

TOWN OF COLCHESTER, VERMONT

AUDIT REPORT

JUNE 30, 2018

TOWN OF COLCHESTER, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2018

	<u>Page #</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-15
Basic Financial Statements:	
Statement of Net Position	Exhibit A 16
Statement of Activities	Exhibit B 17
Governmental Funds:	
Balance Sheet	Exhibit C 18
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E 20
Proprietary Funds:	
Statement of Fund Net Position	Exhibit F 21
Statement of Revenues, Expenses and Changes in Fund Net Position	Exhibit G 22
Statement of Cash Flows	Exhibit H 23
Fiduciary Fund:	
Statement of Fiduciary Net Position	Exhibit I 24
Notes to the Financial Statements	25-56
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	Schedule 1 57-63

TOWN OF COLCHESTER, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2018

		<u>Page #</u>
Schedule of Proportionate Share of the Net Pension Liability - VMERS Defined Benefit Plan	Schedule 2	64
Schedule of Contributions - VMERS Defined Benefit Plan	Schedule 3	65
Other Information:		
Combining Balance Sheet - Non-Major Governmental Funds	Schedule 4	66
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	Schedule 5	67
Combining Balance Sheet - Non-Major Special Revenue Funds	Schedule 6	68
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds	Schedule 7	69
Combining Balance Sheet - Non-Major Capital Projects Funds	Schedule 8	70
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Projects Funds	Schedule 9	71
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"		72-73

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Independent Auditor's Report

Selectboard
Town of Colchester, Vermont
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, 2018, 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'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'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 previously 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 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.

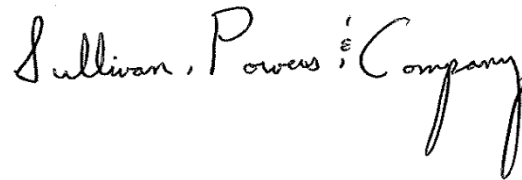
Other Matters - Other Information

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 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 14, 2019 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 14, 2019
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 large, stylized initial 'S' and a long, sweeping underline.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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, 2018. 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 and deferred outflows of resources of the Town of Colchester exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$42,149,913. Of this amount, \$5,525,084 (unrestricted net position) may be used by the various funds of the Town to meet its ongoing obligations to its citizens and creditors and \$2,645,631 represent resources that are subject to external restrictions on how they may be used.

- GASB Statement No. 68 "Financial Reporting for Pension Plans" requires the Town to report its proportionate share of the net pension liability and related deferred outflows and inflows of resources. The Vermont Municipal Employees' Retirement System (VMERS) pension liability was determined by an actuarial valuation as of 6/30/17, considering employee contributions, Town contributions, expected payments to pensioners, expected rate of return on investments, and the current value of all investments one year prior to this audit period. The fiscal year ending June 30, 2018 ended with a net of deferred outflows of resources exceeding deferred inflows of resources of \$1,492,441 due from a decrease to the difference between projected and actual earnings on pension plan investments, a difference between expected and actual experience, changes in assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions and the Town's required employer contributions made subsequent to the measurement date and a net pension liability of \$2,759,940. In FY17, the VMERS reporting year in which we rely for our FY18 financials, the fiduciary net position as a percentage of the total pension liability was 83.64%. In FY 16, which was paired with our FY17 financials, it was 80.95% In FY 15, which was paired with our FY 16 financials, it was 87.42%

Fund Financial Statements (refer to Exhibit C, F and Footnote 4J)

- Governmental funds contain many funds including General, Capital Project, Reserve Funds and Debt Service funds. Each of these funds can contain several projects.
 - Capital Projects Fund – includes Capital Transportation Plan, Capital Grant funds and Parks Capital Plan.
 - Reserve Fund – includes technology, communications, re-appraisal (funds from state), records retention, and public safety capital with its subcomponents (police boat reserve, rescue equipment reserve, rescue communications reserve, technical rescue equipment reserve, and technical rescue communication reserve).
 - Non-Major Governmental Funds – include Revolving Loan Funds, Community Development, Grants, Police Special Revenues, Recreation Acquisition and Development Impact Fees, Capital Equipment, Vehicles and Facility; Library and Cemetery Funds.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,562,670, an increase of \$1,172,533 in comparison with the prior year.
- The Debt Service Fund contains Local Option Tax Revenues. FY18 Local Option Tax revenues exceed payments made in FY18 causing the restricted fund balance to increase to \$2,068,109, a \$971,886 increase over FY17.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

- The General Fund fund balance decreased \$63,958 in FY18. This decrease was due to several items including: An increase in Ambulance revenues, Payments in Lieu of Taxes being higher than anticipated, and Rescue expenses higher than budgeted due to staffing challenges, however the surplus generated by the increased revenues were offset by the Selectboard authorizing year end transfers from the General Fund for future capital projects in the amount of \$113,600 and a transfer to parks capital for \$198,000, which set the General Fund fund balance at 13% of annual expenses as per the Fund Balance Policy.
- The Capital Projects Fund had a current year surplus of \$255,214 leaving an ending fund balance of \$875,226. Total revenues and transfers from the General Fund totaled \$1,523,560 compared to \$1,268,346 in expenditures.
- The Reserve Fund had a current year surplus of \$46,941 leaving an ending fund balance of \$1,201,821.
- The Debt Service Fund had a current year surplus of \$971,886 leaving an ending fund balance of \$2,068,109. The Town collected \$1,594,775 in local option sales taxes to pay its debt service.
- The Wastewater Fund Net Position decreased \$554,379 in FY18 primarily due to payments being made to the City of South Burlington for the Wastewater expansion project. Annual payments of \$742,310 are due through fiscal year 2024.
- The Recreation Program Fund net position decreased \$22,032 to \$274,405.
- The Stormwater Fund was originated in 2018. Revenues exceeded expenses by \$248,976. The Town also contributed existing capital assets to the fund with a net book value of \$3,356,186, leaving an ending net position of \$3,605,162.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements, presented in three sections: government-wide financial statements, fund financial statements, and notes to the financial statements. In addition, this report also contains required supplementary information such as a general fund budget to actual comparison and combining financial statements.

The financial activities of the government unit are recorded in funds. A fund, generally, is a separate set of books for each major activity. Fund financial statements report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. These operations are referred to as business-type activities, they are supported by user fees, and are recorded in enterprise funds separately from the general governmental activities which are accounted for primarily in the general fund and supported in large part by property tax revenues.

Government-Wide Financial Statements

The government-wide financial statements provide a general overview of the operations of the Town presenting all data on the full accrual basis. There are two statements presented at the government-wide level: the Statement of Net Position and the Statement of Activities. Within each of these statements, the governmental activities are presented separately from the business-type activities. The governmental activities reflect the Town's basic services; including general government, public safety, public works, community development, culture and recreation, capital outlay and debt service. The business-type activities of the Town include Wastewater, Public Safety Dispatch, Recreation Program Fund and the Stormwater Fund.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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

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

The government-wide financial statements include not only the Town itself (referred to as the primary government), but also other legally separate entities for which the Town is financially accountable (referred to as component units). During the period under audit, the Town was not responsible for any entities that qualify as component units.

The government-wide financial statements can be found in Exhibits A and B.

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate finance-related legal compliance. The funds of the Town are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The governmental fund financial statements provide a detailed short-term view that helps determine financial resources that are available to finance the Town's programs in the near future.

The Town maintains four major governmental funds; the General Fund, the Capital Projects Fund, the Reserve Fund and the Debt Service Fund. In addition to this, the Town maintains a number of Special Revenue Funds, Capital Project Funds and Permanent Funds which do not qualify as major funds. These funds are consolidated into the column title Non-Major Governmental Funds. Combining financial statements containing more detailed information on these funds may be found on Schedules 4 through 11.

The governmental fund financial statements can be found in Exhibits C through E. The Town adopts an annual budget for its general fund. Schedule 1 is a budget to actual comparison statement demonstrating compliance with the adopted budget.

Proprietary funds account for a government's business-type activities. There are two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town maintains four enterprise funds; the Wastewater Fund, the Recreation Program Fund, the Police Dispatch Fund, and the Stormwater Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town has no internal service funds at this time.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Recreation Program Funds. The proprietary fund financial statements may be found in Exhibits F through H.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Fiduciary funds account for resources for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Town. The proprietary fund financial statement of the Town can be found in Exhibit I.

Notes to the Financial Statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statement. The notes serve to explain, clarify, and expand upon the financial data presented in the financial statements. The notes are found immediately following the financial statements.

Supplementary information including a budgetary comparison statement for the general fund can be found immediately following the notes to the financial statements.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the supplementary information.

Summary Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current & Other Assets	9,182,825	8,424,728	3,604,128	3,589,938	12,786,953	12,014,666
Capital Assets	32,484,355	35,842,183	14,984,393	12,502,195	47,468,748	48,344,378
Total Assets	41,667,180	44,266,911	18,588,521	16,092,133	60,255,701	60,359,044
Deferred Outflows of Resources	1,388,144	1,804,544	172,620	176,840	1,560,764	1,981,384
Long-Term Liabilities Outstanding	7,416,573	8,227,931	463,143	435,886	7,879,716	8,663,817
Other Liabilities	863,231	1,076,028	10,846,837	11,518,067	11,710,068	12,594,095
Total Liabilities	8,279,804	9,303,959	11,309,980	11,953,953	19,589,784	21,257,912
Deferred Inflows of Resources	69,212	13,463	7,556	0	76,768	13,463
Net Position:						
Net Invested in Capital Assets	28,691,039	31,579,922	5,288,159	2,265,228	33,979,198	33,845,150
Restricted	2,645,631	1,855,934	0	0	2,645,631	1,855,934
Unrestricted	3,369,638	3,318,177	2,155,446	2,049,792	5,525,084	5,367,969
Total Net Position	34,706,308	36,754,033	7,443,605	4,315,020	42,149,913	41,069,053

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position states a government's financial status in a required standard format that may be compared over time and among similar governments. At the end of the fiscal year, the Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$42,149,913.

The largest portion of the Town's assets (81%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure (roads, bridges, etc.) less any related, outstanding debt used to acquire those assets. 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.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

\$2,645,631 of the Town's net position is restricted. These assets are subject to external restrictions on their use. The remaining \$5,525,084 (unrestricted net position) may be used to meet the government's ongoing financial obligations. Included in the unrestricted net position are amounts that voters and management have assigned for particular purposes, such as reserves for expenditures in subsequent years and wastewater capacity rights (funding of South Burlington's Sewer plant upgrade).

Governmental activities

Governmental activities decreased the Town's net position by \$2,047,725 for the fiscal year ended June 30, 2018. Key elements of the change are as follows:

- In fiscal year 2018 the Town transferred Capital Assets (\$4,295,352), net of accumulated depreciation (\$939,166) to the Stormwater Fund. The Stormwater Fund was created as a separate fund from the General Fund following the establishment of a dedicated stormwater fee.
- Offsetting the above decrease was \$1,594,775 in Local Option Tax revenue that was collected during the fiscal year.

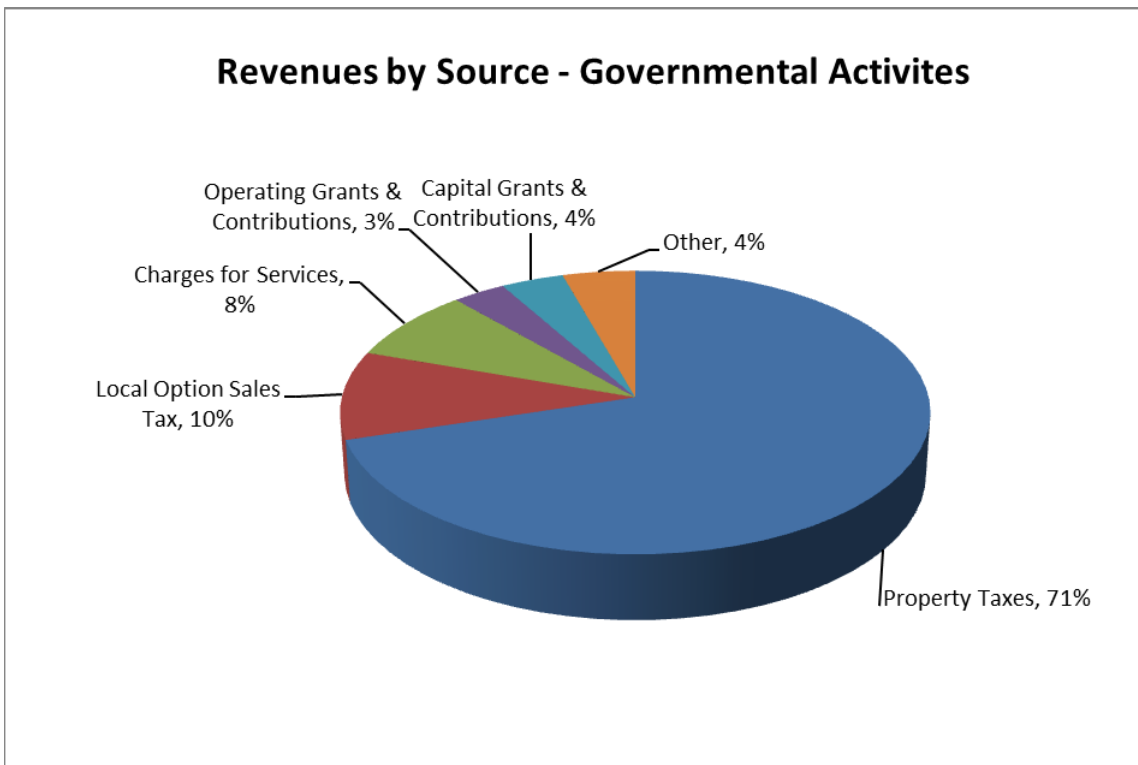
Public Safety remains the largest expense at 42% of total Governmental Activity expenses. This is 4% higher than last year due to a reduction in grant expenses in Community Development Activities, an increase in public safety expenses and a decrease in Public Works expenses as a result of stormwater expenses being moved to the Stormwater Fund.

Summary of the Statement of Activities

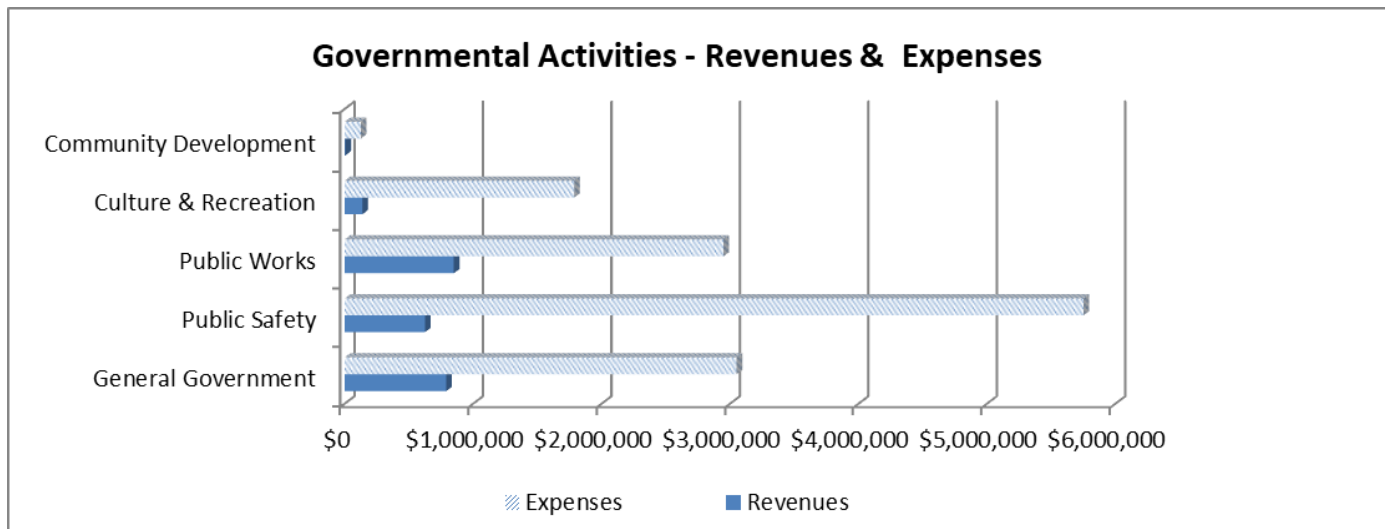
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$1,295,982	\$1,264,032	\$3,239,795	\$2,291,304	\$4,535,777	\$3,555,336
Operating Grants & Contributions	513,833	968,143	25,000	0	\$538,833	\$968,143
Capital Grants & Contributions	603,691	747,760	0	0	\$603,691	\$747,760
General Revenues:						
Property Taxes	11,099,569	11,276,433	0	0	\$11,099,569	\$11,276,433
Other	2,136,746	2,139,309	81,989	93,801	\$2,218,735	\$2,233,110
Total Revenues	<u>15,649,821</u>	<u>16,395,677</u>	<u>3,346,784</u>	<u>2,385,105</u>	<u>18,996,605</u>	<u>18,780,782</u>
Expenses:						
General Government	3,052,310	3,187,076	0	0	3,052,310	3,187,076
Public Safety	5,752,221	5,585,546	0	0	5,752,221	5,585,546
Public Works	2,934,091	3,495,412	0	0	2,934,091	3,495,412
Community Development	126,848	677,435	0	0	126,848	677,435
Culture & Recreation	1,788,256	1,557,721	1,073,931	937,030	2,862,187	2,494,751
Interest on Long-Term Debt	164,102	187,209	0	0	164,102	187,209
Stormwater	0	0	618,622	0	618,622	0
Police Dispatch	0	0	589,294	631,511	589,294	631,511
Wastewater	0	0	1,816,070	1,782,802	1,816,070	1,782,802
Total Expenses	<u>13,817,828</u>	<u>14,690,399</u>	<u>4,097,917</u>	<u>3,351,343</u>	<u>17,915,745</u>	<u>18,041,742</u>
Increase/(Decrease) in Net Position Before Transfer	1,831,993	1,705,278	(751,133)	(966,238)	1,080,860	739,040
Transfers	(3,879,718)	(537,395)	3,879,718	537,395	0	0
Change in Net Position	(2,047,725)	1,167,883	3,128,585	(428,843)	1,080,860	739,040
Beginning Net Position	36,754,033	35,586,150	4,315,020	4,743,863	41,069,053	40,330,013
Ending Net Position	<u>\$34,706,308</u>	<u>\$36,754,033</u>	<u>\$7,443,605</u>	<u>\$4,315,020</u>	<u>\$42,149,913</u>	<u>\$41,069,053</u>

TOWN OF COLCHESTER, VERMONT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2018

The majority of revenue for governmental activities comes from property taxes; 71% of total revenue or \$11,099,569. Local Option Sales are the second largest category of revenue at 10% of total revenue or \$1,594,775. These revenues are restricted for use for voter approved debt or capital payments. Charges for services were the third largest category of revenue at 8% of total revenue or \$1,295,982. The following graph shows the distribution of governmental revenues by source.



The following chart shows how major programs are funded. The revenues included in this graph are program specific revenues such as user fees, capital grants, and operating grants. General revenues such as property taxes and interest earnings are excluded. This chart indicates that program revenues do not support program expenses requiring property taxes to pay for the bulk of the expenses.



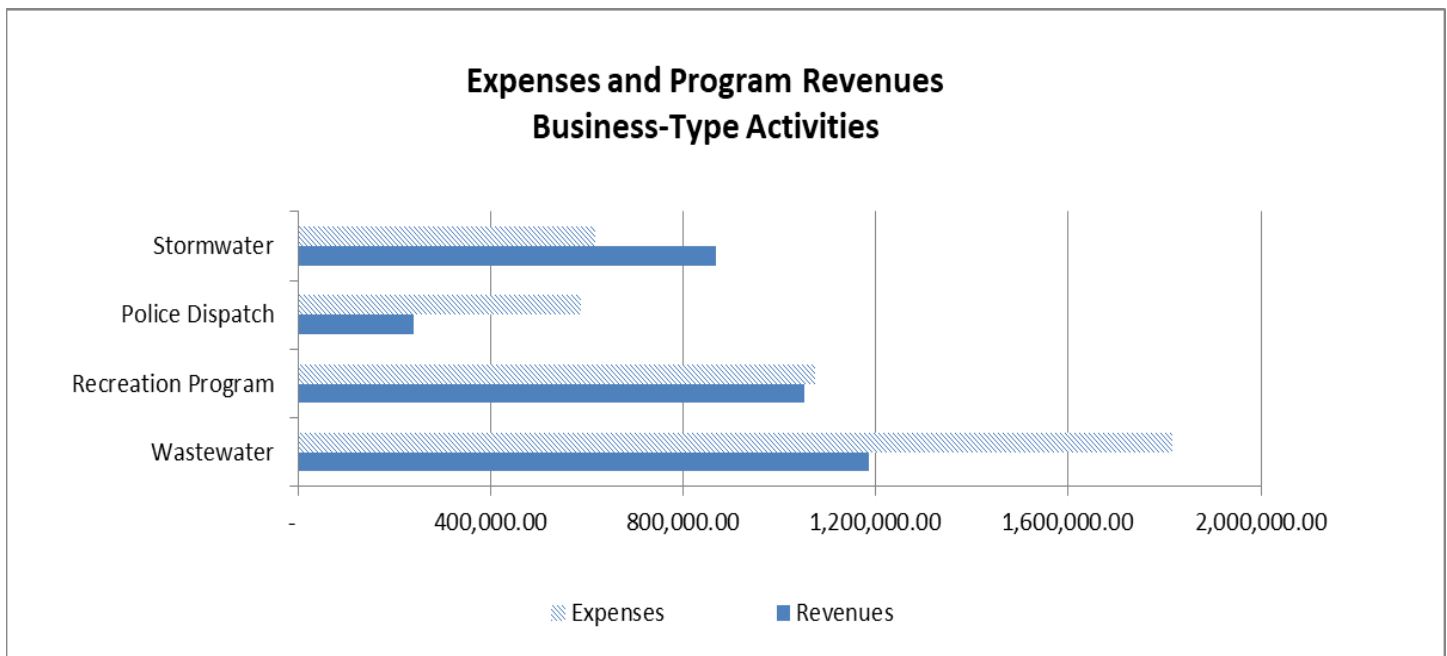
TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Business-type activities (Police Dispatch, Wastewater, Recreation Program and Stormwater Funds):

Business-type activities increased the Town's net position by \$3,128,585 during the current fiscal year through planned expenses. Key elements of this change are as follows:

- Wastewater Fund was \$707,202 short of covering their expenditures with charges for services. The Town paid South Burlington for capacity rights in their sewer plant and we recognize this investment by depreciating \$606,892 in value each of the 20 years of the funding relationship. The Town anticipated this over spending and a significant portion of the Wastewater Fund balance will be drawn down over the course of this loan repayment so as to avoid rate related spikes related to the capacity rights.
- Police Dispatch Fund was \$349,552 short of covering their expenditures with charges for services. The Town of Milton contracts with us for dispatch services which covers a portion of the funds expenses. \$448,532 of expenses were funded by a planned transfer from the General Fund. The Dispatch fund ended the fiscal year with a positive net position of \$177,888. This fund has purposefully been built up to help cover costs of concluding the Town's dispatch operations and for covering some of the net new costs of moving to regional dispatch
- Recreation Program Fund was \$24,118 short of covering their expenditures with program revenues. The fund has a positive net position of \$274,405 at the end of FY18.
- Stormwater Fund program revenues covered their operating expenses and contributed \$247,750 toward the business-type fund net position. The Capital transfer into the stormwater fund contributed another \$3,356,186 toward net position.

Business-type activities are accounted for in the same manner that businesses account for operations. It is necessary that revenues (operating and non-operating) plus retained earnings meet or exceed expenses to continue operating. The graph below titled Expenses and Program Revenues Business-Type Activities demonstrates that during the current fiscal year expenses exceeded revenues for the Police Dispatch Fund by \$348,698, the Wastewater Fund by \$629,379 and Recreation Program Fund by \$22,032. However, the Stormwater Fund covered their expenditures with \$248,976 remaining. The excess Stormwater revenues were budgeted to be carried forward for future capital needs within the Stormwater Fund.



TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Specifically, unassigned fund balance can be a useful measure of a government's net resources available. Unassigned fund balance provides a reserve for emergencies and disasters, enables the Selectboard to stabilize tax rates in economic hard times, and provides working capital from which to pay Town bills between tax collection due dates. The Town is required by State law to pay the Colchester School District all taxes LEVIED, even if the taxes are NOT COLLECTED by the Town. The Colchester School District's budget is nearly three times that of the Town. Payment of the School District represents a significant ongoing fiscal responsibility.

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. According to best practices as outlined by the Government Finance Officers Association (GFOA), the unassigned fund balance should provide coverage of 2 to 4 months expenditures.

- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,667,331 and \$53,092 was non-spendable for inventory and prepaid expenses. A total of \$753,814 is assigned or committed for the following uses:
 - \$353,814 - Committed to offset leave time expenses exceeding budget
 - \$200,000 - Assigned to reduce property taxes in fiscal year 2019
 - \$200,000 - Assigned to reduce property taxes in fiscal year 2020

The Town's unassigned General Fund fund balance of \$1,667,331 on June 30, 2018 was 13% of total General Fund operating expenses as defined by the Selectboard's Fund Balance Policy. This is \$477,642 less than the suggested two months operating costs.

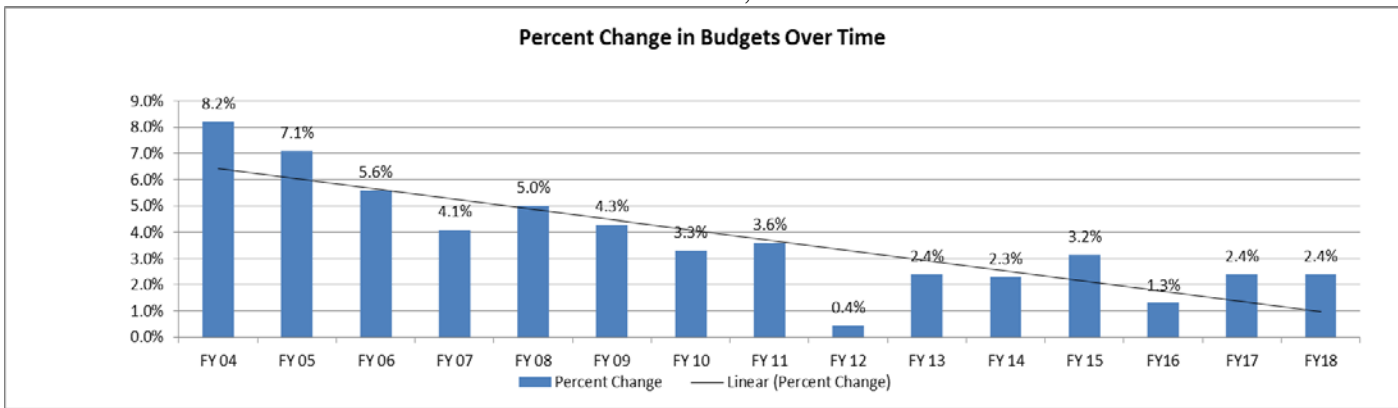
In addition to the General Fund, the Town maintains other funds including the Capital Project Fund maintained to provide infrastructure improvements in the Town, funds for grants received by the Town and funds for special revenues received by the Town as well as Cemetery and Library Funds.

The Town operates a Septic Loan Fund that provided financial assistance for the upgrade of failing on-site septic systems. The Town has outstanding loans to 14 individuals or families as of June 30, 2018. The Town is no longer making loans from this Fund as the State has set up an equivalent program.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The Town's FY 2018 General Fund budget totaling \$12,452,325 increased 2.4% over FY 17. The budget increase between FY 16 and FY 17 was 2.4%. The graph on the next page shows the percent change in General Fund budget for the last 15 years.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018



Without including budgeted use of the fund balance, actual revenues in the General Fund were \$12,389,513. Actual expenditures of \$12,553,471 were higher than budgeted. This resulted in a deficit of \$163,958, prior to applying the budgeted fund balance. The FY18 General Fund budget contained \$336,661 in revenue from fund balance to offset a budgeted deficit. Applying \$163,958 of the intended fund balance usage, the General Fund finished the year with revenues equal to expenses.

Some of the key factors contributing to this outcome include:

Revenue Variances

- State Payment in Lieu of Taxes ended \$90,792 over budget due to construction of a new State owned lab building located on South Park Drive. It was less than FY17 due to a reduction in the portion of the Payment in Lieu of Taxes which comes from the State Agency of Natural Resources.
- Several revenues ended the year higher than budgeted including: Police Special Detail Charges \$13,589 over budget, Off-duty police revenues \$19,214 over budget due to the work that was done at the Route 7/Bay Road intersection, and Grant Income \$47,750 over budget due to unbudgeted income being received.
- Ambulance Revenues exceeded the budget by \$121,690 due to high call volume and collections.
- Building & Zoning Permit revenues were \$18,151 under budget due to a substantial decrease in building in the winter months.
- Recording Fees were \$8,614 under budget.

Expenditure Variances

- The Selectboard approved \$113,600 in unbudgeted transfers for future capital projects along with a \$198,000 unbudgeted transfer to the Parks Capital Fund.
- Health Insurance costs were under budget by \$73,199. Town management evaluated options and stayed with the high deductible plan when insurance plans were renewed in January 2018. Premium costs increased minimally for the year.
- Motor vehicle fuel prices remaining down resulted in fuel expenses \$34,211 under budget.
- The Selectboard did not spend contingency funding of \$66,000.
- Communications-Public Safety overspent the budget by \$70,095. This overage was primarily due to replacing all hand held police radios.
- Asphalt Repair expenditures were \$28,691 over budget. Due to harsh winter conditions the Colchester roadways required additional repair. Also due to winter weather, Salt and Sand usage was over budget by \$42,503 combined.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town of Colchester's investment in capital assets for its governmental and business-type activities as of June 30, 2018, totaled \$47,468,748 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The Town's capital assets included in the financial reports do not include the value of infrastructure assets (generally roads, bridges and the sewer system) put into operation prior to July 1, 2003, as allowed by GASB 34. All other capital assets are included and the department of Public Works maintains detailed and ongoing inventory of the condition of roads and bridges and monitors the sewer system through various methods.

<u>Summary Capital Assets (net of depreciation)</u>						
	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	2,104,936	2,104,936	132,568	132,568	2,237,504	2,237,504
Construction in Progress	1,161,312	959,756	0	0	1,161,312	959,756
Land Improvements	1,566,548	1,395,752	0	0	1,566,548	1,395,752
Buildings & Improvements	7,682,455	7,866,144	0	0	7,682,455	7,866,144
Equipment & Furniture	1,103,062	1,128,071	0	0	1,103,062	1,128,071
Vehicles	1,711,807	1,972,816	78,087	0	1,789,894	1,972,816
Infrastructure	17,154,235	20,414,708	3,125,924	0	20,280,159	20,414,708
Plant & Equipment	0	0	2,544,440	2,659,361	2,544,440	2,659,361
Capacity Rights	0	0	9,103,374	9,710,266	9,103,374	9,710,266
Total	32,484,355	35,842,183	14,984,393	12,502,195	47,468,748	48,344,378

Major capital asset transactions during the year include the following additions:

- Significant equipment increases include replacement hand held police radios (\$71,807), a labor saving Jacobsen Mower for use on our large athletic fields which will replace multiple small mowers (\$64,189), a Hot Box Asphalt Trailer allowing use of hot patching material even in winter (\$24,607), a replacement Boom Mower/Brush Hog (\$19,642), and a replacement Bobcat Mower (\$12,744).
- Increases in vehicles include a 2017 Dodge Ram 3500 (\$67,634), Two 2017 Ford Explorers totaling \$84,352, and a 2017 Ford Taurus (\$24,227). Per accounting standards, prices include all up-fit and equipment costs and are not the prices paid for the vehicles themselves.
- The Fort Ethan Allen Sidewalk project was completed in FY18, adding \$634,191 to infrastructure.
- West View Drive Sidewalk was completed, adding \$57,213 to infrastructure.
- Land improvements totaling \$236,789 were complete in FY18 consisting of a pathway at Village Park.
- Wastewater pump stations 1 and 2 received new roofs totaling \$46,865

Major capital asset transactions during the year include the following deletions:

- Vehicle deletions include two Chevy Tahoe, one Chevy Silverado and one Crown Victoria.
- Equipment deletions include two 61" Parks Mowers.

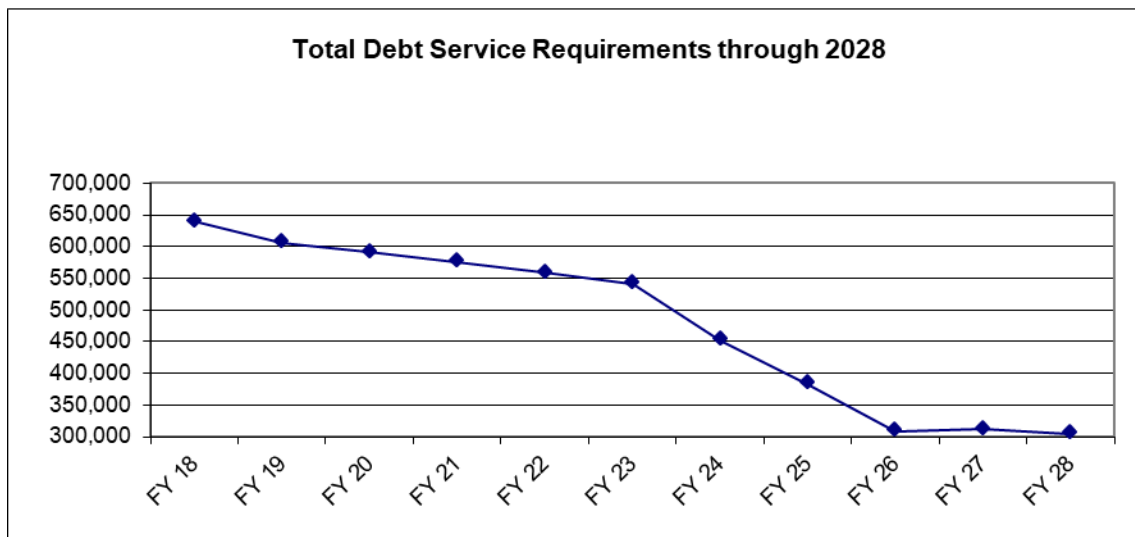
TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Debt Administration

There was no new borrowing in the governmental funds or business-type funds in Fiscal Year 2018.

Summary of Outstanding Debt						
	Governmental Activities		Business-Type Debt		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$4,286,384	\$4,777,023	\$158,096	\$158,096	\$4,444,480	\$4,935,119
Special Assessment Debt with Government Commitment	0	0	765,000	960,000	\$765,000	\$960,000
Capital Lease Payable	60,469	119,773	0	0	\$60,469	\$119,773
Due to South Burlington-Capacity Rights	0	0	9,538,138	10,078,871	\$9,538,138	\$10,078,871
Total	\$4,346,853	\$4,896,796	\$10,461,234	\$11,196,967	\$14,808,087	\$16,093,763

The below chart 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 IV-I of this report.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors and Next Year's Budgets and Rates

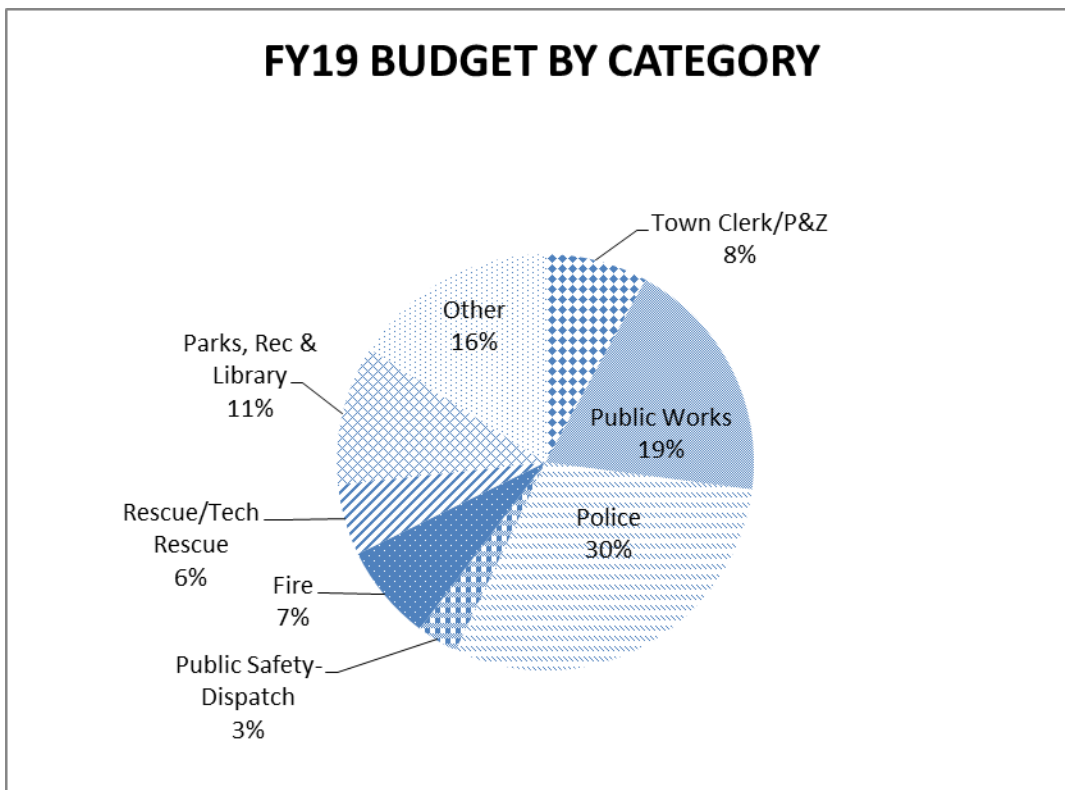
- The Colchester Grand List is made up of primarily residential properties. For FY 18, 74.7% of property tax revenues come from residential properties.
- The Municipal Grand List value for the Town was \$21,068,000 as of the beginning of FY 18. This was a 1.53% increase over the prior fiscal year. Since 1970 the Town of Colchester's Grand List has grown from \$169,278 to \$21,068,000.
- The Town has slow but steady growth in housing. Population is growing slightly and much slower than housing. This housing growth increases revenues but also adds service needs.

Next Year's (FY 19) Budget

- The Town of Colchester approved a General Fund budget for 2019 in the amount of \$12,816,320. This represents an increase of 2.92% over the previous year.
- The municipal tax rate increased by 1.54% to \$0.5352.
- In FY 15 through 19, about 45% of the budget is for public safety services.
- Public Works represents about 19% of the General Fund budget in FY 19.
- Parks, Recreation and the Library represent about 11% of the General Fund budget in FY19.

The graph below depicts how the Town spends its General Fund operating budget.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018



Future Budgetary Issues

In fiscal years 2019 and beyond, the Town will face pressures of increased service and infrastructure needs requiring increased expenditures for:

- Funding for paid staff for fire departments to address a lack of daytime volunteer firefighting coverage
- More highway workers due to an increase in roads and paths
- Water quality improvements to preserve Malletts Bay, Lake Champlain and our rivers/tributaries
- Mandates from Federal and State government to address and mitigate stormwater impacts
- Cost shifts from State and Federal government for a variety of services as well as reductions in grants and financial support such as community justice.
- Police and Rescue resources to meet demands of new development and growing community expectations, including new needs such as community social workers

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 Finance Director, Town of Colchester, 781 Blakely Road, Colchester, VT 05446. The report is available online at <http://www.colchestervt.gov/317/Finance-Department>.

TOWN OF COLCHESTER, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 9,346,275	\$ 37,072	\$ 9,383,347
Investments	572,244	104,436	676,680
Receivables (Net of Allowance for Uncollectibles)	1,089,519	1,172,147	2,261,666
Notes Receivable (Net of Allowance for Uncollectibles)	409,110	0	409,110
Internal Balances	(2,287,415)	2,287,415	0
Prepaid Expenses	1,458	0	1,458
Inventory	51,634	3,058	54,692
Capital Assets:			
Land	2,104,936	132,568	2,237,504
Construction in Progress	1,161,312	0	1,161,312
Other Capital Assets (Net of Accumulated Depreciation)	<u>29,218,107</u>	<u>14,851,825</u>	<u>44,069,932</u>
Total Assets	<u>41,667,180</u>	<u>18,588,521</u>	<u>60,255,701</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>1,388,144</u>	<u>172,620</u>	<u>1,560,764</u>
Total Deferred Outflows of Resources	<u>1,388,144</u>	<u>172,620</u>	<u>1,560,764</u>
<u>LIABILITIES</u>			
Accounts Payable	393,354	107,140	500,494
Accrued Payroll and Benefits Payable	243,121	50,497	293,618
Unearned Revenue	107,398	264,928	372,326
Due to Others	99,417	0	99,417
Accrued Interest Payable	19,941	40,578	60,519
Noncurrent Liabilities:			
Due within One Year	552,730	840,595	1,393,325
Due in More than One Year	<u>6,863,843</u>	<u>10,006,242</u>	<u>16,870,085</u>
Total Liabilities	<u>8,279,804</u>	<u>11,309,980</u>	<u>19,589,784</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	8,445	0	8,445
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>60,767</u>	<u>7,556</u>	<u>68,323</u>
Total Deferred Inflows of Resources	<u>69,212</u>	<u>7,556</u>	<u>76,768</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	28,691,039	5,288,159	33,979,198
Restricted:			
Public Safety	132,840	0	132,840
Culture and Recreation	112,760	0	112,760
Cemetery	264,894	0	264,894
Capital Projects	2,068,109	0	2,068,109
Other	67,028	0	67,028
Unrestricted	<u>3,369,638</u>	<u>2,155,446</u>	<u>5,525,084</u>
Total Net Position	<u>\$ 34,706,308</u>	<u>\$ 7,443,605</u>	<u>\$ 42,149,913</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, 2018

	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	\$ 3,052,310	\$ 609,701	\$ 181,341	\$ 0	\$ (2,261,268)	\$ 0	\$ (2,261,268)
Public Safety	5,752,221	553,353	72,830	0	(5,126,038)	0	(5,126,038)
Public Works	2,934,091	3,296	244,104	603,691	(2,083,000)	0	(2,083,000)
Culture and Recreation	1,788,256	122,795	15,558	0	(1,649,903)	0	(1,649,903)
Community Development	126,848	6,837	0	0	(120,011)	0	(120,011)
Interest on Long-term Debt	164,102	0	0	0	(164,102)	0	(164,102)
Total Governmental Activities	13,817,828	1,295,982	513,833	603,691	(11,404,322)	0	(11,404,322)
Business-type Activities:							
Wastewater	1,816,070	1,108,868	0	0	0	(707,202)	(707,202)
Recreation Program	1,073,931	1,049,813	0	0	0	(24,118)	(24,118)
Stormwater	618,622	841,372	25,000	0	0	247,750	247,750
Police Dispatch	589,294	239,742	0	0	0	(349,552)	(349,552)
Total Business-type Activities	4,097,917	3,239,795	25,000	0	0	(833,122)	(833,122)
Total Primary Government	\$ 17,915,745	\$ 4,535,777	\$ 538,833	\$ 603,691	(11,404,322)	(833,122)	(12,237,444)
General Revenues:							
Property Taxes					11,099,569	0	11,099,569
Penalties and Interest on Delinquent Taxes					89,092	0	89,092
Local Option Sales Tax					1,594,775	0	1,594,775
General State Grants					356,982	0	356,982
Impact Fees					33,201	0	33,201
Unrestricted Investment Earnings					35,548	81,989	117,537
Gain on Sale of Equipment					2,187	0	2,187
Gain on Sale of Vehicles					3,198	0	3,198
Other Revenues					21,763	0	21,763
Transfers:					(3,879,718)	3,879,718	0
Total General Revenues and Transfers					9,356,597	3,961,707	13,318,304
Change in Net Position					(2,047,725)	3,128,585	1,080,860
Net Position - July 1, 2017					36,754,033	4,315,020	41,069,053
Net Position - June 30, 2018					\$ 34,706,308	\$ 7,443,605	\$ 42,149,913

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

TOWN OF COLCHESTER, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Capital Projects Fund	Reserve Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 9,083,535	\$ 0	\$ 0	\$ 0	\$ 262,740	\$ 9,346,275
Investments	414,931	0	0	0	157,313	572,244
Receivables (Net of Allowance for Uncollectibles)	398,562	269,190	0	421,592	175	1,089,519
Notes Receivable (Net of Allowance for Uncollectibles)	0	0	0	0	409,110	409,110
Due from Other Funds	0	904,184	1,207,033	1,646,517	635,661	4,393,395
Prepaid Expenses	1,458	0	0	0	0	1,458
Inventory	51,634	0	0	0	0	51,634
Total Assets	\$ 9,950,120	\$ 1,173,374	\$ 1,207,033	\$ 2,068,109	\$ 1,464,999	\$ 15,863,635
LIABILITIES						
Accounts Payable	\$ 187,112	\$ 195,816	\$ 5,212	\$ 0	\$ 5,214	\$ 393,354
Accrued Payroll and Benefits Payable	243,121	0	0	0	0	243,121
Due to Other Funds	6,680,810	0	0	0	0	6,680,810
Unearned Revenue	0	0	0	0	107,398	107,398
Due to Others	99,417	0	0	0	0	99,417
Total Liabilities	7,210,460	195,816	5,212	0	112,612	7,524,100
DEFERRED INFLOWS OF RESOURCES						
Prepaid Property Taxes	8,445	0	0	0	0	8,445
Unavailable Property Taxes, Penalties and Interest	187,476	0	0	0	0	187,476
Unavailable Ambulance Fees	69,502	0	0	0	0	69,502
Unavailable Grants	0	102,332	0	0	0	102,332
Unavailable Notes Receivable	0	0	0	0	409,110	409,110
Total Deferred Inflows of Resources	265,423	102,332	0	0	409,110	776,865
FUND BALANCES						
Nonspendable	53,092	0	0	0	2,000	55,092
Restricted	0	0	0	2,068,109	665,314	2,733,423
Committed	353,814	0	0	0	0	353,814
Assigned	400,000	875,226	1,201,821	0	275,963	2,753,010
Unassigned	1,667,331	0	0	0	0	1,667,331
Total Fund Balances	2,474,237	875,226	1,201,821	2,068,109	943,277	7,562,670
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,950,120	\$ 1,173,374	\$ 1,207,033	\$ 2,068,109	\$ 1,464,999	
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.						32,484,355
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.						768,420
Long-term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.						(7,436,514)
Deferred Outflows and Inflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.						1,327,377
Net Position of Governmental Activities						\$ 34,706,308

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, 2018

	General Fund	Capital Projects Fund	Reserve Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 9,998,930	\$ 590,050	\$ 79,250	\$ 0	\$ 385,817	\$ 11,054,047
Penalties and Interest on Delinquent Taxes	89,092	0	0	0	0	89,092
Local Option Sales Tax	0	0	0	1,594,775	0	1,594,775
Intergovernmental	738,888	729,005	63,935	0	58,141	1,589,969
Charges for Services	940,113	0	0	0	8,985	949,098
Permits, Licenses and Fees	546,311	0	28,994	0	33,201	608,506
Fines and Forfeits	35,552	0	0	0	0	35,552
Loan Repayments	0	0	0	0	82,721	82,721
Loan Interest Income	0	0	0	0	10,398	10,398
Investment Income	23,619	2,905	3,584	5,075	365	35,548
Donations	0	0	2,650	0	9,148	11,798
Other	17,008	0	7,398	0	653	25,059
Total Revenues	12,389,513	1,321,960	185,811	1,599,850	589,429	16,086,563
Expenditures:						
General Government	2,798,522	0	128,221	0	18,137	2,944,880
Public Safety	5,179,192	0	13,149	0	42,161	5,234,502
Public Works	2,218,990	45,189	0	0	649	2,264,828
Culture and Recreation	1,266,657	150,642	0	0	18,394	1,435,693
Community Development	123,950	0	0	0	0	123,950
Capital Outlay:						
General Government	16,026	35,000	0	0	96,575	147,601
Public Safety	71,807	0	0	0	111,538	183,345
Public Works	0	1,037,515	0	0	72,069	1,109,584
Culture and Recreation	10,695	0	0	0	236,789	247,484
Debt Service:						
Principal	0	0	0	468,945	80,998	549,943
Interest	0	0	0	159,019	12,690	171,709
Total Expenditures	11,685,839	1,268,346	141,370	627,964	690,000	14,413,519
Excess/(Deficiency) of Revenues Over Expenditures	703,674	53,614	44,441	971,886	(100,571)	1,673,044
Other Financing Sources/(Uses):						
Proceeds from Sale of Equipment	0	0	0	0	7,700	7,700
Proceeds from Sale of Vehicles	0	0	0	0	15,321	15,321
Transfers In	0	201,600	2,500	0	40,000	244,100
Transfers Out	(767,632)	0	0	0	0	(767,632)
Total Other Financing Sources/(Uses)	(767,632)	201,600	2,500	0	63,021	(500,511)
Net Change in Fund Balances	(63,958)	255,214	46,941	971,886	(37,550)	1,172,533
Fund Balances - July 1, 2017	2,538,195	620,012	1,154,880	1,096,223	980,827	6,390,137
Fund Balances - June 30, 2018	\$ 2,474,237	\$ 875,226	\$ 1,201,821	\$ 2,068,109	\$ 943,277	\$ 7,562,670

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, 2018

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)	\$	1,172,533
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,688,014) is allocated over their estimated useful lives and reported as depreciation expense (\$1,600,290). This is the amount by which capital outlays exceeded depreciation in the current period.		87,724
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.		(89,366)
The Town transferred capital assets (\$4,295,352), net of accumulated depreciation (\$939,166), to the Stormwater Fund during the year. This amount is the net effect on net position.		(3,356,186)
The issuance of long-term debt (\$0) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$549,943) 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.		549,943
The issuance of loans receivable (\$0) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$82,721) 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.		(82,721)
Governmental funds report employer pension contributions as expenditures (\$344,852). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$634,703) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(289,851)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(121,507)
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>81,706</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>(2,047,725)</u></u>

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

TOWN OF COLCHESTER, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Major Funds			Non-Major Fund	Total
	Wastewater Fund	Recreation Program Fund	Stormwater Fund	Police Dispatch Fund	
ASSETS					
Current Assets:					
Cash	\$ 37,072	\$ 0	\$ 0	\$ 0	\$ 37,072
Investments	104,436	0	0	0	104,436
Receivables (Net of Allowance for Uncollectibles)	353,708	0	53,439	0	407,147
Special Assessment Receivable - Current Portion	210,000	0	0	0	210,000
Due from Other Funds	935,198	677,032	398,079	277,106	2,287,415
Inventory	3,058	0	0	0	3,058
Total Current Assets	1,643,472	677,032	451,518	277,106	3,049,128
Noncurrent Assets:					
Special Assessment Receivable - Noncurrent Portion	555,000	0	0	0	555,000
Capital Assets:					
Land	132,568	0	0	0	132,568
Plant and Equipment	6,499,191	0	0	0	6,499,191
Vehicles	0	0	208,494	0	208,494
Infrastructure	0	0	4,086,858	0	4,086,858
Capacity Rights	12,137,834	0	0	0	12,137,834
Less: Accumulated Depreciation and Amortization	(6,989,211)	0	(1,091,341)	0	(8,080,552)
Total Noncurrent Assets	12,335,382	0	3,204,011	0	15,539,393
Total Assets	13,978,854	677,032	3,655,529	277,106	18,588,521
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	66,020	30,279	76,321	172,620
Total Deferred Outflows of Resources	0	66,020	30,279	76,321	172,620
LIABILITIES					
Current Liabilities:					
Accounts Payable	90,794	9,622	6,478	246	107,140
Accrued Payroll and Benefits Payable	98	33,083	4,230	13,086	50,497
Unearned Revenue	0	264,928	0	0	264,928
Accrued Interest Payable	40,578	0	0	0	40,578
Special Assessment Debt with Governmental Commitment - Current Portion	210,000	0	0	0	210,000
General Obligation Bonds Payable - Current Portion	79,048	0	0	0	79,048
Due to South Burlington - Capacity Rights - Current Portion	551,547	0	0	0	551,547
Total Current Liabilities	972,065	307,633	10,708	13,332	1,303,738
Noncurrent Liabilities:					
Compensated Absences Payable	0	41,379	15,070	23,905	80,354
Net Pension Liability	0	116,745	53,543	134,961	305,249
Special Assessment Debt with Governmental Commitment - Noncurrent Portion	555,000	0	0	0	555,000
General Obligation Bonds Payable - Noncurrent Portion	79,048	0	0	0	79,048
Due to South Burlington - Capacity Rights - Noncurrent Portion	8,986,591	0	0	0	8,986,591
Total Noncurrent Liabilities	9,620,639	158,124	68,613	158,866	10,006,242
Total Liabilities	10,592,704	465,757	79,321	172,198	11,309,980
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	2,890	1,325	3,341	7,556
Total Deferred Inflows of Resources	0	2,890	1,325	3,341	7,556
NET POSITION					
Net Investment in Capital Assets	2,084,148	0	3,204,011	0	5,288,159
Unrestricted	1,302,002	274,405	401,151	177,888	2,155,446
Total Net Position	\$ 3,386,150	\$ 274,405	\$ 3,605,162	\$ 177,888	\$ 7,443,605

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, 2018

	Major Funds			Non-Major Fund	Total
	Wastewater Fund	Recreation Program Fund	Stormwater Fund	Police Dispatch Fund	
Operating Revenues:					
Charges for Services	\$ 1,108,868	\$ 1,049,813	\$ 841,372	\$ 239,742	\$ 3,239,795
Stormwater Utility Grant Income	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>25,000</u>
Total Operating Revenues	<u>1,108,868</u>	<u>1,049,813</u>	<u>866,372</u>	<u>239,742</u>	<u>3,264,795</u>
Operating Expenses:					
Salaries and Benefits	9,200	844,030	269,857	577,948	1,701,035
Administration Costs	130,189	0	107,710	0	237,899
General Expenses	9,407	52,501	30,131	11,346	103,385
Program Expenses	0	177,400	0	0	177,400
Sewage Treatment	541,163	0	0	0	541,163
Chemicals	35,384	0	0	0	35,384
Permits and Testing	0	0	25,764	0	25,764
Repairs and Maintenance	58,474	0	29,158	0	87,632
Utilities	55,947	0	3,827	0	59,774
Depreciation and Amortization	<u>768,678</u>	<u>0</u>	<u>152,175</u>	<u>0</u>	<u>920,853</u>
Total Operating Expenses	<u>1,608,442</u>	<u>1,073,931</u>	<u>618,622</u>	<u>589,294</u>	<u>3,890,289</u>
Operating Income/(Loss)	<u>(499,574)</u>	<u>(24,118)</u>	<u>247,750</u>	<u>(349,552)</u>	<u>(625,494)</u>
Non-Operating Revenues/(Expenses):					
Interest Income on Special Assessment Debt Service	72,797	0	0	0	72,797
Investment Income	5,026	2,086	1,226	854	9,192
Interest Expense	<u>(207,628)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(207,628)</u>
Total Non-Operating Revenues/(Expenses)	<u>(129,805)</u>	<u>2,086</u>	<u>1,226</u>	<u>854</u>	<u>(125,639)</u>
Net Income/(Loss) Before Capital Contributions and Transfers	<u>(629,379)</u>	<u>(22,032)</u>	<u>248,976</u>	<u>(348,698)</u>	<u>(751,133)</u>
Capital Contributions and Transfers					
Capital Contributions	0	0	3,356,186	0	3,356,186
Transfers In	<u>75,000</u>	<u>0</u>	<u>0</u>	<u>448,532</u>	<u>523,532</u>
Total Capital Contributions and Transfers	<u>75,000</u>	<u>0</u>	<u>3,356,186</u>	<u>448,532</u>	<u>3,879,718</u>
Change in Net Position	(554,379)	(22,032)	3,605,162	99,834	3,128,585
Net Position - July 1, 2017	<u>3,940,529</u>	<u>296,437</u>	<u>0</u>	<u>78,054</u>	<u>4,315,020</u>
Net Position - June 30, 2018	<u>\$ 3,386,150</u>	<u>\$ 274,405</u>	<u>\$ 3,605,162</u>	<u>\$ 177,888</u>	<u>\$ 7,443,605</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, 2018

	Major Funds			Non-Major Fund	Total
	Wastewater Fund	Recreation Program Fund	Stormwater Fund	Police Dispatch Fund	
Cash Flows From Operating Activities:					
Receipts from Customers and Users	\$ 1,085,192	\$ 1,058,404	\$ 787,933	\$ 239,742	\$ 3,171,271
Receipts from Operating Grants	0	0	25,000	0	25,000
Payments for Goods and Services	(667,414)	(248,366)	(82,402)	(11,995)	(1,010,177)
Payments for Interfund Services	(130,189)	0	(107,710)	0	(237,899)
Payments for Wages and Benefits	(9,244)	(810,649)	(225,968)	(570,517)	(1,616,378)
Net Cash Provided/(Used) by Operating Activities	<u>278,345</u>	<u>(611)</u>	<u>396,853</u>	<u>(342,770)</u>	<u>331,817</u>
Cash Flows From Noncapital Financing Activities:					
(Increase)/Decrease in Due from Other Funds	368,848	(1,475)	(398,079)	(106,616)	(137,322)
Transfers Received from Other Funds	75,000	0	0	448,532	523,532
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>443,848</u>	<u>(1,475)</u>	<u>(398,079)</u>	<u>341,916</u>	<u>386,210</u>
Cash Flows From Capital and Related Financing Activities:					
Special Assessments Received	195,000	0	0	0	195,000
Acquisition and Construction of Capital Assets	(46,865)	0	0	0	(46,865)
Principal Paid to South Burlington for Capacity Rights	(540,733)	0	0	0	(540,733)
Interest Paid to South Burlington for Capacity Rights	(203,379)	0	0	0	(203,379)
Principal Paid on General Obligation Bonds Payable	(195,000)	0	0	0	(195,000)
Interest Paid on General Obligation Bonds Payable	(8,291)	0	0	0	(8,291)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(799,268)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(799,268)</u>
Cash Flows From Investing Activities:					
Receipt of Interest and Dividends	77,823	2,086	1,226	854	81,989
Net Decrease in Investments	35,537	0	0	0	35,537
Net Cash Provided by Investing Activities	<u>113,360</u>	<u>2,086</u>	<u>1,226</u>	<u>854</u>	<u>117,526</u>
Net Increase in Cash	36,285	0	0	0	36,285
Cash - July 1, 2017	787	0	0	0	787
Cash - June 30, 2018	<u>\$ 37,072</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,072</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:					
Operating Income/(Loss)	\$ (499,574)	\$ (24,118)	\$ 247,750	\$ (349,552)	\$ (625,494)
Depreciation and Amortization	768,678	0	152,175	0	920,853
(Increase)/Decrease in Accounts Receivable	(23,676)	0	(53,439)	0	(77,115)
(Increase)/Decrease in Inventory	5,995	0	0	0	5,995
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	(14,975)	(30,279)	49,474	4,220
Increase/(Decrease) in Accounts Payable	26,966	(18,465)	6,478	(649)	14,330
Increase/(Decrease) in Accrued Payroll and Benefits Payable	(44)	2,546	4,230	1,646	8,378
Increase/(Decrease) in Unearned Revenue	0	8,591	0	0	8,591
Increase/(Decrease) in Compensated Absences Payable	0	909	15,070	2,184	18,163
Increase/(Decrease) in Net Pension Liability	0	42,011	53,543	(49,214)	46,340
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	2,890	1,325	3,341	7,556
Net Cash Provided/(Used) by Operating Activities	<u>\$ 278,345</u>	<u>\$ (611)</u>	<u>\$ 396,853</u>	<u>\$ (342,770)</u>	<u>\$ 331,817</u>

The Stormwater Fund received capital assets with a cost and accumulated depreciation of \$4,295,352 and \$939,166, respectively, from the Governmental Activities.

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

TOWN OF COLCHESTER, VERMONT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2018

	<u>Agency Fund</u> <u>Developer Escrow Fund</u>
 <u>ASSETS</u>	
Cash	\$ <u>143,497</u>
Total Assets	<u>143,497</u>
 <u>LIABILITIES</u>	
Due to Others	<u>143,497</u>
Total Liabilities	<u>143,497</u>
 <u>NET POSITION</u>	
Total 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, 2018

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, stormwater improvements 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 activity of the Town of Colchester, Vermont. The financial 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 impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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, 2018

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 – 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 – 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 – This fund accounts for the capital projects of the Town.

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

Debt Service Fund – This fund accounts for the resources used to service principal and interest payments on general long-term liabilities.

The Town reports on the following major enterprise funds:

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

Recreation Program Fund – This fund accounts for the recreation program activities of the Town.

Stomwater Fund – This fund accounts for the stormwater activities of the Town.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Additionally, the Town reports the following fund type:

Agency Fund – This fund accounts for resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) 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 position. 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, proprietary and fiduciary 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.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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 net position 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.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred inflows of resources is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

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, deferred outflows and inflows of resources 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. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. Cash

Cash balances of 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 funds balances.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

2. Investments

The Town invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values. 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 “advances to/from other funds”. All other outstanding balances between funds are reported 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. Pensions

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees’ Retirement System (VMERS) plan and additions to/deductions from the VMERS’ fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. 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.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial 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. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

TOWN OF COLCHESTER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

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. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

8. 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 acquisition 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:

	Capitalization Threshold	Estimated Service Life
Land	\$ 10,000	Not Depreciated
Land Improvements	\$ 10,000	30-50 Years
Buildings and Building Improvements	\$ 25,000	30-80 Years
Equipment	\$ 5,000	5-10 Years
Furniture	\$ 5,000	5-10 Years
Vehicles	\$ 5,000	5-10 Years
Infrastructure	\$ 25,000	7-50 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, 2018

9. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused leave time. The accrual for unused compensated absences time, 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.

As of June 30, 2018, the governmental activities had \$615,029 in total compensated absences liability. The General Fund fund balance contains \$353,814 of committed fund balance as approved by the voters to fund a portion of this liability. Because this funding is not available for any other purpose and can only be un-committed through the annual voter approved budget process, it is tracked in a separate fund, the Accrued Leave Time Fund, for expenditures exceeding budget. The unfunded leave time liability as of June 30, 2018 is \$261,215. Management and the Selectboard are taking significant efforts through policies which reduce leave accumulation and additional funding to reduce this liability further in future years.

The compensated absences liability affiliated with the Enterprise Funds (the Recreation Program Fund, the Stormwater Fund and the Police Dispatch Fund) are included as liabilities in their Statement of Net Position, as shown on Exhibit F.

10. Long-term Liabilities

Long-term liabilities include bonds payable, capital leases, and other obligations such as compensated absences, long term obligations for wastewater treatment capacity rights and the Town's net pension liability. 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 liabilities on their balance sheets.

11. Fund Equity

Fund equity is 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 funds 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.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

**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:

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.

Pension-related differences arise because governmental funds report the current year’s required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition, the accrual for the Town’s proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

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. The budget presented herein is for the Town’s “General Fund” only and does not include the Accrued Leave Time Fund activity that is included with the General Fund.

B. Budgeted Deficit

The Town budgeted a current year’s deficiency of revenues over expenditures in the General Fund in the amount of \$336,661 in order to utilize a portion of the previous year’s surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2018, expenditures in the General Fund exceeded appropriations by \$168,213. These over-expenditures were funded by excess revenues and available fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2018 consisted of the following:

Cash:

Deposits with Financial Institutions	\$ 9,480,847
Deposits held by Investment Company	43,384
Cash on Hand	<u>2,613</u>
 Total Cash	 <u>9,526,844</u>

Investments:

Certificates of Deposit	572,244
U.S. Treasury Strips	<u>104,436</u>
 Total Investments	 <u>676,680</u>
 Total Cash and Investments	 <u>\$10,203,524</u>

The Town has four (4) certificates of deposit at various banks ranging from \$19,731 to \$302,969 with interest rates ranging from 0.4% to 2.1%. All of the certificates of deposit mature by fiscal year 2021.

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. As of June 30, 2018, the Town has \$52,969 of uninsured and uncollateralized deposits which is in violation of their investment policy.

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 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 cash and certificates of deposit.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

	Book Balance	Bank Balance
Insured by FDIC/SIPC	\$ 812,709	\$ 812,709
Uninsured, Collateralized by U.S. Government Agencies		
Securities Held by the Pledging Financial Institution's Agent	9,230,797	9,553,387
Uninsured, Uncollateralized	52,969	52,969
	\$ 10,096,475	\$ 10,419,065

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$ 9,480,847
Cash – Deposits held by Investment Company	43,384
Investments – Certificates of Deposit	572,244
Total	\$10,096,475

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 are exempt from 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. The U.S. Treasury Strips are shown at their actual maturity.

Investment Type	Remaining Maturity		Total
	Less Than 1 Year	1 to 5 Years	
U.S. Treasury Strips	\$ 35,747	\$ 68,689	\$ 104,436

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The Town does not have any policy to limit the exposure to credit risk. The Town's certificates of deposit and U.S. Treasury Strips are exempt from credit risk analysis.

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's certificates of deposit and U.S. Treasury Strips are exempt from concentration of credit risk analysis. There are no other investments in any one issuer that represent more than 5% of total investments.

B. Receivables

Receivables as of June 30, 2018, 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	\$ 222,971	\$ 0	\$ 222,971
Penalties and Interest Receivable	55,697	0	55,697
Local Option Sales Tax Receivable	421,592	0	421,592
Ambulance Receivable	251,154	0	251,154
Grants Receivable	274,438	0	274,438
Accounts Receivable	46,167	0	46,167
Billed Services	0	78,858	78,858
Unbilled Services	0	338,289	338,289
Special Assessment - Current Portion *	0	210,000	210,000
Special Assessment - Noncurrent Portion *	0	555,000	555,000
Allowance for Doubtful Accounts - Taxes	(62,500)	0	(62,500)
Allowance for Doubtful Accounts - Ambulance	(120,000)	0	(120,000)
Allowance for Doubtful Accounts - Stormwater	0	(10,000)	(10,000)
Total	\$ <u>1,089,519</u>	\$ <u>1,172,147</u>	\$ <u>2,261,666</u>

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Notes Receivable

Notes receivable as of June 30, 2018 are as follows:

Note Receivable, Holy Cross Senior Housing Partnership, Principal Payments Deferred until November, 2037, 0% Interest	\$ 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 rd 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
Note Receivable, Brookside Partnership, Principal and Interest Payments Deferred until January 2039, Interest at 4.46%	240,000
Note Receivable, Winchester Place Limited Partnership, Principal Payments Deferred until May, 2057, 0% Interest	543,477
Note Receivable, Housing Foundation, Inc., Principal and Administrative Fee Payments of \$6,116 Monthly, 2% Administrative Fee, Due January, 2022. Income from Repayment of the Loan will be Used to Pay the Related Windemere Park Septic System Improvements Bond Described in Note IV.I.	305,737
Notes Receivable, Fourteen (14) 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. Income from Repayment of the Loans will be Used to Pay the Related Septic Improvement Loan Program Bonds Described in Note IV.I.	<u>103,373</u>
Total Notes Receivable	1,748,365
Plus: Accrued Interest on Notes Receivable	94,459
Less: Allowance for Doubtful Notes and Accrued Interest Receivable	<u>(1,433,714)</u>
Reported Value as of June 30, 2018	\$ <u>409,110</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,104,936	\$ 0	\$ 0	\$ 2,104,936
Construction in Progress	959,756	907,477	705,921	1,161,312
Total Capital Assets, Not Being Depreciated	<u>3,064,692</u>	<u>907,477</u>	<u>705,921</u>	<u>3,266,248</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,287,513	236,789	0	2,524,302
Buildings and Building Improvements	10,304,270	0	0	10,304,270
Equipment and Furniture	2,631,380	219,710	38,288	2,812,802
Vehicles	3,870,519	176,213	349,774	3,696,958
Infrastructure	26,637,533	802,188	4,086,859	23,352,862
Totals	<u>45,731,215</u>	<u>1,434,900</u>	<u>4,474,921</u>	<u>42,691,194</u>
Less Accumulated Depreciation for:				
Land Improvements	891,761	65,993	0	957,754
Buildings and Building Improvements	2,438,126	183,689	0	2,621,815
Equipment and Furniture	1,503,309	239,206	32,775	1,709,740
Vehicles	1,897,703	317,529	230,081	1,985,151
Infrastructure	6,222,825	793,873	818,071	6,198,627
Totals	<u>12,953,724</u>	<u>1,600,290</u>	<u>1,080,927</u>	<u>13,473,087</u>
Total Capital Assets, Being Depreciated	<u>32,777,491</u>	<u>(165,390)</u>	<u>3,393,994</u>	<u>29,218,107</u>
Governmental Activities Capital Assets, Net	<u>\$ 35,842,183</u>	<u>\$ 742,087</u>	<u>\$ 4,099,915</u>	<u>\$ 32,484,355</u>

During the year, the Town wrote-off \$71,730 of the Bayside Community Center project that was included in construction in process.

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 132,568	\$ 0	\$ 0	\$ 132,568
Total Capital Assets, Not Being Depreciated	<u>132,568</u>	<u>0</u>	<u>0</u>	<u>132,568</u>
Capital Assets, Being Depreciated:				
Plant and Equipment:				
10 Years	7,807	0	0	7,807
15 Years	51,811	0	0	51,811
25 Years	1,159,789	46,865	0	1,206,654
30 Years	221,037	0	0	221,037
40 Years	323,679	0	0	323,679
50 Years	4,688,203	0	0	4,688,203
Vehicles	0	208,494	0	208,494
Infrastructure	0	4,086,858	0	4,086,858
Capacity Rights - Wastewater Treatment	12,137,834	0	0	12,137,834
Totals	<u>18,590,160</u>	<u>4,342,217</u>	<u>0</u>	<u>22,932,377</u>
Less Accumulated Depreciation for:				
Plant and Equipment	3,792,965	161,786	0	3,954,751
Vehicles	0	130,407	0	130,407
Infrastructure	0	960,934	0	960,934
Capacity Rights - Wastewater Treatment	2,427,568	606,892	0	3,034,460
Totals	<u>6,220,533</u>	<u>1,860,019</u>	<u>0</u>	<u>8,080,552</u>
Total Capital Assets, Being Depreciated	<u>12,369,627</u>	<u>2,482,198</u>	<u>0</u>	<u>14,851,825</u>
Business-type Activities Capital Assets, Net	<u>\$ 12,502,195</u>	<u>\$ 2,482,198</u>	<u>\$ 0</u>	<u>\$ 14,984,393</u>

During the year, the Town transferred capital assets with a cost and accumulated depreciation of \$4,295,352 and \$939,166, respectively, from the Governmental Activities to the Business-type Activities.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 99,983	Wastewater	\$ 768,678
Public Safety	385,312	Stormwater	<u>152,175</u>
Public Works	852,678		
Culture and Recreation	<u>262,317</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
	\$ <u>1,600,290</u>		\$ <u>920,853</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2018 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 6,680,810
Capital Projects Fund	904,184	0
Reserve Fund	1,207,033	0
Debt Service Fund	1,646,517	0
Non-Major Governmental Funds	635,661	0
Wastewater Fund	935,198	0
Recreation Program Fund	677,032	0
Stormwater Fund	398,079	0
Police Dispatch Fund	<u>277,106</u>	<u>0</u>
Total	<u>\$ 6,680,810</u>	<u>\$ 6,680,810</u>

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

Transfer From	Transfer To	Amount	Purpose
General Fund	Accrued Leave Time Fund	\$ 100,000	* Appropriation
General Fund	Capital Projects Fund	3,600	Additional Funding for Capital Purchase
General Fund	Capital Projects Fund	198,000	Transfer Surplus for Parks Capital
General Fund	Reserve Fund	2,500	Appropriation
General Fund	Recreation Acquisition and Development Fund	5,000	Appropriation
General Fund	Capital Equipment Fund	35,000	Additional Funding for Capital Purchases and Projects
General Fund	Wastewater Fund	75,000	Fund Local Match of Pollution Remediation Grant Project
General Fund	Police Dispatch Fund	422,532	Appropriation
General Fund	Police Dispatch Fund	26,000	Fund Prior Year's Compensated Absences
Governmental Activities	Business-type Activities	<u>3,356,186</u>	Reassignment of Capital Assets to New Stormwater Fund
Total		<u>\$ 4,223,818</u>	

* The transfer from the General Fund to the Accrued Leave Time Fund is netted within the General Fund as this fund is consolidated within the General Fund to comply with GASB Statement No. 54.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

F. Unearned Revenue

Unearned revenue in the Non-Major Governmental Funds consists of \$107,398 of grant revenue received in advance.

Unearned revenue in the Recreation Program Fund consists of \$264,928 of recreation fees received in advance. This revenue will be earned when the recreation programs are provided.

G. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$35,710 from the difference between the expected and actual experience, \$408,842 from the difference between the projected and actual investment earnings, \$513,886 from changes in assumptions, and \$84,854 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$344,852 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$1,388,144.

Deferred outflows of resources in the business-type activities consists of \$4,440 from the difference between the expected and actual experience, \$50,842 from the difference between the projected and actual investment earnings, \$63,903 from changes in assumptions, and \$10,552 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$42,883 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the business-type activities is \$172,620.

Deferred outflows of resources in the Recreation Program Fund consists of \$1,698 from the difference between the expected and actual experience, \$19,445 from the difference between the projected and actual investment earnings, \$24,440 from changes in assumptions, and \$4,036 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$16,401 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Recreation Program Fund is \$66,020.

Deferred outflows of resources in the Stormwater Fund consists of \$779 from the difference between the expected and actual experience, \$8,918 from the difference between the projected and actual investment earnings, \$11,209 from changes in assumptions, and \$1,851 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$7,522 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Stormwater Fund is \$30,279.

Deferred outflows of resources in the Police Dispatch Fund consists of \$1,963 from the difference between the expected and actual experience, \$22,479 from the difference between the projected and actual investment earnings, \$28,254 from changes in assumptions, and \$4,665 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$18,960 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Police Dispatch Fund is \$76,321.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

H. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$8,445 of prepaid property taxes and \$60,767 from the difference between the expected and actual experience related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the governmental activities is \$69,212.

Deferred inflows of resources in the business-type activities consists of \$7,556 from the difference between the expected and actual experience related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS).

Deferred inflows of resources in the General Fund consists of \$187,476 of delinquent property taxes, penalties and interest on those taxes and \$69,502 of ambulance fees not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$8,445 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$265,423.

Deferred inflows of resources in the Capital Projects Fund consist of \$102,332 of grant revenue not collected within sixty (60) days after year-end as this would not be available to liquidate current liabilities.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$409,110 of notes receivable as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Recreation Program Fund consists of \$2,890 from the difference between the expected and actual experience related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS).

Deferred inflows of resources in the Stormwater Fund consists of \$1,325 from the difference between the expected and actual experience related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS).

Deferred inflows of resources in the Police Dispatch Fund consists of \$3,341 from the difference between the expected and actual experience related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS).

I. 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.

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.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Town's share of the net pension liability is recorded in the government-wide financial statements and proprietary fund financial statements.

Long-term liabilities outstanding as of June 30, 2018 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 Fund, Belwood Drainage Project, Principal Payments of \$49,641 Payable on December 1 Annually, 0% Interest, Due December, 2023	\$ 347,488	\$ 0	\$ 49,641	\$ 297,847
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$9,173 Payable on April 1 Annually, Interest at 2%, Due April, 2027	82,403	0	7,525	74,878
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$4,941 Payable on July 1 Annually, Interest at 2%, Due July, 2028	48,359	0	3,974	44,385

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$6,181 Payable on August 1 Annually, Interest at 2%, Due August, 2034	\$ 92,666	\$ 0	\$ 4,328	\$ 88,338
Bond Payable, Vermont Municipal Bond Bank, Municipal Building, Principal Payments of \$305,000 Payable on December 1 Annually, Interest Ranging from 3.865% to 4.665% Payable June 1 and December 1, Due December, 2027	3,355,000	0	305,000	3,050,000
Bond Payable, Vermont Municipal Bond Bank, Bayside Property Purchase, Principal Payments of \$55,000 Payable on December 1 Annually, Interest Ranging from 1.87% to 5.09% Payable June 1 and December 1, Due December, 2024	440,000	0	55,000	385,000
Capital Lease Payable, First Niagara Leasing, Street Light Project, Principal and Interest Payments of \$61,656 Payable on July 15 Annually, Interest at 1.946%, Due July, 2018	119,773	0	59,304	60,469
Bond Payable, State of Vermont Special Environmental Revolving Fund, Windemere Park Septic System Improvements, Principal and Administrative Fee Payments of \$73,393 Payable on December 1 Annually, 2% Administrative Fee, Due December, 2022	<u>411,107</u>	<u>0</u>	<u>65,171</u>	<u>345,936</u>
Total Governmental Activities	<u>\$4,896,796</u>	<u>\$ 0</u>	<u>\$549,943</u>	<u>\$4,346,853</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 November 1 Annually, Interest Ranging from 6.9% to 7.0% Payable May 1 and November 1, Due November, 2020	\$ 560,000	\$ 0	\$125,000	\$435,000
Bond Payable, Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$35,000 to \$90,000 Payable on November 1 Annually, Interest Ranging from 6.9% to 7.0% Payable May 1 and November 1, Due November, 2021	400,000	0	70,000	330,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, Breezy Acres Trailer Park Sewer System, Principal Payments of \$79,048 Payable on July 1 Annually, 0% Interest, Due July, 2019. The Town Made the July 1, 2017 Payment in the Prior Year.	<u>158,096</u>	<u>0</u>	<u>0</u>	<u>158,096</u>
Total Business-type Activities	<u>\$1,118,096</u>	<u>\$ 0</u>	<u>\$195,000</u>	<u>\$923,096</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>
Governmental Activities					
General Obligation Bonds Payable	\$ 4,777,023	\$ 0	\$ 490,639	\$ 4,286,384	\$ 492,261
Capital Leases Payable	119,773	0	59,304	60,469	60,469
Compensated Absences Payable	689,128	0	74,099	615,029	0
Net Pension Liability	<u>2,642,007</u>	<u>0</u>	<u>187,316</u>	<u>2,454,691</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 8,227,931</u>	<u>\$ 0</u>	<u>\$ 811,358</u>	<u>\$ 7,416,573</u>	<u>\$ 552,730</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 158,096	\$ 0	\$ 0	\$ 158,096	\$ 79,048
Special Assessment Debt with Governmental Commitment	960,000	0	195,000	765,000	210,000
Due to South Burlington - Capacity Rights	10,078,871	0	540,733	9,538,138	551,547
Compensated Absences Payable	62,191	18,163	0	80,354	0
Net Pension Liability	<u>258,909</u>	<u>46,340</u>	<u>0</u>	<u>305,249</u>	<u>0</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 11,518,067</u>	<u>\$ 64,503</u>	<u>\$ 735,733</u>	<u>\$ 10,846,837</u>	<u>\$ 840,595</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 Revolving 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, which began in 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, 2018 was \$9,538,138.

Compensated absences and required contributions to the pension plans are paid by the applicable fund where the employee is charged.

The change in the net pension liability is allocated to the function 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
2019	\$ 492,261	\$ 134,236	\$ 61,656	\$ 289,048	\$ (37,480)
2020	493,913	117,621	0	304,048	(43,511)
2021	495,598	100,404	0	240,000	(108,402)
2022	497,317	81,478	0	90,000	(49,611)
2023	499,071	62,531	0	0	0
2024-2028	1,768,221	86,896	0	0	0
2029-2033	28,003	2,903	0	0	0
2034-2035	12,000	361	0	0	0
Total	4,286,384	586,430	61,656	923,096	(239,004)
Less: Imputed Interest	0	0	(1,187)	0	0
Total	\$ 4,286,384	\$ 586,430	\$ 60,469	\$ 923,096	\$ (239,004)

The Town refinanced the Sewer System Expansion bonds. The savings are being applied to interest payments and will result in a refund of interest when the bonds are paid off.

J. 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.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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. Because users are interested in information about those minimum fund balance policies and how governments comply with them, governments are required to explain their minimum fund balance policies, if they have them, in notes to the financial statements. The Town does have a minimum fund balance policy which is to maintain an unassigned fund balance which is no greater than thirteen percent (13%) of the prior year's operating expenditures.

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.

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	\$ 1,458
Nonspendable Inventories	<u>51,634</u>
Total General Fund	<u>53,092</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Non-Major Funds

Permanent Funds:	
Nonspendable Burnham Memorial Library Fund Principal	\$ <u>2,000</u>
Total Nonspendable Fund Balances	\$ <u>55,092</u>

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

Major Funds

Debt Service Fund:	
Restricted for Expenses or Financing of Voter-Approved Capital Projects within the Town and Voter-Approved Intermunicipal Financial Support by Charter	\$ <u>2,068,109</u>

Non-Major Funds

Special Revenue Funds:	
Restricted for Revolving Loans by Grant Agreements (Source of Revenue is Grant Revenue)	101,227
Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	43,288
Restricted for Grant Expenses by Grant Agreement (Source of Revenue is Grant Revenue and Donations)	12,305
Restricted for Police Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	132,840
Restricted for Cemetery Expenses by Statute (Source of Revenue is Sale of Lots)	<u>264,894</u>
Total Special Revenue Funds	<u>554,554</u>
Capital Projects Funds:	
Restricted for Recreation Acquisition and Development Expenditures by Impact Fees (Source of Revenue is Impact Fees)	<u>85,355</u>
Permanent Funds:	
Burnham Memorial Library Expenses by Trust Agreement – Expendable Portion (Source of Revenue is Donations)	<u>25,405</u>
Total Non-Major Funds	<u>665,314</u>
Total Restricted Fund Balances	<u>\$2,733,423</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

The fund balance in the following fund is committed as follows:

Major Fund

General Fund:

Committed for Accrued Leave Time Payments by the Voters	<u>\$353,814</u>
Total Committed Fund Balance	<u>\$353,814</u>

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

Major Funds

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2019	\$ 200,000
Assigned to Reduce Property Taxes in Fiscal Year 2020	<u>200,000</u>
Total General Fund	<u>400,000</u>

Capital Projects Fund:

Assigned for Capital Projects	<u>875,226</u>
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Reserve Fund:

Assigned for Reserve Fund Expenses for Reappraisal, Technology and Public Safety Capital Items	<u>1,201,821</u>
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Non-Major Funds

Capital Projects Funds:

Assigned for Capital Equipment Expenditures	<u>275,963</u>
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Total Assigned Fund Balances	<u>\$2,753,010</u>
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TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2018 consisted of the following:

Governmental Activities:

Inventories Restricted for Highway Use by Statute	\$ 51,634
Restricted for Expenses of Voter-Approved Capital Projects within the Town and Voter-Approved Intermunicipal Financial Support by Charter	2,068,109
Restricted for Community Development by Grant Agreements	3,089
Restricted for Grant Expenses by Grant Agreements	12,305
Restricted for Law Enforcement by Grant Agreements	132,840
Restricted for Cemetery by Statute	264,894
Restricted for Recreation Acquisition/Development by Impact Fees	85,355
Restricted for Burnham Library by Donations - Non-Expendable Portion	2,000
Restricted for Burnham Library by Donations - Expendable Portion	<u>25,405</u>
Total Governmental Activities	<u>\$2,645,631</u>

The designated net position of the Town as of June 30, 2018 consisted of the following:

Business-type Activities:

Wastewater Fund:	
Designated for South Burlington Plant Debt Service	\$ 605,043
Designated for Wastewater Fund Expenditures	<u>696,959</u>
Total Wastewater Fund	<u>1,302,002</u>
Recreation Program Fund:	
Designated for Recreation Program Fund Expenses	<u>274,405</u>
Stormwater Fund:	
Designated for Stormwater Fund Expenses	<u>401,151</u>
Police Dispatch Fund:	
Designated for Police Dispatch Expenses	<u>177,888</u>
Total Business-type Activities	<u>\$2,155,446</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

V. OTHER INFORMATION

A. PENSION PLAN

Defined Benefit Plans

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2018, the retirement system consisted of 423 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives-one elected by the governing bodies of participating employers of the system, and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

Pension Liability, Pension Expense and Deferred Outflows of Resources

As of June 30, 2017, the measurement date selected by the State of Vermont, VMERS was funded at 83.64% and had a plan fiduciary net position of \$619,510,342 and a total pension liability of \$740,665,894 resulting in a net position liability of \$121,155,552. As of June 30, 2018, the Town's proportionate share of this was 2.2780% resulting in a net pension liability of \$2,759,940. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. As of June 30, 2017, the Town's proportion of 2.2780% was an increase of 0.0239 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$735,702.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

As of June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 40,150	\$ 68,323
Difference between projected and actual investment earnings on pension assets	459,684	0
Changes in assumptions	577,789	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	95,406	0
Town's required employer contributions made subsequent to the measurement date	387,735	0
	\$ 1,560,764	\$ 68,323

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$387,735 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2019	\$ 427,252
2020	550,632
2021	145,422
2022	(18,600)
Total	\$1,104,706

Summary of System Provisions

Membership – Full time employees of participating municipalities. The Town elected coverage under Groups B, C and D provisions.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Groups B and C – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Service Retirement Allowance:

Eligibility – Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C and D – Age 55 with five (5) years of service.

Amount – Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. Group D – 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

Maximum benefit is 60% of AFC for Group B and 50% of AFC for Groups C and D. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B. Age 55 with twenty (20) years of service for Group D.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members and payable without reduction to Group D members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death Benefit:

Eligibility – Death after five (5) years of service.

Amount – For Groups B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children’s benefit.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Optional Benefit and Death after Retirement – For Groups B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.

Refund of Contribution – Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments – Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 3% for Groups B, C and D.

Member Contributions – Group B – 4.875%. Group C – 10.00%. Group D – 11.35%.

Employer Contributions – Group B – 5.50%. Group C – 7.25%. Group D – 9.85%.

Retirement Stipend – \$25 per month payable at the option of the Board of Trustees.

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation, a decrease from 7.95% in the prior year.

Salary increases: 5% per year.

Mortality – The mortality tables were updated for the current year from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement:

Death in Active Service: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017. Group D – RP-2014 Blue Collar Annuitant Table with generation projection using Scale SSA-2017.

Healthy Post-Retirement: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017. Group D – 100% of RP-2014 Health Annuitant with generational projection using Scale SSA-2017.

Disabled Post-Retirement: Groups B, C and D – RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

Spouse's Age: Females three years younger than males.

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Groups B, C and D members, a decrease from 1.8% in the prior year (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Groups B and D who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2018 COLA is assumed to be 0.75% for all groups.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

Actuarial Value of Assets: A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from market value of assets by more than 20%.

Inflation: 2.50%, a decrease from 3% in the prior year.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	16%	6.07%
Non-US Equity	16%	7.42%
Global Equity	9%	6.85%
Real Estate	8%	4.62%
Private Markets	15%	7.80%
Hedge Funds	8%	3.95%
Risk Parity	4%	4.84%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%, a decrease from 7.95% in the prior year. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%):

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$4,927,692	\$2,759,940	\$962,140

Additional Information

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

Defined Contribution Plan

The Town offers a 401(a) pension plan to all full time employees, except police officers who were hired prior to January 1, 2013. The plan provides for 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 and 7% of each union employee's base pay. Both union and non-union employees contribute 1% of their base pay. The International City/County Management Association administers the Plan. Total covered payroll was \$829,767. Pension expense for the year ended June 30, 2018 was \$65,494.

Deferred Compensation Plan

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. 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.

TOWN OF COLCHESTER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

C. 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.

The Town is also a member of the Vermont League of Cities and Towns Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The Town has only elected unemployment coverage with the Trust.

D. 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, 2018, taxes became due and payable on August 15, 2017, November 15, 2017 and March 15, 2018. The Town assesses a 5% penalty on delinquent taxes for the first thirty (30) days and then 8% thereafter. 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 2018 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.5271	.5271
Education	<u>1.4521</u>	<u>1.6094</u>
Total	<u>1.9792</u>	<u>2.1365</u>

E. LOCAL OPTION SALES TAX

In the fiscal year ending June 30, 2018, the Town had revenue of \$1,594,775 in local option sales tax in the Debt Service Fund. The Town paid out \$627,964 in voter approved capital project debt service for the Bellowood neighborhood drainage project, the Bayside Hazlett Property, the LED street light lease-purchase and the Blakely Road Town Hall Building and Police Station improvements. The fund balance of the Debt Service Fund is \$2,068,109.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 endowment is not reflected on the balance sheet of the Town. In 2018, the Library contributed another \$6,900 to the Foundation. The balance of the Endowment Fund at June 30, 2018 is \$115,255.

G. LAND LEASE

In August, 1994, the Town of Colchester entered into a land lease agreement with Arborvitae Medical Office Partners, LLC. The Town will lease land which is adjacent to the Town's offices to Arborvitae Medical Office Partners, LLC. for thirty (30) years. The Town will receive lease payments from Arborvitae Medical Office Partners, LLC for thirty (30) years. The agreement provided for the construction of a building which is rented to a medical center. Arborvitae Medical Office Partners, LLC. 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 \$722,181.

Future land lease revenue is as follows:

2019	\$ 27,806
2020	28,570
2021	29,356
2022	30,163
2023	30,993
Thereafter	<u>31,845</u>
	<u>\$178,733</u>

H. COMMITMENTS

The Town of Colchester's voters have approved borrowing up to \$1,225,000 from the State of Vermont Special Environmental Revolving Fund to be used for low interest septic system improvement loans for Colchester residents and the Housing Foundation, Inc. As of June 30, 2018, the Town borrowed \$831,864 and has a balance owed of \$553,537.

I. SUBSEQUENT EVENT

Subsequent to year end, the Town entered into a capital lease with Municipal Leasing Consultants, LLC for \$456,380 with interest at 4.27% for fifteen (15) years to finance the construction of a 150kW ground mounted solar array.

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:					
PROPERTY TAXES	\$ 10,221,870	\$ (174,777)	\$ 10,047,093	\$ 10,020,767	\$ (26,326)
VETERAN'S TAX EXEMPTION	(31,000)	0	(31,000)	(21,837)	9,163
INTEREST ON DELINQUENT TAXES	60,000	0	60,000	33,920	(26,080)
PENALTIES ON DELINQUENT TAXES	68,000	0	68,000	55,172	(12,828)
LIQUOR LICENSES	3,800	0	3,800	5,110	1,310
LICENSES - TOWN	4,500	0	4,500	4,040	(460)
DEPARTMENT OF MOTOR VEHICLES	900	0	900	654	(246)
MARRIAGE LICENSES	1,000	0	1,000	510	(490)
DOG LICENSES	10,500	0	10,500	11,665	1,165
GRANT ADMINISTRATION INCOME	0	0	0	47,750	47,750
PAYMENT IN LIEU OF TAXES	180,000	0	180,000	270,792	90,792
CURRENT USE HOLD HARMLESS	34,000	0	34,000	33,055	(945)
INVESTMENT INCOME	21,000	0	21,000	23,619	2,619
LAND RENT	27,061	0	27,061	27,061	0
WASTEWATER ADMINISTRATION CHARGES	130,189	0	130,189	130,189	0
STORMWATER ADMINISTRATION CHARGES	0	107,710	107,710	107,710	0
MISCELLANEOUS	8,000	0	8,000	13,712	5,712
SUPPORT PAYMENTS	52,198	0	52,198	53,135	937
POLICE	1,500	0	1,500	1,760	260
POLICE ORDINANCE FEES	5,000	0	5,000	10,140	5,140
POLICE SPECIAL DETAIL CHARGES	3,000	0	3,000	16,589	13,589
POLICE OFF DUTY CHARGES	4,000	0	4,000	23,214	19,214
AMBULANCE	393,318	0	393,318	515,008	121,690
TECHNICAL RESCUE	0	0	0	645	645
RECORDING FEES	122,000	0	122,000	113,386	(8,614)
ACCESSORY APARTMENT/SEASONAL CONVERSION	500	0	500	560	60
BUILDING/ZONING PERMITS	250,000	0	250,000	231,849	(18,151)
SEPTIC PERMITS	1,500	0	1,500	1,000	(500)
DRB LEGAL NOTICES	1,600	0	1,600	1,350	(250)
DRB/BLA APPLICATIONS	22,000	0	22,000	26,909	4,909
EXCAVATION W/ROW	9,000	0	9,000	6,670	(2,330)
CERTIFICATES OF OCCUPANCY	20,000	0	20,000	25,950	5,950
GIS INCOME	350	0	350	50	(300)
STATE WASTEWATER PERMITS	55,000	0	55,000	50,900	(4,100)
ORDINANCE AND MAP COPIES	400	0	400	149	(251)
CERTIFIED COPIES OF VITAL RECORDS	5,200	0	5,200	6,180	980
COPIES AND MAPS	16,000	0	16,000	15,974	(26)
USE OF VAULT	2,500	0	2,500	2,210	(290)
PASSPORTS	25,000	0	25,000	21,285	(3,715)
PASSPORT PHOTOS	11,200	0	11,200	9,467	(1,733)
ROAD MISCELLANEOUS	2,700	0	2,700	3,296	596
DOG CONTROL	1,500	0	1,500	375	(1,125)
GREEN MOUNTAIN PASSPORTS	300	0	300	303	3
RECREATION	17,500	0	17,500	20,844	3,344
COMMUNITY EVENTS	0	0	0	96,718	96,718
DISTRICT COURT FINES	22,000	0	22,000	21,829	(171)
PLANNING AND ZONING FINES	500	0	500	13,723	13,223
GRANT INCOME	2,500	0	2,500	0	(2,500)
LIBRARY GRANT INCOME	4,812	0	4,812	0	(4,812)
ACT 68 REIMBURSEMENT	55,000	0	55,000	61,848	6,848
ACT 60 REIMBURSEMENT	6,900	0	6,900	6,939	39
ANNUAL SCHOOL PAYMENT	23,433	0	23,433	24,765	1,332
ANNUAL SCHOOL PAYMENT - MAINTENANCE	19,096	0	19,096	19,096	0
STATE AID TO HIGHWAYS	196,337	0	196,337	196,354	17
MARINE ENFORCEMENT	22,000	0	22,000	25,154	3,154
TOTAL REVENUES	12,115,664	(67,067)	12,048,597	12,389,513	340,916
EXPENDITURES:					
SELECTBOARD:					
SALARIES	6,500	0	6,500	6,500	0
EMPLOYER TAXES & BENEFITS	497	0	497	497	0
TOWN MEETING	750	0	750	0	750
TOWN REPORT	1,581	0	1,581	1,382	199
PRINTING & BINDING	1,100	0	1,100	0	1,100
MISCELLANEOUS	500	0	500	0	500
CONTINGENCY	66,000	0	66,000	0	66,000
TRANSFER TO ACCRUED LEAVE TIME FUND	126,000	0	126,000	126,000	0
TOTAL SELECTBOARD	202,928	0	202,928	134,379	68,549
CIVIL BOARD:					
SALARIES	13,563	0	13,563	14,439	(876)
OTHER SALARIES	10,000	0	10,000	243	9,757
EMPLOYER TAXES & BENEFITS	11,543	0	11,543	10,568	975
POSTAGE	1,000	0	1,000	332	668
MACHINERY & EQUIPMENT	600	0	600	100	500
MISCELLANEOUS	4,000	0	4,000	1,035	2,965
TOTAL CIVIL BOARD	40,706	0	40,706	26,717	13,989

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable/ (Unfavorable)
MANAGER:					
SALARIES	\$ 399,546	\$ 0	\$ 399,546	\$ 342,736	\$ 56,810
EMPLOYER TAXES & BENEFITS	124,563	0	124,563	113,954	10,609
MISCELLANEOUS BENEFITS	2,100	0	2,100	1,962	138
PERSONNEL DEVELOPMENT	6,000	0	6,000	7,285	(1,285)
EMPLOYEE & VOLUNTEER APPRECIATION	2,500	0	2,500	600	1,900
DUES & PUBLICATIONS	4,000	0	4,000	4,881	(881)
PROFESSIONAL SERVICES	11,000	0	11,000	6,409	4,591
LEGAL	22,000	0	22,000	33,959	(11,959)
LEGAL - UNION NEGOTIATIONS	5,000	0	5,000	9,126	(4,126)
LEGAL - HUMAN RESOURCES	8,000	0	8,000	3,916	4,084
COMMUNICATIONS	4,452	0	4,452	4,395	57
RECRUITING	5,000	0	5,000	3,687	1,313
FLAG REPLACEMENT	500	0	500	0	500
PUBLIC HEARING ADVERTISING	5,500	0	5,500	9,373	(3,873)
OFFICE SUPPLIES	8,500	0	8,500	10,363	(1,863)
OPERATING SUPPLIES	2,200	0	2,200	225	1,975
POSTAGE	1,000	0	1,000	2,342	(1,342)
MILEAGE REIMBURSEMENT	9,000	0	9,000	8,313	687
MISCELLANEOUS	22,000	0	22,000	18,627	3,373
GREEN UP VERMONT	300	0	300	0	300
TOTAL MANAGER	643,161	0	643,161	582,153	61,008
COMMUNITY DEVELOPMENT:					
SALARIES	69,563	0	69,563	75,929	(6,366)
EMPLOYER TAXES & BENEFITS	30,034	0	30,034	33,997	(3,963)
PERSONNEL DEVELOPMENT	2,500	0	2,500	1,146	1,354
DUES & PUBLICATIONS	1,250	0	1,250	1,182	68
VEHICLE MAINTENANCE & TRANSPORTATION	1,500	0	1,500	0	1,500
MARKETING & COMMUNICATION	19,400	0	19,400	9,402	9,998
OPERATING SUPPLIES	300	0	300	699	(399)
MILEAGE REIMBURSEMENT	0	0	0	1,500	(1,500)
MISCELLANEOUS	160	0	160	95	65
TRANSFER TO CAPITAL PROJECTS FUND	0	0	0	3,600	(3,600)
TOTAL COMMUNITY DEVELOPMENT	124,707	0	124,707	127,550	(2,843)
FINANCE:					
SALARIES	218,152	11,000	229,152	220,765	8,387
EMPLOYER TAXES & BENEFITS	102,799	0	102,799	90,853	11,946
PERSONNEL DEVELOPMENT	2,000	0	2,000	687	1,313
DUES & PUBLICATIONS	200	0	200	230	(30)
PROFESSIONAL SERVICES	38,000	0	38,000	34,000	4,000
OFFICE SUPPLIES	2,900	0	2,900	3,882	(982)
POSTAGE	1,900	0	1,900	1,014	886
COMPUTERS	23,500	0	23,500	25,104	(1,604)
MISCELLANEOUS	200	0	200	1,172	(972)
TOTAL FINANCE	389,651	11,000	400,651	377,707	22,944
ASSESSOR:					
SALARIES	90,528	0	90,528	94,213	(3,685)
LISTERS	500	0	500	247	253
EMPLOYER TAXES & BENEFITS	48,938	0	48,938	47,994	944
PERSONNEL DEVELOPMENT	2,400	0	2,400	1,421	979
DUES & PUBLICATIONS	4,000	0	4,000	5,390	(1,390)
PROFESSIONAL SERVICES	23,000	0	23,000	23,737	(737)
LEGAL	15,000	0	15,000	0	15,000
REAPPRAISAL	15,000	0	15,000	0	15,000
OPERATING SUPPLIES	500	0	500	174	326
POSTAGE	1,000	0	1,000	797	203
GASOLINE	2,400	0	2,400	574	1,826
COMPUTERS	1,500	0	1,500	555	945
VEHICLE MAINTENANCE	167	0	167	51	116
TOTAL ASSESSOR	204,933	0	204,933	175,153	29,780
TOWN CLERK/TREASURER:					
SALARIES	231,865	0	231,865	267,173	(35,308)
EMPLOYER TAXES & BENEFITS	110,308	0	110,308	111,294	(986)
PERSONNEL DEVELOPMENT	3,000	0	3,000	2,997	3
DUES & PUBLICATIONS	500	0	500	315	185
LEGAL	7,000	0	7,000	638	6,362
TELEPHONE	600	0	600	0	600
OFFICE SUPPLIES	1,500	0	1,500	0	1,500
OPERATING SUPPLIES	12,000	0	12,000	13,478	(1,478)
POSTAGE	7,250	0	7,250	3,164	4,086
MACHINERY & EQUIPMENT	500	0	500	100	400
COMPUTERS	750	0	750	0	750
MISCELLANEOUS	500	0	500	691	(191)
TOTAL TOWN CLERK/TREASURER	375,773	0	375,773	399,850	(24,077)

TOWN OF COLCHESTER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable/ (Unfavorable)
PLANNING/ZONING:					
SALARIES	\$ 361,839	\$ 0	\$ 361,839	\$ 329,500	\$ 32,339
SALARIES - PLANNING COMMISSION/ZONING BOARD	3,600	0	3,600	3,996	(396)
EMPLOYER TAXES & BENEFITS	157,915	0	157,915	143,441	14,474
PERSONNEL DEVELOPMENT	7,875	0	7,875	3,965	3,910
DUES & PUBLICATIONS	6,100	0	6,100	6,034	66
PROFESSIONAL SERVICES	24,500	0	24,500	19,331	5,169
LEGAL	26,600	0	26,600	35,909	(9,309)
COMMUNICATIONS	900	0	900	702	198
ADVERTISING	500	0	500	0	500
RECRUITING	0	0	0	1,183	(1,183)
ADVERTISING - PUBLIC MEETINGS	2,200	0	2,200	1,659	541
PRINTING & BINDING	300	0	300	376	(76)
OPERATING SUPPLIES	4,000	0	4,000	4,112	(112)
POSTAGE	1,700	0	1,700	1,891	(191)
GASOLINE	1,100	0	1,100	800	300
MILEAGE REIMBURSEMENT	1,000	0	1,000	374	626
COMPUTERS	16,500	0	16,500	5,787	10,713
VEHICLE MAINTENANCE	1,000	0	1,000	47	953
GIS	1,500	0	1,500	651	849
TOTAL PLANNING/ZONING	619,129	0	619,129	559,758	59,371
INFORMATION TECHNOLOGY:					
SALARIES	106,635	0	106,635	104,079	2,556
EMPLOYER TAXES & BENEFITS	27,751	0	27,751	25,598	2,153
PERSONNEL DEVELOPMENT	2,500	0	2,500	912	1,588
PROFESSIONAL SERVICES	5,500	0	5,500	8,367	(2,867)
INTERNET PROVIDER	1,577	0	1,577	2,092	(515)
TELEPHONE	300	0	300	155	145
COMMUNICATIONS	850	0	850	804	46
REPAIR/MAINT - EQUIPMENT	4,000	0	4,000	1,542	2,458
OPERATING SUPPLIES	100	0	100	0	100
MILEAGE REIMBURSEMENT	100	0	100	0	100
MACHINERY & EQUIPMENT	5,000	0	5,000	3,967	1,033
COMPUTERS	0	0	0	560	(560)
SOFTWARE	6,400	0	6,400	8,738	(2,338)
TOTAL INFORMATION TECHNOLOGY	160,713	0	160,713	156,814	3,899
POLICE ENFORCEMENT:					
SALARIES	2,229,619	0	2,229,619	2,172,374	57,245
EMPLOYER TAXES & BENEFITS	1,049,077	0	1,049,077	1,026,665	22,412
PERSONNEL DEVELOPMENT	4,000	0	4,000	2,364	1,636
DUES & PUBLICATIONS	2,500	0	2,500	1,688	812
TRAINING	24,000	0	24,000	35,411	(11,411)
UNIFORMS AND EQUIP	45,000	0	45,000	66,009	(21,009)
LEGAL	500	0	500	375	125
UTILITIES	23,000	0	23,000	22,540	460
TELEPHONE	5,000	0	5,000	6,367	(1,367)
COMMUNICATIONS	35,000	0	35,000	34,632	368
PUBLIC SAFETY COMMUNICATIONS	19,000	0	19,000	89,095	(70,095)
VEHICLE MAINTENANCE	37,850	0	37,850	22,604	15,246
BUILDING MAINTENANCE	32,000	0	32,000	31,135	865
OFFICE SUPPLIES	10,000	0	10,000	9,334	666
PHOTO AND FINGERPRINT	6,700	0	6,700	6,639	61
POSTAGE	1,200	0	1,200	976	224
GASOLINE	65,500	0	65,500	49,266	16,234
COMPUTERS	6,800	0	6,800	6,707	93
MISCELLANEOUS	16,000	0	16,000	20,222	(4,222)
BOATING SAFETY GRANT EXPENSES	9,500	0	9,500	7,656	1,844
SPECIAL PROGRAMS	19,500	0	19,500	17,791	1,709
TOTAL POLICE ENFORCEMENT	3,641,746	0	3,641,746	3,629,850	11,896
FIRE DEPARTMENTS:					
COMMUNICATIONS	6,200	0	6,200	0	6,200
COLCHESTER CENTER FIRE CO	513,500	0	513,500	513,919	(419)
MALLETTS BAY FIRE DEPARTMENT	398,700	0	398,700	398,857	(157)
TOTAL FIRE DEPARTMENTS	918,400	0	918,400	912,776	5,624

TOWN OF COLCHESTER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable/ (Unfavorable)
RESCUE:					
SALARIES	\$ 340,608	\$ 0	\$ 340,608	\$ 413,256	\$ (72,648)
EMPLOYER TAXES & BENEFITS	136,132	0	136,132	169,224	(33,092)
TRAINING	8,500	0	8,500	3,242	5,258
UNIFORMS	3,500	0	3,500	2,368	1,132
HEALTH & SAFETY	500	0	500	50	450
ANNUAL AMBULANCE ASSESSMENT	0	0	0	12,962	(12,962)
UTILITIES	13,500	0	13,500	12,445	1,055
TELEPHONE	700	0	700	0	700
COMMUNICATIONS	2,000	0	2,000	2,202	(202)
JANITORIAL SERVICES	1,800	0	1,800	1,387	413
VEHICLE MAINT	5,000	0	5,000	5,392	(392)
REPAIR/MAINTENANCE - EQUIPMENT	3,500	0	3,500	5,654	(2,154)
BUILDING MAINTENANCE	6,000	0	6,000	3,836	2,164
COMMUNICATIONS R&M	400	0	400	0	400
OFFICE SUPPLIES	1,400	0	1,400	1,481	(81)
OPERATING SUPPLIES	17,250	0	17,250	17,904	(654)
POSTAGE	75	0	75	47	28
GASOLINE	5,500	0	5,500	4,649	851
MACHINERY & EQUIPMENT	1,000	0	1,000	3,329	(2,329)
TECHNOLOGY UPGRADES	0	0	0	1,766	(1,766)
COMPUTERS	1,500	0	1,500	0	1,500
MISCELLANEOUS	5,000	0	5,000	6,654	(1,654)
AMBULANCE PERSONNEL DONATIONS	1,000	0	1,000	1,515	(515)
SPECIAL PROGRAMS	500	0	500	170	330
TOTAL RESCUE	555,365	0	555,365	669,533	(114,168)
TECHNICAL RESCUE:					
SALARIES	9,000	0	9,000	3,740	5,260
EMPLOYER TAXES & BENEFITS	2,181	0	2,181	1,858	323
TRAINING	4,000	0	4,000	2,975	1,025
UNIFORMS	2,500	0	2,500	2,047	453
HEALTH & SAFETY	1,000	0	1,000	1,574	(574)
UTILITIES	150	0	150	158	(8)
COMMUNICATIONS	3,000	0	3,000	3,231	(231)
VEHICLE MAINTENANCE	4,500	0	4,500	4,197	303
EQUIPMENT R&M	2,000	0	2,000	4,294	(2,294)
BUILDING MAINTENANCE	1,000	0	1,000	4,215	(3,215)
COMMUNICATIONS R&M	250	0	250	0	250
OPERATING SUPPLIES	300	0	300	770	(470)
GASOLINE	2,200	0	2,200	2,240	(40)
MACHINERY & EQUIPMENT	4,000	0	4,000	7,541	(3,541)
TOTAL TECHNICAL RESCUE	36,081	0	36,081	38,840	(2,759)
TRANSFER TO POLICE DISPATCH FUND:	422,532	0	422,532	422,532	0
PUBLIC WORKS - ADMINISTRATION:					
SALARIES	388,160	0	388,160	387,396	764
EMPLOYER TAXES & BENEFITS	169,422	0	169,422	138,330	31,092
PERSONNEL DEVELOPMENT	3,500	0	3,500	5,420	(1,920)
DUES & PUBLICATIONS	1,000	0	1,000	1,879	(879)
PROFESSIONAL SERVICES	32,700	0	32,700	32,515	185
LEGAL	1,000	0	1,000	60	940
COMMUNICATIONS	2,130	0	2,130	1,947	183
VEHICLE MAINTENANCE & TRANSPORTATION	200	0	200	109	91
ADVERTISING	1,000	0	1,000	357	643
OFFICE SUPPLIES	1,000	0	1,000	1,258	(258)
OPERATING SUPPLIES	400	0	400	88	312
POSTAGE	650	0	650	859	(209)
GASOLINE	212	0	212	137	75
MILEAGE REIMBURSEMENT	4,500	0	4,500	4,500	0
COMPUTERS	4,800	0	4,800	4,650	150
MISCELLANEOUS	0	0	0	540	(540)
TRANSFER TO WASTEWATER FUND	0	0	0	75,000	(75,000)
TOTAL PUBLIC WORKS - ADMINISTRATION	610,674	0	610,674	655,045	(44,371)
HIGHWAY DEPARTMENT:					
SALARIES	505,092	0	505,092	457,546	47,546
EMPLOYER TAXES & BENEFITS	238,862	0	238,862	238,386	476
UNIFORMS	6,643	0	6,643	6,200	443
COMMERCIAL DRIVERS LICENSE	150	0	150	90	60
STREET LIGHTS	71,200	0	71,200	69,234	1,966
TRAFFIC SIGNALS	8,670	0	8,670	4,819	3,851
COMMUNICATIONS	998	0	998	294	704
STREET LIGHT MAINTENANCE	5,000	0	5,000	7,719	(2,719)
TREE MAINTENANCE	5,000	0	5,000	5,775	(775)

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable/ (Unfavorable)
HIGHWAY DEPARTMENT/(CONTD):					
TIRES AND TUBES	\$ 8,500	\$ 0	\$ 8,500	\$ 5,706	\$ 2,794
STRIPING	28,701	0	28,701	20,580	8,121
REPAIR PARTS & EQUIPMENT	31,540	0	31,540	35,119	(3,579)
BRIDGES	250	0	250	2	248
ROLLER / TRAILER	150	0	150	115	35
PAINT TRAILER	100	0	100	24	76
HIRED EQUIPMENT - WINTER	500	0	500	0	500
HIRED EQUIPMENT - SUMMER	500	0	500	613	(113)
OPERATING SUPPLIES	4,000	0	4,000	5,687	(1,687)
EQUIPMENT SUPPLIES	1,750	0	1,750	1,221	529
SMALL TOOLS & EQUIPMENT	750	0	750	1,208	(458)
CHLORIDE	9,320	0	9,320	10,854	(1,534)
GRAVEL	17,181	0	17,181	19,305	(2,124)
ASPHALT REPAIR	5,500	0	5,500	34,191	(28,691)
SIGNS	7,000	0	7,000	6,658	342
WINTER SAND	18,531	0	18,531	32,812	(14,281)
WINTER SALT	123,718	0	123,718	151,940	(28,222)
GASOLINE	60,372	0	60,372	44,844	15,528
MARBLE ISLAND ROAD REPAIR	0	0	0	438	(438)
MISCELLANEOUS	0	0	0	516	(516)
TOTAL HIGHWAY DEPARTMENT	1,159,978	0	1,159,978	1,161,896	(1,918)
MAINTENANCE FACILITY:					
SALARIES	171,912	0	171,912	184,237	(12,325)
EMPLOYER TAXES & BENEFITS	86,194	0	86,194	95,954	(9,760)
TRAINING	975	0	975	975	0
UNIFORMS	2,832	0	2,832	2,724	108
VEHICLE INSPECTION FEES	0	0	0	203	(203)
UTILITIES	17,400	0	17,400	17,674	(274)
TELEPHONE	800	0	800	0	800
REPAIRS AND MAINTENANCE	11,000	0	11,000	17,898	(6,898)
VEHICLE MAINTENANCE	300	0	300	345	(45)
OFFICE SUPPLIES	150	0	150	0	150
OPERATING SUPPLIES	3,775	0	3,775	3,249	526
EQUIPMENT SUPPLIES	14,000	0	14,000	16,338	(2,338)
WELDING SUPPLIES	1,000	0	1,000	855	145
GASOLINE	700	0	700	869	(169)
MACHINERY & EQUIPMENT	3,000	0	3,000	2,726	274
COMPUTERS	200	0	200	0	200
TOTAL MAINTENANCE FACILITY	314,238	0	314,238	344,047	(29,809)
STORMWATER:					
SALARIES	92,689	(92,689)	0	0	0
EMPLOYER TAXES & BENEFITS	52,673	(52,673)	0	0	0
UNIFORMS	1,865	(1,865)	0	0	0
CATCH BASINS	4,250	(4,250)	0	0	0
SWEEPER	2,500	(2,500)	0	0	0
SWEEPER - 2007 STERLING	2,500	(2,500)	0	0	0
WATER FOR SWEEPER	788	(788)	0	0	0
STORMWATER PUMPS	935	(935)	0	0	0
FLOW MONITORING	8,484	(8,484)	0	0	0
STORMWATER PERMITTING	20,000	(20,000)	0	0	0
TREATMENT STRUCTURES	2,000	(2,000)	0	0	0
TOWN STORMWATER FEE	0	132,057	132,057	133,002	(945)
SMALL TOOLS & EQUIPMENT	300	(300)	0	0	0
CULVERTS	5,000	(5,000)	0	0	0
GASOLINE	4,913	(4,913)	0	0	0
PUBLIC EDUCATION/OUTREACH	5,500	(5,500)	0	0	0
WATER QUALITY TESTING	5,727	(5,727)	0	0	0
TOTAL STORMWATER	210,124	(78,067)	132,057	133,002	(945)
BUILDINGS:					
SALARIES	53,808	0	53,808	39,240	14,568
EMPLOYER TAXES & BENEFITS	22,766	0	22,766	16,779	5,987
UTILITIES - TOWN HALL	37,500	0	37,500	35,438	2,062
UTILITIES - HISTORICAL SOCIETY	2,400	0	2,400	2,265	135
COMMUNICATIONS	600	0	600	361	239
CLEANING TOWN HALL	12,000	0	12,000	14,040	(2,040)
VEHICLE MAINTENANCE	600	0	600	339	261
MAINTENANCE-TOWN HALL	20,249	0	20,249	26,688	(6,439)
MAINTENANCE - HISTORICAL SOCIETY	1,000	0	1,000	269	731
TRACTOR	500	0	500	455	45
EQUIPMENT - RENTALS/LEASES	15,000	0	15,000	16,087	(1,087)
OPERATING SUPPLIES	3,884	0	3,884	5,410	(1,526)
GASOLINE	1,000	0	1,000	1,189	(189)
MILEAGE REIMBURSEMENT	50	0	50	0	50
MISCELLANEOUS	700	0	700	842	(142)
TRANSFER TO CAPITAL PROJECTS FUND	0	0	0	25,000	(25,000)
TOTAL BUILDINGS	172,057	0	172,057	184,402	(12,345)

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable/ (Unfavorable)
HEALTH SERVICES:					
VISITING NURSE ASSOCIATION	\$ 36,000	\$ 0	\$ 36,000	\$ 36,000	\$ 0
WOMEN HELPING BATTERED WOMEN	500	0	500	0	500
ANIMAL CONTROL CONTRACT	18,194	0	18,194	17,942	252
ANIMAL CONTROL FEES	4,100	0	4,100	6,687	(2,587)
TOTAL HEALTH SERVICES	58,794	0	58,794	60,629	(1,835)
PARKS:					
SALARIES	171,836	0	171,836	176,715	(4,879)
EMPLOYER TAXES & BENEFITS	65,339	0	65,339	53,765	11,574
PERSONNEL DEVELOPMENT	750	0	750	250	500
CONTRACTUAL SERVICES	15,000	0	15,000	28,650	(13,650)
UTILITIES - PARKS	33,742	0	33,742	27,292	6,450
TELEPHONE	1,500	0	1,500	2,129	(629)
COMMUNICATIONS	300	0	300	95	205
REPAIRS AND MAINTENANCE	17,000	0	17,000	12,466	4,534
VEHICLE MAINTENANCE	3,400	0	3,400	3,434	(34)
REPAIR/MAINTENANCE - EQUIPMENT	5,000	0	5,000	6,091	(1,091)
RENTAL EQUIPMENT	1,000	0	1,000	104	896
OPERATING SUPPLIES	15,000	0	15,000	22,161	(7,161)
GRASS SEED & BARK MULCH	5,500	0	5,500	3,356	2,144
FERTILIZER	11,250	0	11,250	8,069	3,181
GASOLINE	10,000	0	10,000	10,204	(204)
MACHINERY & EQUIPMENT	9,000	0	9,000	11,251	(2,251)
MISCELLANEOUS	0	0	0	78	(78)
TRANSFER TO CAPITAL PROJECTS FUND	0	0	0	198,000	(198,000)
TOTAL PARKS	365,617	0	365,617	564,110	(198,493)
RECREATION:					
SALARIES	133,241	0	133,241	133,475	(234)
EMPLOYER TAXES & BENEFITS	50,044	0	50,044	51,197	(1,153)
PERSONNEL DEVELOPMENT	5,000	0	5,000	3,375	1,625
DUES & PUBLICATIONS	1,200	0	1,200	899	301
PROFESSIONAL SERVICES	0	0	0	950	(950)
LEGAL	1,000	0	1,000	2,528	(1,528)
UTILITIES - COMMUNITY CENTER	3,000	0	3,000	2,852	148
COMMUNICATIONS	325	0	325	180	145
VEHICLE MAINTENANCE & TRANSPORTATION	0	0	0	404	(404)
MAINTENANCE - COMMUNITY CENTER	3,000	0	3,000	2,686	314
PRINTING AND BINDING	2,000	0	2,000	1,739	261
OFFICE SUPPLIES	2,050	0	2,050	1,819	231
OPERATING SUPPLIES	1,700	0	1,700	1,134	566
POSTAGE	1,200	0	1,200	836	364
MILEAGE REIMBURSEMENT	5,000	0	5,000	5,163	(163)
COMPUTERS	5,100	0	5,100	4,936	164
SPECIAL PROGRAMS	4,500	0	4,500	5,638	(1,138)
FAIR DAY	9,000	0	9,000	9,500	(500)
TRANSFER TO RECREATION ACQUISITION & DEVELOPMENT FUND	5,000	0	5,000	5,000	0
TOTAL RECREATION	232,360	0	232,360	234,311	(1,951)
LIBRARY:					
SALARIES	388,394	0	388,394	390,893	(2,499)
EMPLOYER TAXES & BENEFITS	177,842	0	177,842	170,644	7,198
PERSONNEL DEVELOPMENT	3,500	0	3,500	3,027	473
DUES & PUBLICATIONS	690	0	690	775	(85)
PROGRAMMING	2,300	0	2,300	2,435	(135)
UTILITIES	14,000	0	14,000	14,592	(592)
UTILITIES - MEETING	7,400	0	7,400	7,085	315
TELEPHONE	2,100	0	2,100	2,036	64
COMMUNICATION ACCESS - LIBRARY	1,300	0	1,300	1,602	(302)
JANITORIAL SERVICES	10,000	0	10,000	11,700	(1,700)
GENERAL MAINTENANCE	12,000	0	12,000	9,200	2,800
MAINTENANCE - MEETING	9,500	0	9,500	6,422	3,078
BUILDING MAINTENANCE	6,000	0	6,000	2,103	3,897
RECRUITMENT	100	0	100	0	100
PRINTING/PUBLICITY	2,500	0	2,500	2,558	(58)
OPERATING SUPPLIES	5,700	0	5,700	4,669	1,031
POSTAGE	3,200	0	3,200	2,705	495
MILEAGE REIMBURSEMENT	1,500	0	1,500	1,881	(381)
BOOKS - ADULT	17,750	0	17,750	16,349	1,401
BOOKS - JUVENILE	14,500	0	14,500	13,355	1,145
PERIODICALS	2,750	0	2,750	2,838	(88)
AUDIO/VISUAL MATERIALS	5,000	0	5,000	4,556	444
COMPUTERS	4,000	0	4,000	4,081	(81)
ELECTRONIC RESOURCES	5,000	0	5,000	6,425	(1,425)
TRANSFER TO CAPITAL PROJECTS FUND	0	0	0	10,000	(10,000)
TOTAL LIBRARY	697,026	0	697,026	691,931	5,095

TOWN OF COLCHESTER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable/ (Unfavorable)
INTERGOVERNMENTAL EXPENDITURES:					
CCTA	\$ 69,574	\$ 0	\$ 69,574	\$ 77,849	\$ (8,275)
CHAMBER OF COMMERCE	1,500	0	1,500	0	1,500
VT COUNCIL ON WORLD AFFAIRS	500	0	500	0	500
GBIC	6,000	0	6,000	6,000	0
CHITTENDEN COUNTY REGIONAL PLANNING	25,092	0	25,092	25,092	0
WINOOSKI VALLEY PARK DISTRICT	45,401	0	45,401	45,401	0
VLCT	20,513	0	20,513	20,436	77
HANDICAP TRANSPORTATION	18,000	0	18,000	28,397	(10,397)
COUNTY TAX	104,052	0	104,052	102,311	1,741
LOCAL MOTION	2,500	0	2,500	2,500	0
CONSERVATION COMMISSION	2,500	0	2,500	2,500	0
TOTAL INTERGOVERNMENTAL EXPENDITURES	295,632	0	295,632	310,486	(14,854)
TOTAL EXPENDITURES	12,452,325	(67,067)	12,385,258	12,553,471	(168,213)
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (336,661)	\$ 0	\$ (336,661)	(163,958)	\$ 172,703
ADJUSTMENTS TO RECONCILE FROM THE BUDGETARY BASIS OF ACCOUNTING TO THE MODIFIED ACCRUAL BASIS OF ACCOUNTING:					
ACCRUED LEAVE TIME FUND TRANSFER IN				100,000	
NET CHANGE IN FUND BALANCE				(63,958)	
FUND BALANCE - JULY 1, 2017				2,538,195	
FUND BALANCE - JUNE 30, 2018				\$ 2,474,237	

THE RECONCILING ITEM IS DUE TO COMBINING ONE (1) FUND, THE ACCRUED LEAVE TIME FUND,
WITH THE GENERAL FUND IN ORDER TO COMPLY WITH GASB STATEMENT NO. 54.

TOWN OF COLCHESTER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2018

	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	2.2780%	2.2541%	2.2404%	1.9500%
Town's Proportionate Share of the Net Pension Liability	\$ 2,759,940	\$ 2,900,916	\$ 1,727,252	\$ 177,972
Town's Covered Employee Payroll	\$ 5,650,565	\$ 5,412,857	\$ 4,972,437	\$ 4,566,655
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	48.8436%	53.5931%	34.7365%	3.8972%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: The following changes were effective for the June 30, 2017 valuation date:

- Assumed inflation was lowered from 3.0% to 2.5%.
- The investment return assumption was lowered from 7.95% to 7.50%.
- Assumed COLA increases were lowered from 1.50% to 1.15% for Group A members and from 1.80% to 1.3% for Group B, C and D members.
- The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.

Fiscal year 2015 was the first year of implementation, therefore, only four years are shown.

TOWN OF COLCHESTER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 387,735	\$ 372,020	\$ 342,586	\$ 313,173
Contributions in Relation to the Actuarially Determined Contributions	<u>387,735</u>	<u>372,020</u>	<u>342,586</u>	<u>313,173</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 5,650,565	\$ 5,412,857	\$ 4,972,437	\$ 4,566,655
Contributions as a Percentage of Town's Covered Employee Payroll	6.862%	6.873%	6.890%	6.858%

Notes to Schedule

Valuation Date: June 30, 2017

Fiscal year 2015 was the first year of implementation, therefore, only four years are shown.

TOWN OF COLCHESTER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Burnham Memorial Library Fund	Total
<u>ASSETS</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 240,936	\$ 0	\$ 21,804	\$ 262,740
Investments	157,313	0	0	157,313
Receivables	175	0	0	175
Notes Receivable (Net of Allowance for Uncollectibles)	409,110	0	0	409,110
Due from Other Funds	<u>268,469</u>	<u>361,318</u>	<u>5,874</u>	<u>635,661</u>
Total Assets	<u>\$ 1,076,003</u>	<u>\$ 361,318</u>	<u>\$ 27,678</u>	<u>\$ 1,464,999</u>
 <u>LIABILITIES</u>				
Accounts Payable	\$ 4,941	\$ 0	\$ 273	\$ 5,214
Unearned Revenue	<u>107,398</u>	<u>0</u>	<u>0</u>	<u>107,398</u>
Total Liabilities	<u>112,339</u>	<u>0</u>	<u>273</u>	<u>112,612</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Notes Receivable	<u>409,110</u>	<u>0</u>	<u>0</u>	<u>409,110</u>
Total Deferred Inflows of Resources	<u>409,110</u>	<u>0</u>	<u>0</u>	<u>409,110</u>
 <u>FUND BALANCES</u>				
Nonspendable	0	0	2,000	2,000
Restricted	554,554	85,355	25,405	665,314
Assigned	<u>0</u>	<u>275,963</u>	<u>0</u>	<u>275,963</u>
Total Fund Balances	<u>554,554</u>	<u>361,318</u>	<u>27,405</u>	<u>943,277</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,076,003</u>	<u>\$ 361,318</u>	<u>\$ 27,678</u>	<u>\$ 1,464,999</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Burnham Memorial Library Fund	Total
Revenues:				
Property Taxes	\$ 0	\$ 385,817	0	\$ 385,817
Intergovernmental	53,141	5,000	0	58,141
Charges for Services	3,752	0	5,233	8,985
Permits, Licenses and Fees	0	33,201	0	33,201
Loan Repayments	82,721	0	0	82,721
Loan Interest Income	10,398	0	0	10,398
Investment Income/(Loss)	(576)	941	0	365
Donations	0	0	9,148	9,148
Other	0	80	573	653
Total Revenues	<u>149,436</u>	<u>425,039</u>	<u>14,954</u>	<u>589,429</u>
Expenditures:				
General Government	4,750	13,387	0	18,137
Public Safety	40,131	2,030	0	42,161
Public Works	0	649	0	649
Culture and Recreation	3,726	5,000	9,668	18,394
Capital Outlay:				
General Government	0	96,575	0	96,575
Public Safety	0	111,538	0	111,538
Public Works	0	72,069	0	72,069
Culture and Recreation	0	236,789	0	236,789
Debt Service:				
Principal	80,998	0	0	80,998
Interest	12,690	0	0	12,690
Total Expenditures	<u>142,295</u>	<u>538,037</u>	<u>9,668</u>	<u>690,000</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>7,141</u>	<u>(112,998)</u>	<u>5,286</u>	<u>(100,571)</u>
Other Financing Sources:				
Proceeds from Sale of Equipment	0	7,700	0	7,700
Proceeds from Sale of Vehicles	0	15,321	0	15,321
Transfers In	0	40,000	0	40,000
Total Other Financing Sources	<u>0</u>	<u>63,021</u>	<u>0</u>	<u>63,021</u>
Net Change in Fund Balances	<u>7,141</u>	<u>(49,977)</u>	<u>5,286</u>	<u>(37,550)</u>
Fund Balances - July 1, 2017	<u>547,413</u>	<u>411,295</u>	<u>22,119</u>	<u>980,827</u>
Fund Balances - June 30, 2018	<u>\$ 554,554</u>	<u>\$ 361,318</u>	<u>\$ 27,405</u>	<u>\$ 943,277</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2018

	Revolving Loan Fund	Community Development Fund	Grant Fund	Police Special Revenue Fund	Cemetery Fund	Total
<u>ASSETS</u>						
Cash	\$ 101,785	\$ 0	\$ 0	\$ 132,840	\$ 6,311	\$ 240,936
Investments	0	0	0	0	157,313	157,313
Receivables	0	0	0	0	175	175
Notes Receivable (Net of Allowance for Uncollectibles)	103,373	305,737	0	0	0	409,110
Due from Other Funds	<u>106,342</u>	<u>43,288</u>	<u>17,744</u>	<u>0</u>	<u>101,095</u>	<u>268,469</u>
Total Assets	<u>\$ 311,500</u>	<u>\$ 349,025</u>	<u>\$ 17,744</u>	<u>\$ 132,840</u>	<u>\$ 264,894</u>	<u>\$ 1,076,003</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 4,941	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,941
Unearned Revenue	<u>101,959</u>	<u>0</u>	<u>5,439</u>	<u>0</u>	<u>0</u>	<u>107,398</u>
Total Liabilities	<u>106,900</u>	<u>0</u>	<u>5,439</u>	<u>0</u>	<u>0</u>	<u>112,339</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Notes Receivable	<u>103,373</u>	<u>305,737</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>409,110</u>
Total Deferred Inflows of Resources	<u>103,373</u>	<u>305,737</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>409,110</u>
<u>FUND BALANCES</u>						
Restricted	<u>101,227</u>	<u>43,288</u>	<u>12,305</u>	<u>132,840</u>	<u>264,894</u>	<u>554,554</u>
Total Fund Balances	<u>101,227</u>	<u>43,288</u>	<u>12,305</u>	<u>132,840</u>	<u>264,894</u>	<u>554,554</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 311,500</u>	<u>\$ 349,025</u>	<u>\$ 17,744</u>	<u>\$ 132,840</u>	<u>\$ 264,894</u>	<u>\$ 1,076,003</u>

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TOWN OF COLCHESTER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Revolving Loan Fund	Community Development Fund	Grant Fund	Police Special Revenue Fund	Cemetery Fund	Total
Revenues:						
Intergovernmental	\$ 4,000	\$ 0	\$ 41,453	\$ 7,688	\$ 0	\$ 53,141
Charges for Services	0	0	0	0	3,752	3,752
Loan Repayments	16,165	66,556	0	0	0	82,721
Loan Interest Income	3,561	6,837	0	0	0	10,398
Investment Income/(Loss)	0	0	38	251	(865)	(576)
Total Revenues	<u>23,726</u>	<u>73,393</u>	<u>41,491</u>	<u>7,939</u>	<u>2,887</u>	<u>149,436</u>
Expenditures:						
General Government	4,000	0	0	0	750	4,750
Public Safety	0	0	40,043	88	0	40,131
Culture and Recreation	0	0	3,726	0	0	3,726
Debt Service:						
Principal	15,827	65,171	0	0	0	80,998
Interest	4,468	8,222	0	0	0	12,690
Total Expenditures	<u>24,295</u>	<u>73,393</u>	<u>43,769</u>	<u>88</u>	<u>750</u>	<u>142,295</u>
Net Change in Fund Balances	(569)	0	(2,278)	7,851	2,137	7,141
Fund Balances - July 1, 2017	<u>101,796</u>	<u>43,288</u>	<u>14,583</u>	<u>124,989</u>	<u>262,757</u>	<u>547,413</u>
Fund Balances - June 30, 2018	<u>\$ 101,227</u>	<u>\$ 43,288</u>	<u>\$ 12,305</u>	<u>\$ 132,840</u>	<u>\$ 264,894</u>	<u>\$ 554,554</u>

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TOWN OF COLCHESTER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Recreation Acquisition and Development Fund	Capital Equipment Fund	Total
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Revenues:			
Property Taxes	\$ 0	\$ 385,817	\$ 385,817
Intergovernmental	0	5,000	5,000
Permits, Licenses and Fees	33,201	0	33,201
Investment Income	198	743	941
Other	0	80	80
	<u>33,399</u>	<u>391,640</u>	<u>425,039</u>
Expenditures:			
General Government	0	13,387	13,387
Public Safety	0	2,030	2,030
Public Works	0	649	649
Culture and Recreation	0	5,000	5,000
Capital Outlay:			
General Government	0	96,575	96,575
Public Safety	0	111,538	111,538
Public Works	0	72,069	72,069
Culture and Recreation	236,789	0	236,789
	<u>236,789</u>	<u>301,248</u>	<u>538,037</u>
Total Expenditures	<u>236,789</u>	<u>301,248</u>	<u>538,037</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(203,390)</u>	<u>90,392</u>	<u>(112,998)</u>
Other Financing Sources:			
Proceeds from Sale of Equipment	0	7,700	7,700
Proceeds from Sale of Vehicles	0	15,321	15,321
Transfers In	5,000	35,000	40,000
	<u>5,000</u>	<u>58,021</u>	<u>63,021</u>
Total Other Financing Sources	<u>5,000</u>	<u>58,021</u>	<u>63,021</u>
Net Change in Fund Balances	(198,390)	148,413	(49,977)
Fund Balances - July 1, 2017	<u>283,745</u>	<u>127,550</u>	<u>411,295</u>
Fund Balances - June 30, 2018	<u>\$ 85,355</u>	<u>\$ 275,963</u>	<u>\$ 361,318</u>

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Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, Vermont
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, 2018, 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 14, 2019.

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.

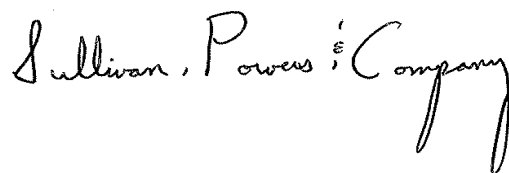
Compliance and Other Matters

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.

Montpelier, Vermont
VT Lic. #92-000180

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