

**TOWN OF COLCHESTER, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2012**

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AUDIT REPORT  
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**Sullivan, Powers & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

77 Barre Street  
P.O. Box 947  
Montpelier, VT 05601  
802/223-2352  
802/223-3578 FAX

Fred Duplessis, CPA  
Richard J. Brigham, CPA  
Chad A. Hewitt, CPA  
Wendy C. Gilwee, CPA  
VT Lic. #92-000180

Independent Auditor's Report

Selectboard  
Town of Colchester  
Colchester, Vermont 05446

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, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Colchester, Vermont's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Vermont, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Town of Colchester, Vermont

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 14 and the budgetary comparison information for the General Fund presented in Schedule 1 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.

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 non-major 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, we do not express an opinion on them.

In accordance with "Government Auditing Standards", we have also issued our report dated January 18, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

January 18, 2013  
Montpelier, Vermont  
VT Lic. #92-000180

*Sullivan, Powers & Company*

## **TOWN OF COLCHESTER, VERMONT MANAGEMENTS DISCUSSION AND ANALYSIS**

As management of the Town of Colchester (The Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. The purpose of the management discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

### **FINANCIAL HIGHLIGHTS**

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

The assets of the Town of Colchester exceeded its liabilities at the close of the fiscal year by \$35,812,953 net assets. Of this amount \$7,250,428 (unrestricted net assets) may be used by the various funds of the Town to meet its ongoing obligations to its citizens and creditors and \$599,554 represent resources that are subject to external restrictions on how they may be used.

- The Town's total governmental net assets increased by \$3,589,972. Investments decreased by \$1,527,258, while Construction in Progress increased by \$3,457,986 due primarily to the renovation of the old Town Hall as the Police Station. The Town added other capital assets valued at \$2,929,118 during the year. This includes the new Technical Rescue building, vehicles, equipment and infrastructure.
- The Town received grants over \$2,000,000 for the Campus Connector Road and over \$300,000 for Warner's Corners sidewalks.
- The Town received grants and used technology funds to purchase over \$500,000 in new radios to meet federal requirements and a new dispatch system for the new Police Station.
- Net Assets of Business-Type Activities remained relatively stable with an increase of only \$216,113.

Fund Financial Statements (refer to Exhibit C and Footnote 4H)

- Governmental funds include General, Special Revenue, Capital Project and Debt Service funds.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,906,790, a decrease of \$1,577,151 in comparison with the prior year. The decrease is primarily in cash and investments.
- General Fund cash decreased due to a deficiency of revenues over expenditures of \$350,192.
- Capital projects in FY 12 included the renovation of the police station for over \$1.2 million.
- Public Works capital projects included Warner's Corners sidewalks and the Campus Road Connector with more than \$2.6 million in spending in FY 12.

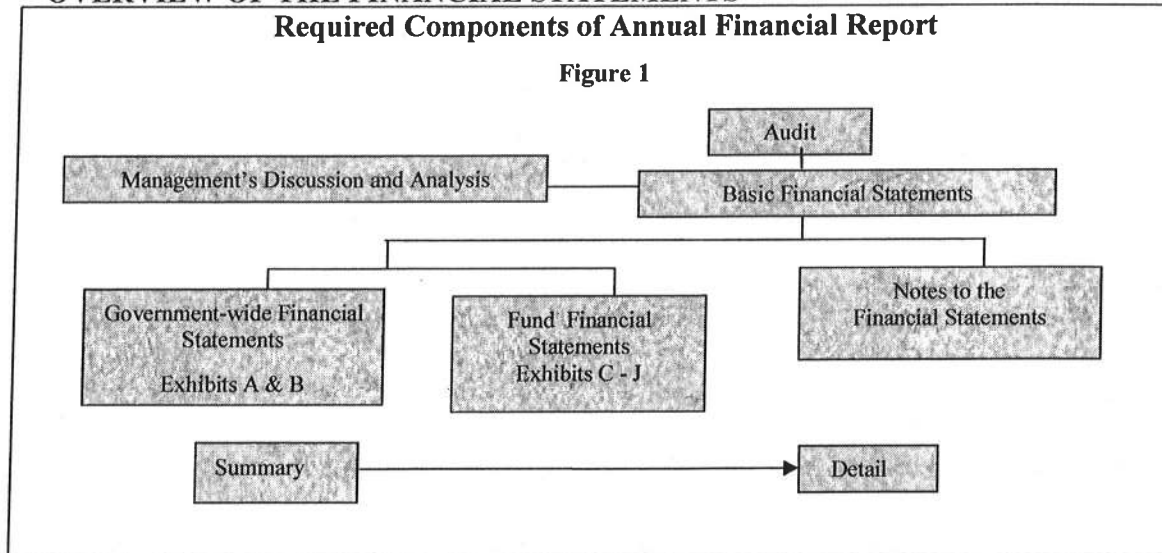
**TOWN OF COLCHESTER, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS**

- General Fund expenditures were under budget by over \$249,512 due to lower salaries and benefits primarily in the Police Department as a result of several officers being deployed.
- The total Fund Balance on June 30, 2012 was \$4,906,790. Of this amount \$998,002 or 20% was unassigned. The remainder has been assigned or restricted for various purposes, including \$765,749 for the upgrade of the Police facility and \$1,065,958 for future capital projects.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

**Required Components of Annual Financial Report**

**Figure 1**



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

**Figure 2**

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

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

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

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the Town as a whole as of and for the years ended June 30, 2012 and 2011.

<b>Town of Colchester's Net Assets</b>							
Figure 3							
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>% Change</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	
Current & Other Assets	\$7,262,117	\$8,984,618	\$6,038,269	\$6,373,047	\$13,300,386	\$15,357,665	(13.4%)
Capital Assets	30,632,830	25,405,562	3,328,425	3,461,823	33,961,255	28,867,385	17.6%
<b>Total Assets</b>	<b>37,894,947</b>	<b>34,390,180</b>	<b>9,366,694</b>	<b>9,834,870</b>	<b>47,261,641</b>	<b>44,225,050</b>	<b>6.9%</b>
Long-Term Liabilities Outstanding	7,127,419	7,532,760	2,367,161	2,590,106	9,494,580	10,122,866	(6.2%)
Other Liabilities	1,753,527	1,433,391	200,581	661,925	1,954,108	2,095,316	(6.7%)
<b>Total Liabilities</b>	<b>8,880,946</b>	<b>8,966,151</b>	<b>2,567,742</b>	<b>3,252,031</b>	<b>11,448,688</b>	<b>12,218,182</b>	<b>(6.3%)</b>
<b>Net Assets:</b>							
Invested in Capital Assets, net of related debt	25,187,882	20,744,756	2,775,089	2,829,439	27,962,971	23,574,195	18.6%
Restricted	592,954	583,775	6,600	6,600	599,554	590,375	1.6%
Unrestricted	3,233,165	4,095,498	4,017,263	3,746,800	7,250,428	7,842,298	7.5%
<b>Total Net Assets</b>	<b>\$29,014,001</b>	<b>\$25,424,029</b>	<b>6,798,952</b>	<b>\$6,582,839</b>	<b>\$35,812,953</b>	<b>\$32,006,868</b>	<b>11.9%</b>

Net assets may serve over time as one useful indicator of a government's financial condition. By far the largest portion of the Town's assets (78%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure (roads, bridges, etc) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

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



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

**Changes in Net Assets**

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

<b>Town of Colchester Change in Net Assets</b>							
Figure 4							
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>% Chg</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	
<b>Revenues:</b>							
Program Revenues:							
Charges for Services	\$1,112,284	\$1,105,798	\$1,502,719	\$1,418,959	\$2,615,003	\$2,524,757	3.6%
Operating Grants & Contributions	577,970	725,088	1,344	1,202,800	579,314	1,927,888	(69.9%)
Capital Grants & Contributions	3,329,693	919,232	0	0	3,329,693	919,232	262.2%
General Revenues:							
Property Taxes	10,168,206	10,367,269	0	0	10,168,206	10,367,269	1.9%
Other	510,057	532,470	271,950	257,751	782,007	790,221	1.0%
Total Revenues	15,698,210	13,649,857	1,776,013	2,879,510	17,474,223	16,529,367	5.7%
<b>Expenses:</b>							
General Government	2,525,203	2,560,900	0	0	2,525,203	2,560,900	1.4%
Public Safety	5,071,486	4,720,444	0	0	5,071,486	4,720,444	7.4%
Public Works	2,776,718	2,987,940	0	0	2,776,718	2,987,940	7.1%
Community Development	113,530	183,714	0	0	113,530	183,714	(0.3%)
Culture & Recreation	1,359,419	1,391,182	618,529	572,226	1,977,948	1,963,408	0.0%
Interest on Long-Term Debt	261,882	277,885	0	0	261,882	277,885	(5.7%)
Wastewater		0	941,371	2,111,990	941,371	2,111,990	(55.4%)
Total Expenses	12,108,238	12,122,065	1,559,900	2,684,216	13,668,138	14,806,281	(7.7%)
<b>Increase in Net Assets</b>	<b>3,589,972</b>	<b>1,527,792</b>	<b>216,113</b>	<b>195,294</b>	<b>3,806,085</b>	<b>1,723,086</b>	<b>120.9%</b>
<b>Net Assets, July 1</b>	<b>25,424,029</b>	<b>23,896,237</b>	<b>6,582,839</b>	<b>6,387,545</b>	<b>32,006,868</b>	<b>30,283,782</b>	<b>5.7%</b>
<b>Net Assets, June 30</b>	<b>\$29,014,001</b>	<b>\$25,424,029</b>	<b>\$6,798,952</b>	<b>\$6,582,839</b>	<b>\$35,812,953</b>	<b>\$32,006,868</b>	<b>11.9%</b>

**Governmental activities**

Key elements in the changes in revenue are as follows:

- The property tax rate decreased 27% over last year due to reappraisal, while the Grand List increased by 39%.
- The Grand List decreased during FY 12 due to appeals of the reappraisal values. The reappraisal resulted in over \$15,050,000 in reductions to the assessed valuation for FY 12 resulting from Errors and Omissions, Board of Civil Authority changes and State Appraiser changes. This amount of reductions was under 1% of the total assessed valuation of the Town. The largest single change was for Green Mountain Power that lowered the assessed value by about \$1,468,000.
- Property taxes financed approximately 78% of General Fund expenses and the remainder of the cost was paid by those who directly benefited from programs offered and by other governments and organizations that subsidized certain

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

programs with operating grants and contributions. In FY 2011 property taxes financed 85% of General Fund expenses.

- Interest, penalties and tax sale revenues were over \$35,012 more than budgeted.
- Payments in Lieu of Taxes revenues were \$61,773 over budget. This is due to the State of Vermont payment exceeding expectations.
- Overall, actual General Fund revenues were lower than last year by \$299,472 or 2.8%. This is primarily due to decreased property tax revenue.

Figure 5 shows the changes in types of revenues between fiscal year 2011 and 2012. Property taxes are the largest source of revenues. In FY 12, Charges for Services provided only 7.1% of revenue, while Operating and Capital Grants and Contributions comprised almost 24.9 % of revenues in FY 12. The combination of these two categories was 32% of revenues in 2012.

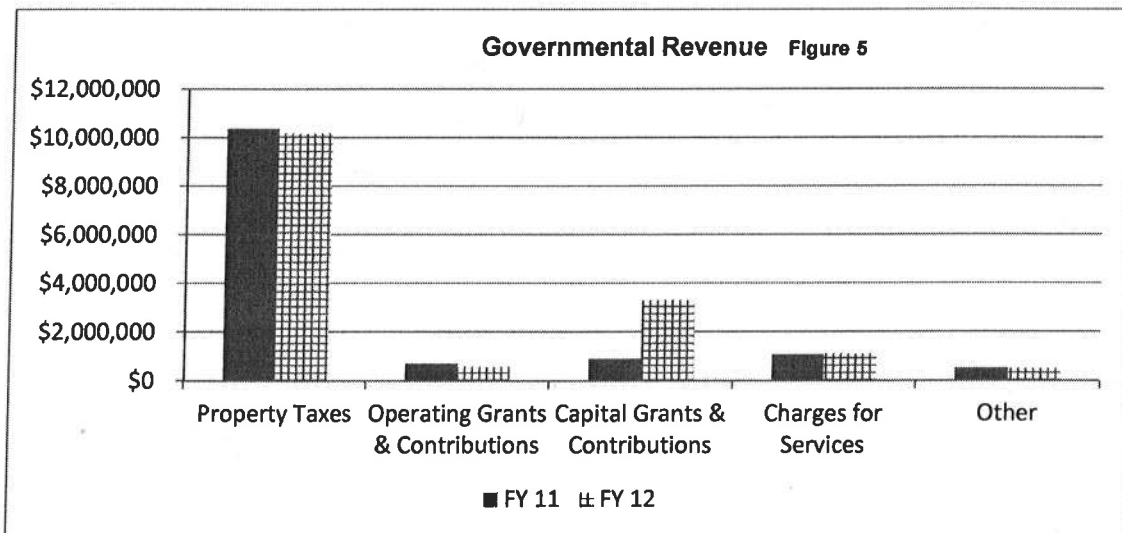


Figure 6 compares the changes in functional or program expenses between 2011 and 2012. This graph shows how the Town spends its revenue. In FY 12, Public Safety comprises 37% of the spending, followed by Public Works with 20% and General Government with 18% of the total spending. Culture & Recreation includes the Library and the Recreation Department and represents almost 10% of the expenses. Business-Type expenses represented 11% of total expenses

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

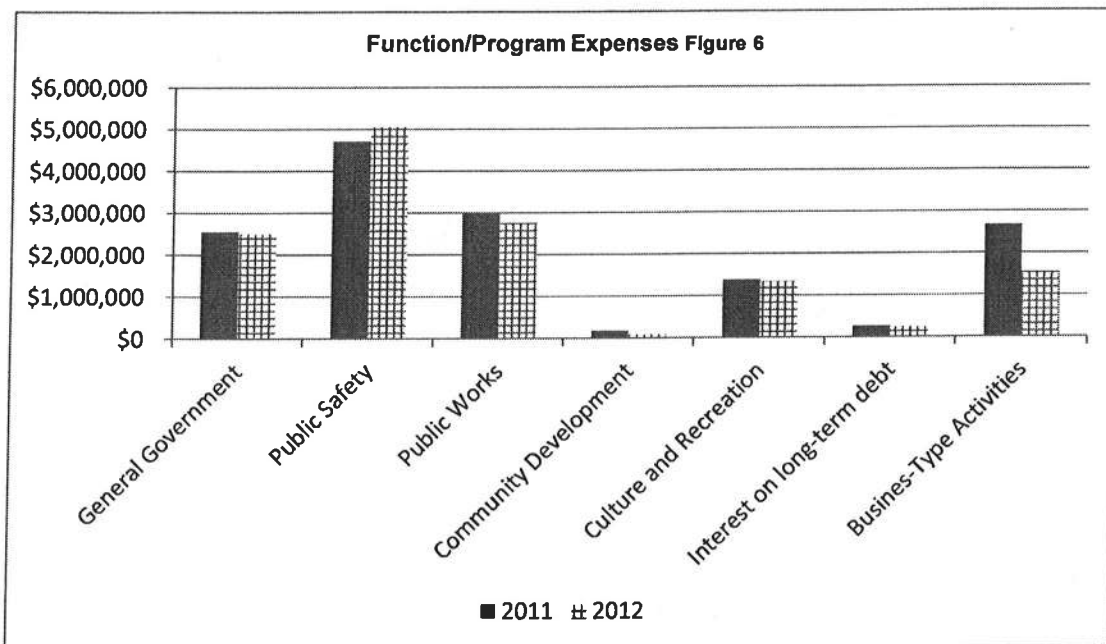
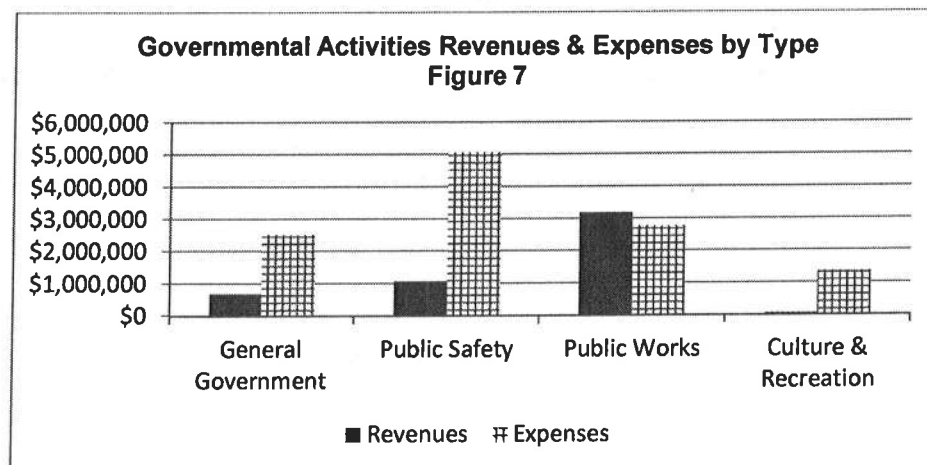


Figure 7 shows how Charges for Services and Grants and Contributions contribute to the payment of functional expenses. This chart indicates that program revenues do not support program expenses requiring property taxes to pay for the bulk of the expenses, with the exception of Community Development.

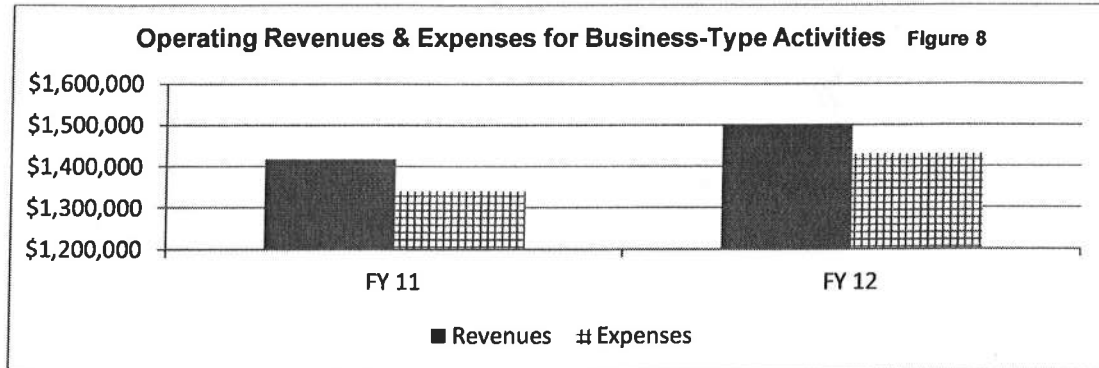


**Business-type activities (Wastewater and Recreation Funds):**

- The Recreation Program Fund was added to Business-Type activities in 2011. In FY 12 net assets increased by \$34,126 for the Recreation Program Fund and by \$181,987 for the Wastewater Fund.
- Charges for services increased by 6.3% in the Wastewater Fund due primarily to a rate increase and by 5.4% in the Recreation Program Fund.
- Business type activities represent about 19.9% of total net assets.

TOWN OF COLCHESTER, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS

- Included in operating expenses is depreciation expense in the amount of \$150,390.



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

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

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

The General Fund is the chief operating fund of the Town of Colchester. A key financial statistic to evaluating the financial strength of the Town is the level of the General Fund unassigned fund balance as a percent of total revenues or expenditures. Typically, this balance should be 5 to 15 percent of annual revenues or expenditures.

- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,165,013 and \$70,554 was nonspendable for inventory and prepaid expenses. \$135,000 was assigned to reduce property taxes in fiscal year 2013.
- The unassigned General Fund fund balance at June 30, 2012 was 11% of total General Fund expenditures.
- Total governmental fund balances totaled \$4,906,790 in 2012 and \$6,483,941 in 2011.

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

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The Town operates a Septic Revolving Loan Fund to provide financial assistance for the upgrade of failing on-site septic systems. The Town has approved loans to 25 individuals or families as of June 30, 2012.

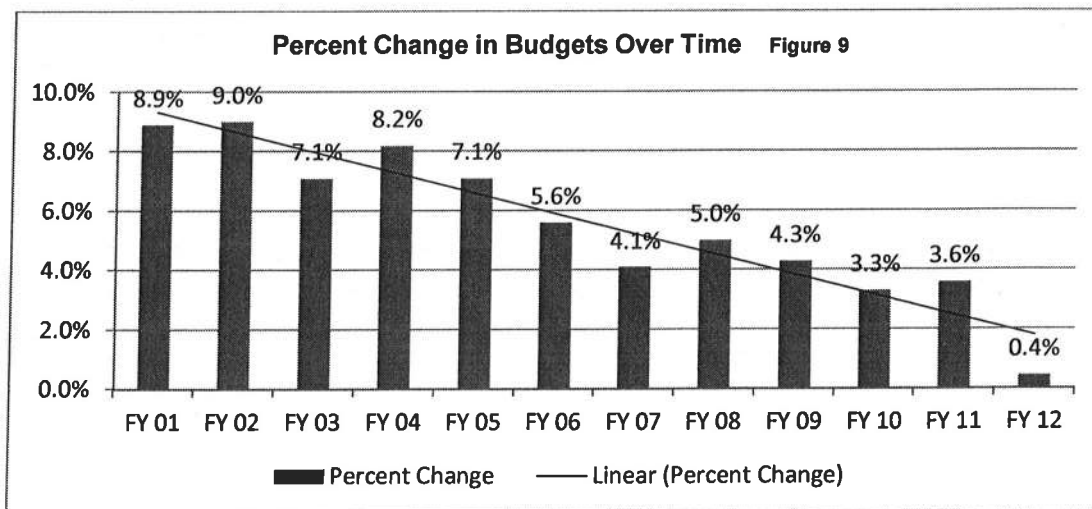
**Proprietary Funds (Wastewater and Recreation Program Funds)**

Business-type activities increased the Town's net assets of the Wastewater Fund by \$216,113 or about 3.3%. Total Net Assets at June 30, 2012 were \$6,798,952 compared with \$6,582,839 as of June 30, 2011.

**General Fund Budgetary Highlights:**

The FY 2012 General Fund budget totaling \$10,823,923 increased 4.4% over FY 11. The budget increase between FY 10 and FY 11 was 3.6%. Salaries and benefits made up about 70% of the General Fund budget.

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



Actual revenues in the General Fund were lower than budgeted by \$152,788 and actual expenditures were lower than budgeted by \$249,512. The FY 12 budget planned for deficit spending of \$446,916, but the General Fund ended with deficit spending of \$350,192 or \$96,724 less than planned.

Some of the key factors contributing to this outcome include:

Revenue Variances

- Property tax revenue was over \$350,000 less than budgeted, primarily due to changes to the Grand List as a result of reappraisal appeals and errors and omissions.
- Also less than budget were ambulance fees by over \$67,000. This decrease is partially due to a larger number of uninsured patients transported.

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- A large budget variance was from additional funds received from the State of Vermont for Payment in Lieu of Taxes (PILOT). We received over \$61,773 more than budgeted.
- Building and Zoning permit revenue was over budget by \$52,394.

Expenditure Variances

- The Select Board budget was under budget by \$54,671 primarily due to the Select Board Contingency of \$50,000 not spent this year.
- Salaries were under budget by about \$61,500 due to unfilled positions and officers serving in the National Guard.
- Employee benefits were under budget by about \$132,000 primarily due to lower retirement and social security costs due to lower salaries and health insurance cost was lower than budget by \$88,000. Health insurance rates increased by less than 5% in 2012. Essentially all employees participate in a High Deductible insurance plan coupled with a Health Savings account. The deductible is \$2,250 for single plans and \$4,500 for 2-person and family plans.
- Gasoline was over budget by \$27,820 due to an increase in gasoline prices since the date the budget was determined.
- Overtime was under budget by about \$99,000, partially due to lower snow removal effort during the winter and also due to efforts by the police department to reduce overtime with the return of deployed officers.

**Capital Assets**

The Town of Colchester's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totaled \$33,961,255 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The Town is not required to retroactively report infrastructure assets under GASB 34, due to the size of its budget. The Town has elected to report only infrastructure assets put into operation beginning July 1, 2003, but may choose at a later date to inventory all existing infrastructure assets as of June 30, 2003 and include them in the Town financial statements.

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

- Equipment and vehicles increases were \$1,081,745. The largest vehicle additions were for an ambulance, sidewalk tractor and frontend loader.
- Over \$600,000 of equipment was purchased, most of it being radios and dispatch equipment. Most of these assets were paid for by grant revenue.
- Construction in Progress increased by approximately \$3.4 million due primarily to work on the Warner's Corners intersection and the Campus Road connector.
- Other paving projects were completed valued at \$1.5 million.

A table that shows the values of the Town's capital assets net of depreciation is shown below. Additional information can be found in Note 4D of this report.

# TOWN OF COLCHESTER, VERMONT MANAGEMENT DISCUSSION AND ANALYSIS

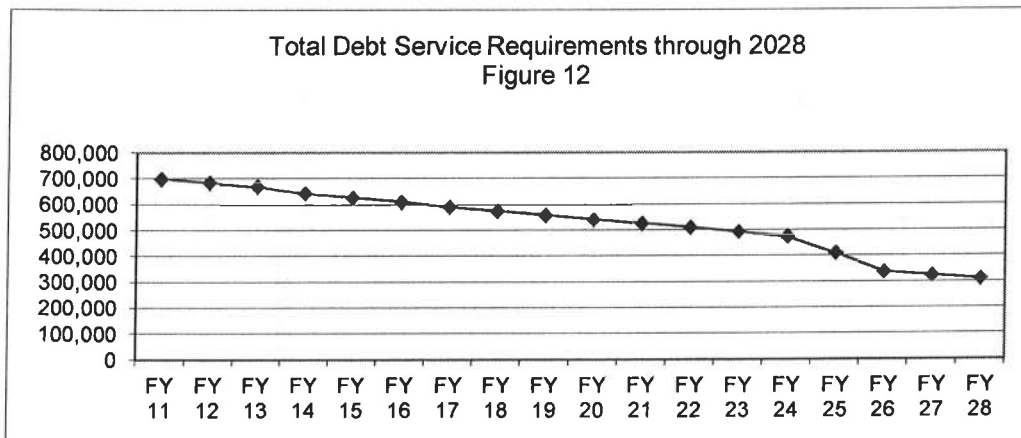
<b>Town of Colchester Capital Assets (net of depreciation)</b>							
Figure 10							
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		<b>% Change</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	
Land	\$2,104,936	\$2,104,936	\$132,568	\$132,568	\$2,237,504	\$2,237,504	0.0%
Construction in Progress	5,727,879	2,269,893	0	0	5,727,879	2,269,893	152.3%
Land Improvements	721,695	721,282	0	0	721,695	721,282	0.1%
Buildings & Improvements	5,622,209	5,530,528	0	0	5,622,209	5,530,528	1.7%
Equipment & Furniture	1,227,602	753,668	0	0	1,227,602	753,668	62.9%
Vehicles	2,137,461	1,975,705	0	0	2,137,461	1,975,705	8.2%
Infrastructure	13,091,048	12,049,550	0	0	13,091,048	12,049,550	8.6%
Plant & Equipment	0	0	3,195,857	3,329,255	3,195,857	3,329,255	(4.0%)
<b>Total</b>	<b>\$30,632,830</b>	<b>\$25,405,562</b>	<b>\$3,328,425</b>	<b>\$3,461,823</b>	<b>\$33,961,255</b>	<b>\$28,867,385</b>	<b>17.6%</b>

## Debt Administration

There was no new borrowing in the governmental funds or in the business-type fund in Fiscal Year 2012.

<b>Town of Colchester's Outstanding Debt</b>							
Figure 11							
	<b>Governmental Activities</b>		<b>Business-Type Debt</b>		<b>Total</b>		<b>% Change</b>
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	
General Obligation Bonds	\$6,406,435	\$6,842,065	\$553,336	\$632,384	\$6,959,771	\$7,474,449	(6.9%)
Special Assessment Debt with Government Commitment	0	0	1,800,000	1,945,000	1,800,000	1,945,000	(7.5%)
<b>Total</b>	<b>\$6,406,435</b>	<b>\$6,842,065</b>	<b>\$2,353,336</b>	<b>\$2,577,384</b>	<b>8,759,771</b>	<b>\$9,419,449</b>	<b>(7.0%)</b>

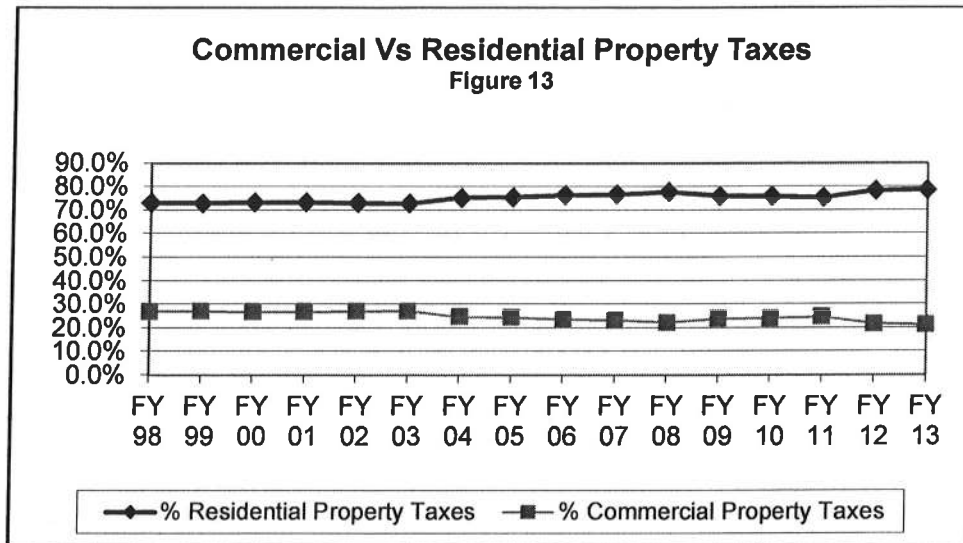
Figure 12 indicates the Town's debt service requirements through 2028, after which all current debt will be retired. Additional information regarding the Town's long-term debt can be found in note 4G of this report.



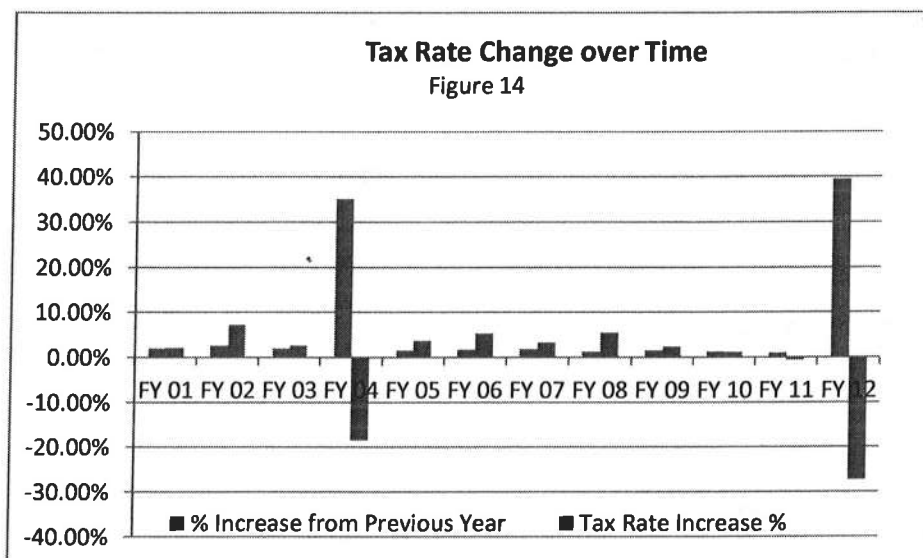
# TOWN OF COLCHESTER, VERMONT MANAGEMENT DISCUSSION AND ANALYSIS

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

- The Colchester Grand List is made up of primarily residential properties, forcing more of the tax burden on homeowners, rather than commercial enterprises. Figure 13 indicates the 16 year trend in the commercial and residential property tax payments. For FY 11 and FY 12, 75.4% and 78.3% respectively of property tax revenues come from residential properties.



- The Municipal Grand List value for the Town was \$19,567,941 as of the beginning of FY 12. This was an increase of 39% over the prior fiscal year. The increase is primarily due to reappraisal. Since 1970 the Town of Colchester's Grand List has grown from \$172,670 to \$19,567,941. There is a court case pending at the Vermont Supreme Court related to values of leased land. For more information see footnote 5H.

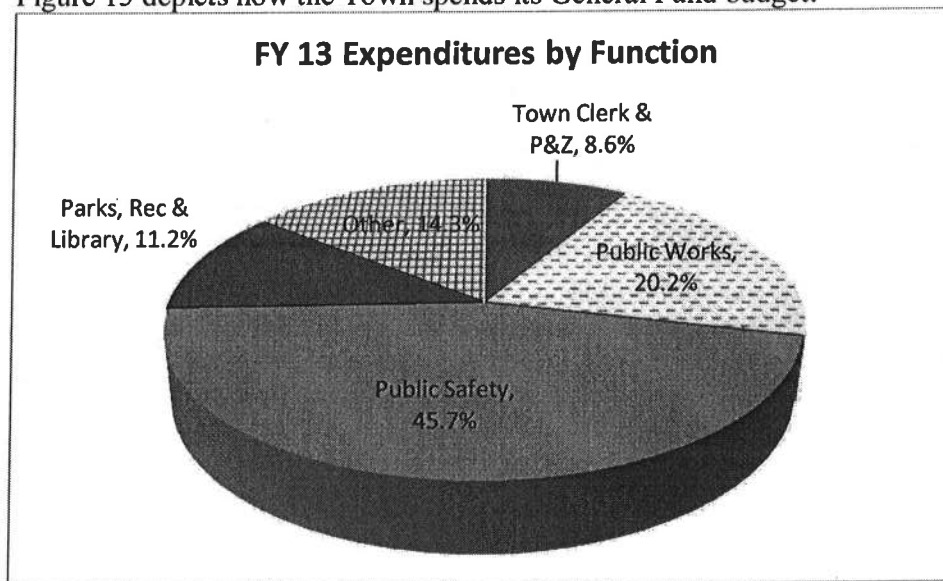




TOWN OF COLCHESTER, VERMONT  
MANAGEMENT DISCUSSION AND ANALYSIS

- The Town of Colchester approved a General Fund budget for 2013 in the amount of \$11,085,390. This represents an increase of 2.4% over the previous year.
- The municipal tax rate increased by 2.98% to \$0.5530 due to reappraisal.
- In FY 12 and 13, about 46% of the budget is for public safety services.
- Public Works represents about 19% of the General Fund budget in FY 12 and about 20% in FY 13.
- Parks & Recreation and the Library represent about 10% of the General Fund budget in FY 12 and 11% in FY 13.
- 70.8% of the General Fund budget is for salaries and benefits in FY 12 and in FY 13 it represents 71.9% of the budget.
- Overall, there was a 4.1% increase in salaries and benefits over the FY 2011 budget, primarily due to a 15% increase in the budget for health insurance.

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



### Requests for Information

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

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 6,036,956	\$ 3,193,013	\$ 9,229,969
Investments	491,183	278,509	769,692
Receivables (Net of Allowance for Uncollectibles)	853,136	2,130,247	2,983,383
Notes Receivable	236,564	0	236,564
Internal Balances	(426,276)	426,276	0
Prepaid Expenses	10,615	0	10,615
Inventories	59,939	10,224	70,163
Capital Assets			
Land	2,104,936	132,568	2,237,504
Construction in Progress	5,727,879	0	5,727,879
Other Capital Assets (Net of Accumulated Depreciation)	22,800,015	3,195,857	25,995,872
Total Assets	37,894,947	9,366,694	47,261,641
<u>LIABILITIES</u>			
Accounts Payable	1,179,489	66,177	1,245,666
Accrued Payroll and Benefits Payable	198,796	17,635	216,431
Deferred Revenue	250,637	106,454	357,091
Due to Others	103,568	0	103,568
Accrued Interest Payable	21,037	10,315	31,352
Noncurrent Liabilities:			
Due within One Year	435,831	234,048	669,879
Due in More than One Year	6,691,588	2,133,113	8,824,701
Total Liabilities	8,880,946	2,567,742	11,448,688
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt Restricted for:	25,187,882	2,775,089	27,962,971
Cemetery Funds:			
Nonexpendable	91,050	0	91,050
Expendable	135,723	0	135,723
Other	366,181	6,600	372,781
Unrestricted	3,233,165	4,017,263	7,250,428
Total Net Assets	\$ 29,014,001	\$ 6,798,952	\$ 35,812,953

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

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental Activities:							
General Government	\$ 2,525,203	\$ 552,255	\$ 141,162	\$ 0	\$ (1,831,786)	\$ 0	\$ (1,831,786)
Public Safety	5,071,486	531,281	86,908	458,429	(3,994,868)	0	(3,994,868)
Public Works	2,776,718	8,815	328,235	2,852,889	413,221	0	413,221
Community Development	113,530	0	0	0	(113,530)	0	(113,530)
Culture and Recreation	1,359,419	19,933	21,665	18,375	(1,299,446)	0	(1,299,446)
Interest on Long-Term Debt	261,882	0	0	0	(261,882)	0	(261,882)
Total Governmental Activities	12,108,238	1,112,284	577,970	3,329,693	(7,088,291)	0	(7,088,291)
Business-Type Activities:							
Wastewater	941,371	888,921	0	0	0	(52,450)	(52,450)
Recreation	618,529	613,798	1,344	0	0	(3,387)	(3,387)
Total Business-Type Activities	1,559,900	1,502,719	1,344	0	0	(55,837)	(55,837)
Total	\$ 13,668,138	\$ 2,615,003	\$ 579,314	\$ 3,329,693	(7,088,291)	(55,837)	(7,144,128)
General Revenues:							
Property Taxes					10,168,206	0	10,168,206
Interest and Penalties on Delinquent Taxes					161,012	0	161,012
Payment in Lieu of Taxes					220,140	0	220,140
Other State Grants					15,759	0	15,759
Unrestricted Investment Earnings					72,787	0	72,787
Other Revenues					59,510	234,437	293,947
Gain on Sale of Equipment					18,362	0	18,362
Transfers					(37,513)	37,513	0
Total General Revenues and Transfers					10,678,263	271,950	10,950,213
Change in Net Assets					3,589,972	216,113	3,806,085
Net Assets - July 1, 2011					25,424,029	6,582,839	32,006,868
Net Assets - June 30, 2012					\$ 29,014,001	\$ 6,798,952	\$ 35,812,953

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

TOWN OF COLCHESTER, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

ASSETS	General Fund	Capital Projects Fund	Reserve Fund	Community Development Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
Cash	\$ 2,830,237	\$ 1,589,990	\$ 1,038,458	\$ 72,777	\$ 59,344	\$ 446,150	\$ 6,036,956
Investments	376,122	0	0	0	0	115,061	491,183
Receivables (Net of Allowance for Uncollectibles)	539,234	235,199	0	0	60,729	17,974	853,136
Notes Receivable (Net of Allowance for Uncollectibles)	0	0	0	0	0	236,564	236,564
Due from Other Funds	0	732,711	285,944	0	39,884	138	1,058,677
Prepaid Expenses	10,615	0	0	0	0	0	10,615
Inventories	59,939	0	0	0	0	0	59,939
Total Assets	\$ 3,816,147	\$ 2,557,900	\$ 1,324,402	\$ 72,777	\$ 159,957	\$ 815,887	\$ 8,747,070
LIABILITIES							
Liabilities:							
Accounts Payable	\$ 298,122	\$ 710,290	\$ 78,906	\$ 210	\$ 72,466	\$ 19,495	\$ 1,179,489
Accrued Payroll and Benefits Payable	195,784	1,219	0	0	1,793	0	198,796
Due to Other Funds	1,330,537	0	0	0	0	154,416	1,484,953
Deferred Revenue	517,569	14,684	0	0	94,525	246,696	873,474
Due to Others	103,568	0	0	0	0	0	103,568
Total Liabilities	2,445,580	726,193	78,906	210	168,784	420,607	3,840,280
Fund Balances/(Deficit):							
Nonspendable	70,554	0	0	0	0	93,050	163,604
Restricted	0	765,749	0	72,567	0	460,276	1,298,592
Assigned	135,000	1,065,958	1,245,496	0	0	138	2,446,592
Unassigned	1,165,013	0	0	0	(8,827)	(158,184)	998,002
Total Fund Balances/(Deficit)	1,370,567	1,831,707	1,245,496	72,567	(8,827)	395,280	4,906,790
Total Liabilities and Fund Balances	\$ 3,816,147	\$ 2,557,900	\$ 1,324,402	\$ 72,777	\$ 159,957	\$ 815,887	

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

Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.

Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.

Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.

Net Assets of Governmental Activities

30,632,830  
622,837  
(7,148,456)  
\$ 29,014,001

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, 2012

REVENUES:	General Fund	Capital Projects Fund	Reserve Fund	Community Development Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
Property Taxes	\$ 8,254,872	\$ 733,798	\$ 61,500	\$ 0	\$ 0	\$ 1,096,154	\$ 10,146,324
Penalties and Interest	161,012	0	0	0	0	0	161,012
Payment in Lieu of Taxes	235,899	0	0	0	0	0	235,899
Intergovernmental Revenues	497,786	2,769,529	62,401	0	529,197	563,934	4,422,847
Impact Fees	0	0	0	0	0	18,375	18,375
Donations	0	0	0	0	0	21,567	21,567
Charges for Services	638,894	22,996	77,590	0	0	10,973	750,453
Investment Income	49,733	6,266	0	419	373	9,472	72,787
Licenses and Permits	305,418	0	0	0	0	0	305,418
Loan Repayments	0	0	0	0	0	32,486	32,486
Other Revenues	50,605	4,593	0	0	30,248	4,312	89,758
Total Revenues	10,194,219	3,537,182	208,015	419	559,818	1,757,273	16,256,926
EXPENDITURES:							
Current:							
General Government	2,346,575	0	55,163	0	7,950	0	2,409,688
Public Safety	4,722,436	0	7,267	0	135,858	7,215	4,872,776
Public Works	2,001,286	19,041	11,013	0	158,169	8,344	2,197,853
Community Development	114,543	0	0	210	0	37,800	152,553
Culture & Recreation	1,169,903	23,196	0	0	1,798	28,430	1,223,327
Capital Outlay:							
General Government	10,000	0	0	0	0	0	10,000
Public Safety	19,313	1,208,727	301,373	0	312,679	0	1,842,092
Public Works	98,425	3,231,727	0	0	0	1,060,234	4,390,386
Culture & Recreation	0	51,393	0	0	0	10,869	62,262
Debt Service:							
Principal	0	0	0	0	0	435,630	435,630
Interest	0	0	0	0	0	263,711	263,711
Total Expenditures	10,482,481	4,534,084	374,816	210	616,454	1,852,233	17,860,278
Excess/(Deficiency) of Revenues Over Expenditures	(288,262)	(996,902)	(166,801)	209	(56,636)	(94,960)	(1,603,352)
Other Financing Sources/(Uses):							
Proceeds from Sale of Equipment	0	0	0	0	0	63,714	63,714
Transfers In	30,000	0	49,639	0	44,111	6,251	130,001
Transfers Out	(91,930)	(1,473)	(74,111)	0	0	0	(167,514)
Total Other Financing Sources/(Uses)	(61,930)	(1,473)	(24,472)	0	44,111	69,965	26,201
Net Change in Fund Balances/(Deficit)	(350,192)	(998,375)	(191,273)	209	(12,525)	(24,995)	(1,577,151)
Fund Balances - July 1, 2011	1,720,759	2,830,082	1,436,769	72,358	3,698	420,275	6,483,941
Fund Balances/(Deficit) - June 30, 2012	\$ 1,370,567	\$ 1,831,707	\$ 1,245,496	\$ 72,567	\$ (8,827)	\$ 395,280	\$ 4,906,790

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, 2012

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)	\$ (1,577,151)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$6,304,740) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$1,101,531). This is the amount by which capital outlays exceeded depreciation in the current period.	5,203,209
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, donations) is to Increase net assets.	24,059
Revenues reported in the funds from prior year deferred revenues are not reported as revenues in the statement of activities.	(472,629)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$435,630) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	435,630
The issuance of loans receivable (\$37,800) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$32,486) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of loans receivable.	5,314
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>(28,460)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 3,589,972</u>

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

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:					
Real Estate Taxes	\$ 8,738,295	\$ 0	\$ 8,738,295	\$ 8,415,899	\$ (322,396)
Licenses and Permits	252,350	0	252,350	305,418	53,068
Charges for Services	766,246	0	766,246	690,599	(75,647)
State Aid Highway	182,023	0	182,023	181,953	(70)
Payments in Lieu of Taxes	100,000	0	100,000	161,773	61,773
Current Use Payment	12,650	0	12,650	15,759	3,109
Support Payments	58,974	0	58,974	58,367	(607)
School Payment	37,758	0	37,758	37,930	172
Interest	55,000	0	55,000	49,733	(5,267)
Miscellaneous	8,000	0	8,000	50,590	42,590
Grant Income	0	0	0	29,099	29,099
FEMA Reimbursement	0	0	0	39,263	39,263
Act 60 and Act 68 Reimbursement	31,850	0	31,850	53,975	22,125
Sewer Fund Contribution	103,861	0	103,861	103,861	0
Reserve Fund Contribution	30,000	0	30,000	30,000	0
Total Revenue	10,377,007	0	10,377,007	10,224,219	(152,788)
Expenditures:					
Administration	2,316,590	0	2,316,590	2,285,584	31,006
Public Safety	4,926,276	0	4,926,276	4,791,388	134,888
Public Works, Highway and Garage	1,831,988	0	1,831,988	1,802,598	29,390
Stormwater	152,827	0	152,827	154,870	(2,043)
Buildings	98,044	0	98,044	96,247	1,797
Health	46,153	0	46,153	46,774	(621)
Parks	344,968	0	344,968	340,148	4,820
Recreation	290,043	0	290,043	290,297	(254)
Library	588,070	0	588,070	580,971	7,099
Cemetery	26,410	0	26,410	29,438	(3,028)
Intergovernmental	202,554	0	202,554	156,096	46,458
Total Expenditures	10,823,923	0	10,823,923	10,574,411	249,512
Excess/(Deficiency) of Revenue Over Expenditures	\$ (446,916)	\$ 0	\$ (446,916)	(350,192)	\$ 96,724
Fund Balance - July 1, 2011				1,720,759	
Fund Balance - June 30, 2012				\$ 1,370,567	

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

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	Major Fund	Non-Major Fund	
	Wastewater Fund	Recreation Program Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 3,193,013	\$ 0	\$ 3,193,013
Investments	278,509	0	278,509
Receivables (Net of Allowance for Uncollectible Accounts)	328,903	1,344	330,247
Special Assessment Receivable - Current Portion	155,000	0	155,000
Due from Other Funds	24,573	401,703	426,276
Inventory	10,224	0	10,224
Total Current Assets	3,990,222	403,047	4,393,269
Noncurrent Assets:			
Special Assessment Receivable - Long-Term Portion	1,645,000	0	1,645,000
Capital Assets			
Land	132,568	0	132,568
Plant and Equipment	6,214,545	0	6,214,545
Accumulated Depreciation	(3,018,688)	0	(3,018,688)
Total Noncurrent Assets	4,973,425	0	4,973,425
Total Assets	\$ 8,963,647	\$ 403,047	\$ 9,366,694
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 53,068	\$ 13,109	\$ 66,177
Accrued Payroll and Benefits Payable	263	17,372	17,635
Deferred Revenue	0	106,454	106,454
Accrued Interest Payable	10,315	0	10,315
Special Assessment Debt with Governmental Commitment - Due within One Year	155,000	0	155,000
General Obligation Bonds Payable - Due Within One Year	79,048	0	79,048
Total Current Liabilities	297,694	136,935	434,629
Noncurrent Liabilities:			
Compensated Absences	0	13,825	13,825
Special Assessment Debt With Governmental Commitment - Due in More Than One Year	1,645,000	0	1,645,000
General Obligation Bonds Payable - Due in More Than One Year	474,288	0	474,288
Total Noncurrent Liabilities	2,119,288	13,825	2,133,113
Total Liabilities	2,416,982	150,760	2,567,742
<u>NET ASSETS</u>			
Investment in Capital Assets, Net of Related Debt	2,775,089	0	2,775,089
Restricted	6,600	0	6,600
Unrestricted	3,764,976	252,287	4,017,263
Total Net Assets	6,546,665	252,287	6,798,952
Total Liabilities and Net Assets	\$ 8,963,647	\$ 403,047	\$ 9,366,694

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



TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Major Fund	Non-Major Fund	
	Wastewater Fund	Recreation Program Fund	Total
OPERATING REVENUES:			
Charges for Services	\$ 888,921	\$ 613,798	\$ 1,502,719
Total Operating Revenues	<u>888,921</u>	<u>613,798</u>	<u>1,502,719</u>
OPERATING EXPENSES:			
Sewage Treatment	408,519	0	408,519
Administration Costs	103,861	0	103,861
Salaries and Benefits	5,907	476,362	482,269
Insurances	5,066	0	5,066
Chemicals	37,262	0	37,262
Repairs and Maintenance	35,838	0	35,838
Utilities	40,981	0	40,981
General Expense	9,084	28,592	37,676
Program Expenses	0	113,575	113,575
Capital Outlay	16,542	0	16,542
Depreciation	<u>150,390</u>	<u>0</u>	<u>150,390</u>
Total Operating Expenses	<u>813,450</u>	<u>618,529</u>	<u>1,431,979</u>
Operating Income/(Loss)	<u>75,471</u>	<u>(4,731)</u>	<u>70,740</u>
NONOPERATING REVENUES/(EXPENSES):			
Grant Reimbursement	0	1,344	1,344
Interest Income on Debt Service Special Assessment	197,030	0	197,030
Investment Income	37,407	0	37,407
Interest Expense	<u>(127,921)</u>	<u>0</u>	<u>(127,921)</u>
Total Nonoperating Revenues/(Expenses)	<u>106,516</u>	<u>1,344</u>	<u>107,860</u>
Net Income/(Loss) before Transfers	<u>181,987</u>	<u>(3,387)</u>	<u>178,600</u>
Other Financing Sources:			
Transfer In	<u>0</u>	<u>37,513</u>	<u>37,513</u>
Total Other Financing Sources	<u>0</u>	<u>37,513</u>	<u>37,513</u>
Change in Net Assets	181,987	34,126	216,113
Total Net Assets - July 1, 2011	<u>6,364,678</u>	<u>218,161</u>	<u>6,582,839</u>
Total Net Assets - June 30, 2012	<u>\$ 6,546,665</u>	<u>\$ 252,287</u>	<u>\$ 6,798,952</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, 2012

	Major Fund	Non-Major Fund	
	Wastewater Fund	Recreation Program Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 856,420	\$ 606,957	\$ 1,463,377
Payments to Suppliers	(565,842)	(140,488)	(706,330)
Payments for Interfund Services	(103,861)	0	(103,861)
Payments for Wages and Benefits	(5,773)	(480,906)	(486,679)
Net Cash Provided/(Used) by Operating Activities	<u>180,944</u>	<u>(14,437)</u>	<u>166,507</u>
Cash Flows From Noncapital Financing Activities:			
Proceeds of Grant Income	0	1,344	1,344
Net Transfers In/(Out)	0	37,513	37,513
Net Change in Due To/From Other Funds	43,918	(24,420)	19,498
Net Cash Provided by Noncapital Financing Activities	<u>43,918</u>	<u>14,437</u>	<u>58,355</u>
Cash Flows From Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(16,992)	0	(16,992)
Special Assessments Received	145,000	0	145,000
Principal Paid on Long-Term Notes and Bonds	(224,048)	0	(224,048)
Interest Paid on Long-Term Notes and Bonds	(128,750)	0	(128,750)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(224,790)</u>	<u>0</u>	<u>(224,790)</u>
Cash Flows From Investing Activities:			
Receipt of Interest and Dividends	234,437	0	234,437
Net Decrease in Investments	17,708	0	17,708
Net Cash Provided by Investing Activities	<u>252,145</u>	<u>0</u>	<u>252,145</u>
Net Increase in Cash	252,217	0	252,217
Cash - July 1, 2011	<u>2,940,796</u>	<u>0</u>	<u>2,940,796</u>
Cash - June 30, 2012	<u>\$ 3,193,013</u>	<u>\$ 0</u>	<u>\$ 3,193,013</u>
Adjustments to Reconcile Operating Income to Net Cash Provided/(Used) by Operating Activities:			
Operating Income/(Loss)	\$ 75,471	\$ (4,731)	\$ 70,740
Depreciation	150,390	0	150,390
(Increase)/Decrease in Accounts Receivable	(32,501)	(1,344)	(33,845)
(Increase)/Decrease in Inventory	(2,417)	0	(2,417)
Increase/(Decrease) in Accounts Payable	(10,133)	1,679	(8,454)
Increase/(Decrease) in Accrued Payroll	134	(5,647)	(5,513)
Increase/(Decrease) in Deferred Revenue	0	(5,497)	(5,497)
Increase/(Decrease) in Compensated Absences	0	1,103	1,103
Net Cash Provided/(Used) by Operating Activities	<u>\$ 180,944</u>	<u>\$ (14,437)</u>	<u>\$ 166,507</u>

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

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash	\$ <u>57,911</u>
Total Assets	<u>57,911</u>
<b><u>LIABILITIES</u></b>	
Due to Others	<u>57,911</u>
Total Liabilities	<u>57,911</u>
Net Assets	\$ <u><u>0</u></u>

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

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

## **1. 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.

### **1A. The Financial Reporting Entity**

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

### **1B. Basis of Presentation**

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

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

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
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**Government-wide Statements:** The statement of net assets 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 function or program. 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 governmental and enterprise 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 that are 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.

**Community Development Fund** – This fund accounts for the Town's community development activity.

**Grant Fund** – This fund account for the Town's various grant activities.

The Town reports on the following major enterprise fund:

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

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

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
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Additionally, the Town reports the following fund type:

Agency Funds – These funds account for monies maintained for Developer Escrow deposits.

**1C. Measurement Focus**

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

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

**1D. Basis of Accounting**

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

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

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty 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.

TOWN OF COLCHESTER, VERMONT  
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General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases 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 assets 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.

The government-wide and proprietary fund financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the Town has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

**1E. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**1F. Assets, Liabilities and Equity**

**1F a. Cash**

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

**1F b. Investments**

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

**1F c. 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.

TOWN OF COLCHESTER, VERMONT  
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**1F d. Internal Balances**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from 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".

**1F e. 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.

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.

**1F f. Capital Assets**

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

Depreciable 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:



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

#### **1F g. Compensated Absences**

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

#### **1F h. Long-term Liabilities**

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

TOWN OF COLCHESTER, VERMONT  
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**1F i. Fund Equity**

Fund Balances are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances.

Net assets 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 Board of Selectmen's intended use of the resources); and unassigned.

**2. 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, while 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 another financing source, 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 bond proceeds as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**3A. 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.

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
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**3B. Budgeted Deficit**

The Town budgeted a current year's deficiency of revenues over expenditures in the amount of \$446,916 in the General Fund in order to utilize a portion of previous years surplus. This amount is reflected as a budgeted deficiency of revenue over expenditures in Exhibit F.

**4. DETAILED NOTES ON ALL FUNDS**

**4A. Cash and Investments**

Cash and Investments at June 30, 2012 consisted of the following:

Demand Deposits with Financial Institutions	\$ 9,285,505
Cash on Hand	<u>2,375</u>
Total Cash	<u>9,287,880</u>
 Certificates of Deposit	 376,122
U.S. Treasury Strips	278,509
Corporate Bonds	31,290
Mutual Funds - Equities	76,805
Stocks	<u>6,966</u>
Total Investments	<u>769,692</u>
Total Cash and Investments	\$ <u>10,057,572</u>

There are two (2) certificates of deposit valued at \$108,703 and \$267,419 with interest rates of .90% and 3.35%, respectively. Both certificates of deposit mature within the next two years.

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

Custodial Credit Risk

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

TOWN OF COLCHESTER, VERMONT  
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	<u>Book Balance</u>	<u>Bank Balance</u>
Insured - FDIC/SIPC	\$ 699,887	\$ 883,001
Uninsured, Collateralized by U.S. Government Securities and/or General Obligation Vermont Municipal Notes and Bonds Held by the Bank's Trust Department with a Security Interest granted to the Town or Irrevocable Standby Letter of Credit	8,944,270	9,103,620
Uninsured, Uncollateralized	<u>17,470</u>	<u>17,470</u>
	<u>\$ 9,661,627</u>	<u>\$ 10,004,091</u>

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

Deposits are comprised of the following:

Demand Deposits with Financial Institutions	\$9,285,505
Certificates of Deposit	<u>376,122</u>
	<u>\$9,661,627</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's certificates of deposit are not subject to interest rate risk disclosure. The Town's policy does not limit its exposure to interest rate risk.

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

Investment Type	Remaining Maturity				Total
	Less Than 1 Year	1 to 5 Years	5 to 10 Years	Not Available	
Mutual Funds	\$ 0	\$ 0	\$ 0	\$ 76,805	\$ 76,805
U.S. Treasury Strips	35,983	141,742	100,784	0	278,509
Corporate Bonds	<u>0</u>	<u>0</u>	<u>31,290</u>	<u>0</u>	<u>31,290</u>
Total	<u>\$ 35,983</u>	<u>\$ 141,742</u>	<u>\$ 132,074</u>	<u>\$ 76,805</u>	<u>\$ 386,604</u>

TOWN OF COLCHESTER, VERMONT  
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Credit Risk

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

	Standard and Poor's Rating As of June 30, 2012 – <u>Corporate Bonds</u>
AA+	\$11,495
BB+	<u>19,795</u>
Total	<u>\$31,290</u>

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town has \$9,440, (30%), of their corporate bonds invested in Goldman Sachs Group, Inc., \$11,495, (37%), of their corporate bonds invested in General Electric Capital Corporation, and \$10,355, (33%), of their corporate bonds invested in Bank of America Corporation.

**4B. Receivables**

Receivables at June 30, 2012, as reported in the statement of net assets, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Delinquent Taxes	\$ 313,697	\$ 0	\$ 313,697
Penalties and Interest	56,772	0	56,772
Ambulance Receivables	152,042	0	152,042
Accounts Receivable	55,672	0	55,672
Due from Other Governments	332,953	0	332,953
Billed Services	0	18,808	18,808
Unbilled Services	0	307,295	307,295
Grant Reimbursement	0	4,144	4,144
Special Assessments - Current Portion *	0	155,000	155,000
Special Assessments - Long-Term Portion *	0	1,645,000	1,645,000
Allowance for Doubtful Accounts	<u>(58,000)</u>	<u>0</u>	<u>(58,000)</u>
	<u>\$ 853,136</u>	<u>\$ 2,130,247</u>	<u>\$ 2,983,383</u>

\* The special assessments receivable represents money that will be received by the Town from sewer customers to pay specific sewer bonds described in Note 4G.

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
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**4C. Notes Receivable**

Notes Receivable are as follows:

Note Receivable - Holy Cross Senior Housing Partnership, Principal and Interest Payments Deferred until October, 2017, Interest at 1%, Monthly Principal and Interest Payments of \$1,380 due thereafter until October 31, 2037	\$ 300,000
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Note Receivable - Champlain Housing Trust Corporation, 0% Interest, Principal Balloon Payment due August 30, 2021, Collateralized by 3 <sup>rd</sup> Mortgage on Land and Premises at 1302 Ethan Allen Drive	190,000
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Note Receivable - Champlain Housing Trust Corporation, 0% Interest, Deferred Until August, 2036	65,778
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Note Receivable – Brookside Partnership, Principal and Interest Payments Deferred until January 2039, Interest at 4.46%	240,000
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Notes Receivable – Twenty-one Loans to Residents for On-Site Sewage Disposal Systems and Potable Water Service, Interest at 3%, Principal and Interest Due Monthly Over Twenty (20) Years, Secured by Liens on Properties, Repayment of the Income from the Loans will be Used to Pay the Related Septic Improvement Loan Program Bonds Described in Note 4G	<u>236,564</u>
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Total Notes Receivable	1,032,342
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Plus: Accrued Interest on Notes Receivable	30,235
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Less: Discount on Notes Receivable at Three (3) to Five (5) Percent	(246,091)
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Less: Allowance for Doubtful Notes and Accrued Interest Receivable	<u>(579,922)</u>
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Net Notes Receivable	\$ <u>236,564</u>
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TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
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**4D. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,104,936	\$ 0	\$ 0	\$ 2,104,936
Construction in Progress	2,269,893	4,337,123	879,137	5,727,879
Total Capital Assets, Not Being Depreciated	<u>4,374,829</u>	<u>4,337,123</u>	<u>879,137</u>	<u>7,832,815</u>
Capital Assets, Being Depreciated:				
Land Improvements	1,303,835	34,332	0	1,338,167
Buildings and Building Improvements	7,002,459	225,532	0	7,227,991
Equipment and Furniture	1,529,833	601,392	257,502	1,873,723
Vehicles	3,368,098	480,353	292,911	3,555,540
Infrastructure	13,956,677	1,587,509	0	15,544,186
Totals	<u>27,160,902</u>	<u>2,929,118</u>	<u>550,413</u>	<u>29,539,607</u>
Less Accumulated Depreciation for:				
Land Improvements	582,553	33,919	0	616,472
Buildings and Building Improvements	1,471,931	133,851	0	1,605,782
Equipment and Furniture	776,165	115,615	245,659	646,121
Vehicles	1,392,393	272,135	246,449	1,418,079
Infrastructure	1,907,127	546,011	0	2,453,138
Totals	<u>6,130,169</u>	<u>1,101,531</u>	<u>492,108</u>	<u>6,739,592</u>
Total Capital Assets, Being Depreciated	<u>21,030,733</u>	<u>1,827,587</u>	<u>58,305</u>	<u>22,800,015</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,540,562</u>	<u>\$ 6,164,710</u>	<u>\$ 937,442</u>	<u>\$ 30,632,830</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 132,568	\$ 0	\$ 0	\$ 132,568
Total Capital Assets, Not Being Depreciated	<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
25 Years	1,159,789	0	0	1,159,789
30 Years	18,075	16,992	0	35,067
40 Years	323,679	0	0	323,679
50 Years	4,688,203	0	0	4,688,203
Totals	<u>6,197,553</u>	<u>16,992</u>	<u>0</u>	<u>6,214,545</u>
Less Accumulated Depreciation for:				
Plant and Equipment	2,868,298	150,390	0	3,018,688
Totals	<u>2,868,298</u>	<u>150,390</u>	<u>0</u>	<u>3,018,688</u>
Total Capital Assets, Being Depreciated	<u>3,329,255</u>	<u>(133,398)</u>	<u>0</u>	<u>3,195,857</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,461,823</u>	<u>\$ (133,398)</u>	<u>\$ 0</u>	<u>\$ 3,328,425</u>

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Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 109,030	Wastewater	\$ <u>150,390</u>
Public Works	669,640		
Public Safety	183,292		
Culture & Recreation	<u>139,569</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-Type Activities	
\$ <u>1,101,531</u>		\$ <u>150,390</u>	

#### 4E. Interfund Balances and Transfers

The composition of interfund balances at June 30, 2012 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 1,330,537
Capital Projects Fund	732,711	0
Reserve Fund	285,944	0
Grant Fund	39,884	0
Other Governmental Funds	138	154,416
Wastewater Fund	24,573	0
Recreation Program Fund	<u>401,703</u>	<u>0</u>
Total	\$ <u>1,484,953</u>	\$ <u>1,484,953</u>

Interfund transfers during the year ended June 30, 2012 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Reserve Fund	\$ 10,300	Rescue Capital Equipment Funding
General Fund	Reserve Fund	7,000	Rescue Capital Equipment Funding
General Fund	Reserve Fund	8,000	Tech Rescue Capital Equipment Funding
General Fund	Reserve Fund	24,339	Transfer for Marine Safety Grant
General Fund	Recreation Acquisition and Development Fund	4,000	Budgeted Transfer
General Fund	FEMA Fund	778	Fund Local Match
General Fund	Recreation Program Fund	37,513	Senior Center Renovations
Reserve Fund	General Fund	30,000	Fund Information Technology
Reserve Fund	Grant Fund	44,111	Fund Local Match
Capital Projects Fund	FEMA Fund	<u>1,473</u>	Fund Local Match
Total		\$ <u>167,514</u>	



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**4F. Deferred Revenue**

Deferred Revenue in the General Fund consists of \$288,429 of delinquent taxes, penalty and interest on taxes and \$59,592 of ambulance receivables that were not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$136,152 of prepaid taxes and \$33,396 of other prepaid fees and grants that will benefit fiscal year 2013. Total deferred revenue in the General Fund is \$517,569.

Deferred Revenue in the Capital Projects Fund consist of \$14,684 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred Revenue in the Grant Fund consist of \$13,436 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities and \$81,089 of grant monies advanced to the Town for various purposes that was not spent as of June 30, 2012. Total deferred revenue in the Grant Fund is \$94,525.

Deferred Revenue in the Other Governmental Funds consists of \$236,564 of loans receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$10,132 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total deferred revenue in Other Governmental Funds is \$246,696.

Deferred Revenue in the Recreation Program Fund consists of \$106,454 of recreation fees received in advance. This revenue will be earned when the recreation programs are provided.

**4G. 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 general 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.

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

TOWN OF COLCHESTER, VERMONT  
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Long-Term liabilities outstanding as of June 30, 2012 were as follows:

	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
<u>Governmental Activities</u>				
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, Malletts Bay Sewer Study, Principal Payments of \$10,778 Due Annually on April 1 through 2013, 0% Interest	\$ 21,552	\$ 0	\$ 10,778	\$ 10,774
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, Belwood Drainage Project, Principal Payments of \$49,642 Due Annually on October 1 through 2023, 0% Interest	645,339	0	49,642	595,697
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$9,174 Due Annually in April through 2027, Interest at 2%	124,556	0	6,682	117,874
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$4,941 Due Annually in April through 2028, Interest at 2%	70,618	0	3,528	67,090
Bond Payable – Vermont Municipal Bond Bank, Municipal Building, Principal Payments of \$310,000 Due Annually on December 1 through 2027, Various Interest Rates Ranging from 3.865% to 4.665%, Interest Paid Semi-Annually on June 1 and December 1	5,210,000	0	310,000	4,900,000

TOWN OF COLCHESTER, VERMONT  
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	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
Bond Payable – Vermont Municipal Bond Bank, Bayside Property Purchase, Principal Payments of \$55,000 Due Annually on December 1 through 2024, Various Interest Rates Ranging from 1.87% to 5.09%, Interest Paid Semi-Annually on June 1 and December 1	\$ <u>770,000</u>	\$ <u>0</u>	\$ <u>55,000</u>	\$ <u>715,000</u>
Total Notes and Bonds Payable - Governmental Activities	\$ <u>6,842,065</u>	\$ <u>0</u>	\$ <u>435,630</u>	\$ <u>6,406,435</u>

	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
<u>Business-Type Activities</u>				
Bond Payable - Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$60,000 to \$155,000 Due Annually on December 1 through 2020, Various Interest Rates Ranging from 6.9% to 7.0%, Interest Paid Semi-Annually on June 1 and December 1	\$1,160,000	\$ 0	\$ 85,000	\$1,075,000
Bond Payable - Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$35,000 to \$90,000 Due Annually on December 1 through 2021, Various Interest Rates Ranging from 6.875% to 7.0%, Interest Paid Semi-Annually on June 1 and December 1	725,000	0	45,000	680,000
Bond Payable - Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$10,000 to \$15,000 Due Annually on December 1 through 2014, Various Interest Rates Ranging from 5.53% to 6.2%, Interest Paid Semi-Annually on June 1 and December 1	60,000	0	15,000	45,000

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	Beginning Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2012</u>
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, Sewer System - Breezy Acres Trailer Park, Principal Payments of \$79,048 Due Annually in July through 2019, 0% Interest	\$ 632,384	\$ 0	\$ 79,048	\$ 553,336
Total Business-Type Activities	<u>\$2,577,384</u>	<u>\$ 0</u>	<u>\$224,048</u>	<u>\$2,353,336</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 6,842,065	\$ 0	\$ 435,630	\$ 6,406,435	\$ 435,831
Compensated Absences	650,732	30,499	0	681,231	0
Due to State	39,963		210	39,753	0
Total Governmental Activities					
Long-term Liabilities	<u>\$ 7,532,760</u>	<u>\$ 30,499</u>	<u>\$ 435,840</u>	<u>\$ 7,127,419</u>	<u>\$ 435,831</u>
<b>Business-type Activities</b>					
Special Assessment Debt with Governmental Commitment	\$ 1,945,000	\$ 0	\$ 145,000	\$ 1,800,000	\$ 155,000
General Obligation Bonds Payable	632,384	0	79,048	553,336	79,048
Compensated Absences	12,722	1,103	0	13,825	0
Total Business-type Activities					
Long-Term Liabilities	<u>\$ 2,590,106</u>	<u>\$ 1,103</u>	<u>\$ 224,048</u>	<u>\$ 2,367,161</u>	<u>\$ 234,048</u>

As part of the Town's community development loan program that was originally funded by the State of Vermont, the Town is required to repay the State based on loan repayments. The agreement requires the Town to repay one-half of the annual repayments to the State of Vermont up to a cumulative total of \$80,000. The current balance is \$39,753.

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

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Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2013	435,831	248,619	234,048	118,480
2014	425,265	233,246	239,048	107,714
2015	425,478	217,648	254,048	96,251
2016	425,695	201,829	249,048	84,401
2017	420,916	185,925	259,048	72,342
2018-2022	2,108,052	683,634	1,118,096	152,918
2023-2027	1,855,354	264,301	0	0
2027-2030	309,844	7,211	0	0
Total	<u>\$ 6,406,435</u>	<u>\$ 2,042,413</u>	<u>\$ 2,353,336</u>	<u>\$ 632,106</u>

#### 4H. Fund Balances

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

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

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

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

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

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

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

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

Nonspendable Fund Balances

Nonspendable General Fund Prepaid Expenses	\$ 10,615
Nonspendable General Fund Inventories	59,939
Nonspendable Cemetery Fund Principal	91,050
Nonspendable Burnham Memorial Library Fund Principal	<u>2,000</u>
Total Nonspendable Fund Balances	\$ <u>163,604</u>

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

Restricted Fund Balances

Major Funds

Capital Projects Fund:

Restricted for Facilities Upgrade Expansion by Bond Proceeds	\$ 765,749
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Community Development Fund:

Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	72,567
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Non-Major Funds

Restricted for Police Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	220,457
Restricted for Cemetery Expenses by Trust Agreement – Expendable Portion (Source of Revenue is Donations)	135,723
Restricted for Heritage Project by Donations (Source of Revenue is Donations)	948
Restricted for Recreation Acquisition and Development By Impact Fees (Source of Revenue is Impact Fees)	97,509
Restricted for Burnham Memorial Library by Trust Agreement – Expendable Portion	<u>5,639</u>
Total Restricted Fund Balances	\$ <u>1,298,592</u>

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

Assigned Fund Balances

Major Funds:

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2013	\$ 135,000
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Capital Projects Fund:	
Assigned for Future Capital Projects	\$1,065,958

Reserve Fund:	
Assigned for Reserve Fund Expenses for Reappraisal, Technology, Restoration of Records and Public Safety Capital Items	1,245,496

**Non-Major Funds:**

Debt Service Fund:	
Assigned for Debt Service	138

Total Assigned Fund Balances	\$2,446,592
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The unassigned deficit of \$8,827 in the Grant Fund will be funded with the collection of deferred revenue.

The unassigned deficit of \$49,395 in the Revolving Loan Fund will be funded with future proceeds of long-term debt.

The unassigned deficit of \$52,687 in the Capital Equipment Fund will be funded with future property taxes or a transfer from the Reserve Fund.

The unassigned deficit of \$56,102 in the FEMA Fund will be funded with the collection of deferred revenue, future Federal and State aid, or from a transfer from the General Fund.

**4I. Restricted and Designated Net Assets**

The restricted net assets of the Town as of June 30, 2012 consisted of the following:

Governmental Activities:	
Community Development by Grant Agreements	\$ 32,814
Grant Expenses by Grant Agreements	4,609
Law Enforcement by Grant Agreements	220,457
Cemetery Trust Agreements - Non-Expendable	91,050
Cemetery Trust Agreements - Expendable	135,723
Heritage Project by Donations	948
Recreation Acquisition/Development by Impact Fees	97,509
Burnham Library by Donations - Non-Expendable	2,000
Burnham Library by Donations - Expendable	5,639
Revolving Loans by Grant Agreement	2,205

Total Governmental Activities	\$592,954
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Business-type Activities/Proprietary Fund:	
Breezy Acres Sewer Trust Agreement	\$ 6,600

Total Business-type Activities/Proprietary Fund	\$ 6,600
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TOWN OF COLCHESTER, VERMONT  
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The designated net assets of the Town as of June 30, 2012 consisted of the following:

Proprietary Fund:	
Designated to Upgrade South Burlington Plant	\$569,999

## 5. OTHER INFORMATION

### 5A. PENSION

The Town offers a 401(a) pension plan to all full time employees, except police officers, with 100% vesting after five (5) years of service. This plan qualifies, according to the Internal Revenue Service, as a defined contribution pension plan for governmental organizations exempt from income taxes. The Town contributed 7% of each employee's base pay from July 1, 2011 through December 31, 2011. Beginning January 1, 2012 the Town increased the contribution to 8.5% of base pay for non-union employees. Employees contribute 1% of their base pay. The International City/County Management Association administers the Plan. The total payroll for the year was \$6,138,654 while the covered payroll was \$3,284,925. Pension expenses for the years ended June 30, 2012, 2011 and 2010 were \$246,265, \$203,428 and \$106,459, respectively.

The Police Officers are covered by the State of Vermont Municipal Employees Retirement System (VMERS) Group C Plan, a defined benefit plan. Under this plan, employees contribute 9.25% of their gross salary and the Town contributes 6.5%, except for the three (3) highest ranking officers who contribute 7.5%, while the Town contributes 8.5%.

The Town of Colchester pays all costs accrued each year for the plan. The premise of this plan is to provide a retirement plan covering municipal employees at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont municipal employees. Activity in this plan is done in the aggregate, not by municipality. Due to the nature of this pension plan, net assets available for benefits as well as present value of vested and nonvested plan benefits by municipality are not determinable. Covered payroll for this plan was \$1,971,261. Pension expense for the year was \$128,132.

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

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



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JUNE 30, 2012

**5B. PROPERTY TAXES**

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State. Property taxes are assessed based on property valuations as of April 1, the approved budgets and the State education property tax liability. Taxes are collected three (3) times per year. During the tax year ended June 30, 2012, taxes became due and payable on August 15, 2011, November 15, 2011 and March 15, 2012. The Town assesses an 8% penalty of delinquent taxes and interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2012 are as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.1876	1.3645
Town	<u>.5370</u>	<u>.5370</u>
Total Tax Rate/per \$100 of Assessed Valuation	<u>1.7246</u>	<u>1.9015</u>

**5C. 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.

**5D. 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 Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

**5E. LANDFILL TRUST**

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

TOWN OF COLCHESTER, VERMONT  
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The "Colchester Landfill Vertical Expansion Trust" was created to provide post-closure costs for twenty (20) years and required distributions to the landfill's owners totaling \$150,000. Any funds remaining after the distributions and all monitoring costs have been paid will be distributed to the Town upon termination of the Trust. The Trust may be terminated by written agreement of the Town, the Trustees and the Secretary of the Vermont Agency of Natural Resources. The balance remaining in the Trust at July 31, 2012 is approximately \$16,842.

**5F. ENDOWMENT FUND**

On May 5, 1997, the Burnham Memorial Library created an endowment at the Vermont Community Foundation. In doing so, the ownership of the funds passed to the Vermont Community Foundation with the stipulation that the Foundation pay to the Library an amount, determined on an annual basis, to be not less than 5% of the value of the funds as of the end of the previous year. Payments are to be made at least semiannually. The contributions are not reflected on the balance sheet of the Town. In 2012, the Library contributed another \$11,185 to the Foundation. The balance of the Endowment Fund at June 30, 2012 is \$56,547.

**5G. LAND LEASE**

In August, 1994, the Town of Colchester entered into a land lease agreement with Homestead Design, Inc. The Town will lease land which is adjacent to the Town's offices to Homestead Design, Inc. for thirty (30) years. The Town will receive lease payments from Homestead Design, Inc. for thirty (30) years. The agreement provides for the construction of a building, which will in turn be rented to a medical center. Homestead Design, Inc. will collect 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 written into the lease whereby the Town can buy the building at a price calculated by applying a 7.15% discount rate to the future cash flows. The current purchase price is \$1,022,357.

The schedule of future land lease receipts is as follows:

2013	\$ 23,629
2014	24,279
2015	24,946
2016	25,632
2017	26,337
Thereafter	<u>205,794</u>
	<u>\$330,617</u>

**5H. COMMITMENTS AND CONTINGENCIES**

The Town has entered into a two year employment agreement with an employee through June 30, 2013. The agreement stipulates the amount of benefits to be provided and conditions of employment or termination.

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The Town has an agreement with the City of South Burlington, Vermont to assist in upgrading South Burlington's wastewater treatment facility. This agreement provides capacity and treatment rights to the Town of Colchester in exchange for approximately \$8,110,000 in debt costs and \$5,220,000 on O&M upgrade costs for a total of \$13,330,000. The City of South Burlington has issued twenty year bonds to provide the funding for this project and will then bill the Town of Colchester for its proportionate share of the total project costs. The Town of Colchester plans to pay for these improvements from a combination of cash reserves, grants and rate adjustments. The Town of Colchester requires the capacity and treatment rights for both past and future development within the Town.

During fiscal year 2009, the Town signed a contract with an engineer to complete various septic related activities in the Town. The project will be over four years. The Town will pay for 75% of the project with a federal EPA grant of \$1,200,000 and 25% with local funds of \$400,000.

The Town of Colchester voters have approved borrowing up to \$750,000 from the State of Vermont Special Environmental Loan Fund to be used for low interest Septic System Improvement Loans for Colchester residents. As of June 30, 2012, the Town has drawn \$230,796 of this amount and repaid \$45,833 leaving a balance owed of \$184,963.

The Town lost a case in Chittenden County Superior Court in regard to certain property tax valuations. The Town is appealing to the Supreme Court an issue related to changing the tax formula for assessing the value of buildings on leased land. At issue is the "amenity" value attributed to a property assessment that is based on the location of a building to a physical site that has location value. Examples are the location of a restaurant on leased land that is in a key traffic and commercial area or a camp that is on leased land adjacent to a lake. The Superior Court has ruled that the amenity value ascribed to a building on leased land should not be charged to the lessee but to the lessor. The case before the Supreme Court involves appeals of 50 leaseholders challenging their 2011 assessments. An additional 49 appeals have been filed with the Civil Board of Authority for the 2012 assessments. All properties are on leased land in close proximity to Lake Champlain. The legal issue involves a perceived conflict over the interpretation of two laws in: the definition of "list value", 32 V.S.A. §3481 and buildings on leased land, 32 V.S.A. §3608.

Based upon the outcome of the ruling in Superior Court, the Town has recorded a liability for approximately \$128,000. The Town is also liable for interest on this amount at 12% per year. The Town did not change their methodology for assessing these properties for the fiscal year 2013 tax bills. If the Town were to be unsuccessful in the appeal to Supreme Court, there could be a further adverse impact to the Town's General Fund fund balance. It is not possible to give any prediction as to the outcome given the current uncertainty of the results of the appeal.

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:					
Property Taxes	\$ 8,617,795	\$ 0	\$ 8,617,795	\$ 8,259,459	\$ (358,336)
Veteran's Tax Exemption	(5,500)	0	(5,500)	(4,587)	913
Interest on Delinquent Taxes	52,000	0	52,000	69,264	17,264
Penalties on Delinquent Taxes	74,000	0	74,000	91,763	17,763
Misc Tax Sale Charges	0	0	0	(15)	(15)
Liquor Licenses	3,200	0	3,200	3,200	0
Licenses - Town	4,400	0	4,400	4,690	290
Dept Motor Vehicles	1,500	0	1,500	1,230	(270)
Marriage Licenses	1,200	0	1,200	1,220	20
Civil Union Licenses	50	0	50	0	(50)
Dog Licenses	11,000	0	11,000	7,566	(3,434)
Pmts In Lieu Of Taxes	100,000	0	100,000	161,773	61,773
Current Use Hold Harmless	12,650	0	12,650	15,759	3,109
VLCT Insurance Distributions	0	0	0	28,160	28,160
Interest	55,000	0	55,000	49,733	(5,267)
Transfer From Reserve Fund	30,000	0	30,000	30,000	0
Transfer From Wastewater Fund	103,861	0	103,861	103,861	0
Miscellaneous	8,000	0	8,000	22,425	14,425
Promotional	0	0	0	20	20
Support Payments	58,974	0	58,974	58,367	(607)
Milton Dispatch	155,396	0	155,396	155,396	0
Police	0	0	0	2,427	2,427
CUSI	28,000	0	28,000	0	(28,000)
Police Ordinance Fees	0	0	0	1,780	1,780
Ambulance	330,000	0	330,000	262,054	(67,946)
Technical Rescue Reimbursements	0	0	0	31,921	31,921
Police Reimbursements	0	0	0	7,778	7,778
Recording Fees	110,000	0	110,000	118,388	8,388
Accessory Apartment/Seasonal Conversion	1,000	0	1,000	300	(700)
Building/Zoning Permits	161,500	0	161,500	213,894	52,394
Septic Permits	3,000	0	3,000	1,210	(1,790)
DRB Legal Notices	1,500	0	1,500	1,850	350
DRB/BLA Applications	18,500	0	18,500	21,539	3,039
Excavation W/Row	9,000	0	9,000	14,700	5,700
Certificates of Occupancy	10,500	0	10,500	12,505	2,005
GIS Income	350	0	350	170	(180)
State Wastewater Permits	26,000	0	26,000	21,514	(4,486)
Ordinance & Map Copies	500	0	500	197	(303)
Certified Copies of Vital Records	6,000	0	6,000	4,558	(1,442)
Copies & Maps	13,000	0	13,000	16,084	3,084
Use of Vault	3,200	0	3,200	3,294	94
Passports	28,000	0	28,000	18,470	(9,530)
Passport Photos	9,000	0	9,000	6,408	(2,592)
Road Miscellaneous	2,200	0	2,200	2,665	465
Dog Control	2,000	0	2,000	1,617	(383)
Green Mountain Passports	100	0	100	158	58
Recreation	12,500	0	12,500	15,110	2,610
District Court Fines	45,000	0	45,000	41,432	(3,568)
Planning & Zoning Fines	1,000	0	1,000	692	(308)
Grant Reimbursement	0	0	0	2,500	2,500
Public Safety Grant	0	0	0	2,260	2,260
Boating Safety Grant	0	0	0	24,339	24,339
FEMA Reimbursement	0	0	0	26,677	26,677
FHWA Reimbursement	0	0	0	12,586	12,586

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TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues/(Cont'd):					
Act 68 Reimbursement	\$ 25,000	\$ 0	\$ 25,000	\$ 47,222	\$ 22,222
Act 60 Reimbursement	6,850	0	6,850	6,753	(97)
Annual School Payment	37,758	0	37,758	37,930	172
State Aid to Highways	182,023	0	182,023	181,953	(70)
Marine Enforcement	20,000	0	20,000	0	(20,000)
Total Revenues	10,377,007	0	10,377,007	10,224,219	(152,788)
Expenditures:					
Selectboard:					
Salaries	6,500	(1,500)	5,000	4,648	352
Social Security	497	0	497	356	141
Town Meeting	1,500	0	1,500	535	965
Town Report	1,500	0	1,500	482	1,018
Printing & Binding	2,600	0	2,600	0	2,600
Miscellaneous	250	0	250	655	(405)
Contingency	50,000	0	50,000	0	50,000
Total Selectboard	62,847	(1,500)	61,347	6,676	54,671
Civil Board:					
Salaries	14,557	0	14,557	11,807	2,750
Civil Board Salaries	8,500	0	8,500	19,091	(10,591)
Health Insurance	5,785	0	5,785	4,697	1,088
Dental Insurance	486	0	486	356	130
Life/Disability Insurance	188	0	188	183	5
Social Security	1,764	0	1,764	2,318	(554)
Retirement	1,019	0	1,019	907	112
Unemployment Compensation	552	0	552	382	170
Workers Compensation	41	0	41	44	(3)
Legal	0	0	0	1,155	(1,155)
Postage	4,000	0	4,000	1,858	2,142
Machinery & Equipment	300	0	300	0	300
Miscellaneous	6,600	0	6,600	3,048	3,552
Total Civil Board	43,792	0	43,792	45,846	(2,054)
Town Manager:					
Salaries	301,405	0	301,405	290,422	10,983
Overtime	0	0	0	241	(241)
Health Insurance	45,837	0	45,837	34,747	11,090
Dental Insurance	3,571	0	3,571	2,397	1,174
Life/Disability Insurance	4,025	0	4,025	4,026	(1)
Insurance - PACIF/CL Bond/E&O	10,230	0	10,230	8,894	1,336
Social Security	23,402	0	23,402	22,666	736
Retirement	20,246	0	20,246	22,586	(2,340)
Unemployment Compensation	2,645	0	2,645	1,829	816
Workers Compensation	810	0	810	853	(43)
Miscellaneous Benefits	1,250	0	1,250	995	255
Personnel Development	5,000	0	5,000	1,754	3,246
Employee & Volunteer	0	1,500	1,500	1,457	43
Dues & Publications	5,000	0	5,000	3,731	1,269
Professional Services	1,000	0	1,000	0	1,000
Legal	19,000	0	19,000	16,338	2,662

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TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Town Manager/(Cont'd):</b>					
Legal - Union Negotiations	\$ 10,000	\$ 0	\$ 10,000	\$ 28,511	\$ (18,511)
Legal - Human Resources	3,000	0	3,000	8,144	(5,144)
Utilities	4,076	0	4,076	3,049	1,027
Telephone	643	0	643	1,216	(573)
Maintenance - Town Office	3,499	0	3,499	6,278	(2,779)
Flag Replacement	500	0	500	271	229
Advertising - Public Hearings	650	0	650	2,914	(2,264)
Operating Supplies	2,500	0	2,500	2,067	433
Postage	620	0	620	447	173
Mileage Allowance & Reimbursement	5,000	0	5,000	4,818	182
Miscellaneous	9,500	0	9,500	26,716	(17,216)
Green Up Vermont	450	0	450	317	133
Wellness Programs	0	0	0	3,507	(3,507)
<b>Total Town Manager</b>	<b>483,859</b>	<b>1,500</b>	<b>485,359</b>	<b>501,191</b>	<b>(15,832)</b>
<b>Community Development:</b>					
Salaries	62,223	0	62,223	43,410	18,813
Health Insurance	17,046	0	17,046	16,591	455
Dental Insurance	806	0	806	1,318	(512)
Life/Disability Insurance	999	0	999	992	7
Insurance - PACIF/CL Bond/E&O	2,441	0	2,441	2,122	319
Social Security	4,760	0	4,760	3,798	962
Retirement	4,356	0	4,356	3,081	1,275
Unemployment Compensation	661	0	661	457	204
Workers Compensation	207	0	207	218	(11)
Personnel Development	1,500	0	1,500	952	548
Mileage Allowance & Reimbursement	350	0	350	0	350
Dues & Publications	1,200	0	1,200	956	244
Professional Services	0	0	0	37,500	(37,500)
Legal	500	0	500	0	500
Utilities	1,124	0	1,124	561	563
Telephone	214	0	214	194	20
Maintenance - Town Office	682	0	682	1,655	(973)
Advertising	100	0	100	0	100
Printing & Binding	500	0	500	0	500
Operating Supplies	350	0	350	102	248
Software	400	0	400	0	400
Miscellaneous	0	0	0	111	(111)
Public Relations	1,500	0	1,500	525	975
Economic Development Plan	25,000	0	25,000	0	25,000
<b>Total Community Development</b>	<b>126,919</b>	<b>0</b>	<b>126,919</b>	<b>114,543</b>	<b>12,376</b>
<b>Finance:</b>					
Salaries	178,574	0	178,574	182,545	(3,971)
Overtime	3,500	0	3,500	2,892	608
Health Insurance	26,758	0	26,758	35,747	(8,989)
Dental Insurance	3,370	0	3,370	2,211	1,159
Life/Disability Insurance	2,511	0	2,511	2,490	21
Insurance - PACIF/CL Bond/E&O	6,853	0	6,853	5,959	894
Social Security	13,929	0	13,929	13,399	530
Retirement	12,500	0	12,500	12,380	120
Unemployment Compensation	2,645	0	2,645	1,829	816
Workers Compensation	518	0	518	545	(27)

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TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Finance/(Cont'd):					
Personnel Development	\$ 1,200	\$ 0	\$ 1,200	\$ 381	\$ 819
Dues & Publications	550	0	550	70	480
Professional Services	35,800	0	35,800	38,540	(2,740)
Utilities	3,282	0	3,282	3,081	201
Telephone	857	0	857	813	44
Maintenance - Town Office	3,535	0	3,535	5,117	(1,582)
Office Supplies	3,000	0	3,000	2,279	721
Postage	1,710	0	1,710	1,567	143
Computers	20,500	0	20,500	21,605	(1,105)
Miscellaneous	250	0	250	324	(74)
<b>Total Finance</b>	<b>321,842</b>	<b>0</b>	<b>321,842</b>	<b>333,774</b>	<b>(11,932)</b>
Assessor:					
Salaries	105,477	0	105,477	107,780	(2,303)
Lister Salaries	2,000	0	2,000	1,674	326
Overtime	0	0	0	358	(358)
Health Insurance	23,765	0	23,765	23,262	503
Dental Insurance	1,647	0	1,647	645	1,002
Life/Disability Insurance	1,197	0	1,197	1,683	(486)
Insurance - PACIF/CL Bond/E&O	4,738	0	4,738	4,119	619
Social Security	8,222	0	8,222	8,155	67
Retirement	7,383	0	7,383	8,365	(982)
Unemployment Compensation	1,322	0	1,322	914	408
Workers Compensation	1,685	0	1,685	1,772	(87)
Personnel Development	1,000	0	1,000	0	1,000
Dues & Publications	600	0	600	136	464
Professional Services	12,000	0	12,000	8,679	3,321
Legal	7,500	0	7,500	0	7,500
Reappraisal Defense	20,000	0	20,000	47,608	(27,608)
Utilities	1,349	0	1,349	1,586	(237)
Telephone	429	0	429	405	24
Maintenance - Town Office	1,524	0	1,524	2,134	(610)
Maintenance - Vehicles	300	0	300	79	221
Operating Supplies	600	0	600	1,322	(722)
Postage	700	0	700	875	(175)
Gasoline	700	0	700	137	563
Computers	1,500	0	1,500	0	1,500
Miscellaneous	0	0	0	40	(40)
<b>Total Assessor</b>	<b>205,638</b>	<b>0</b>	<b>205,638</b>	<b>221,728</b>	<b>(16,090)</b>
Town Clerk:					
Salaries	194,820	0	194,820	208,002	(13,182)
Overtime	1,000	0	1,000	0	1,000
Health Insurance	51,302	0	51,302	49,691	1,611
Dental Insurance	4,403	0	4,403	4,671	(268)
Life/Disability Insurance	3,162	0	3,162	3,238	(76)
Insurance - PACIF/CL Bond/E&O	7,486	0	7,486	6,509	977
Social Security	14,980	0	14,980	15,921	(941)
Retirement	13,637	0	13,637	16,067	(2,430)
Unemployment Compensation	2,754	0	2,754	1,905	849
Workers Compensation	565	0	565	595	(30)
Personnel Development	2,000	0	2,000	444	1,556
Dues & Publications	500	0	500	250	250

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TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Town Clerk/(Cont'd):					
Legal	\$ 5,000	\$ 0	\$ 5,000	\$ 3,066	\$ 1,934
Utilities	5,350	0	5,350	5,860	(510)
Telephone	1,286	0	1,286	1,279	7
Maintenance - Town Office	6,725	0	6,725	8,218	(1,493)
Office Supplies	4,000	0	4,000	537	3,463
Operating Supplies	9,840	0	9,840	7,815	2,025
Postage	7,000	0	7,000	7,248	(248)
Machinery & Equipment	500	0	500	0	500
Computers	750	0	750	800	(50)
Miscellaneous	300	0	300	260	40
Total Town Clerk	337,360	0	337,360	342,376	(5,016)
Purchase/Maintenance of Equipment:					
Insurance - PACIF/CL Bond/E&O	751	0	751	653	98
Equipment - Repair/Maintenance	2,800	0	2,800	808	1,992
Equipment - Rentals/Leases	20,500	0	20,500	21,343	(843)
Office Supplies	8,400	0	8,400	6,472	1,928
Postage	700	0	700	56	644
Total Purchase/Maintenance of Equipment	33,151	0	33,151	29,332	3,819
Information/Technology:					
Salaries	79,466	0	79,466	77,220	2,246
Health Insurance	12,283	0	12,283	12,894	(611)
Dental Insurance	805	0	805	1,105	(300)
Life/Disability Insurance	517	0	517	826	(309)
Insurance - PACIF/CL Bond/E&O	3,015	0	3,015	2,621	394
Social Security	6,079	0	6,079	5,733	346
Retirement	3,219	0	3,219	4,166	(947)
Unemployment Compensation	1,322	0	1,322	914	408
Workers Compensation	217	0	217	229	(12)
Personnel Development	2,500	0	2,500	1,477	1,023
Internet Provider	1,500	0	1,500	1,577	(77)
Web File Maintenance	1,475	0	1,475	1,529	(54)
Utilities	1,349	0	1,349	1,328	21
Telephone	214	0	214	453	(239)
Repairs & Maintenance	6,000	0	6,000	5,320	680
Maintenance - Town Office	1,820	0	1,820	2,057	(237)
Office Supplies	1,500	0	1,500	550	950
Mileage Allowance & Reimbursement	225	0	225	78	147
Machinery & Equipment	5,800	0	5,800	8,225	(2,425)
Computers	0	0	0	179	(179)
Software	7,000	0	7,000	2,413	4,587
Miscellaneous	0	0	0	99	(99)
Total Information/Technology	136,306	0	136,306	130,993	5,313
Planning/Zoning:					
Salaries	317,177	0	317,177	315,389	1,788
Salaries - Planning Commission	3,900	0	3,900	3,774	126
Overtime	4,000	0	4,000	4,018	(18)
Health Insurance	62,040	0	62,040	59,664	2,376
Dental Insurance	7,342	0	7,342	4,329	3,013
Life/Disability Insurance	4,441	0	4,441	4,458	(17)

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TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Planning/Zoning/(Cont'd):					
Insurance - PACIF/CL Bond/E&O	\$ 12,395	\$ 0	\$ 12,395	\$ 11,253	\$ 1,142
Social Security	24,868	0	24,868	25,019	(151)
Retirement	22,482	0	22,482	22,118	364
Unemployment Compensation	4,629	0	4,629	3,202	1,427
Workers Compensation	2,743	0	2,743	2,886	(143)
Personnel Development	10,750	0	10,750	10,388	362
Dues & Publications	2,000	0	2,000	1,644	356
Professional Services	14,000	0	14,000	16,904	(2,904)
Legal	29,000	0	29,000	32,103	(3,103)
Master Plan Rewrite	3,500	0	3,500	3,500	0
Utilities	5,350	0	5,350	5,860	(510)
Telephone	1,714	0	1,714	2,194	(480)
Communications	700	0	700	656	44
Vehicle Maintenance & Transportation	1,000	0	1,000	635	365
Mileage Allowance & Reimbursement	1,000	0	1,000	271	729
Maintenance - Town Office	6,725	0	6,725	8,376	(1,651)
Recruiting	1,000	0	1,000	1,164	(164)
Advertising - Public Meetings	2,500	0	2,500	2,323	177
Printing & Binding	1,500	0	1,500	1,569	(69)
Operating Supplies	4,000	0	4,000	4,287	(287)
Postage	2,300	0	2,300	2,083	217
Gasoline	1,320	0	1,320	606	714
Computers	7,500	0	7,500	5,972	1,528
GIS	3,000	0	3,000	2,480	520
Total Planning/Zoning	564,876	0	564,876	559,125	5,751
Police:					
Salaries	1,707,460	0	1,707,460	1,673,484	33,976
Shift Differential	23,430	0	23,430	22,068	1,362
Longevity Differential	0	0	0	7	(7)
Supervisor Differential	0	0	0	217	(217)
Seasonal Staff	0	0	0	6,394	(6,394)
Community Service Officers	4,500	0	4,500	0	4,500
Overtime	182,047	0	182,047	140,268	41,779
Overtime 2.0	21,845	0	21,845	11,444	10,401
Overtime 3.0	25,729	0	25,729	6,418	19,311
Health Insurance	388,489	0	388,489	329,137	59,352
Dental Insurance	27,736	0	27,736	22,457	5,279
Life/Disability Insurance	26,883	0	26,883	28,124	(1,241)
Insurance - PACIF/CL Bond/E&O	107,172	0	107,172	90,221	16,951
Social Security	150,668	0	150,668	142,988	7,680
Retirement	130,888	0	130,888	134,447	(3,559)
Retirement Health Savings	1,311	0	1,311	0	1,311
Unemployment Compensation	20,080	0	20,080	13,553	6,527
Workers Compensation	64,182	0	64,182	61,498	2,684
Miscellaneous Benefits	0	0	0	103	(103)
Personnel Development	1,000	0	1,000	199	801
Dues & Publications	1,400	0	1,400	1,117	283
Training	16,370	0	16,370	14,418	1,952
Uniforms & Equipment	32,500	0	32,500	36,663	(4,163)
Legal	500	0	500	2,015	(1,515)
Utilities	18,724	0	18,724	18,732	(8)
Telephone	7,286	0	7,286	9,041	(1,755)
Communications	34,837	0	34,837	33,744	1,093

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TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Police/(Cont'd):					
Communications Public Safety	\$ 24,500	\$ 0	\$ 24,500	\$ 17,638	\$ 6,862
Vehicle Maintenance & Transportation	36,350	0	36,350	37,235	(885)
Maintenance - Town Office	17,760	0	17,760	19,804	(2,044)
Office Supplies	8,000	0	8,000	7,898	102
Operating Supplies	0	0	0	31	(31)
Police - Photo & Fingerprint	6,728	0	6,728	5,279	1,449
Postage	1,100	0	1,100	643	457
Gasoline	55,540	0	55,540	75,568	(20,028)
Marine	8,750	0	8,750	0	8,750
Mileage Allowance & Reimbursement	0	0	0	4,525	(4,525)
Machinery & Equipment	0	0	0	125	(125)
Computers	10,300	0	10,300	8,225	2,075
Miscellaneous	10,500	0	10,500	5,528	4,972
Boating Safety - Federal Grant	0	0	0	51,760	(51,760)
Special Programs	3,000	0	3,000	768	2,232
Transfer To Capital Equipment Fund	20,000	0	20,000	24,339	(4,339)
Total Police	3,197,565	0	3,197,565	3,058,123	139,442
Fire Departments:					
MBFD Communication Public Safety	15,500	0	15,500	8,382	7,118
CCFD Communication Public Safety	16,500	0	16,500	16,495	5
Colchester Center Volunteer Fire	407,300	0	407,300	407,300	0
Mallets Bay Fire Dept	314,400	0	314,400	314,400	0
Total Fire Departments	753,700	0	753,700	746,577	7,123
Rescue:					
Salaries	210,553	0	210,553	209,768	785
Rescue Per Diem	13,000	0	13,000	5,750	7,250
Ambulance Personnel	36,000	0	36,000	35,476	524
Overtime	20,000	0	20,000	22,462	(2,462)
Health Insurance	31,510	0	31,510	32,030	(520)
Dental Insurance	2,092	0	2,092	1,030	1,062
Life/Disability Insurance	3,003	0	3,003	3,289	(286)
Insurance - PACIF/CL Bond/E&O	15,469	0	15,469	13,511	1,958
Social Security	21,386	0	21,386	21,456	(70)
Retirement	14,739	0	14,739	14,966	(227)
Unemployment Compensation	3,344	0	3,344	2,313	1,031
Workers Compensation	18,133	0	18,133	19,081	(948)
Training	7,000	0	7,000	6,021	979
Uniforms	4,000	0	4,000	3,830	170
Legal	3,000	0	3,000	0	3,000
Health & Safety	500	0	500	0	500
Utilities	10,122	0	10,122	11,955	(1,833)
Telephone	857	0	857	531	326
Communications	2,000	0	2,000	1,926	74
Janitorial Services	2,500	0	2,500	1,371	1,129
Vehicle Maintenance & Transportation	4,500	0	4,500	3,813	687
Equipment - Repair/Maintenance	800	0	800	1,292	(492)
Maintenance - Building	4,000	0	4,000	6,762	(2,762)
Communications Maintenance/Repair	500	0	500	0	500
Office Supplies	1,800	0	1,800	1,373	427
Operating Supplies	13,200	0	13,200	13,113	87
Postage	200	0	200	171	29

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Rescue/(Cont'd):					
Gasoline	\$ 7,000	\$ 0	\$ 7,000	\$ 8,206	\$ (1,206)
Machinery & Equipment	1,500	0	1,500	1,329	171
Computers	0	0	0	9	(9)
Technology Upgrades	2,000	0	2,000	1,638	362
Miscellaneous	4,200	0	4,200	8,979	(4,779)
Amb. Personnel Donations	800	0	800	564	236
Special Programs	500	0	500	207	293
Transfer To Rescue Cap. Equip. Fund	10,300	0	10,300	10,300	0
Transfer To Rescue Cap. Comm. Fund	7,000	0	7,000	7,000	0
<b>Total Rescue</b>	<b>477,508</b>	<b>0</b>	<b>477,508</b>	<b>471,522</b>	<b>5,986</b>
Technical Rescue:					
Salaries	8,736	0	8,736	8,630	106
Tech Rescue Salaries - Hurricane Irene Support	0	0	0	6,850	(6,850)
Social Security	668	0	668	1,184	(516)
Workers Compensation	536	0	536	564	(28)
Training	3,500	0	3,500	2,595	905
Uniforms	3,500	0	3,500	2,164	1,336
Health & Safety	1,500	0	1,500	603	897
Utilities	0	0	0	443	(443)
Communications	3,800	0	3,800	4,392	(592)
Vehicle Maintenance & Transportation	1,500	0	1,500	2,399	(899)
Equipment - Repair/Maintenance	2,500	0	2,500	2,806	(306)
Maintenance - Building	0	0	0	4	(4)
Communications Maintenance/Repair	500	0	500	0	500
Operating Supplies	0	0	0	390	(390)
Gasoline	1,200	0	1,200	1,101	99
Machinery & Equipment	2,500	0	2,500	2,618	(118)
Hurricane Irene Support Expenses	0	0	0	15,247	(15,247)
Capital Communications	2,000	0	2,000	0	2,000
Transfer To Tech Rescue Cap. Equip. Fund	6,000	0	6,000	6,000	0
Transfer To Tech Rescue Comm. Fund	0	0	0	2,000	(2,000)
<b>Total Technical Rescue</b>	<b>38,440</b>	<b>0</b>	<b>38,440</b>	<b>59,990</b>	<b>(21,550)</b>
Police Dispatch:					
Salaries	272,507	0	272,507	280,097	(7,590)
Shift Differential	9,966	0	9,966	7,546	2,420
Overtime	25,515	0	25,515	14,554	10,961
Overtime 2.0	10,319	0	10,319	7,103	3,216
Health Insurance	82,948	0	82,948	91,208	(8,260)
Dental Insurance	4,673	0	4,673	4,662	11
Life/Disability Insurance	4,382	0	4,382	3,819	563
Social Security	24,351	0	24,351	22,612	1,739
Retirement	19,076	0	19,076	19,574	(498)
Unemployment Compensation	4,629	0	4,629	3,202	1,427
Workers Compensation	697	0	697	735	(38)
Miscellaneous Benefits	0	0	0	64	(64)
<b>Total Police Dispatch</b>	<b>459,063</b>	<b>0</b>	<b>459,063</b>	<b>455,176</b>	<b>3,887</b>
Public Works - Administration:					
Salaries	264,520	0	264,520	237,335	27,185
Health Insurance	56,359	0	56,359	40,831	15,528

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TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works - Administration/(Cont'd):					
Dental Insurance	\$ 4,105	\$ 0	\$ 4,105	\$ 2,538	\$ 1,567
Life/Disability Insurance	4,145	0	4,145	3,464	681
Insurance - PACIF/CL Bond/E&O	3,015	0	3,015	2,621	394
Social Security	20,580	0	20,580	18,768	1,812
Retirement	18,831	0	18,831	18,722	109
Unemployment Compensation	2,645	0	2,645	1,829	816
Workers Compensation	8,947	0	8,947	9,415	(468)
Personnel Development	3,450	0	3,450	1,915	1,535
Dues & Publications	550	0	550	411	139
Professional Services	32,700	0	32,700	22,771	9,929
Legal	1,000	0	1,000	4,569	(3,569)
Utilities	3,049	0	3,049	4,698	(1,649)
Telephone	643	0	643	741	(98)
Communications	880	0	880	739	141
Vehicle Maintenance & Transportation	500	0	500	88	412
Maintenance - Town Office	5,392	0	5,392	4,984	408
Advertising	0	0	0	38	(38)
Advertising - Recruiting	250	0	250	4,002	(3,752)
Office Supplies	700	0	700	3,820	(3,120)
Operating Supplies	500	0	500	2,388	(1,888)
Postage	501	0	501	541	(40)
Gasoline	1,400	0	1,400	1,476	(76)
Mileage Allowance & Reimbursement	4,500	0	4,500	4,517	(17)
Transfer To FHWA Fund	0	0	0	477	(477)
Total Public Works - Administration	439,162	0	439,162	393,698	45,464
Public Works - Highway:					
Salaries	365,042	0	365,042	359,695	5,347
Shift Differential	10,000	0	10,000	8,258	1,742
Seasonal Labor	0	0	0	21,532	(21,532)
Overtime	43,000	0	43,000	30,708	12,292
Overtime 2.0	6,000	0	6,000	4,225	1,775
Health Insurance	80,802	0	80,802	76,821	3,981
Dental Insurance	6,440	0	6,440	6,423	17
Life/Disability Insurance	5,878	0	5,878	5,656	222
Insurance - PACIF/CL Bond/E&O	21,573	0	21,573	18,978	2,595
PACIF Deductibles	0	0	0	180	(180)
Social Security	32,439	0	32,439	32,889	(450)
Retirement	25,553	0	25,553	25,180	373
Unemployment Compensation	5,346	0	5,346	3,698	1,648
Workers Compensation	20,328	0	20,328	21,391	(1,063)
Personnel Development	0	0	0	90	(90)
Uniforms	6,643	0	6,643	6,901	(258)
Commercial Drivers Licenses	150	0	150	275	(125)
Street Lights	125,628	0	125,628	134,638	(9,010)
Traffic Signals	8,670	0	8,670	7,487	1,183
Communications	998	0	998	403	595
Tree Maintenance	4,400	0	4,400	10,200	(5,800)
Tires & Tubes	8,500	0	8,500	8,015	485
Striping	26,937	0	26,937	37,127	(10,190)
Catch Basins	0	0	0	135	(135)
Truck 1 - 2003 International	750	0	750	0	750
Truck 2 - 2003 International	750	0	750	0	750
Truck 3 - 2007 International	750	0	750	210	540

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works - Highway/(Cont'd):					
Truck 4 - 2008 Chevy	\$ 500	\$ 0	\$ 500	\$ 919	\$ (419)
Truck 5 - 2007 International	750	0	750	744	6
Truck 6 - 2006 International	1,100	0	1,100	1,682	(582)
Grader	5,480	0	5,480	2,413	3,067
Loader	2,000	0	2,000	118	1,882
Tractor/Mower	750	0	750	516	234
Drott	500	0	500	298	202
Holder	1,500	0	1,500	366	1,134
Truck 18 - 2009 International	750	0	750	50	700
Truck 8 - 2006 Chevy	500	0	500	285	215
Truck 9 - 2002 Chevy Crew Cab	500	0	500	298	202
Truck 10 - 2004 Chevy 4X4	250	0	250	1,128	(878)
Chain Saws	300	0	300	261	39
Sanders	1,000	0	1,000	2,870	(1,870)
Snowplows	11,390	0	11,390	9,843	1,547
Bridges	250	0	250	0	250
Roller/Trailer	50	0	50	2	48
Paint Trailer	100	0	100	0	100
Emergency Road Repairs	0	0	0	55,569	(55,569)
Hired Equipment - Winter	500	0	500	0	500
Hired Equipment - Summer	500	0	500	283	217
Operating Supplies	4,000	0	4,000	2,792	1,208
Equipment Supplies	1,750	0	1,750	643	1,107
Small Tools & Equipment	400	0	400	392	8
Chloride	10,681	0	10,681	9,212	1,469
Gravel	17,181	0	17,181	24,368	(7,187)
Asphalt Repair	2,500	0	2,500	4,872	(2,372)
Signs	8,000	0	8,000	8,616	(616)
Winter Sand	25,365	0	25,365	5,864	19,501
Winter Salt	109,824	0	109,824	79,025	30,799
Gasoline	55,440	0	55,440	59,018	(3,578)
Transfer To FEMA Fund	0	0	0	301	(301)
<b>Total Public Works - Highway</b>	<b>1,070,388</b>	<b>0</b>	<b>1,070,388</b>	<b>1,093,863</b>	<b>(23,475)</b>
Public Works - Maintenance Facility:					
Salaries	162,751	0	162,751	167,030	(4,279)
Shift Differential	650	0	650	527	123
Seasonal Labor	11,300	0	11,300	8,570	2,730
Overtime	3,500	0	3,500	1,494	2,006
Overtime 2.0	850	0	850	0	850
Health Insurance	35,761	0	35,761	34,859	902
Dental Insurance	4,117	0	4,117	3,448	669
Life/Disability Insurance	2,618	0	2,618	2,653	(35)
Insurance - PACIF/CL Bond/E&O	6,555	0	6,555	5,699	856
Social Security	13,697	0	13,697	13,623	74
Retirement	11,393	0	11,393	11,690	(297)
Unemployment Compensation	2,511	0	2,511	1,737	774
Workers Compensation	8,583	0	8,583	9,033	(450)
Miscellaneous Benefits	0	0	0	125	(125)
Training	975	0	975	995	(20)
Uniforms	2,645	0	2,645	2,851	(206)
Utilities	17,160	0	17,160	14,209	2,951
Telephone	1,286	0	1,286	1,194	92
Repairs & Maintenance	13,526	0	13,526	13,417	109

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TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Works - Maintenance Facility/(Cont'd):					
Vehicle Maintenance & Transportation	\$ 250	\$ 0	\$ 250	\$ 43	\$ 207
Office Supplies	150	0	150	92	58
Operating Supplies	3,660	0	3,660	3,945	(285)
Equipment Supplies	14,000	0	14,000	13,531	469
Welding Supplies	1,000	0	1,000	962	38
Gasoline	300	0	300	333	(33)
Machinery & Equipment	3,000	0	3,000	2,977	23
Computers	200	0	200	0	200
Total Public Works - Maintenance Facility	322,438	0	322,438	315,037	7,401
Stormwater:					
Salaries	76,119	0	76,119	77,930	(1,811)
Overtime	2,000	0	2,000	2,568	(568)
Health Insurance	14,044	0	14,044	14,080	(36)
Dental Insurance	749	0	749	500	249
Life/Disability Insurance	1,185	0	1,185	1,202	(17)
Insurance - PACIF/CL Bond/E&O	3,113	0	3,113	2,706	407
Social Security	5,823	0	5,823	5,892	(69)
Retirement	5,155	0	5,155	5,280	(125)
Unemployment Compensation	1,482	0	1,482	1,025	457
Workers Compensation	3,649	0	3,649	3,840	(191)
Miscellaneous Benefits	0	0	0	12	(12)
Uniforms	1,246	0	1,246	905	341
Legal	500	0	500	0	500
Catch Basins	4,250	0	4,250	4,136	114
Sweeper	2,500	0	2,500	811	1,689
Sweeper - 2007 Sterling	2,100	0	2,100	1,735	365
Sweeper Water	0	0	0	452	(452)
Storm Water Pumps	785	0	785	998	(213)
Stormwater Permitting	5,200	0	5,200	4,551	649
Treatment Structures	2,880	0	2,880	1,820	1,060
Small Tools & Equipment	100	0	100	0	100
Culverts	5,000	0	5,000	6,838	(1,838)
Gasoline	4,220	0	4,220	5,754	(1,534)
Machinery & Equipment	0	0	0	11	(11)
Miscellaneous	0	0	0	500	(500)
Public Outreach & Education	5,000	0	5,000	5,000	0
Water Quality Testing	5,727	0	5,727	6,324	(597)
Total Stormwater	152,827	0	152,827	154,870	(2,043)
Buildings:					
Salaries	38,258	0	38,258	39,077	(819)
Overtime	1,012	0	1,012	3,246	(2,234)
Health Insurance	17,651	0	17,651	15,226	2,425
Dental Insurance	1,073	0	1,073	119	954
Life/Disability Insurance	616	0	616	728	(112)
Insurance - PACIF/CL Bond/E&O	2,664	0	2,664	2,316	348
Social Security	3,004	0	3,004	3,614	(610)
Retirement	2,749	0	2,749	2,735	14
Unemployment Compensation	661	0	661	457	204
Workers Compensation	1,605	0	1,605	1,689	(84)
Personnel Development	1,430	0	1,430	0	1,430
Utilities	0	0	0	172	(172)

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TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Buildings/(Cont'd):</b>					
Utilities - Meeting House	\$ 6,018	\$ 0	\$ 6,018	\$ 5,511	\$ 507
Utilities - Senior Center	2,340	0	2,340	2,947	(607)
Utilities - Historical Society	2,616	0	2,616	2,160	456
Communications	600	0	600	643	(43)
Vehicle Maintenance & Transportation	500	0	500	618	(118)
Maintenance - Senior Center	5,375	0	5,375	3,870	1,505
Maintenance - Meeting House	5,367	0	5,367	5,955	(588)
Maintenance - Historical Society	500	0	500	127	373
Operating Supplies	1,255	0	1,255	2,762	(1,507)
Operating Supplies - Mtg House	250	0	250	49	201
Operating Supplies - Hist Scty	100	0	100	17	83
Operating Supplies - Senior Ctr	300	0	300	70	230
Gasoline	1,900	0	1,900	1,609	291
Mileage Allowance & Reimbursement	0	0	0	94	(94)
Miscellaneous	200	0	200	436	(236)
<b>Total Buildings</b>	<b>98,044</b>	<b>0</b>	<b>98,044</b>	<b>96,247</b>	<b>1,797</b>
<b>Health Services:</b>					
Visiting Nurse Association	18,000	0	18,000	18,000	0
Howard Mental Health	2,700	0	2,700	2,700	0
Champlain Valley Agency On Aging	2,880	0	2,880	2,880	0
Women Helping Battered Women	1,950	0	1,950	1,950	0
Animal Control Contract	15,873	0	15,873	15,954	(81)
Animal Control Fees	3,500	0	3,500	4,040	(540)
Vermont Cares	1,250	0	1,250	1,250	0
<b>Total Health Services</b>	<b>46,153</b>	<b>0</b>	<b>46,153</b>	<b>46,774</b>	<b>(621)</b>
<b>Parks:</b>					
Salaries	53,913	0	53,913	55,612	(1,699)
Seasonal Labor	127,895	0	127,895	118,335	9,560
Overtime	3,500	0	3,500	2,023	1,477
Overtime 2.0	0	0	0	634	(634)
Health Insurance	17,651	0	17,651	19,445	(1,794)
Dental Insurance	1,282	0	1,282	1,365	(83)
Life/Disability Insurance	866	0	866	880	(14)
VT Health Care Contributions	2,000	0	2,000	803	1,197
Insurance - PACIF/CL Bond/E&O	6,643	0	6,643	5,776	867
Social Security	14,176	0	14,176	13,285	891
Retirement	3,774	0	3,774	3,873	(99)
Unemployment Compensation	5,951	0	5,951	4,116	1,835
Workers Compensation	6,934	0	6,934	7,297	(363)
Personnel Development	500	0	500	100	400
Contractual Services	17,400	0	17,400	16,576	824
Utilities	18,034	0	18,034	17,387	647
Telephone	750	0	750	861	(111)
Communications	300	0	300	232	68
Repairs & Maintenance	11,500	0	11,500	12,375	(875)
Vehicle Maintenance & Transportation	3,500	0	3,500	1,839	1,661
Equipment - Repair/Maintenance	3,300	0	3,300	4,341	(1,041)
Equipment - Rentals/Leases	1,000	0	1,000	809	191
Operating Supplies	12,000	0	12,000	14,167	(2,167)
Grass Seed	2,100	0	2,100	2,639	(539)
Fertilizer	10,000	0	10,000	12,656	(2,656)

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Parks/(Cont'd):</b>					
Gasoline	\$ 10,999	\$ 0	\$ 10,999	\$ 14,530	\$ (3,531)
Machinery & Equipment	9,000	0	9,000	3,335	5,665
Miscellaneous	0	0	0	4,857	(4,857)
<b>Total Parks</b>	<b>344,968</b>	<b>0</b>	<b>344,968</b>	<b>340,148</b>	<b>4,820</b>
<b>Recreation:</b>					
Salaries	112,089	0	112,089	119,288	(7,199)
Overtime	0	0	0	5	(5)
Health Insurance	16,164	0	16,164	15,073	1,091
Dental Insurance	1,603	0	1,603	1,848	(245)
Life/Disability Insurance	1,801	0	1,801	1,808	(7)
Insurance - PACIF/CL Bond/E&O	6,368	0	6,368	5,537	831
Social Security	8,919	0	8,919	10,738	(1,819)
Retirement	8,161	0	8,161	8,466	(305)
Unemployment Compensation	1,223	0	1,223	846	377
Workers Compensation	3,721	0	3,721	3,916	(195)
Personnel Development	3,000	0	3,000	1,279	1,721
Dues & Publications	2,000	(1,000)	1,000	360	640
Legal	1,000	0	1,000	0	1,000
Utilities	2,997	0	2,997	3,652	(655)
Telephone	1,071	0	1,071	1,146	(75)
Communications	900	0	900	177	723
Maintenance - Town Office	4,190	0	4,190	4,762	(572)
Printing/Publicity	1,000	1,000	2,000	388	1,612
Office Supplies	2,000	0	2,000	1,477	523
Operating Supplies	1,400	0	1,400	612	788
Postage	2,623	0	2,623	917	1,706
Gasoline	500	0	500	0	500
Mileage Allowance & Reimbursement	4,500	0	4,500	4,850	(350)
Computers	4,500	0	4,500	4,494	6
New Requests	0	0	0	400	(400)
Special Programs	7,000	0	7,000	6,945	55
Transfer To Recreation Program Fund	37,513	0	37,513	37,513	0
Fair Day	7,500	0	7,500	7,500	0
Transfer To R.A.D. Fund	4,000	0	4,000	4,000	0
Winooski Valley Park District	42,300	0	42,300	42,300	0
<b>Total Recreation</b>	<b>290,043</b>	<b>0</b>	<b>290,043</b>	<b>290,297</b>	<b>(254)</b>
<b>Library:</b>					
Salaries	314,536	0	314,536	305,290	9,246
Temporary Subs	13,000	0	13,000	30,320	(17,320)
Health Insurance	72,118	0	72,118	65,350	6,768
Dental Insurance	5,703	0	5,703	5,969	(266)
Life/Disability Insurance	2,953	0	2,953	3,451	(498)
Insurance - PACIF/CL Bond/E&O	9,845	0	9,845	8,560	1,285
Social Security	25,057	0	25,057	27,185	(2,128)
Retirement	22,018	0	22,018	23,245	(1,227)
Unemployment Compensation	6,606	0	6,606	4,569	2,037
Workers Compensation	932	0	932	981	(49)
Dues & Publications	690	0	690	645	45
Programming	1,000	0	1,000	888	112
Utilities	14,248	0	14,248	13,120	1,128
Telephone	2,300	0	2,300	3,476	(1,176)

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TOWN OF COLCHESTER, VERMONT  
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BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Library/(Cont'd):					
Communications	\$ 2,976	\$ 0	\$ 2,976	\$ 1,128	\$ 1,848
Janitorial Services	10,400	0	10,400	11,308	(908)
Maintenance - Library	11,031	0	11,031	8,147	2,884
Maintenance - Building	4,500	0	4,500	194	4,306
Advertising - Recruiting	100	0	100	50	50
Printing/Publicity	900	0	900	962	(62)
Operating Supplies	5,340	0	5,340	5,819	(479)
Postage	4,200	0	4,200	3,383	817
Mileage Allowance & Reimbursement	2,486	0	2,486	1,300	1,186
Books - Adult	17,500	0	17,500	17,925	(425)
Books - Juvenile	13,800	0	13,800	13,814	(14)
Periodicals	4,280	0	4,280	4,166	114
Audio/Visual Materials	3,223	0	3,223	3,404	(181)
Computers	9,889	0	9,889	10,579	(690)
Electronic Resources	3,439	0	3,439	3,424	15
Miscellaneous	3,000	0	3,000	2,319	681
Total Library	588,070	0	588,070	580,971	7,099
Cemetery:					
Insurance - PACIF/CL Bond/E&O	0	0	0	368	(368)
Repairs & Maintenance	23,750	0	23,750	26,370	(2,620)
Miscellaneous	2,660	0	2,660	2,700	(40)
Total Cemetery	26,410	0	26,410	29,438	(3,028)
Intergovernmental Expenditures:					
Chamber Of Commerce	1,200	0	1,200	1,070	130
VT Council On World Affairs	500	0	500	500	0
GBIC	6,000	0	6,000	3,000	3,000
Chittenden Co. Regional Planning	13,002	0	13,002	13,002	0
VT League of Cities & Towns	17,681	0	17,681	17,681	0
Handicap Transportation	50,000	0	50,000	40,562	9,438
Metropolitan Planning Organization	12,171	0	12,171	12,171	0
County Tax	102,000	0	102,000	68,110	33,890
Total Intergovernmental Expenditures	202,554	0	202,554	156,096	46,458
Total Expenditures	10,823,923	0	10,823,923	10,574,411	249,512
Excess/(Deficiency) of Revenues Over Expenditures	\$ (446,916)	\$ 0	\$ (446,916)	(350,192)	\$ 96,724
Fund Balance - July 1, 2011				1,720,759	
Fund Balance - June 30, 2012				\$ 1,370,567	

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Permanent Fund Burnham Memorial Library Fund	Total
<b><u>ASSETS</u></b>					
Cash	\$ 330,264	\$ 108,196	\$ 0	\$ 7,690	\$ 446,150
Investments	115,061	0	0	0	115,061
Receivables (Net of Allowance for Doubtful Accounts)	7,842	10,132	0	0	17,974
Notes Receivable (Net of Allowance for Doubtful Accounts)	236,564	0	0	0	236,564
Due from Other Funds	0	0	138	0	138
Total Assets	<u>\$ 689,731</u>	<u>\$ 118,328</u>	<u>\$ 138</u>	<u>\$ 7,690</u>	<u>\$ 815,887</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 0	\$ 19,444	\$ 0	\$ 51	\$ 19,495
Due to Other Funds	54,384	100,032	0	0	154,416
Deferred Revenue	236,564	10,132	0	0	246,696
Total Liabilities	<u>290,948</u>	<u>129,608</u>	<u>0</u>	<u>51</u>	<u>420,607</u>
<b>Fund Balances/(Deficit):</b>					
Nonspendable	91,050	0	0	2,000	93,050
Restricted	357,128	97,509	0	5,639	460,276
Assigned	0	0	138	0	138
Unassigned	(49,395)	(108,789)	0	0	(158,184)
Total Fund Balances/(Deficit)	<u>398,783</u>	<u>(11,280)</u>	<u>138</u>	<u>7,639</u>	<u>395,280</u>
Total Liabilities and Fund Balances	<u>\$ 689,731</u>	<u>\$ 118,328</u>	<u>\$ 138</u>	<u>\$ 7,690</u>	<u>\$ 815,887</u>

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Permanent Fund Burnham Memorial Library Fund	Total
<b>Revenues:</b>					
Property Taxes	\$ 0	\$ 410,927	\$ 685,227	\$ 0	\$ 1,096,154
Intergovernmental Revenues	17,016	546,918	0	0	563,934
Impact Fees	0	18,375	0	0	18,375
Donations	9,787	0	0	11,780	21,567
Charges for Services	6,150	0	0	4,823	10,973
Investment Income	8,580	892	0	0	9,472
Loan Repayments	32,486	0	0	0	32,486
Other	0	4,312	0	0	4,312
<b>Total Revenues</b>	<b>74,019</b>	<b>981,424</b>	<b>685,227</b>	<b>16,603</b>	<b>1,757,273</b>
<b>Expenditures:</b>					
<b>Current Expenditures</b>					
Public Safety	7,215	0	0	0	7,215
Public Works	0	8,344	0	0	8,344
Culture & Recreation	11,120	0	0	17,310	28,430
Community Development	37,800	0	0	0	37,800
<b>Capital Outlay:</b>					
Public Works	0	1,060,234	0	0	1,060,234
Culture & Recreation	0	10,869	0	0	10,869
<b>Debt Service:</b>					
Principal	10,211	0	425,419	0	435,630
Interest	3,903	0	259,808	0	263,711
<b>Total Expenditures</b>	<b>70,249</b>	<b>1,079,447</b>	<b>685,227</b>	<b>17,310</b>	<b>1,852,233</b>
<b>Excess/(Deficiency) of Revenues Over Expenditures</b>	<b>3,770</b>	<b>(98,023)</b>	<b>0</b>	<b>(707)</b>	<b>(94,960)</b>
<b>Other Financing Sources:</b>					
Proceeds from Sale of Equipment	0	63,714	0	0	63,714
Transfers in	0	6,251	0	0	6,251
<b>Total Other Financing Sources</b>	<b>0</b>	<b>69,965</b>	<b>0</b>	<b>0</b>	<b>69,965</b>
<b>Net Change in Fund Balances/(Deficit)</b>	<b>3,770</b>	<b>(28,058)</b>	<b>0</b>	<b>(707)</b>	<b>(24,995)</b>
<b>Fund Balances - July 1, 2011</b>	<b>395,013</b>	<b>16,778</b>	<b>138</b>	<b>8,346</b>	<b>420,275</b>
<b>Fund Balances/(Deficit) - June 30, 2012</b>	<b>\$ 398,783</b>	<b>\$ (11,280)</b>	<b>\$ 138</b>	<b>\$ 7,639</b>	<b>\$ 395,280</b>

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

ASSETS	Revolving Loan Fund	Police Special Revenue Fund	Cemetery Fund	Heritage Project Fund	Total
Cash	\$ 0	\$ 220,457	\$ 109,807	\$ 0	\$ 330,264
Investments	0	0	115,061	0	115,061
Receivables (Net of Allowance for Doubtful Accounts)	0	0	1,905	5,937	7,842
Notes Receivable (Net of Allowance for Doubtful Accounts)	236,564	0	0	0	236,564
Total Assets	\$ 236,564	\$ 220,457	\$ 226,773	\$ 5,937	\$ 689,731
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Due to Other Funds	\$ 49,395	\$ 0	\$ 0	\$ 4,989	\$ 54,384
Deferred Revenue	236,564	0	0	0	236,564
Total Liabilities	285,959	0	0	4,989	290,948
Fund Balances/(Deficit):					
Nonspendable	0	0	91,050	0	91,050
Restricted	0	220,457	135,723	948	357,128
Unassigned	(49,395)	0	0	0	(49,395)
Total Fund Balances/(Deficit)	(49,395)	220,457	226,773	948	398,783
Total Liabilities and Fund Balances	\$ 236,564	\$ 220,457	\$ 226,773	\$ 5,937	\$ 689,731

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012

	Revolving Loan Fund	Police Special Revenue Fund	Cemetery Fund	Heritage Project Fund	Total
<b>Revenues:</b>					
Intergovernmental Revenues					
Donations	\$ 0	\$ 17,016	\$ 0	\$ 0	\$ 17,016
Charges for Services	0	0	0	9,787	9,787
Investment Income	5,585	0	6,150	0	6,150
Loan Repayments	32,486	1,195	1,800	0	8,580
		0	0	0	32,486
<b>Total Revenues</b>	<b>38,071</b>	<b>18,211</b>	<b>7,950</b>	<b>9,787</b>	<b>74,019</b>
<b>Expenditures:</b>					
Current Expenditures					
Public Safety	0	7,215	0	0	7,215
Culture & Recreation	0	0	0	11,120	11,120
Community Development	37,800	0	0	0	37,800
Debt Service:					
Principal	10,211	0	0	0	10,211
Interest	3,903	0	0	0	3,903
<b>Total Expenditures</b>	<b>51,914</b>	<b>7,215</b>	<b>0</b>	<b>11,120</b>	<b>70,249</b>
<b>Excess/(Deficiency) of Revenues Over Expenditures</b>	<b>(13,843)</b>	<b>10,996</b>	<b>7,950</b>	<b>(1,333)</b>	<b>3,770</b>
<b>Net Change in Fund Balances/(Deficit)</b>	<b>(13,843)</b>	<b>10,996</b>	<b>7,950</b>	<b>(1,333)</b>	<b>3,770</b>
<b>Fund Balances/(Deficit) - July 1, 2011</b>	<b>(35,552)</b>	<b>209,461</b>	<b>218,823</b>	<b>2,281</b>	<b>395,013</b>
<b>Fund Balances/(Deficit) - June 30, 2012</b>	<b>\$ (49,395)</b>	<b>\$ 220,457</b>	<b>\$ 226,773</b>	<b>\$ 948</b>	<b>\$ 398,783</b>

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

	Recreation Acquisition and Development Fund	Capital Equipment Fund	FEMA Fund	Total
<u>ASSETS</u>				
Cash	\$ 101,534	\$ 6,662	\$ 0	\$ 108,196
Receivables (Net of Allowance for Doubtful Accounts)	<u>0</u>	<u>0</u>	<u>10,132</u>	<u>10,132</u>
Total Assets	<u>\$ 101,534</u>	<u>\$ 6,662</u>	<u>\$ 10,132</u>	<u>\$ 118,328</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 4,025	\$ 0	\$ 15,419	\$ 19,444
Due To Other Funds	0	59,349	40,683	100,032
Deferred Revenue	<u>0</u>	<u>0</u>	<u>10,132</u>	<u>10,132</u>
Total Liabilities	<u>4,025</u>	<u>59,349</u>	<u>66,234</u>	<u>129,608</u>
Fund Balances/(Deficit):				
Restricted	97,509	0	0	97,509
Unassigned	<u>0</u>	<u>(52,687)</u>	<u>(56,102)</u>	<u>(108,789)</u>
Total Fund Balances/(Deficit)	<u>97,509</u>	<u>(52,687)</u>	<u>(56,102)</u>	<u>(11,280)</u>
Total Liabilities and Fund Balances	<u>\$ 101,534</u>	<u>\$ 6,662</u>	<u>\$ 10,132</u>	<u>\$ 118,328</u>

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012

	Recreation Acquisition and Development Fund	Capital Equipment Fund	FEMA Fund	Total
<b>Revenues:</b>				
Property Taxes	\$ 0	\$ 410,927	\$ 0	\$ 410,927
Intergovernmental Revenues	0	0	546,918	546,918
Impact Fees	18,375	0	0	18,375
Investment Income	513	379	0	892
Other	0	4,312	0	4,312
<b>Total Revenues</b>	<b>18,888</b>	<b>415,618</b>	<b>546,918</b>	<b>981,424</b>
<b>Expenditures:</b>				
Public Works	0	1,004	7,340	8,344
Capital Outlay:				
Public Works	0	462,303	597,931	1,060,234
Culture and Recreation	10,869	0	0	10,869
<b>Total Expenditures</b>	<b>10,869</b>	<b>463,307</b>	<b>605,271</b>	<b>1,079,447</b>
Excess/(Deficiency) of Revenues Over Expenditures	8,019	(47,689)	(58,353)	(98,023)
<b>Other Financing Sources:</b>				
Proceeds from Sale of Equipment	0	63,714	0	63,714
Transfers In	4,000	0	2,251	6,251
<b>Total Other Financing Sources</b>	<b>4,000</b>	<b>63,714</b>	<b>2,251</b>	<b>69,965</b>
<b>Net Change in Fund Balances/(Deficit)</b>	<b>12,019</b>	<b>16,025</b>	<b>(56,102)</b>	<b>(28,058)</b>
<b>Fund Balances/(Deficit) - July 1, 2011</b>	<b>85,490</b>	<b>(68,712)</b>	<b>0</b>	<b>16,778</b>
<b>Fund Balances/(Deficit) - June 30, 2012</b>	<b>\$ 97,509</b>	<b>\$ (52,687)</b>	<b>\$ (56,102)</b>	<b>\$ (11,280)</b>

See Disclaimer in the accompanying Independent Auditor's Report.

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

A PROFESSIONAL CORPORATION

77 Barre Street  
P.O. Box 947  
Montpelier, VT 05601  
802/223-2352  
802/223-3578 FAX

Fred Duplessis, CPA  
Richard J. Brigham, CPA  
Chad A. Hewitt, CPA  
Wendy C. Gilwee, CPA  
VT Lic. #92-000180

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  
Colchester, Vermont 05446

We have audited 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, 2012, which collectively comprise the Town of Colchester, Vermont's basic financial statements and have issued our report thereon dated January 18, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing the audit, we considered the Town of Colchester, Vermont's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Colchester, Vermont's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Colchester, Vermont's financial statements are free of 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".

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 18, 2013  
Montpelier, Vermont  
VT Lic. #92-000180

*Sullivan, Powers & Company*

