internal Balances**

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "due from/to other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**5. Inventories and Prepaid Expenses**

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the Governmental Funds consist of vehicle fuel, sand, salt and gravel and inventories in the Proprietary Funds consists of chemicals.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Reported inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.

TOWN OF COLCHESTER, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2013

**6. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land	\$ 10,000	N/A
Land Improvements	\$ 10,000	30-50 Years
Buildings and Building Improvements	\$ 10,000	25-125 Years
Equipment	\$ 5,000	4-10 Years
Furniture	\$ 5,000	5-10 Years
Vehicles	\$ 5,000	7-30 Years
Infrastructure	\$ 10,000	5-50 Years
Wastewater Plant and Equipment	\$ 10,000	10-50 Years
Capacity Rights	\$ N/A	20 Years

The Town does not capitalize its library books because the books are considered a collection.

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

## **7. Compensated Absences**

It is the Town's policy to permit employees to accumulate earned but unused vacation benefits up to two-hundred eighty (280) hours for most Town employees except up to two hundred forty (240) hours for police officers. Town employees can accumulate unused sick benefits. Members of the Police union are not entitled to a payout of sick benefits upon separation from service. Prior to 2004, the AFSCME union members and non-union members were allowed to accumulate up to one-thousand twenty-four (1024) hours of sick time. The maximum amount allowed to accumulate was limited to four-hundred eighty hours (480) for non-union members as of July 1, 2003 and new AFSCME union members as of February 1, 2004. Employees hired prior to 2004 that had accumulated more than these hours were allowed to put the additional hours in a sick bank. These hours can be used, but only after the four-hundred eighty hours (480) have been used, and then only at the discretion of the Town Manager. The Town is liable for up to one-third of unused sick benefits upon termination prior to reaching age 62 or up to one-half after reaching age 62. The accrual for unused compensated absences, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

## **8. Long-term Liabilities**

Long-term liabilities include bonds payable, capital leases and other obligations such as compensated absences, Due to the City of South Burlington for wastewater treatment capacity rights and Community Development loans due to the State of Vermont. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

## **9. Fund Equity**

Fund balances are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide and proprietary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental fund financial statements are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

## **II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS**

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

### III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary Information

Budgets are approved at the annual Town Meeting in March. Budget changes within a department, which do not change the total expenditures, require approval of the Town Manager. Budget changes between departments, which do not change the total expenditures, require Selectboard approval. Voter approval is required before expenditures exceed 102% of the voter approved budget.

#### B. Budgeted Deficit

The Town budgeted a current year's deficiency in the General Fund of \$135,000 in order to utilize a portion of the previous year's surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Exhibit F and Schedule 1.

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Cash and Investments

The Town's cash and investments as of June 30, 2013 consisted of the following:

Cash:		
Deposits with Financial Institutions		\$8,826,395
Cash on Hand		<u>1,405</u>
Total Cash		<u>8,827,800</u>

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

Investments:

Certificates of Deposit	\$ 386,063
U.S. Treasury Strips	272,627
Corporate Bonds	32,416
Mutual Funds ó Equities	91,058
Common Stock	<u>8,940</u>
 Total Investments	 <u>791,104</u>
 Total Cash and Investments	 <u>\$9,618,904</u>

The Town has two (2) certificates of deposit valued at \$109,685 and \$276,378 with interest rates of .40% and 3.35%, respectively. Both certificates of deposit mature by fiscal year 2015.

The investment policy of the Town is to ensure safety, liquidity and yield, in that order of priority. The Town Treasurer may invest in certificates of deposit, repurchase agreements and bank money market accounts. Investments in other instruments require prior approval of the Selectboard. The policy also indicates that all holdings are to be insured or collateralized. The Selectboard has approved the Town's holdings.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the 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. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit its exposure to custodial credit risk. The U.S. Treasury Strips, corporate bonds, mutual funds and common stock are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town's deposits and certificates of deposit.

	Book Balance	Bank Balance
Insured - FDIC/SIPC	\$ 1,082,610	\$ 1,100,136
Uninsured, Collateralized by U.S. Government Securities and/or General Obligation Vermont Municipal Notes and Bonds Held by the Bank's Trust Department with a Security Interest granted to the Town or Irrevocable Standby Letter of Credit	8,103,419	8,346,521
Uninsured, Uncollateralized	<u>26,429</u>	<u>26,429</u>
	<u>\$ 9,212,458</u>	<u>\$ 9,473,086</u>

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks.

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

The book balance is comprised of the following:

Cash ó Deposits with Financial Institutions	\$8,826,395
Investments ó Certificates of Deposit	<u>386,063</u>
Total	<u>\$9,212,458</u>

**Interest Rate Risk**

Interest rate risk 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's policy does not limit its exposure to interest rate risk. The Town's certificates of deposit and common stock are not subject to interest rate risk disclosure.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity. Mutual funds are shown at their weighted average maturity (if available) and the U.S. Treasury Strips and corporate bonds are shown at their actual maturity.

Investment Type	Remaining Maturity				Total
	Less Than 1 Year	1 to 5 Years	5 to 10 Years	Not Available	
Mutual Funds	\$ 0	\$ 0	\$ 0	\$ 91,058	\$ 91,058
U.S. Treasury Strips	35,983	140,571	96,073	0	272,627
Corporate Bonds	<u>0</u>	<u>32,416</u>	<u>0</u>	<u>0</u>	<u>32,416</u>
Total	<u>\$ 35,983</u>	<u>\$ 172,987</u>	<u>\$ 96,073</u>	<u>\$ 91,058</u>	<u>\$ 396,101</u>

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The U.S. Treasury Strips are exempt from this analysis. The mutual funds are open-ended and are, therefore, also excluded from the credit risk analysis.

Standard and Poor's Rating	
As of June 30, 2013 ó	
<u>Corporate Bonds</u>	
AA+	\$11,562
BB+	<u>20,854</u>
Total	<u>\$32,416</u>

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town has \$9,986, (31%), of their corporate bonds invested in Goldman Sachs Group, Inc., \$11,562, (36%), of their corporate bonds invested in General Electric Capital Corporation, and \$10,868, (33%), of their corporate bonds invested in Bank of America Corporation.

**B. Receivables**

Receivables as of June 30, 2013, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Delinquent Taxes Receivable	\$ 226,879	\$ 0	\$ 226,879
Penalties and Interest Receivable	41,125	0	41,125
Ambulance Receivables	163,372	0	163,372
Accounts Receivable	33,943	51	33,994
Due from Other Governments	973,734	0	973,734
Billed Services	0	16,501	16,501
Unbilled Services	0	272,236	272,236
Special Assessments - Current Portion *	0	160,000	160,000
Special Assessments - Noncurrent Portion *	0	1,485,000	1,485,000
Allowance for Doubtful Accounts	(92,000)	0	(92,000)
	<u>\$ 1,347,053</u>	<u>\$ 1,933,788</u>	<u>\$ 3,280,841</u>

\* The special assessments receivable represents money that will be received by the Town from sewer customers to pay specific sewer bonds described in Note IV.H.

**C. Notes Receivable**

Notes Receivable as of June 30, 2013 are as follows:

Note Receivable, Holy Cross Senior Housing Partnership, Principal and Interest Payments Deferred until October, 2017, Interest at 1%, Monthly Principal and Interest Payments of \$1,380 due thereafter until October 31, 2037	\$300,000
Note Receivable, Champlain Housing Trust Corporation, Principal in the Form of a Balloon Payment due August 30, 2021, 0% Interest, Collateralized by 3 <sup>rd</sup> Mortgage on Land and Premises at 1302 Ethan Allen Drive	190,000
Note Receivable, Champlain Housing Trust Corporation, Principal Payments Deferred until August, 2036, 0% Interest	65,778

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Note Receivable, Brookside Partnership, Principal and Interest Payments Deferred until January 2039, Interest at 4.46%	\$ 240,000
Notes Receivable, Sixteen (16) Loans to Residents for On-Site Sewage Disposal Systems and Potable Water Service, Principal and Interest Due Monthly Over Twenty (20) Years, Interest at 3%, Secured by Liens on Properties. Repayment of the Income from the Loans will be Used to Pay the Related Septic Improvement Loan Program Bonds Described in Note IV.H.	<u>199,421</u>
Total Notes Receivable	995,199
Plus: Accrued Interest on Notes Receivable	40,939
Less: Discount on Notes Receivable at 3% to 5%	(246,091)
Less: Allowance for Doubtful Notes and Accrued Interest Receivable	<u>(590,626)</u>
Reported Value as of June 30, 2013	<u>\$ 199,421</u>

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,104,936	\$ 0	\$ 0	\$ 2,104,936
Construction in Progress	<u>5,727,879</u>	<u>3,229,597</u>	<u>6,957,767</u>	<u>1,999,709</u>
Total Capital Assets, Not Being Depreciated	<u>7,832,815</u>	<u>3,229,597</u>	<u>6,957,767</u>	<u>4,104,645</u>
Capital Assets, Being Depreciated:				
Land Improvements	1,338,167	0	0	1,338,167
Buildings and Building Improvements	7,227,991	2,165,203	0	9,393,194
Equipment and Furniture	1,873,723	317,035	16,286	2,174,472
Vehicles	3,555,540	109,203	87,408	3,577,335
Infrastructure	<u>15,544,186</u>	<u>4,499,780</u>	<u>0</u>	<u>20,043,966</u>
Totals	<u>29,539,607</u>	<u>7,091,221</u>	<u>103,694</u>	<u>36,527,134</u>
Less Accumulated Depreciation for:				
Land Improvements	616,472	34,300	0	650,772
Buildings and Building Improvements	1,605,782	159,844	0	1,765,626
Equipment and Furniture	646,121	185,773	16,286	815,608
Vehicles	1,418,079	271,740	75,542	1,614,277
Infrastructure	<u>2,453,138</u>	<u>685,901</u>	<u>0</u>	<u>3,139,039</u>
Totals	<u>6,739,592</u>	<u>1,337,558</u>	<u>91,828</u>	<u>7,985,322</u>
Total Capital Assets, Being Depreciated	<u>22,800,015</u>	<u>5,753,663</u>	<u>11,866</u>	<u>28,541,812</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,632,830</u>	<u>\$ 8,983,260</u>	<u>\$ 6,969,633</u>	<u>\$ 32,646,457</u>



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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 132,568	\$ 0	\$ 0	\$ 132,568
Total Capital Assets, Not Being Depreciated	132,568	0	0	132,568
Capital Assets, Being Depreciated:				
Plant and Equipment:				
10 Years	7,807	0	0	7,807
25 Years	1,159,789	0	0	1,159,789
30 Years	35,067	0	0	35,067
40 Years	323,679	0	0	323,679
50 Years	4,688,203	0	0	4,688,203
Capacity Rights - Wastewater Treatment	0	12,137,834	0	12,137,834
Totals	6,214,545	12,137,834	0	18,352,379
Less Accumulated Depreciation for:				
Plant and Equipment	3,018,688	150,390	0	3,169,078
Totals	3,018,688	150,390	0	3,169,078
Total Capital Assets, Being Depreciated	3,195,857	11,987,444	0	15,183,301
Business-Type Activities Capital Assets, Net	\$ 3,328,425	\$ 11,987,444	\$ 0	\$ 15,315,869

Depreciation was charged as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 111,396	Wastewater	\$ 150,390
Public Safety	268,285		
Public Works	798,446		
Culture and Recreation	159,431		
Total Depreciation Expense - Governmental Activities	\$ 1,337,558	Total Depreciation Expense - Business-Type Activities	\$ 150,390

**E. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2013 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 1,059,758
Capital Projects Fund	1,069,105	0
Reserve Fund	198,915	0
FEMA Fund	0	621,815
Other Governmental Funds	6,138	100,522
Wastewater Fund	56,384	0
Recreation Program Fund	451,553	0
Total	\$ 1,782,095	\$ 1,782,095

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Interfund transfers during the year ended June 30, 2013 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 406,000	Fund Capital Projects
General Fund	Reserve Fund	25,000	Appropriation
General Fund	Reserve Fund	24,948	Transfer for Boating Safety Grant
General Fund	Recreation Acquisition and Development Fund	4,000	Appropriation
General Fund	Recreation Program Fund	27,500	Appropriation
Capital Projects Fund	FEMA Fund	<u>97,063</u>	Fund Local Match
Total		<u>\$ 584,511</u>	

**F. Unearned Revenue**

Unearned revenue in the General Fund consists of \$10,563 of prepaid fees and grant revenue received in advance.

Unearned revenue in the Other Governmental Funds consists of \$172,470 of grant revenue received in advance.

Unearned revenue in the Recreation Program Fund consists of \$138,444 of recreation fees received in advance. This revenue will be earned when the recreation programs are provided.

**G. Deferred Inflows of Resources**

Deferred inflows of resources in the General Fund consists of \$171,793 of delinquent property taxes, penalties and interest on those taxes and \$57,784 of ambulance fees that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$100,351 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$329,928.

Deferred inflows of resources in the Capital Projects Fund consist of \$16,371 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the FEMA Fund consist of \$639,720 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Other Governmental Funds consists of \$47,362 of grant revenue and \$199,421 of notes receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total deferred inflows of resources in the Other Governmental Funds is \$246,783.

**H. Long-term Liabilities**

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for both governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

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General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds. Refunding bonds are issued for various terms based on the debt service of the debt refunded.

The Town enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they may include clauses that allow for cancellation of the lease in the event the Town does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Environmental Revolving Fund for sewer projects, public works projects, and to fund a septic system improvement loan program.

Long-term liabilities outstanding as of June 30, 2013 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Loan Fund, Malletts Bay Sewer Study, Principal Payments of \$10,774 Payable on April 1 Annually, 0% Interest, Due and Paid April, 2013	\$ 10,774	\$ 0	\$ 10,774	\$ 0
Bond Payable, State of Vermont Special Environmental Revolving Loan Fund, Belwood Drainage Project, Principal Payments of \$49,642 Payable on October 1 Annually, 0% Interest, Due October, 2023	595,697	0	49,642	546,055
Bond Payable, State of Vermont Special Environmental Revolving Loan Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$9,174 Payable on April 1 Annually, Interest at 2%, Due April, 2027	117,874	0	6,816	111,058
Bond Payable, State of Vermont Special Environmental Revolving Loan Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$4,941 Payable on April 1 Annually, Interest at 2%, Due April, 2028	67,090	0	3,599	63,491

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Municipal Building, Principal Payments of \$310,000 Payable on December 1 Annually, Interest Rates Ranging from 3.865% to 4.665% Payable on June 1 and December 1, Due December, 2027	\$4,900,000	\$ 0	\$310,000	\$4,590,000
Bond Payable, Vermont Municipal Bond Bank, Bayside Property Purchase, Principal Payments of \$55,000 Payable on December 1 Annually, Interest Rates Ranging from 1.87% to 5.09% Payable on June 1 and December 1, Due December, 2024	715,000	0	55,000	660,000
Capital Lease Payable, First Niagara Leasing, Street Light Project, First Principal Payment of \$54,284 Paid on November 29, 2012, Remaining Principal and Interest Payments of \$54,085 Payable on July 15 Annually, Interest at 1.946%, Due July, 2021	<u>0</u>	<u>500,000</u>	<u>54,284</u>	<u>445,716</u>
Total Governmental Activities	<u>\$6,406,435</u>	<u>\$500,000</u>	<u>\$490,115</u>	<u>\$6,416,320</u>
Business-Type Activities:				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$60,000 to \$155,000 Payable on December 1 Annually, Interest Rates Ranging from 6.9% to 7.0% Payable June 1 and December 1, Due December, 2020	\$1,075,000	\$ 0	\$ 90,000	\$ 985,000
Bond Payable, Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$35,000 to \$90,000 Payable on December 1 Annually, Interest Rates Ranging from 6.875% to 7.0% Payable June 1 and December 1, Due December, 2021	680,000	0	50,000	630,000
Bond Payable, Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$10,000 to \$15,000 Payable on December 1 Annually, Interest Rates Ranging from 5.53% to 6.2% Payable June 1 and December 1, Due December, 2014	45,000	0	15,000	30,000

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Loan Fund, Breezy Acres Trailer Park Sewer System, Principal Payments of \$79,048 Payable on July 1 Annually, 0% Interest, Due July, 2019	\$ <u>553,336</u>	\$ <u>0</u>	\$ <u>79,048</u>	\$ <u>474,288</u>
Total Business-Type Activities	\$ <u>2,353,336</u>	\$ <u>0</u>	\$ <u>234,048</u>	\$ <u>2,119,288</u>

Changes in long-term liabilities during the year were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 6,406,435	\$ 0	\$ 435,831	\$ 5,970,604	\$ 425,265
Capital Leases Payable	0	500,000	54,284	445,716	48,592
Compensated Absences	681,231	0	9,478	671,753	0
Due to State of Vermont	<u>39,753</u>	<u>0</u>	<u>111</u>	<u>39,642</u>	<u>0</u>
Total Governmental Activities Long-Term Liabilities	\$ <u>7,127,419</u>	\$ <u>500,000</u>	\$ <u>499,704</u>	\$ <u>7,127,715</u>	\$ <u>473,857</u>
<b>Business-Type Activities</b>					
Special Assessment Debt with Governmental Commitment	\$ 1,800,000	\$ 0	\$ 155,000	\$ 1,645,000	\$ 160,000
General Obligation Bonds Payable	553,336	0	79,048	474,288	79,048
Compensated Absences	13,825	9,417	0	23,242	0
Due to South Burlington - Capacity Rights	<u>0</u>	<u>12,137,834</u>	<u>0</u>	<u>12,137,834</u>	<u>499,553</u>
Total Business-Type Activities Long-Term Liabilities	\$ <u>2,367,161</u>	\$ <u>12,147,251</u>	\$ <u>234,048</u>	\$ <u>14,280,364</u>	\$ <u>738,601</u>

As part of the Town's community development loan program that was originally funded by the State of Vermont, the Town is required to repay the State based on loan repayments. The agreement requires the Town to repay one-half of the annual repayments to the State of Vermont up to a cumulative total of \$80,000. The current balance is \$39,642.

The Town has an agreement with the City of South Burlington, Vermont to assist in the upgrade of South Burlington's wastewater treatment facility. This agreement provides wastewater treatment capacity rights to the Town of Colchester in exchange for \$8,115,040 in growth in capacity costs and \$5,225,594 in operation and maintenance upgrade costs for a total of \$13,340,634. The Town of Colchester has paid for \$1,202,800 of these costs through a STAG grant. The City of South Burlington has issued twenty year bonds from the State of Vermont Special Environmental Loan Fund to provide the additional funding for this project and will bill the Town of Colchester for its proportionate share of the project costs. The Town of Colchester plans to pay for these improvements from a combination of cash reserves, grants and rate adjustments. The annual debt service to the Town will require annual payments of \$742,310 beginning April, 2014 for twenty (20) years which includes interest at 2%. The Town of Colchester has acquired the capacity and treatment rights for both past and future development within the Town. The balance owed to the City of South Burlington as of June 30, 2013 was \$12,137,834.

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Compensated Absences are paid by the applicable fund where the employee is charged.

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities			Business-Type Activities	
	Principal	Interest	Capital Leases	Principal	Interest
2014	\$ 425,265	\$ 232,855	\$ 54,085	\$ 239,048	\$ 107,714
2015	425,478	215,596	54,085	254,048	96,251
2016	425,695	198,411	54,085	249,048	84,401
2017	420,916	179,408	54,085	259,048	72,342
2018	421,142	166,422	54,085	274,048	59,422
2019-2023	2,109,253	581,247	216,340	844,048	93,497
2024-2028	1,742,855	165,652	0	0	0
Total	5,970,604	1,739,591	486,765	2,119,288	513,627
Less: Imputed Interest	0	0	(41,049)	0	0
Total	\$ 5,970,604	\$ 1,739,591	\$ 445,716	\$ 2,119,288	\$ 513,627

## I. Fund Balances

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Selectboard's intended use of the resources); and unassigned.

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

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The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balances in the following funds are nonspendable as follows:

Major Funds

General Fund:	
Nonspendable Prepaid Expenses	\$ 3,659
Nonspendable Inventories	<u>66,743</u>
Total General Fund	<u>70,402</u>

Non-Major Funds

Special Revenue Funds:	
Nonspendable Cemetery Fund Principal	91,050
Permanent Fund:	
Nonspendable Burnham Memorial Library Fund Principal	<u>2,000</u>
Total Non-Major Funds	<u>93,050</u>
Total Nonspendable Fund Balances	<u>\$163,452</u>

The fund balances in the following funds are restricted as follows:

Major Funds

Capital Projects Fund:	
Restricted for Street Lights Project by Bond Proceeds (Source of Revenue is Bond Proceeds)	<u>\$102,440</u>

Non-Major Funds

Special Revenue Funds:	
Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	72,679
Restricted for Police Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	221,370
Restricted for Cemetery Expenses by Trust Agreement ó Expendable Portion (Source of Revenue is Donations)	162,775
Restricted for Heritage Project by Donations (Source of Revenue is Donations)	<u>948</u>
Total Special Revenue Funds	<u>457,772</u>

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Capital Projects Funds:	
Restricted for Recreation Acquisition and Development	
Expenditures by Impact Fees (Source of Revenue is Impact Fees)	\$124,839
Permanent Funds:	
Burnham Memorial Library Expenses by Trust Agreement ó	
Expendable Portion (Source of Revenue is Donations)	<u>6,547</u>
Total Non-Major Funds	<u>589,158</u>
Total Restricted Fund Balances	<u>\$691,598</u>

The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:	
Assigned to Reduce Property Taxes in Fiscal Year 2014	\$ <u>63,000</u>
Capital Projects Fund:	
Assigned for Capital Projects	<u>1,648,202</u>
Reserve Fund:	
Assigned for Reserve Fund Expenses for Reappraisal, Technology,	
Restoration of Records and Public Safety Capital Items	<u>1,216,721</u>

Non-Major Funds

Capital Projects Funds:	
Assigned for Capital Equipment Expenditures	52,096
Debt Service Fund:	
Assigned for Debt Service	<u>137</u>
Total Non-Major Funds	<u>52,233</u>
Total Assigned Fund Balances	<u>\$2,980,156</u>

The unassigned deficit of \$634,442 in the FEMA Fund will be funded with the collection of grant receivables.

The unassigned deficit of \$20,196 in the Revolving Loan Fund will be funded with the collection of notes receivable.

The unassigned deficit of \$21,179 in the Grant Fund will be funded with the collection of grant receivables.



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**J. Restricted and Designated Net Position**

The restricted net position of the Town as of June 30, 2013 consisted of the following:

Governmental Activities:

Restricted for FEMA Expenditures by Grant Agreements	\$ 5,278
Restricted for Revolving Loans by Grant Agreement	4,676
Restricted for Community Development by Grant Agreements	33,037
Restricted for Grant Expenses by Grant Agreements	26,183
Restricted for Law Enforcement by Grant Agreements	221,370
Restricted for Cemetery by Trust Agreements ó Non-Expendable Portion	91,050
Restricted for Cemetery by Trust Agreements ó Expendable Portion	162,775
Restricted for Heritage Project by Donations	948
Restricted for Recreation Acquisition/Development by Impact Fees	124,839
Restricted for Burnham Library by Donations ó Non-Expendable Portion	2,000
Restricted for Burnham Library by Donations ó Expendable Portion	<u>6,547</u>
Total Governmental Activities	<u>\$678,703</u>

Business-Type Activities:

Restricted for Breezy Acres by Wastewater Trust Agreement	\$ <u>6,600</u>
Total Business-Type Activities	<u>\$ 6,600</u>

The designated net position of the Town as of June 30, 2013 consisted of the following:

Business-Type Activities:

Wastewater Fund:	
Designated for South Burlington Plant Debt Service	\$2,000,000
Designated for Wastewater Fund Expenditures	<u>1,948,057</u>
Total Wastewater Fund	<u>3,948,057</u>
Recreation Program Fund:	
Designated for Recreation Program Fund Expenses	<u>264,250</u>
Total Business-Type Activities	<u>\$4,212,307</u>

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**V. OTHER INFORMATION**

**A. BENEFIT PLANS**

The Town offers a 401(a) pension plan to all full time employees, except police officers, with 100% vesting after five (5) years of service. This plan qualifies, according to the Internal Revenue Service, as a defined contribution pension plan for governmental organizations exempt from income taxes. The Town contributes 8.5% of each non-union employee's base pay. Employees contribute 1% of their base pay. The International City/County Management Association administers the Plan. The total payroll for the year was \$6,110,381 while the covered payroll was \$2,307,572. Pension expenses for the years ended June 30, 2013, 2012 and 2011 were \$196,144, \$246,265 and \$203,428, respectively.

The Police Officers are covered under the State of Vermont Municipal Employees' Retirement System Plan. The Town participates in the following plans. Employees in Group B contribute 4.5% of their gross salary and the Town contributes 5%. Employees in Group C contribute 9.25% of their gross salary and the Town contributes 6.5%, except for the three (3) highest ranking officers who contribute 7.5%, while the Town contributes 8.5%.

The Town pays all costs accrued each year for the plans. The premise of these plans is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in these plans is done in the aggregate, not by municipality. The net position available for benefits as well as the present value of vested and nonvested plan benefits by municipality are not available. Covered payroll for these plans was \$2,885,251. Pension expense for the years ended June 30, 2013, 2012 and 2011 were \$136,724, \$128,132 and \$113,292, respectively.

Additional information regarding the State of Vermont Municipal Employees' Retirement System is available upon request from the State of Vermont.

The Town also offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The Town is the administrator of the plan. The plan permits employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Town has no liability for losses under this plan, but does have the duty of due care that would be required of an ordinary prudent investor. All of the investments are self-directed by each employee.

**B. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

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The Town is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

**C. PROPERTY TAXES**

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are collected three (3) times per year. During the tax year ended June 30, 2013, taxes became due and payable on August 15, 2012, November 15, 2012 and March 15, 2013. The Town assesses an 8% penalty on delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2013 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.2541	1.4085
Town	<u>.5530</u>	<u>.5530</u>
Total	<u>1.8071</u>	<u>1.9615</u>

**D. CONTINGENT LIABILITIES**

The Town is a participating member in the Chittenden Solid Waste District (CSWD). The Town could be subject to a portion of the District's debt if the District experiences financial problems.

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**E. LANDFILL TRUST**

On November 30, 1990, the Town created a trust for the benefit of the State of Vermont Agency of Natural Resources to provide funds for the closure and post-closure costs of the Colchester landfill.

The Colchester Landfill Vertical Expansion Trust was created to provide post-closure costs for twenty (20) years and required distributions to the landfill's owners totaling \$150,000. Any funds remaining after the distributions and all monitoring costs have been paid will be distributed to the Town upon termination of the Trust. The Trust may be terminated by written agreement of the Town, the Trustees and the Secretary of the Vermont Agency of Natural Resources. The balance remaining in the Trust at June 30, 2013 is \$5,882.

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**F. ENDOWMENT FUND**

On May 5, 1997, the Burnham Memorial Library created an endowment at the Vermont Community Foundation. In doing so, the ownership of the funds passed to the Vermont Community Foundation with the stipulation that the Foundation pay to the Library an amount, determined on an annual basis, to be not less than 5% of the value of the funds as of the end of the previous year. Payments are to be made at least semiannually. The contributions are not reflected on the balance sheet of the Town. In 2013, the Library contributed another \$2,229 to the Foundation. The balance of the Endowment Fund at June 30, 2013 is \$64,876.

**G. LAND LEASE**

In August, 1994, the Town of Colchester entered into a land lease agreement with Homestead Design, Inc. The Town will lease land which is adjacent to the Town's offices to Homestead Design, Inc. for thirty (30) years. The Town will receive lease payments from Homestead Design, Inc. for thirty (30) years. The agreement provided for the construction of a building which is rented to a medical center. Homestead Design, Inc. collects these rent payments. At the end of the thirty (30) year agreement, the building will become property of the Town. The Town will then begin to receive the rental payments from the medical center. A purchase price option is included in the lease whereby the Town can purchase the building. The current purchase price is \$986,990.

Future land lease revenue is as follows:

2014	\$ 24,279
2015	24,946
2016	25,632
2017	26,337
2018	27,061
Thereafter	<u>178,733</u>
	<u>\$306,988</u>

**H. COMMITMENTS AND CONTINGENCIES**

The Town of Colchester voters have approved borrowing up to \$750,000 from the State of Vermont Special Environmental Loan Fund to be used for low interest Septic System Improvement Loans for Colchester residents. As of June 30, 2013, the Town has drawn \$230,796 of this amount and repaid \$56,246 leaving a balance owed of \$174,549.

**I. SUBSEQUENT EVENTS**

On June 4, 2013, the voters of the Town of Colchester authorized the Town to borrow up to \$500,000 from the State of Vermont Special Environmental Loan Fund to be loaned to The Housing Foundation, Inc. for upgrading the wastewater disposal system for the Windemere Estates Mobile Home Park. Repayment will begin on January 1, 2014 with a 2% administration fee and a maturity of December 1, 2022.

TOWN OF COLCHESTER, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Revenues:</b>			
Property Taxes	\$ 8,974,283	\$ 9,053,228	\$ 78,945
Veteran's Tax Exemption	(19,500)	(9,269)	10,231
Interest on Delinquent Taxes	55,000	51,221	(3,779)
Penalties on Delinquent Taxes	76,000	85,728	9,728
Miscellaneous Tax Sale Charges	0	2,084	2,084
Liquor Licenses	3,200	3,220	20
Licenses - Town	4,500	4,410	(90)
Department of Motor Vehicles	1,400	954	(446)
Marriage Licenses	1,200	1,025	(175)
Dog Licenses	9,000	6,808	(2,192)
Payment in Lieu of Taxes	115,000	167,996	52,996
Current Use Hold Harmless	12,650	25,751	13,101
VLCT Insurance Distributions	0	28,511	28,511
Investment Income	54,000	25,876	(28,124)
Transfer from Reserve Fund	30,000	0	(30,000)
Transfer from Wastewater Fund	104,021	104,021	0
Transfer from Capital Projects Fund	101,500	0	(101,500)
Miscellaneous	10,000	10,017	17
Promotional	0	120	120
Support Payments	158,974	58,974	(100,000)
Milton Dispatch	160,341	160,341	0
Police	4,000	2,668	(1,332)
CUSI	16,471	52,460	35,989
Police Ordinance Fees	0	1,830	1,830
Ambulance	325,000	328,384	3,384
Technical Rescue Reimbursements	0	9,140	9,140
Recording Fees	145,000	174,436	29,436
Accessory Apartment/Seasonal Conversion	500	750	250
Building/Zoning Permits	150,000	201,565	51,565
Septic Permits	3,000	1,450	(1,550)
DRB Legal Notices	1,200	1,470	270
DRB/BLA Applications	17,000	20,663	3,663
Excavation W/Row	9,000	11,110	2,110
Certificates of Occupancy	10,500	15,625	5,125
GIS Income	350	192	(158)
State Wastewater Permits	20,000	33,337	13,337
Ordinance & Map Copies	400	313	(87)
Certified Copies of Vital Records	5,000	3,812	(1,188)
Copies & Maps	13,000	21,540	8,540
Use of Vault	3,200	4,378	1,178
Passports	17,000	16,545	(455)
Passport Photos	6,000	5,858	(142)
Road Miscellaneous	2,200	2,694	494
Dog Control	1,775	1,379	(396)
Green Mountain Passports	100	204	104
Recreation	13,950	11,710	(2,240)
Senior Center Rental	150	0	(150)
District Court Fines	45,000	38,604	(6,396)
Planning & Zoning Fines	1,000	914	(86)
Grant Reimbursement	0	1,600	1,600
Public Safety Grant	0	2,500	2,500
Boating Safety Grant	20,000	24,948	4,948
Act 68 Reimbursement	40,000	50,590	10,590
Act 60 Reimbursement	6,850	6,734	(116)
Annual School Payment	19,758	20,008	250
Annual School Payment - Maintenance	18,000	18,000	0
State Aid to Highways	183,417	189,616	6,199
Donations	0	1,000	1,000
<b>Total Revenues</b>	<b>10,950,390</b>	<b>11,059,043</b>	<b>108,653</b>
<b>Expenditures:</b>			
<b>Selectboard:</b>			
Salaries	5,500	5,500	0
Social Security	421	421	0
Town Meeting	750	645	105
Town Report	1,750	610	1,140
Printing & Binding	2,600	0	2,600
Miscellaneous	250	45	205
Contingency	50,000	2,500	47,500
Transfer to Capital Projects Fund	0	50,000	(50,000)
<b>Total Selectboard</b>	<b>61,271</b>	<b>59,721</b>	<b>1,550</b>

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Civil Board:</b>			
Salaries	\$ 15,392	\$ 11,876	\$ 3,516
Civil Board Salaries	15,031	8,132	6,899
Health Insurance	6,702	5,556	1,146
Dental Insurance	426	387	39
Life/Disability Insurance	196	188	8
Social Security	2,328	1,486	842
Retirement	1,308	989	319
Unemployment Compensation	685	467	218
Workers Compensation	45	44	1
Postage	2,000	1,066	934
Machinery & Equipment	300	0	300
Miscellaneous	6,600	4,440	2,160
<b>Total Civil Board</b>	<b>51,013</b>	<b>34,631</b>	<b>16,382</b>
<b>Town Manager:</b>			
Salaries	299,673	313,946	(14,273)
Health Insurance	38,075	34,949	3,126
Dental Insurance	2,706	4,313	(1,607)
Life/Disability Insurance	4,227	4,040	187
Insurance - PACIF/CL Bond/E&O	9,770	17,782	(8,012)
Social Security	23,269	24,939	(1,670)
Retirement	25,855	20,793	5,062
Unemployment Compensation	3,037	2,079	958
Workers Compensation	851	838	13
Miscellaneous Benefits	3,000	5,500	(2,500)
Personnel Development	1,500	1,557	(57)
Employee & Volunteer	1,500	2,138	(638)
Dues & Publications	5,640	4,222	1,418
Professional Services	3,000	0	3,000
Legal	19,000	18,802	198
Legal - Union Negotiations	15,000	1,220	13,780
Legal - Human Resources	2,000	6,241	(4,241)
Utilities	3,100	2,925	175
Telephone	701	1,219	(518)
Communications	0	236	(236)
Maintenance - Town Office	2,797	3,995	(1,198)
Recruiting	0	8,614	(8,614)
Flag Replacement	500	128	372
Advertising - Public Hearings	1,300	3,967	(2,667)
Operating Supplies	2,150	3,553	(1,403)
Postage	700	984	(284)
Mileage Allowance & Reimbursement	5,000	4,270	730
Miscellaneous	11,407	20,029	(8,622)
Green Up Vermont	1,000	374	626
Wellness Programs	0	238	(238)
<b>Total Town Manager</b>	<b>486,758</b>	<b>513,891</b>	<b>(27,133)</b>
<b>Community Development:</b>			
Salaries	58,455	0	58,455
Health Insurance	18,325	0	18,325
Dental Insurance	1,290	0	1,290
Life/Disability Insurance	1,042	0	1,042
Insurance - PACIF/CL Bond/E&O	2,331	760	1,571
Social Security	4,472	0	4,472
Retirement	4,969	0	4,969
Unemployment Compensation	709	0	709
Workers Compensation	202	200	2
Dues & Publications	200	75	125
Professional Services	5,000	0	5,000
Legal	200	0	200
Utilities	750	0	750
Telephone	234	0	234
Maintenance - Vehicles	400	0	400
Maintenance - Town Office	546	0	546
Advertising	300	0	300
Operating Supplies	200	0	200
Public Relations	1,800	333	1,467
Transfer to Capital Projects Fund	0	100,000	(100,000)
<b>Total Community Development</b>	<b>101,425</b>	<b>101,368</b>	<b>57</b>

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TOWN OF COLCHESTER, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Finance:</b>			
Salaries	\$ 182,821	\$ 184,323	\$ (1,502)
Overtime	1,500	3,949	(2,449)
Health Insurance	43,979	39,739	4,240
Dental Insurance	3,000	3,020	(20)
Life/Disability Insurance	2,615	2,484	131
Insurance - PACIF/CL Bond/E&O	6,545	5,791	754
Social Security	14,101	14,038	63
Retirement	13,582	10,594	2,988
Unemployment Compensation	2,837	1,943	894
Workers Compensation	544	536	8
Personnel Development	500	536	(36)
Dues & Publications	250	419	(169)
Professional Services	38,000	33,188	4,812
Utilities	2,800	2,818	(18)
Telephone	935	791	144
Maintenance - Town Office	2,826	3,193	(367)
Recruiting	0	510	(510)
Office Supplies	2,850	2,246	604
Postage	1,700	1,809	(109)
Computers	22,000	20,727	1,273
Miscellaneous	150	353	(203)
<b>Total Finance</b>	<b>343,535</b>	<b>333,007</b>	<b>10,528</b>
<b>Assessor:</b>			
Salaries	99,390	98,887	503
Lister Salaries	3,000	232	2,768
Health Insurance	23,119	25,264	(2,145)
Dental Insurance	1,645	1,033	612
Life/Disability Insurance	1,289	1,617	(328)
Insurance - PACIF/CL Bond/E&O	4,525	3,803	722
Social Security	7,833	7,421	412
Retirement	8,448	8,376	72
Unemployment Compensation	1,419	972	447
Workers Compensation	1,764	1,738	26
Personnel Development	800	260	540
Dues & Publications	500	0	500
Professional Services	12,000	20,254	(8,254)
Legal	7,500	1,108	6,392
Reappraisal Defense	10,000	29,917	(19,917)
Utilities	1,650	1,451	199
Telephone	468	395	73
Maintenance - Vehicles	300	0	300
Maintenance - Town Office	1,219	1,384	(165)
Operating Supplies	567	661	(94)
Postage	700	584	116
Gasoline	678	317	361
Computers	1,500	0	1,500
Miscellaneous	0	28	(28)
<b>Total Assessor</b>	<b>190,314</b>	<b>205,702</b>	<b>(15,388)</b>
<b>Town Clerk:</b>			
Salaries	202,224	206,423	(4,199)
Overtime	1,038	0	1,038
Health Insurance	54,475	51,620	2,855
Dental Insurance	4,798	4,348	450
Life/Disability Insurance	3,294	3,324	(30)
Insurance - PACIF/CL Bond/E&O	7,149	6,008	1,141
Social Security	15,549	16,128	(579)
Retirement	17,189	16,239	950
Unemployment Compensation	2,864	1,962	902
Workers Compensation	610	601	9
Personnel Development	1,100	500	600
Dues & Publications	425	285	140
Legal	5,000	420	4,580
Utilities	7,000	5,360	1,640
Telephone	1,403	1,227	176
Maintenance - Town Office	5,375	5,140	235
Office Supplies	1,349	67	1,282

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TOWN OF COLCHESTER, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Town Clerk/(Cont'd):			
Operating Supplies	\$ 10,000	\$ 7,912	\$ 2,088
Postage	7,000	6,150	850
Machinery & Equipment	500	0	500
Computers	750	0	750
Miscellaneous	500	408	92
Total Town Clerk	<u>349,592</u>	<u>334,122</u>	<u>15,470</u>
Purchase/Maintenance of Equipment:			
Insurance - PACIF/CL Bond/E&O	717	603	114
Equipment - Repair/Maintenance	1,000	0	1,000
Equipment - Rentals/Leases	19,000	17,093	1,907
Office Supplies	6,250	5,780	470
Postage	700	0	700
Total Purchase/Maintenance of Equipment	<u>27,667</u>	<u>23,476</u>	<u>4,191</u>
Information/Technology:			
Salaries	78,443	69,845	8,598
Health Insurance	13,036	13,191	(155)
Dental Insurance	677	960	(283)
Life/Disability Insurance	517	873	(356)
Insurance - PACIF/CL Bond/E&O	2,880	2,420	460
Social Security	6,001	5,292	709
Retirement	4,836	4,601	235
Unemployment Compensation	1,856	1,268	588
Workers Compensation	194	191	3
Personnel Development	2,500	2,406	94
Professional Services	0	3,240	(3,240)
Internet Provider	1,500	1,319	181
Web File Maintenance	1,480	552	928
Utilities	1,600	1,215	385
Telephone	234	1,516	(1,282)
Repairs & Maintenance	8,000	5,982	2,018
Maintenance - Town Office	1,455	1,369	86
Office Supplies	800	495	305
Mileage Allowance & Reimbursement	175	55	120
Machinery & Equipment	5,000	18,236	(13,236)
Software	5,000	2,496	2,504
Miscellaneous	0	70	(70)
Total Information/Technology	<u>136,184</u>	<u>137,592</u>	<u>(1,408)</u>
Planning/Zoning:			
Salaries	306,605	288,097	18,508
Salaries - Planning Commission	3,900	3,450	450
Overtime	3,000	1,253	1,747
Health Insurance	68,166	63,000	5,166
Dental Insurance	7,128	5,852	1,276
Life/Disability Insurance	4,812	4,518	294
Insurance - PACIF/CL Bond/E&O	11,837	9,948	1,889
Social Security	23,983	22,817	1,166
Retirement	26,061	20,415	5,646
Unemployment Compensation	4,610	3,160	1,450
Workers Compensation	2,183	2,151	32
Personnel Development	8,575	6,698	1,877
Dues & Publications	1,925	1,531	394
Professional Services	14,000	26,761	(12,761)
Legal	30,000	34,017	(4,017)
Utilities	5,500	5,360	140
Telephone	1,870	1,182	688
Communications	700	521	179
Maintenance - Town Office	5,375	5,170	205
Recruiting	0	694	(694)
Advertising - Public Meetings	2,500	1,959	541
Printing & Binding	1,500	1,008	492
Operating Supplies	4,729	4,722	7
Postage	2,300	1,722	578
Gasoline	1,793	407	1,386
Mileage Allowance & Reimbursement	1,000	195	805

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TOWN OF COLCHESTER, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Planning/Zoning/(Cont'd):</b>			
Computers	\$ 7,500	\$ 1,569	\$ 5,931
GIS	500	0	500
Ortho Photographs	1,500	1,500	0
Miscellaneous	0	26	(26)
Transfer to Capital Projects Fund	0	10,000	(10,000)
<b>Total Planning/Zoning</b>	<b>553,552</b>	<b>529,703</b>	<b>23,849</b>
<b>Police:</b>			
Salaries	1,796,364	1,757,313	39,051
Shift Differential	23,430	22,746	684
Longevity Differential	0	380	(380)
Seasonal Staff	4,500	4,284	216
Overtime	133,042	133,623	(581)
Overtime 2.0	22,445	10,769	11,676
Overtime 3.0	16,186	3,638	12,548
Health Insurance	365,872	326,963	38,909
Dental Insurance	31,286	29,675	1,611
Life/Disability Insurance	29,812	29,051	761
Insurance - PACIF/CL Bond/E&O	102,349	84,867	17,482
Social Security	153,036	151,123	1,913
Retirement	144,078	136,724	7,354
Retirement Health Savings	1,311	0	1,311
Unemployment Compensation	21,694	13,958	7,736
Workers Compensation	67,836	63,043	4,793
Personnel Development	1,000	1,110	(110)
Dues & Publications	1,400	1,585	(185)
Training	13,870	11,805	2,065
Uniforms & Equipment	31,200	29,941	1,259
Legal	500	0	500
Child Passenger Safety Program	0	432	(432)
Utilities	20,000	20,214	(214)
Telephone	7,948	9,634	(1,686)
Communications	24,709	35,778	(11,069)
Communications Public Safety	24,500	9,271	15,229
Vehicle Maintenance & Transportation	35,850	32,981	2,869
Maintenance - Town Office	17,010	22,066	(5,056)
Office Supplies	8,000	8,592	(592)
Operating Supplies	0	6	(6)
Police - Photo & Fingerprint	6,728	5,450	1,278
Postage	1,100	778	322
Gasoline	74,603	74,812	(209)
Mileage Allowance & Reimbursement	0	4,142	(4,142)
Machinery & Equipment	0	3,126	(3,126)
Computers	10,300	9,670	630
Miscellaneous	12,000	6,641	5,359
Boating Safety - Federal Grant	8,750	11,953	(3,203)
Special Programs	3,000	668	2,332
Transfer to Capital Equipment Fund	20,000	0	20,000
Transfer to Capital Projects Fund	0	37,000	(37,000)
Transfer to Reserve Fund	0	24,948	(24,948)
<b>Total Police</b>	<b>3,235,709</b>	<b>3,130,760</b>	<b>104,949</b>
<b>Fire Departments:</b>			
MBFD Communication Public Safety	15,500	15,472	28
CCFD Communication Public Safety	16,500	16,307	193
Colchester Center Volunteer Fire	430,815	430,815	0
Mallets Bay Fire Dept	330,437	330,437	0
<b>Total Fire Departments</b>	<b>793,252</b>	<b>793,031</b>	<b>221</b>
<b>Rescue:</b>			
Salaries	222,471	190,267	32,204
Rescue Per Diem	3,292	19,288	(15,996)
Ambulance Personnel	38,000	32,913	5,087
Overtime	20,000	23,762	(3,762)
Health Insurance	33,735	30,528	3,207
Dental Insurance	2,419	2,137	282

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TOWN OF COLCHESTER, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Rescue/(Cont'd):			
Life/Disability Insurance	\$ 3,430	\$ 2,976	\$ 454
Insurance - PACIF/CL Bond/E&O	13,272	11,154	2,118
Social Security	21,708	20,773	935
Retirement	20,037	12,784	7,253
Unemployment Compensation	2,660	1,828	832
Workers Compensation	19,101	18,821	280
Training	8,500	7,808	692
Uniforms	3,750	3,957	(207)
Legal	500	0	500
Health & Safety	500	595	(95)
Utilities	10,500	12,173	(1,673)
Telephone	850	478	372
Communications	2,100	1,694	406
Janitorial Services	2,500	1,654	846
Vehicle Maintenance & Transportation	4,500	1,646	2,854
Equipment - Repair/Maintenance	800	557	243
Maintenance - Building	4,500	6,964	(2,464)
Communications Maintenance/Repair	500	568	(68)
Office Supplies	2,000	1,399	601
Operating Supplies	14,000	15,160	(1,160)
Postage	125	52	73
Gasoline	7,267	6,317	950
Machinery & Equipment	1,250	3,156	(1,906)
Technology Upgrades	2,000	1,746	254
Miscellaneous	4,200	9,543	(5,343)
Amb. Personnel Donations	900	1,195	(295)
Special Programs	500	461	39
Transfer to Capital Projects Fund	0	8,000	(8,000)
Transfer to Reserve Fund - Res. Cap. Equip.	10,900	10,900	0
Transfer to Reserve Fund - Res. Cap. Comm.	6,100	6,100	0
<b>Total Rescue</b>	<b>488,867</b>	<b>469,354</b>	<b>19,513</b>
Technical Rescue:			
Salaries	9,000	11,929	(2,929)
Insurance - PACIF/CL Bond/E&O	1,500	1,261	239
Social Security	689	913	(224)
Workers Compensation	573	565	8
Training	3,500	4,080	(580)
Uniforms	2,500	2,489	11
Health & Safety	1,500	1,341	159
Utilities	1,000	128	872
Communications	2,800	2,883	(83)
Vehicle Maintenance & Transportation	1,500	1,180	320
Equipment - Repair/Maintenance	2,500	1,039	1,461
Maintenance - Building	500	629	(129)
Communications Maintenance/Repair	500	0	500
Operating Supplies	0	38	(38)
Gasoline	1,163	2,365	(1,202)
Machinery & Equipment	2,500	2,777	(277)
Transfer to Reserve Fund - Tech. Res. Cap. Equip.	6,000	6,000	0
Transfer to Reserve Fund - Tech. Res. Cap. Comm.	2,000	2,000	0
<b>Total Technical Rescue</b>	<b>39,725</b>	<b>41,617</b>	<b>(1,892)</b>
Police Dispatch:			
Salaries	286,154	275,613	10,541
Shift Differential	9,966	7,531	2,435
Overtime	32,771	29,548	3,223
Overtime 2.0	10,603	8,372	2,231
Health Insurance	107,656	99,456	8,200
Dental Insurance	5,936	6,495	(559)
Life/Disability Insurance	4,666	3,929	737
Social Security	25,971	24,466	1,505
Retirement	20,031	18,020	2,011
Unemployment Compensation	4,965	3,400	1,565
Workers Compensation	776	765	11
Transfer to Capital Projects Fund	0	10,000	(10,000)
<b>Total Police Dispatch</b>	<b>509,495</b>	<b>487,595</b>	<b>21,900</b>

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Public Works - Administration:</b>			
Salaries	\$ 343,452	\$ 322,453	\$ 20,999
Health Insurance	65,827	59,590	6,237
Dental Insurance	6,452	4,215	2,237
Life/Disability Insurance	5,399	5,017	382
Insurance - PACIF/CL Bond/E&O	2,880	2,420	460
Social Security	26,618	25,308	1,310
Retirement	29,576	25,114	4,462
Unemployment Compensation	3,546	2,424	1,122
Workers Compensation	12,631	12,446	185
Miscellaneous Benefits	0	595	(595)
Personnel Development	2,700	1,358	1,342
Dues & Publications	525	956	(431)
Professional Services	32,700	8,221	24,479
Legal	1,000	1,440	(440)
Utilities	4,600	4,298	302
Telephone	701	779	(78)
Communications	880	957	(77)
Vehicle Maintenance & Transportation	500	267	233
Maintenance - Town Office	4,310	2,951	1,359
Advertising - Recruiting	250	1,195	(945)
Office Supplies	877	1,586	(709)
Operating Supplies	400	17	383
Postage	501	646	(145)
Gasoline	1,066	1,130	(64)
Mileage Allowance & Reimbursement	4,500	4,500	0
Transfer to Capital Projects Fund	0	64,000	(64,000)
	<u>551,891</u>	<u>553,883</u>	<u>(1,992)</u>
<b>Public Works - Highway:</b>			
Salaries	380,137	382,092	(1,955)
Shift Differential	10,000	8,219	1,781
Overtime	43,000	34,770	8,230
Overtime 2.0	6,000	1,211	4,789
Health Insurance	87,240	86,029	1,211
Dental Insurance	5,998	7,330	(1,332)
Life/Disability Insurance	6,266	5,891	375
Insurance - PACIF/CL Bond/E&O	20,602	8,359	12,243
Social Security	33,594	33,602	(8)
Retirement	26,610	25,734	876
Unemployment Compensation	5,674	3,886	1,788
Workers Compensation	20,482	20,182	300
Personnel Development	0	299	(299)
Uniforms	6,643	6,532	111
Commercial Drivers Licenses	150	0	150
Street Lights	125,628	95,505	30,123
Traffic Signals	8,670	8,135	535
Communications	998	538	460
Tree Maintenance	6,000	5,545	455
Tires & Tubes	8,500	8,433	67
Striping	25,720	17,012	8,708
Truck 1 - 2003 International	750	453	297
Truck 2 - 2003 International	750	86	664
Truck 3 - 2007 International	750	841	(91)
Truck 4 - 2008 Chevy	500	732	(232)
Truck 5 - 2007 International	1,850	1,569	281
Truck 6 - 2006 International	750	3,138	(2,388)
Grader	5,480	6,307	(827)
Loader	500	518	(18)
Tractor/Mower	1,950	1,998	(48)
Drott	500	97	403
Holder	500	0	500
Trackless Sidewalk	1,000	809	191
Truck 18 - 2009 International	750	21	729
Truck 8 - 2006 Chevy	500	608	(108)
Truck 9 - 2002 Chevy Crew Cab	500	0	500
Truck 10 - 2004 Chevy 4X4	250	56	194
Chain Saws	300	298	2
Sanders	2,000	1,996	4
Snowplows	1,390	1,357	33

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Public Works - Highway/(Cont'd):			
Bridges	\$ 250	\$ 0	\$ 250
Roller/Trailer	50	116	(66)
Paint Trailer	100	0	100
Hired Equipment - Winter	500	0	500
Hired Equipment - Summer	500	269	231
Operating Supplies	3,783	3,531	252
Equipment Supplies	1,750	1,745	5
Small Tools & Equipment	400	405	(5)
Chloride	10,681	12,467	(1,786)
Gravel	17,181	18,570	(1,389)
Asphalt Repair	3,500	3,499	1
Signs	8,000	7,313	687
Winter Sand	18,531	27,556	(9,025)
Winter Salt	109,824	96,125	13,699
Gasoline	76,875	72,285	4,590
Miscellaneous	0	615	(615)
Transfer to Capital Projects Fund	0	77,000	(77,000)
Total Public Works - Highway	1,100,807	1,101,684	(877)
Public Works - Maintenance Facility:			
Salaries	170,903	169,561	1,342
Shift Differential	650	493	157
Seasonal Labor	11,300	11,381	(81)
Overtime	1,610	2,266	(656)
Overtime 2.0	375	290	85
Health Insurance	37,093	28,892	8,201
Dental Insurance	3,257	2,382	875
Life/Disability Insurance	2,785	2,707	78
Insurance - PACIF/CL Bond/E&O	6,260	5,261	999
Social Security	14,140	14,554	(414)
Retirement	11,963	11,109	854
Unemployment Compensation	2,685	1,839	846
Workers Compensation	8,621	8,495	126
Training	995	975	20
Uniforms	2,804	2,761	43
Utilities	16,500	16,173	327
Telephone	1,403	1,009	394
Repairs & Maintenance	13,825	11,729	2,096
Vehicle Maintenance & Transportation	500	403	97
Office Supplies	150	122	28
Operating Supplies	3,775	3,653	122
Equipment Supplies	14,000	13,332	668
Welding Supplies	1,000	941	59
Gasoline	1,182	323	859
Machinery & Equipment	3,000	2,979	21
Computers	200	0	200
Transfer to Capital Projects Fund	0	16,000	(16,000)
Total Public Works - Maintenance Facility	330,976	329,630	1,346
Stormwater:			
Salaries	79,808	78,791	1,017
Overtime	2,000	2,294	(294)
Health Insurance	15,255	15,761	(506)
Dental Insurance	711	602	109
Life/Disability Insurance	1,263	1,227	36
Insurance - PACIF/CL Bond/E&O	2,973	2,499	474
Social Security	6,105	6,102	3
Retirement	5,413	5,363	50
Unemployment Compensation	1,528	1,170	358
Workers Compensation	3,722	3,668	54
Uniforms	1,085	1,358	(273)
Legal	500	0	500
Catch Basins	4,250	3,978	272
Sweeper	2,500	1,335	1,165
Sweeper - 2007 Sterling	2,500	3,528	(1,028)
Storm Water Pumps	785	925	(140)
Stormwater Permitting	5,200	6,439	(1,239)
Treatment Structures	2,880	1,460	1,420

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Stormwater/(Cont'd):</b>			
Small Tools & Equipment	\$ 100	\$ 67	\$ 33
Culverts	5,000	5,004	(4)
Gasoline	6,976	5,234	1,742
Public Outreach & Education	5,000	5,000	0
Water Quality Testing	5,727	5,977	(250)
Transfer to Capital Projects Fund	0	4,000	(4,000)
<b>Total Stormwater</b>	<b>161,281</b>	<b>161,782</b>	<b>(501)</b>
<b>Buildings:</b>			
Salaries	43,622	42,538	1,084
Overtime	1,012	3,540	(2,528)
Overtime 2.0	0	419	(419)
Health Insurance	7,628	7,835	(207)
Dental Insurance	1,290	102	1,188
Life/Disability Insurance	710	692	18
Insurance - PACIF/CL Bond/E&O	2,544	2,138	406
Social Security	3,415	3,556	(141)
Retirement	3,054	2,978	76
Unemployment Compensation	709	362	347
Workers Compensation	1,824	1,797	27
Utilities - Meeting House	6,084	6,042	42
Utilities - Senior Center	3,060	2,941	119
Utilities - Historical Society	2,664	2,465	199
Communications	600	560	40
Vehicle Maintenance & Transportation	500	1,264	(764)
Maintenance - Meeting House	7,020	15,670	(8,650)
Maintenance - Senior Center	3,600	1,709	1,891
Maintenance - Historical Society	350	897	(547)
Operating Supplies	2,687	3,270	(583)
Operating Supplies - Meeting House	250	0	250
Operating Supplies - Senior Center	150	0	150
Operating Supplies - Historical Society	100	0	100
Gasoline	2,470	1,382	1,088
Mileage Allowance & Reimbursement	150	28	122
Miscellaneous	500	803	(303)
<b>Total Buildings</b>	<b>95,993</b>	<b>102,988</b>	<b>(6,995)</b>
<b>Health Services:</b>			
Visiting Nurse Association	18,000	18,000	0
Animal Control Contract	16,386	13,364	3,022
Animal Control Fees	3,500	4,318	(818)
<b>Total Health Services</b>	<b>37,886</b>	<b>35,682</b>	<b>2,204</b>
<b>Parks:</b>			
Salaries	56,612	56,081	531
Seasonal Labor	119,253	117,175	2,078
Overtime	3,500	4,515	(1,015)
Overtime 2.0	0	320	(320)
Health Insurance	18,347	15,585	2,762
Dental Insurance	1,290	876	414
Life/Disability Insurance	924	898	26
VT Health Care Contributions	1,500	715	785
Insurance - PACIF/CL Bond/E&O	6,345	6,287	58
Social Security	13,721	13,403	318
Retirement	3,963	3,422	541
Unemployment Compensation	5,148	3,534	1,614
Workers Compensation	6,614	6,517	97
Personnel Development	425	75	350
Contractual Services	18,300	12,462	5,838
Utilities	16,500	22,419	(5,919)
Telephone	1,169	854	315
Communications	300	308	(8)
Repairs & Maintenance	14,500	14,330	170
Vehicle Maintenance & Transportation	3,500	709	2,791
Equipment - Repair/Maintenance	3,300	5,443	(2,143)
Equipment - Rentals/Leases	1,000	323	677
Operating Supplies	12,700	13,439	(739)

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>Parks/(Cont'd):</b>			
Grass Seed	\$ 3,000	\$ 1,555	\$ 1,445
Fertilizer	12,000	11,287	713
Gasoline	12,596	14,569	(1,973)
Machinery & Equipment	9,000	9,951	(951)
Transfer to Capital Projects Fund	0	10,000	(10,000)
<b>Total Parks</b>	<b>345,507</b>	<b>347,052</b>	<b>(1,545)</b>
<b>Recreation:</b>			
Salaries	116,095	116,566	(471)
Overtime	0	95	(95)
Health Insurance	17,133	14,747	2,386
Dental Insurance	2,387	2,284	103
Life/Disability Insurance	1,878	2,098	(220)
Insurance - PACIF/CL Bond/E&O	6,082	5,111	971
Social Security	9,225	9,618	(393)
Retirement	10,250	7,959	2,291
Unemployment Compensation	1,312	898	414
Workers Compensation	3,755	3,700	55
Personnel Development	2,200	2,306	(106)
Dues & Publications	950	736	214
Legal	1,000	428	572
Utilities	3,100	3,340	(240)
Summer Concert Series	0	1,800	(1,800)
Telephone	1,071	1,108	(37)
Communications	900	184	716
Vehicle Maintenance	0	62	(62)
Maintenance - Town Office	3,350	2,920	430
Printing/Publicity	2,000	2,085	(85)
Office Supplies	1,850	1,742	108
Operating Supplies	1,400	532	868
Postage	1,800	989	811
Gasoline	484	0	484
Mileage Allowance & Reimbursement	4,700	4,714	(14)
Computers	4,500	2,859	1,641
Fair Day	8,500	7,500	1,000
Winooski Valley Park District	42,300	42,300	0
Transfer to Capital Projects Fund	0	10,000	(10,000)
Transfer to Recreation Acquisition and Dev. Fund	4,000	4,000	0
Transfer to Recreation Program Fund	27,500	27,500	0
<b>Total Recreation</b>	<b>279,722</b>	<b>280,181</b>	<b>(459)</b>
<b>Library:</b>			
Salaries	324,056	290,028	34,028
Temporary Subs	9,543	20,459	(10,916)
Health Insurance	86,645	69,809	16,836
Dental Insurance	8,194	3,555	4,639
Life/Disability Insurance	3,316	4,248	(932)
Insurance - PACIF/CL Bond/E&O	9,402	7,902	1,500
Social Security	25,520	23,755	1,765
Retirement	27,545	21,948	5,597
Unemployment Compensation	6,369	4,367	2,002
Workers Compensation	1,014	999	15
Personnel Development	3,000	651	2,349
Dues & Publications	690	573	117
Programming	1,000	1,058	(58)
Utilities	12,500	12,817	(317)
Telephone	2,300	2,717	(417)
Communications	2,976	1,128	1,848
Janitorial Services	10,400	11,492	(1,092)
Maintenance - Library	10,656	10,225	431
Maintenance - Building	4,500	5,366	(866)
Advertising - Recruiting	100	389	(289)
Printing/Publicity	2,400	2,203	197
Operating Supplies	5,340	5,548	(208)
Postage	4,200	3,517	683
Mileage Allowance & Reimbursement	2,000	1,176	824
Books - Adult	17,500	17,500	0
Books - Juvenile	13,800	13,701	99

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TOWN OF COLCHESTER, VERMONT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
Library/(Cont'd):			
Periodicals	\$ 2,280	\$ 2,558	\$ (278)
Audio/Visual Materials	3,223	3,667	(444)
Computers	8,889	8,234	655
Electronic Resources	3,439	4,945	(1,506)
Miscellaneous	0	441	(441)
Transfer to Capital Projects Fund	<u>0</u>	<u>10,000</u>	<u>(10,000)</u>
Total Library	<u>612,797</u>	<u>566,976</u>	<u>45,821</u>
Cemetery:			
Repairs & Maintenance	17,000	16,863	137
Miscellaneous	<u>2,910</u>	<u>3,024</u>	<u>(114)</u>
Total Cemetery	<u>19,910</u>	<u>19,887</u>	<u>23</u>
Intergovernmental Expenditures:			
Chamber Of Commerce	1,200	1,100	100
VT Council On World Affairs	500	500	0
GBIC	6,000	6,000	0
Chittenden Co. Regional Planning	24,581	24,581	0
VT League of Cities & Towns	18,388	18,205	183
Handicap Transportation	40,000	33,587	6,413
County Tax	87,092	87,092	0
Conservation Commission	<u>2,500</u>	<u>2,500</u>	<u>0</u>
Total Intergovernmental Expenditures	<u>180,261</u>	<u>173,565</u>	<u>6,696</u>
Total Expenditures	<u>11,085,390</u>	<u>10,868,880</u>	<u>216,510</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>\$ (135,000)</u>	190,163	<u>\$ 325,163</u>
Fund Balance - July 1, 2012		<u>1,370,567</u>	
Fund Balance - June 30, 2013		<u>\$ 1,560,730</u>	

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2013

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Permanent Fund Burnham Memorial Library Fund	Total
<u>ASSETS</u>					
Cash	\$ 563,146	\$ 307,615	\$ 0	\$ 8,045	\$ 878,806
Investments	132,414	0	0	0	132,414
Receivables (Net of Allowance for Uncollectibles)	89,664	0	0	0	89,664
Notes Receivable (Net of Allowance for Uncollectibles)	199,421	0	0	0	199,421
Due from Other Funds	1,148	3,963	137	890	6,138
Total Assets	<u>\$ 985,793</u>	<u>\$ 311,578</u>	<u>\$ 137</u>	<u>\$ 8,935</u>	<u>\$ 1,306,443</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 32,399	\$ 56,762	\$ 0	\$ 388	\$ 89,549
Accrued Payroll and Benefits Payable	3,553	0	0	0	3,553
Due to Other Funds	22,641	77,881	0	0	100,522
Unearned Revenue	172,470	0	0	0	172,470
Due to Others	500	0	0	0	500
Total Liabilities	<u>231,563</u>	<u>134,643</u>	<u>0</u>	<u>388</u>	<u>366,594</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Grants	47,362	0	0	0	47,362
Unavailable Notes Receivable	199,421	0	0	0	199,421
Total Deferred Inflows of Resources	<u>246,783</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>246,783</u>
<u>FUND BALANCES</u>					
Nonspendable	91,050	0	0	2,000	93,050
Restricted	457,772	124,839	0	6,547	589,158
Assigned	0	52,096	137	0	52,233
Unassigned/(Deficit)	(41,375)	0	0	0	(41,375)
Total Fund Balances	<u>507,447</u>	<u>176,935</u>	<u>137</u>	<u>8,547</u>	<u>693,066</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 985,793</u>	<u>\$ 311,578</u>	<u>\$ 137</u>	<u>\$ 8,935</u>	<u>\$ 1,306,443</u>

See Disclaimer in the accompanying Independent Auditor's Report.



TOWN OF COLCHESTER, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Permanent Fund Burnham Memorial Library Fund	Total
<b>Revenues:</b>					
Property Taxes	\$ 0	\$ 371,436	\$ 670,339	\$ 0	\$ 1,041,775
Intergovernmental	623,480	0	0	0	623,480
Charges for Services	6,800	0	0	5,530	12,330
Permits, Licenses and Fees	0	33,810	0	0	33,810
Investment Income	27,339	799	0	0	28,138
Loan Repayments	37,143	0	0	0	37,143
Donations	0	0	0	2,683	2,683
<b>Total Revenues</b>	<b>694,762</b>	<b>406,045</b>	<b>670,339</b>	<b>8,213</b>	<b>1,779,359</b>
<b>Expenditures:</b>					
General Government	193,831	0	0	0	193,831
Public Safety	271,920	0	0	0	271,920
Public Works	0	1,775	0	0	1,775
Culture and Recreation	7,316	0	0	7,305	14,621
Community Development	143	0	0	0	143
<b>Capital Outlay:</b>					
General Government	94,205	0	0	0	94,205
Public Safety	68,309	165,640	0	0	233,949
Public Works	0	99,713	0	0	99,713
Culture and Recreation	0	10,804	0	0	10,804
<b>Debt Service:</b>					
Principal	10,415	0	425,416	0	435,831
Interest	3,699	0	244,924	0	248,623
<b>Total Expenditures</b>	<b>649,838</b>	<b>277,932</b>	<b>670,340</b>	<b>7,305</b>	<b>1,605,415</b>
Excess/(Deficiency) of Revenues Over Expenditures	44,924	128,113	(1)	908	173,944
<b>Other Financing Sources:</b>					
Transfers In	0	4,000	0	0	4,000
<b>Total Other Financing Sources</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>0</b>	<b>4,000</b>
Net Change in Fund Balances	44,924	132,113	(1)	908	177,944
Fund Balances - July 1, 2012	462,523	44,822	138	7,639	515,122
Fund Balances - June 30, 2013	<u>\$ 507,447</u>	<u>\$ 176,935</u>	<u>\$ 137</u>	<u>\$ 8,547</u>	<u>\$ 693,066</u>

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2013

	Revolving Loan Fund	Community Development Fund	Grant Fund	Police Special Revenue Fund	Cemetery Fund	Heritage Project Fund	Total
<b><u>ASSETS</u></b>							
Cash	\$ 130,525	\$ 73,000	\$ 18,445	\$ 221,370	\$ 119,806	\$ 0	\$ 563,146
Investments	0	0	0	0	132,414	0	132,414
Receivables (Net of Allowance for Uncollectibles)	0	0	87,759	0	1,905	0	89,664
Notes Receivable (Net of Allowance for Uncollectibles)	199,421	0	0	0	0	0	199,421
Due from Other Funds	0	0	0	0	200	948	1,148
<b>Total Assets</b>	<b><u>\$ 329,946</u></b>	<b><u>\$ 73,000</u></b>	<b><u>\$ 106,204</u></b>	<b><u>\$ 221,370</u></b>	<b><u>\$ 254,325</u></b>	<b><u>\$ 948</u></b>	<b><u>\$ 985,793</u></b>
<b><u>LIABILITIES</u></b>							
Accounts Payable	\$ 79	\$ 111	\$ 32,209	\$ 0	\$ 0	\$ 0	\$ 32,399
Accrued Payroll and Benefits Payable	0	0	3,553	0	0	0	3,553
Due to Other Funds	19,943	210	2,488	0	0	0	22,641
Unearned Revenue	130,699	0	41,771	0	0	0	172,470
Due to Others	0	0	0	0	500	0	500
<b>Total Liabilities</b>	<b><u>150,721</u></b>	<b><u>321</u></b>	<b><u>80,021</u></b>	<b><u>0</u></b>	<b><u>500</u></b>	<b><u>0</u></b>	<b><u>231,563</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>							
Unavailable Grants	0	0	47,362	0	0	0	47,362
Unavailable Notes Receivable	199,421	0	0	0	0	0	199,421
<b>Total Deferred Inflows of Resources</b>	<b><u>199,421</u></b>	<b><u>0</u></b>	<b><u>47,362</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>246,783</u></b>
<b><u>FUND BALANCES/(DEFICIT)</u></b>							
Nonspendable	0	0	0	0	91,050	0	91,050
Restricted	0	72,679	0	221,370	162,775	948	457,772
Unassigned/(Deficit)	(20,196)	0	(21,179)	0	0	0	(41,375)
<b>Total Fund Balances/(Deficit)</b>	<b><u>(20,196)</u></b>	<b><u>72,679</u></b>	<b><u>(21,179)</u></b>	<b><u>221,370</u></b>	<b><u>253,825</u></b>	<b><u>948</u></b>	<b><u>507,447</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 329,946</u></b>	<b><u>\$ 73,000</u></b>	<b><u>\$ 106,204</u></b>	<b><u>\$ 221,370</u></b>	<b><u>\$ 254,325</u></b>	<b><u>\$ 948</u></b>	<b><u>\$ 985,793</u></b>

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Revolving Loan Fund	Community Development Fund	Grant Fund	Police Special Revenue Fund	Cemetery Fund	Heritage Project Fund	Total
<b>Revenues:</b>							
Intergovernmental	\$ 0	\$ 0	\$ 615,002	\$ 8,478	\$ 0	\$ 0	\$ 623,480
Charges for Services	0	0	0	0	6,800	0	6,800
Investment Income	6,202	223	0	662	20,252	0	27,339
Loan Repayments	<u>37,143</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,143</u>
<b>Total Revenues</b>	<u>43,345</u>	<u>223</u>	<u>615,002</u>	<u>9,140</u>	<u>27,052</u>	<u>0</u>	<u>694,762</u>
<b>Expenditures:</b>							
General Government	0	0	193,831	0	0	0	193,831
Public Safety	0	0	263,693	8,227	0	0	271,920
Culture and Recreation	0	0	7,316	0	0	0	7,316
Community Development	32	111	0	0	0	0	143
<b>Capital Outlay:</b>							
General Government	0	0	94,205	0	0	0	94,205
Public Safety	0	0	68,309	0	0	0	68,309
<b>Debt Service:</b>							
Principal	10,415	0	0	0	0	0	10,415
Interest	<u>3,699</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,699</u>
<b>Total Expenditures</b>	<u>14,146</u>	<u>111</u>	<u>627,354</u>	<u>8,227</u>	<u>0</u>	<u>0</u>	<u>649,838</u>
<b>Net Change in Fund Balances</b>	29,199	112	(12,352)	913	27,052	0	44,924
<b>Fund Balances/(Deficit) - July 1, 2012</b>	<u>(49,395)</u>	<u>72,567</u>	<u>(8,827)</u>	<u>220,457</u>	<u>226,773</u>	<u>948</u>	<u>462,523</u>
<b>Fund Balances/(Deficit) - June 30, 2013</b>	<u>\$ (20,196)</u>	<u>\$ 72,679</u>	<u>\$ (21,179)</u>	<u>\$ 221,370</u>	<u>\$ 253,825</u>	<u>\$ 948</u>	<u>\$ 507,447</u>

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2013

<u>ASSETS</u>	Recreation Acquisition and Development Fund	Capital Equipment Fund	Total
Cash	\$ 120,876	\$ 186,739	\$ 307,615
Due from Other Funds	3,963	0	3,963
Total Assets	\$ 124,839	\$ 186,739	\$ 311,578
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 0	\$ 56,762	\$ 56,762
Due to Other Funds	0	77,881	77,881
Total Liabilities	0	134,643	134,643
Fund Balances:			
Restricted	124,839	0	124,839
Assigned	0	52,096	52,096
Total Fund Balances	124,839	52,096	176,935
Total Liabilities and Fund Balances	\$ 124,839	\$ 186,739	\$ 311,578

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013

	Recreation Acquisition and Development Fund	Capital Equipment Fund	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Property Taxes	\$ 0	\$ 371,436	\$ 371,436
Permits, Licenses and Fees	33,810	0	33,810
Investment Income	<u>324</u>	<u>475</u>	<u>799</u>
Total Revenues	<u>34,134</u>	<u>371,911</u>	<u>406,045</u>
Expenditures:			
Public Works	0	1,775	1,775
Capital Outlay:			
Public Safety	0	165,640	165,640
Public Works	0	99,713	99,713
Culture and Recreation	<u>10,804</u>	<u>0</u>	<u>10,804</u>
Total Expenditures	<u>10,804</u>	<u>267,128</u>	<u>277,932</u>
Excess of Revenues Over Expenditures	<u>23,330</u>	<u>104,783</u>	<u>128,113</u>
Other Financing Sources:			
Transfers In	<u>4,000</u>	<u>0</u>	<u>4,000</u>
Total Other Financing Sources	<u>4,000</u>	<u>0</u>	<u>4,000</u>
Net Change in Fund Balances	27,330	104,783	132,113
Fund Balances/(Deficit) - July 1, 2012	<u>97,509</u>	<u>(52,687)</u>	<u>44,822</u>
Fund Balances - June 30, 2013	<u>\$ 124,839</u>	<u>\$ 52,096</u>	<u>\$ 176,935</u>

See Disclaimer in the accompanying Independent Auditor's Report.

**Sullivan, Powers & Co., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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VT Lic. #92-000180

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Selectboard  
Town of Colchester  
P.O. Box 55  
Colchester, Vermont 05446

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Vermont, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Colchester, Vermont's basic financial statements, and have issued our report thereon dated January 9, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Colchester, Vermont's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Colchester, Vermont's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Colchester, Vermont's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town of Colchester, Vermont's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

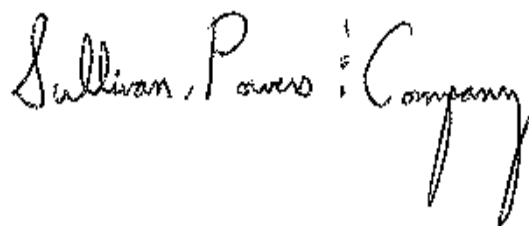
### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Colchester, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Colchester, Vermont's internal control or on compliance. This report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Colchester, Vermont's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 9, 2014  
Montpelier, Vermont  
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan Powers & Company". The signature is written in a cursive style with a vertical line separating "Powers" and "Company".