

TOWN OF COLCHESTER, VERMONT

AUDIT REPORT

JUNE 30, 2011

TOWN OF COLCHESTER, VERMONT
AUDIT REPORT
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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, 2011, which collectively comprise the City'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, 2011, 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.

As described in Note IV.H. to the financial statements, the Town of Colchester, Vermont adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

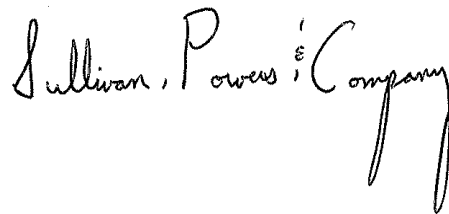
Information included under Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Town of Colchester, Vermont

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 Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, we do not express an opinion on them.

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2012, 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.

February 8, 2012
Montpelier, Vermont
Vt Lic. #92-000180

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

TOWN OF COLCHESTER, VERMONT
MANAGEMENT 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, 2011. 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 \$32,006,868 net assets). Of this amount \$7,842,298 (unrestricted net assets) may be used by the various funds of the Town to meet its ongoing obligations to its citizens and creditors and \$590,375 represent resources that are subject to external restrictions on how they may be used.

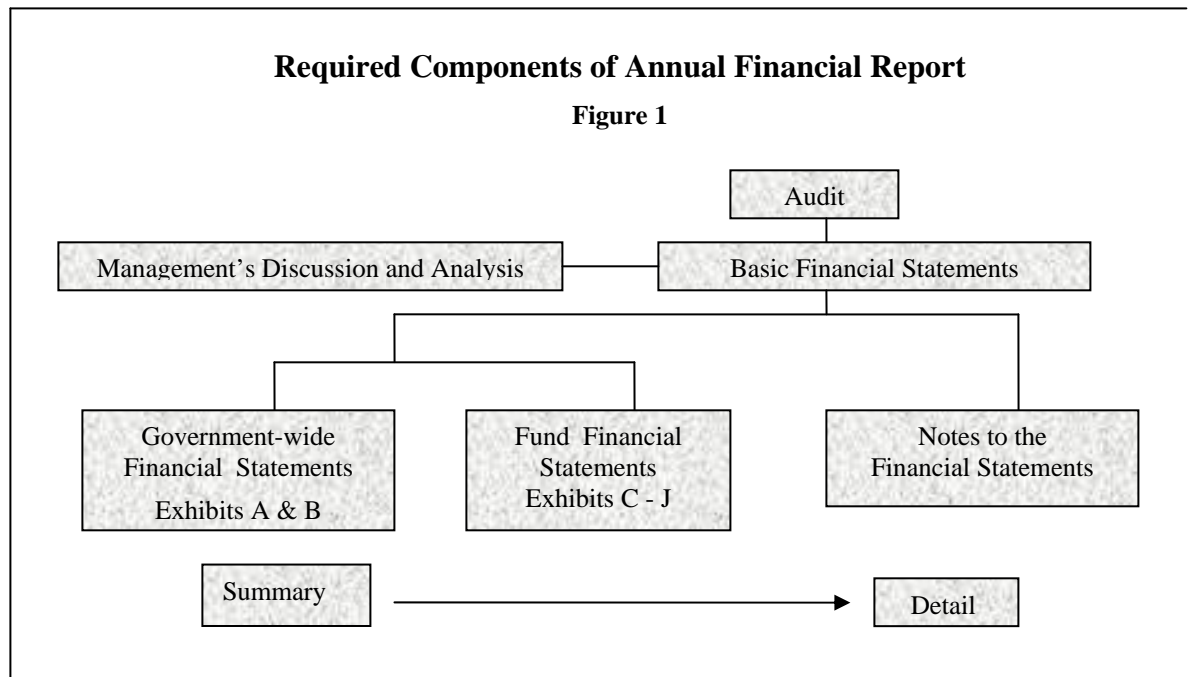
- The Town's total governmental net assets increased by \$1,527,792. There was an increase in Capital Grants and Contributions of more than \$602,000. The Town also received \$323,724 for our Integrated Water Resources Grant from the Environmental Protection Agency.
- Net Assets of Business-Type Activities increased due primarily to the addition of the Recreation Program Fund to this category. This addition increased Net Assets by \$218,161. The Town of Colchester received \$1,202,800 in grants from the Environmental Protection Agency for the Town's share of the South Burlington wastewater expansion upgrade.

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

- Governmental funds include the General, Special Revenue, Capital Projects, Permanent and Debt Service funds.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$6,483,941, a decrease of \$633,030 in comparison with the prior year. This is primarily due to expenditures for large capital projects which included the Campus Road Connector and the Holy Cross Rd bike path totaling over \$996,000. Other Governmental Funds experiences a decrease in ending fund balance because the Recreation Program Fund became a Proprietary Fund in fiscal year 2011.
- General Fund expenditures were under budget by over \$437,748 due to lower salaries and benefits primarily in the Police Department as a result of several officers being deployed.
- GASB 54 changed the way fund balances are categorized. This change is more fully explained in footnote 4H. The total Fund Balance on June 30, 2011 was \$6,483,941. Of this amount only \$1,127,157 or 17% was unassigned. The remainder has been assigned or restricted for various purposes, including \$1,964,534 for the upgrade of the Police facility.

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

OVERVIEW OF THE FINANCIAL STATEMENTS



Major Features of the Town of Colchester's Government-wide & Fund Financial Statements			
Figure 2			
	Government-wide Statements	Fund Statements Government Funds	Fund Statements Proprietary Funds
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as finance, planning & zoning, police, parks	Activities the Town operates similar to private businesses, the sewer system
Required Financial Statements	-Statement of Net 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
Type of Inflow/Outflow Information	All revenues & expenses during year, regardless of when cash is received or paid	Revenues or expenditures for which cash is received or goods or services have been received & payment is due during or soon after year end.	All revenues & expenses during the year, regardless of when cash is received or paid

TOWN OF COLCHESTER, VERMONT MANAGEMENT DISCUSSION AND ANALYSIS

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, 2011 and 2010. The 2010 amounts have been reclassified due to the change in the Recreation Program Fund from a governmental activity to a business-type activity.

<u>Town of Colchester's Net Assets</u>							
Figure 3							
	Governmental Activities		Business-Type Activities		Total		% Change
	2011	2010	2011	2010	2011	2010	
Current & Other Assets	\$8,984,618	\$8,483,589	\$6,373,047	\$5,768,559	\$15,357,665	\$14,252,148	7.7%
Capital Assets	25,405,562	24,189,009	3,461,823	3,611,795	28,867,385	27,800,804	3.8%
Total Assets	34,390,180	32,672,598	9,834,870	9,380,354	44,225,050	42,052,952	5.2%
Noncurrent Liabilities Outstanding	7,532,760	7,460,808	2,590,106	2,589,038	10,122,866	10,049,846	.7%
Other Liabilities	1,433,391	1,315,553	661,925	403,771	2,095,316	1,719,324	21.9%
Total Liabilities	8,966,151	8,776,361	3,252,031	2,992,809	12,218,182	11,769,170	3.8%
Net Assets:							
Invested in Capital Assets, net of related debt	20,744,756	19,110,055	2,829,439	2,900,363	23,574,195	22,010,418	7.1%
Restricted	583,775	527,648	6,600	6,600	590,375	534,248	10.5%
Unrestricted	4,095,498	4,258,534	3,746,800	3,480,582	7,842,298	7,739,116	1.3%
Total Net Assets	\$25,424,029	\$23,896,237	6,582,839	\$6,387,545	\$32,006,868	\$30,283,782	5.7%

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 net assets (74%) 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.

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.

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

<u>Town of Colchester Change in Net Assets</u>							
Figure 4							
	Governmental Activities		Business-Type Activities		Total		% Chg
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program Revenues:							
Charges for Services	\$1,105,798	\$894,021	\$1,418,959	\$1,334,459	\$2,524,757	\$2,228,480	13.3%
Operating Grants & Contributions	725,088	1,321,734	1,202,800	0	1,927,888	1,321,734	75.9%
Capital Grants & Contributions	919,232	317,232	0	0	919,232	317,232	190%
General Revenues:							
Property Taxes	10,367,269	10,275,112	0	0	10,367,269	10,275,112	0.9%
Other	532,470	480,750	257,751	290,793	790,221	771,543	2.4%
Total Revenues	13,649,857	13,288,849	2,879,510	1,625,252	16,529,367	14,914,101	
Expenses:							
General Government	2,560,900	2,622,268	0	0	2,560,900	2,622,268	(2.3%)
Public Safety	4,720,444	4,621,130	0	0	4,720,444	4,621,130	2.1%
Public Works	2,987,940	2,858,943	0	0	2,987,940	2,858,943	4.3%
Community Development	183,714	582,263	0	0	183,714	582,263	(68.4%)
Culture & Recreation	1,391,182	1,293,643	572,226	484,266	1,963,408	1,777,909	21.7%
Interest on Long-Term Debt	277,885	295,980	0	0	277,885	295,980	(6.1%)
Wastewater	0	0	2,111,990	820,396	2,111,990	820,396	227.2%
Total Expenses	12,122,065	12,274,227	2,684,216	1,304,662	14,806,281	13,578,889	9.0%
Increase in Net Assets	1,527,792	1,014,622	195,294	320,590	1,723,086	1,335,212	29.0%
Net Assets, July 1	23,896,237	22,881,615	6,387,545	6,066,955	30,283,782	28,948,570	4.5%
Net Assets, June 30	25,424,029	\$23,896,237	\$6,582,839	\$6,387,545	\$32,006,868	\$30,283,782	5.7%

Governmental activities

Key elements in the changes in revenue are as follows:

- The property tax rate increased 0.5% over last year
- Property taxes financed approximately 85% of General Fund expenses and the remainder of the cost was paid by those who directly benefited from programs offered and by other governments and organizations that subsidized certain programs with operating grants and contributions. In FY 2010 property taxes financed 81% of General Fund expenses.
- Interest, penalties and tax sale charges were over \$33,754 more than budgeted.
- Payments in Lieu of Taxes were \$86,947 over budget. This is due to the State of Vermont payment exceeding expectations.
- Overall, actual General Fund revenues were higher than last year by about \$383,542 or 3.7%. This is primarily due to increased property tax revenue.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS

Figure 5 shows the changes in types of revenues between fiscal year 2010 and 2011. Property taxes are the largest source of revenues. In FY 11, Charges for Services provided only 8.1% of revenue, while Grants and Contributions comprised almost 12.0 % of revenues in FY 11 or a combined total of 20.1%. The combination of these two categories was 22.3% of revenues in 2010.

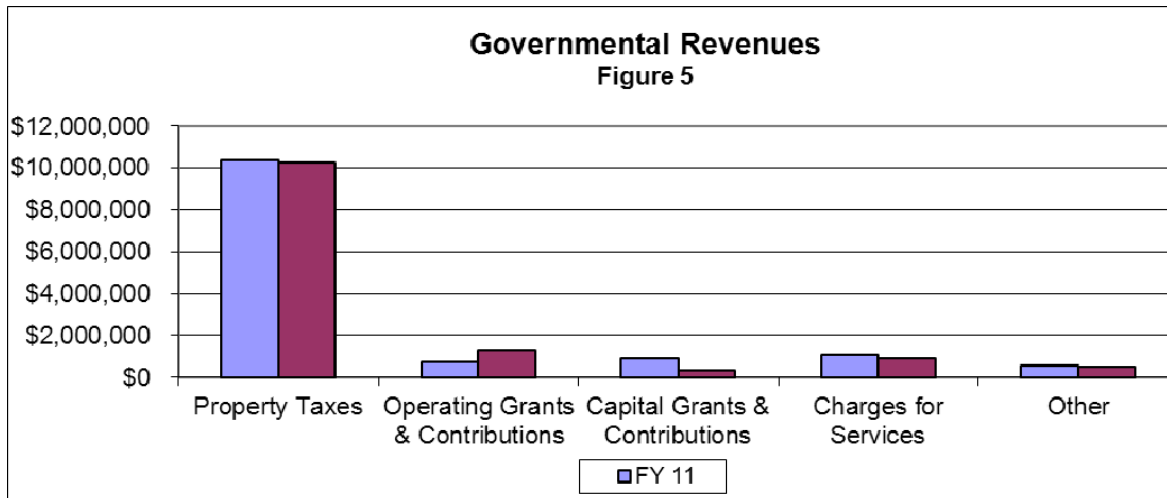
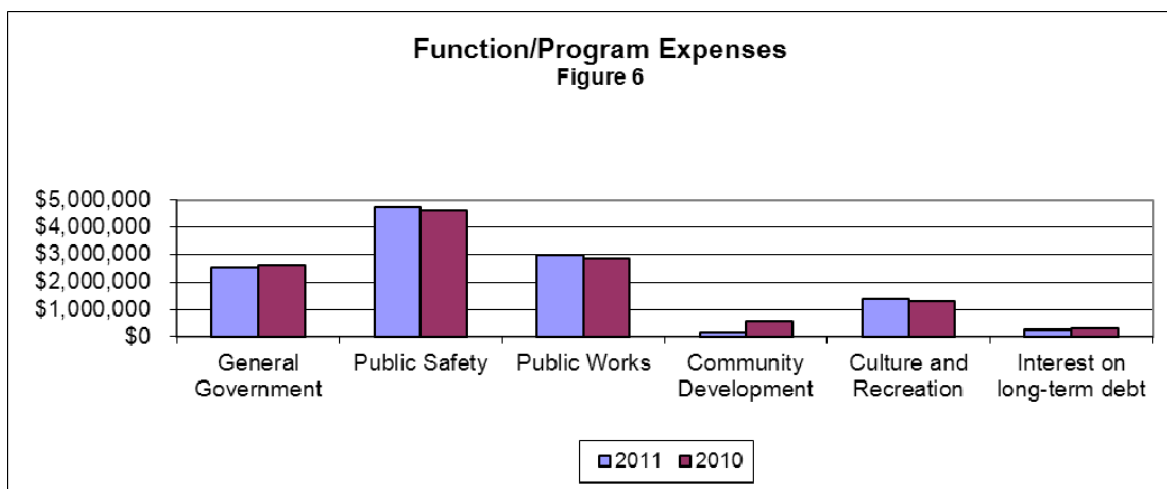
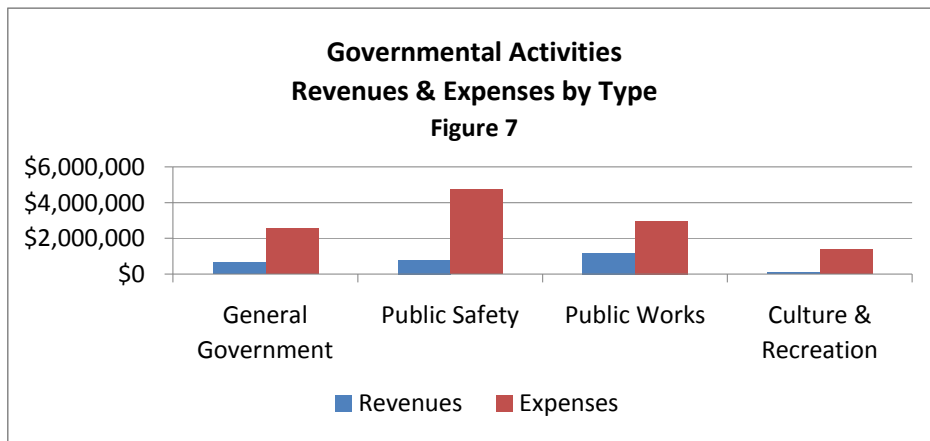


Figure 6 compares the changes in functional or program expenses between 2010 and 2011. This graph shows how the Town spends its revenue. In FY 11, Public Safety comprises 39% of the spending, followed by Public Works with 25% and General Government with 21% of the total spending. Culture & Recreation includes the Library and the Recreation Department and represents 11% of the expenses.



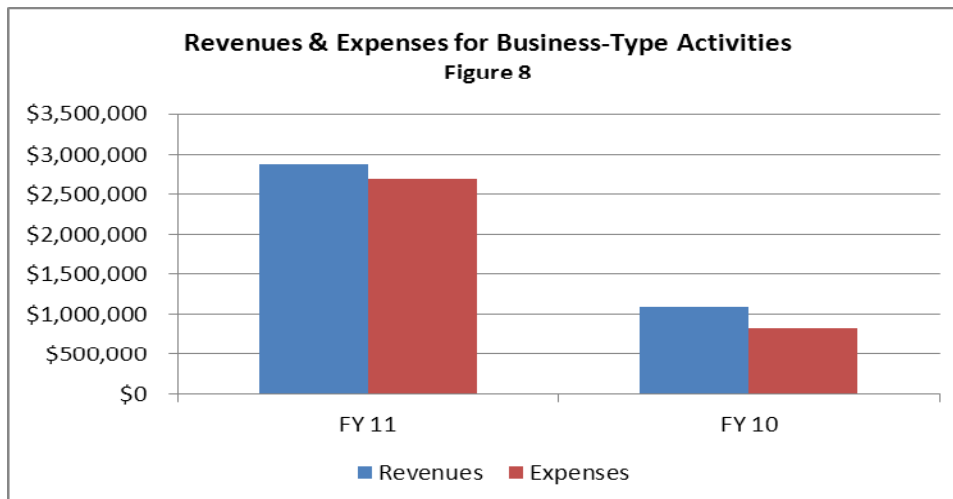
TOWN OF COLCHESTER, VERMONT MANAGEMENT DISCUSSION AND ANALYSIS

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. Revenues exceeded expenses by \$11,508.
- Charges for services in the Wastewater Fund were \$836,481, compared with \$795,196 in fiscal year 2010.
- Business type activities represent about 20.6% of total net assets.
- Included in operating expenses is depreciation expense in the amount of \$149,972.
- The user rate in the Wastewater Fund was not changed in FY 11.



Financial Analysis of the Town's Funds

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

TOWN OF COLCHESTER, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS

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

The General Fund is the chief operating fund of the Town of Colchester. A key financial statistic to evaluating the financial strength of the Town is the level of the General Fund unassigned fund balance as a percent of total revenues or expenditures. 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 \$1,231,421 and \$42,422 was nonspendable for inventory and prepaid expenses and \$446,916 was assigned to reduce property taxes in fiscal year 2012.
- The unassigned General Fund fund balance at June 30, 2011 was 12% of total General Fund expenditures.
- Total governmental fund balances totaled \$6,483,941 in 2011 and \$7,335,278 in 2010.

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

The Town operates a Septic Revolving Loan Fund to provide financial assistance for the upgrade of failing on-site septic systems. The Town has approved loans to 18 individuals or families as of June 30, 2010.

Proprietary Funds (Wastewater and Recreation Program Funds)

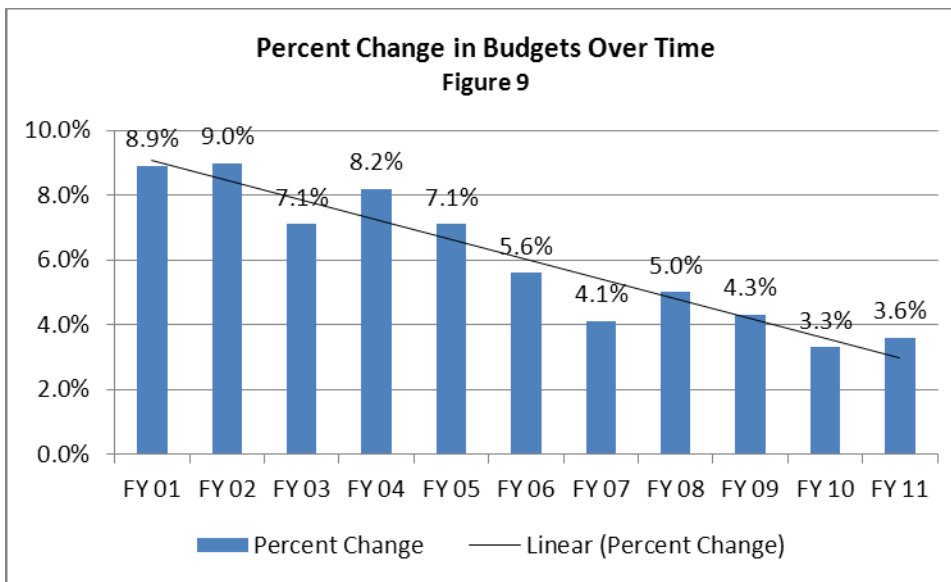
Business-type activities increased the Town's net assets of the Wastewater and Recreation Program Funds by about \$195,294 or about 3.1%. Total Net Assets at June 30, 2011 were \$6,582,839 compared with \$6,387,545 as of June 30, 2010.

General Fund Budgetary Highlights:

The FY 2011 General Fund budget totaling \$10,776,711 increased 3.6% over FY 10. The budget increase between FY 09 and FY 10 was 3.3%. Salaries and benefits made up about 66% of the General Fund budget.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS

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



Actual revenues in the General Fund were higher than budgeted by \$88,580 and actual expenditures were lower than budgeted by \$437,748. The FY 11 budget planned for deficit spending of \$341,600, but the General Fund ended with a surplus of \$184,728.

Some of the key factors contributing to this surplus include:

Revenue Variances

- The largest budget variances were from additional funds received from the State of Vermont for Payment in Lieu of Taxes (PILOT). We received over \$86,947 more than budgeted.
- Revenue from ambulance fees exceeded the budget by over \$3,987 however, Rescue expenses exceeded revenues by about \$184,792. In FY 10, rescue expenses exceeded revenues by \$120,006.
- Actual property tax revenues were approximately \$58,000 less than budgeted in FY 11.

Expenditure Variances

- The Select Board budget was under budget by \$51,922 primarily due to the Select Board Contingency of \$50,000 not spent this year.
- Salaries were under budget by almost \$345,939 due to unfilled positions and officers serving in the National Guard.
- Employee benefits were under budget by about \$297,000 primarily due to lower retirement and social security costs due to lower salaries and health insurance cost was lower than budget by \$297,000. Health insurance rates increased by only about 2.5% in 2011. 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.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS

- The Selectboard approved unbudgeted transfers to other funds totaling \$219,066 at year end. The largest amount, \$150,000, was for repairs to park infrastructure. The remaining \$69,066 was for various capital purchases or repairs not able to be completed by June 30, 2011.
- Gasoline was over budget by \$17,278 due to an increase in gasoline prices since the date the budget was determined.
- Overtime was over budget by \$30,165, partially due to the significant snow removal effort during the winter.

Capital Assets

The Town of Colchester's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totaled \$28,867,385 (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 \$528,179. The largest additions were two dump trucks for about \$257,000.
- The Town received \$124,787 in equipment from grant sources.
- Construction in Progress increased by approximately \$1,223,400 due primarily to work on the Holy Cross Rd bike path and the Campus Road connector.
- Other paving projects were completed valued at 515,567.

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.

<u>Town of Colchester Capital Assets (net of depreciation)</u>							
Figure 10							
	Governmental Activities		Business-Type Activities		Total		% Change
	2011	2010	2011	2010	2011	2010	
Land	\$2,104,936	\$2,104,936	132,568	\$132,568	\$2,237,504	\$2,237,504	0.0%
Construction in Progress	2,269,893	1,046,464		0	2,269,893	1,046,464	116.9%
Land Improvements	721,282	755,454		0	721,282	755,454	(4.5%)
Buildings & Improvements	5,530,528	5,617,610		0	5,530,528	5,617,610	1.6%
Equipment & Furniture	753,668	688,129		0	753,668	688,129	9.5%
Vehicles	1,975,705	1,983,489		0	1,975,705	1,983,489	(0.4%)
Infrastructure	12,049,550	11,992,927		0	12,049,550	11,992,927	0.5%
Plant & Equipment	0	0	3,329,255	3,479,227	3,329,255	3,479,227	(4.3%)
Total	\$25,405,562	\$24,189,009	\$3,461,823	\$3,611,795	\$28,867,385	\$27,800,804	3.8%

TOWN OF COLCHESTER, VERMONT MANAGEMENT DISCUSSION AND ANALYSIS

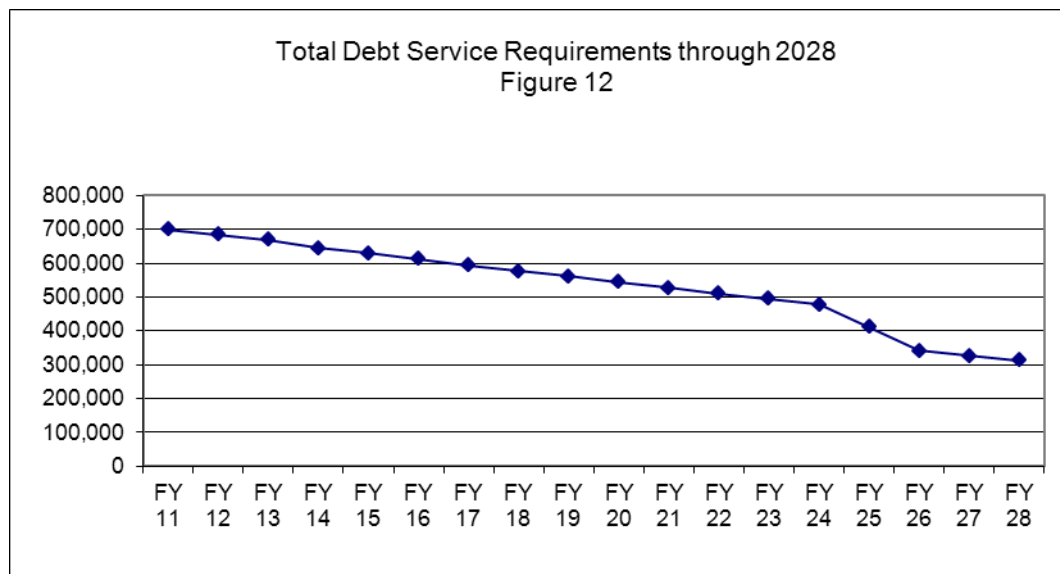
Debt Administration

There was no new borrowing in the governmental funds or in the business-type fund in Fiscal Year 2011.

Town of Colchester's Outstanding Debt							
Figure 11							
	Governmental Activities		Business-Type Debt		Total		%
	2011	2010	2011	2010	2011	2010	Change
General Obligation Bonds	\$6,842,065	\$7,277,495	\$632,384	\$711,432	\$7,474,449	\$7,988,927	-6.4%
Special Assessment Debt with Government Commitment	0	0	1,945,000	2,085,000	1,945,000	2,085,000	-6.7%
Total	\$6,842,065	\$7,277,495	\$2,577,384	\$2,796,432	\$9,419,449	\$10,073,927	-6.5%

The Town has received authorization for six \$150,000 revolving loan fund bonds for the purpose of loaning funds to upgrade failed septic systems. For the year ended June 30, 2011, the Town requested \$0 in reimbursement from the State of Vermont.

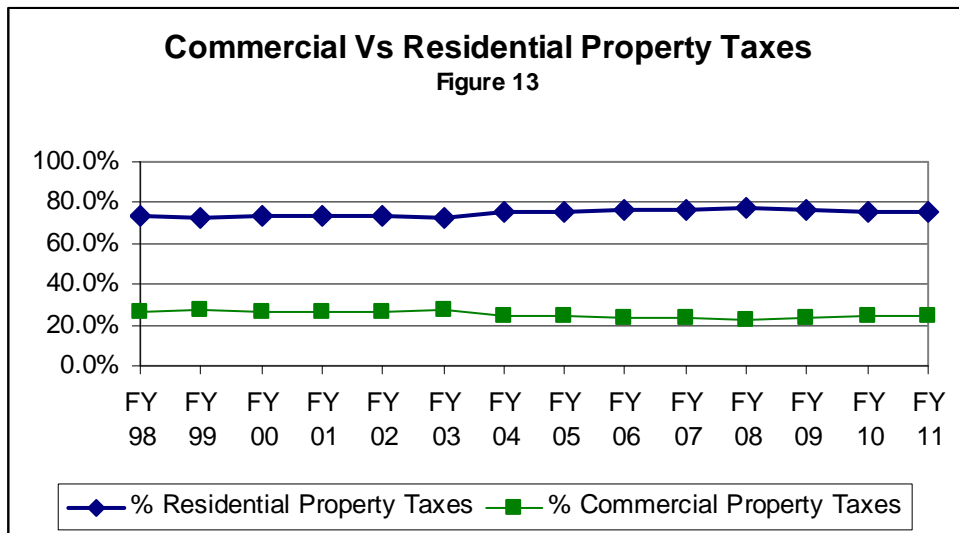
Figure 12 indicates the Town's debt service requirements through 2028, after which all current debt will be retired. Additional information regarding the Town's long-term debt can be found in note 4G of this report.



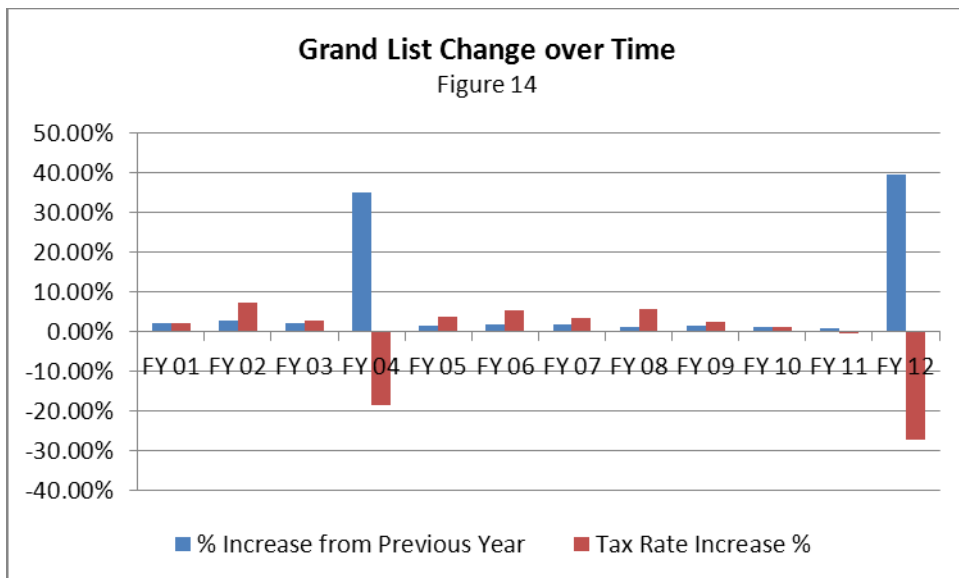
Economic Factors and Next Year's Budgets and Rates

- 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 14 year trend in the commercial and residential property tax payments. For FY 10 and FY 11, 76% and 75.4% respectively of property tax revenues come from residential properties.

TOWN OF COLCHESTER, VERMONT MANAGEMENT DISCUSSION AND ANALYSIS



- The Municipal Grand List value for the Town was \$14,028,401 as of the beginning of FY 11. This was an increase of 1.04% over the prior fiscal year. Since 1970 the Town of Colchester's Grand List has grown from \$172,670 to \$14,028,401.

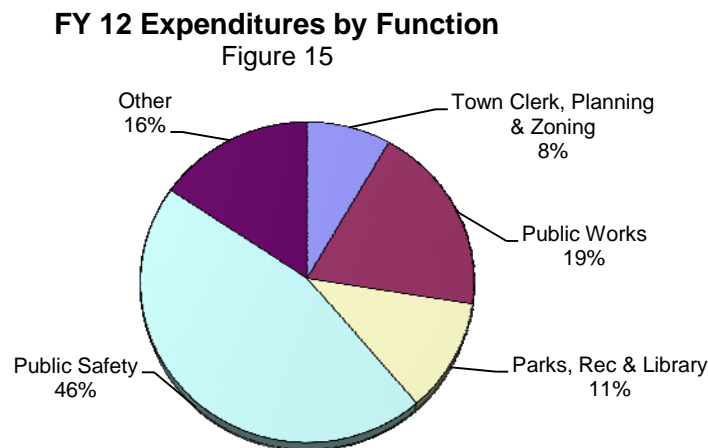


- The Town of Colchester approved a General Fund budget for 2012 in the amount of \$10,823,924. This represents an increase of 0.4% over the previous year.
- The municipal tax rate decreased by 27.3% to \$0.5370 due to reappraisal. The reappraisal also had the effect of increasing the Grand List from \$14,028,401 to \$19,567,941.
- In FY 11, about 45% of the budget is for public safety services. In FY 12, public safety will represent 46% of the budget.

TOWN OF COLCHESTER, VERMONT MANAGEMENT DISCUSSION AND ANALYSIS

- Public Works represents about 19% of the General Fund budget in both FY 11 and FY 12.
- Parks & Recreation and the Library represent about 12% of the General Fund budget in FY 11 and 11% of the budget in FY 12.
- 71.6% of the General Fund budget is for salaries and benefits in FY 11 and in FY 12 it represents 70.8% of the budget.
- Overall, there was a 4.1% increase in salaries and benefits over the FY 2010 budget, primarily due to a 16% increase in the budget for health insurance.

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



Performance Measures

Beginning in Fiscal Year 2007, each department committed to at least one measurable performance goal in addition to the normal departmental goals for the upcoming year. The purpose of this effort is to allow the public more insight into the efforts of each department to improve or become more efficient each year. Please visit the Colchester web site and click on the Town Budget tab in the Finance Department section to see the goals that have been set. The web address is www.colchestervt.gov.

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, 2011

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 5,991,441	\$ 2,940,796	\$ 8,932,237
Investments	2,018,883	296,217	2,315,100
Receivables (Net of Allowance for Uncollectibles)	1,146,396	2,682,453	3,828,849
Notes Receivable	231,250	0	231,250
Internal Balances	(445,774)	445,774	0
Prepaid Expenses	4,123	0	4,123
Inventories	38,299	7,807	46,106
Capital Assets			
Land	2,104,936	132,568	2,237,504
Construction in Progress	2,269,893	0	2,269,893
Other Capital Assets (Net of Accumulated Depreciation)	21,030,733	3,329,255	24,359,988
Total Assets	34,390,180	9,834,870	44,225,050
<u>LIABILITIES</u>			
Accounts Payable	755,066	515,682	1,270,748
Accrued Payroll and Benefits Payable	251,163	23,148	274,311
Deferred Revenue	104,707	111,951	216,658
Due to Others	299,589	0	299,589
Accrued Interest Payable	22,866	11,144	34,010
Noncurrent Liabilities:			
Due within One Year	435,431	224,048	659,479
Due in More than One Year	7,097,329	2,366,058	9,463,387
Total Liabilities	8,966,151	3,252,031	12,218,182
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	20,744,756	2,829,439	23,574,195
Restricted for:			
Cemetery Funds:			
Nonexpendable	91,050	0	91,050
Expendable	127,773	0	127,773
Other	364,952	6,600	371,552
Unrestricted	4,095,498	3,746,800	7,842,298
Total Net Assets	\$ 25,424,029	\$ 6,582,839	\$ 32,006,868

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

TOWN OF COLCHESTER, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	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	\$ 2,560,900	\$ 548,085	\$ 93,690	\$ 0	\$ (1,919,125)	\$ 0	\$ (1,919,125)
Public Safety	4,720,444	523,602	51,885	237,254	(3,907,703)	0	(3,907,703)
Public Works	2,987,940	5,110	505,371	663,603	(1,813,856)	0	(1,813,856)
Community Development	183,714	6,130	16,158	0	(161,426)	0	(161,426)
Culture and Recreation	1,391,182	22,871	57,984	18,375	(1,291,952)	0	(1,291,952)
Interest on Long-Term Debt	277,885	0	0	0	(277,885)	0	(277,885)
Total Governmental Activities	12,122,065	1,105,798	725,088	919,232	(9,371,947)	0	(9,371,947)
Business-Type Activities:							
Wastewater	2,111,990	836,481	1,202,800	0	0	(72,709)	(72,709)
Recreation	572,226	582,478	0	0	0	10,252	10,252
Total Business-Type Activities	2,684,216	1,418,959	1,202,800	0	0	(62,457)	(62,457)
Total	\$ 14,806,281	\$ 2,524,757	\$ 1,927,888	\$ 919,232	(9,371,947)	(62,457)	(9,434,404)
General Revenues:							
Property Taxes					10,367,269	0	10,367,269
Interest and Penalties on Delinquent Taxes					140,504	0	140,504
Payment in Lieu of Taxes					236,176	0	236,176
Unrestricted Investment Earnings					114,210	256,495	370,705
Other Revenues					38,456	0	38,456
Gain on Sale of Equipment					4,380	0	4,380
Transfers					(1,256)	1,256	0
Total General Revenues					10,899,739	257,751	11,157,490
Change in Net Assets					1,527,792	195,294	1,723,086
Net Assets - July 1, 2010, As Reclassified/Restated					23,896,237	6,387,545	30,283,782
Net Assets - June 30, 2011					\$ 25,424,029	\$ 6,582,839	\$ 32,006,868

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

TOWN OF COLCHESTER, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Capital Projects Fund	Reserve Fund	Community Development Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>							
Cash	\$ 2,055,967	\$ 2,316,474	\$ 1,110,296	\$ 72,628	\$ 60,503	\$ 375,573	\$ 5,991,441
Investments	1,866,838	0	0	0	0	152,045	2,018,883
Receivables (Net of Allowance for Uncollectibles)	462,634	645,303	0	0	36,504	1,955	1,146,396
Notes Receivable (Net of Allowance for Uncollectibles)	0	0	0	0	0	231,250	231,250
Due from Other Funds	0	724,187	452,903	0	55,433	13,081	1,245,604
Prepaid Expenses	4,123	0	0	0	0	0	4,123
Inventories	38,299	0	0	0	0	0	38,299
Total Assets	<u>\$ 4,427,861</u>	<u>\$ 3,685,964</u>	<u>\$ 1,563,199</u>	<u>\$ 72,628</u>	<u>\$ 152,440</u>	<u>\$ 773,904</u>	<u>\$ 10,675,996</u>
<u>LIABILITIES</u>							
Liabilities:							
Accounts Payable	\$ 262,764	\$ 317,382	\$ 126,430	\$ 270	\$ 40,344	\$ 7,876	\$ 755,066
Accrued Payroll and Benefits Payable	250,888	0	0	0	275	0	251,163
Due to Other Funds	1,576,875	0	0	0	0	114,503	1,691,378
Deferred Revenue	316,986	538,500	0	0	108,123	231,250	1,194,859
Due to Others	299,589	0	0	0	0	0	299,589
Total Liabilities	<u>2,707,102</u>	<u>855,882</u>	<u>126,430</u>	<u>270</u>	<u>148,742</u>	<u>353,629</u>	<u>4,192,055</u>
Fund Balances/(Deficit):							
Nonspendable	42,422	0	0	0	0	93,050	135,472
Restricted	0	1,964,534	0	72,358	3,698	431,351	2,471,941
Assigned	446,916	865,548	1,436,769	0	0	138	2,749,371
Unassigned	1,231,421	0	0	0	0	(104,264)	1,127,157
Total Fund Balances/(Deficit)	<u>1,720,759</u>	<u>2,830,082</u>	<u>1,436,769</u>	<u>72,358</u>	<u>3,698</u>	<u>420,275</u>	<u>6,483,941</u>
Total Liabilities and Fund Balances	<u>\$ 4,427,861</u>	<u>\$ 3,685,964</u>	<u>\$ 1,563,199</u>	<u>\$ 72,628</u>	<u>\$ 152,440</u>	<u>\$ 773,904</u>	

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. 25,405,562

Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds. 1,090,152

Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds. (7,555,626)

Net Assets of Governmental Activities \$ 25,424,029

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, 2011

	General Fund	Capital Projects Fund	Reserve Fund	Community Development Fund	Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Property Taxes	\$ 8,722,456	\$ 526,065	\$ 61,500	\$ 0	\$ 0	\$ 994,397	\$ 10,304,418
Penalties and Interest	140,504	0	0	0	0	0	140,504
Payment in Lieu of Taxes	236,176	0	0	0	0	0	236,176
Intergovernmental Revenues	445,652	140,595	58,276	29,181	515,181	5,425	1,194,310
Impact Fees	0	0	0	0	0	18,375	18,375
Contributions and Donations	0	0	70,371	0	0	24,238	94,609
Charges for Services	649,173	22,381	84,691	0	0	11,639	767,884
Investment Income	54,516	10,361	17,717	540	571	30,505	114,210
Licenses and Permits	219,064	0	0	0	0	0	219,064
Loan Repayments	0	0	0	0	0	6,719	6,719
Other Revenues	56,150	540	0	62	0	0	56,752
Total Revenues	<u>10,523,691</u>	<u>699,942</u>	<u>292,555</u>	<u>29,783</u>	<u>515,752</u>	<u>1,091,298</u>	<u>13,153,021</u>
EXPENDITURES:							
Current:							
General Government	2,195,444	181	257,254	0	1,975	0	2,454,854
Public Safety	4,507,134	0	7,165	0	0	1,640	4,515,939
Public Works	2,094,746	20,098	0	0	323,724	1,494	2,440,062
Community Development	103,357	0	0	29,121	58,360	50,684	241,522
Culture & Recreation	1,098,313	33,071	5,432	0	54,770	37,278	1,228,864
Capital:							
General Government	23,315	30,810	18,724	0	0	0	72,849
Public Safety	0	0	133,483	0	39,898	0	173,381
Public Works	0	1,705,780	0	0	0	172,447	1,878,227
Culture & Recreation	0	0	0	0	28,432	41,129	69,561
Debt Service:							
Principal	0	0	0	0	0	435,431	435,431
Interest	0	0	0	0	0	278,485	278,485
Total Expenditures	<u>10,022,309</u>	<u>1,789,940</u>	<u>422,058</u>	<u>29,121</u>	<u>507,159</u>	<u>1,018,588</u>	<u>13,789,175</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>501,382</u>	<u>(1,089,998)</u>	<u>(129,503)</u>	<u>662</u>	<u>8,593</u>	<u>72,710</u>	<u>(636,154)</u>
Other Financing Sources/(Uses):							
Proceeds from Sale of Equipment	0	0	0	0	0	4,380	4,380
Transfers In	0	195,810	172,451	0	0	10,000	378,261
Transfers Out	(316,654)	0	0	0	0	(62,863)	(379,517)
Total Other Financing Sources/(Uses)	<u>(316,654)</u>	<u>195,810</u>	<u>172,451</u>	<u>0</u>	<u>0</u>	<u>(48,483)</u>	<u>3,124</u>
Net Change in Fund Balances	184,728	(894,188)	42,948	662	8,593	24,227	(633,030)
Fund Balances/(Deficit) - July 1, 2010	<u>1,536,031</u>	<u>3,724,270</u>	<u>1,393,821</u>	<u>71,696</u>	<u>(4,895)</u>	<u>396,048</u>	<u>7,116,971</u>
Fund Balances/(Deficit) - June 30, 2011	<u>\$ 1,720,759</u>	<u>\$ 2,830,082</u>	<u>\$ 1,436,769</u>	<u>\$ 72,358</u>	<u>\$ 3,698</u>	<u>\$ 420,275</u>	<u>\$ 6,483,941</u>

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, 2011

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)	\$ (633,030)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost (\$2,194,018) of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$1,016,860). This is the amount by which capital outlays exceeded depreciation in the current period.	1,177,158
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, donations) is to Increase net assets.	39,395
Revenues reported in the funds from prior year deferred revenues are not reported as revenues in the statement of activities.	(322,679)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	858,902
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 (\$435,431) 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.	435,431
The issuance of loans receivable (\$50,684) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$6,719) 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.	43,965
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>(71,350)</u>
Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 1,527,792</u></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, 2011

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:					
Real Estate Taxes	\$ 8,890,231	\$ 0	\$ 8,890,231	\$ 8,862,960	\$ (27,271)
Licenses and Permits	235,850	0	235,850	219,064	(16,786)
Charges for Services	701,589	0	701,589	686,035	(15,554)
State Aid Highway	182,023	0	182,023	181,647	(376)
Payments in Lieu of Taxes	75,000	0	75,000	161,947	86,947
Current Use Payment	12,650	0	12,650	15,862	3,212
Support Payments	57,772	0	57,772	58,367	595
School Payment	34,146	0	34,146	34,342	196
Interest	55,000	0	55,000	54,516	(484)
Miscellaneous	8,000	0	8,000	68,442	60,442
Grant Income	20,000	0	20,000	25,000	5,000
Act 60 and Act 68 Reimbursement	31,850	0	31,850	54,509	22,659
Sewer Fund Contribution	101,000	0	101,000	101,000	0
Reserve Fund Contribution	30,000	0	30,000	0	(30,000)
Total Revenue	<u>10,435,111</u>	<u>0</u>	<u>10,435,111</u>	<u>10,523,691</u>	<u>88,580</u>
Expenditures:					
Administration	2,282,764		2,282,764	2,164,948	117,816
Public Safety	4,879,485	0	4,879,485	4,562,722	316,763
Public Works, Highway and Garage	1,839,113	0	1,839,113	1,810,250	28,863
Stormwater	151,576	0	151,576	148,892	2,684
Buildings	100,129	0	100,129	103,271	(3,142)
Health	45,766	0	45,766	45,650	116
Parks	337,143	0	337,143	330,802	6,341
Recreation	320,446	0	320,446	439,056	(118,610)
Library	585,274	0	585,274	533,521	51,753
Cemetery	26,410	0	26,410	17,845	8,565
Intergovernmental	208,605	0	208,605	182,006	26,599
Total Expenditures	<u>10,776,711</u>	<u>0</u>	<u>10,776,711</u>	<u>10,338,963</u>	<u>437,748</u>
Excess/(Deficiency) of Revenue Over Expenditures	\$ <u>(341,600)</u>	\$ <u>0</u>	\$ <u>(341,600)</u>	184,728	\$ <u>526,328</u>
Fund Balance - July 1, 2010				<u>1,536,031</u>	
Fund Balance - June 30, 2011				\$ <u>1,720,759</u>	

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

TOWN OF COLCHESTER, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Major Fund	Non-Major Fund	
	Wastewater Fund	Recreation Program Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash	\$ 2,940,796	\$ 0	\$ 2,940,796
Investments	296,217	0	296,217
Receivables (Net of Allowance for Uncollectible Accounts)	737,453	0	737,453
Special Assessment Receivable - Current Portion	145,000	0	145,000
Due from Other Funds	68,491	377,283	445,774
Inventory	7,807	0	7,807
Total Current Assets	4,195,764	377,283	4,573,047
Noncurrent Assets:			
Special Assessment Receivable - Long-Term Portion	1,800,000	0	1,800,000
Capital Assets			
Land	132,568	0	132,568
Plant and Equipment	6,197,553	0	6,197,553
Accumulated Depreciation	(2,868,298)	0	(2,868,298)
Total Noncurrent Assets	5,261,823	0	5,261,823
Total Assets	\$ 9,457,587	\$ 377,283	\$ 9,834,870
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 504,252	\$ 11,430	\$ 515,682
Accrued Payroll and Benefits Payable	129	23,019	23,148
Deferred Revenue	0	111,951	111,951
Accrued Interest Payable	11,144	0	11,144
Special Assessment Debt with Governmental Commitment - Due within One Year	145,000	0	145,000
General Obligation Bonds Payable - Due Within One Year	79,048	0	79,048
Total Current Liabilities	739,573	146,400	885,973
Noncurrent Liabilities:			
Compensated Absences	0	12,722	12,722
Special Assessment Debt With Governmental Commitment - Due in More Than One Year	1,800,000	0	1,800,000
General Obligation Bonds Payable - Due in More Than One Year	553,336	0	553,336
Total Noncurrent Liabilities	2,353,336	12,722	2,366,058
Total Liabilities	3,092,909	159,122	3,252,031
<u>NET ASSETS</u>			
Investment in Capital Assets, Net of Related Debt	2,829,439	0	2,829,439
Restricted	6,600	0	6,600
Unrestricted	3,528,639	218,161	3,746,800
Total Net Assets	6,364,678	218,161	6,582,839
Total Liabilities and Net Assets	\$ 9,457,587	\$ 377,283	\$ 9,834,870

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, 2011

	Major Fund	Non-Major Fund	
	Wastewater Fund	Recreation Program Fund	Total
OPERATING REVENUES:			
Charges for Services	\$ 836,481	\$ 582,478	\$ 1,418,959
Total Operating Revenues	836,481	582,478	1,418,959
OPERATING EXPENSES:			
Sewage Treatment	403,366	0	403,366
Administration Costs	101,000	0	101,000
Salaries and Benefits	4,607	439,396	444,003
Insurances	5,244	0	5,244
Chemicals	37,691	0	37,691
Repairs and Maintenance	27,041	0	27,041
Utilities	36,512	0	36,512
General Expense	6,033	22,802	28,835
Program Expenses	0	110,028	110,028
Depreciation	149,972	0	149,972
Total Operating Expenses	771,466	572,226	1,343,692
Operating Income	65,015	10,252	75,267
NONOPERATING REVENUES (EXPENSES):			
Grant Reimbursement	1,202,800	0	1,202,800
Interest Income on Debt Service Special Assessment	201,930	0	201,930
Investment Income	54,565	0	54,565
Grant Expense	(1,202,800)	0	(1,202,800)
Interest Expense	(137,724)	0	(137,724)
Total Nonoperating Revenues (Expenses)	118,771	0	118,771
Net Income before Transfers	183,786	10,252	194,038
Other Financing Sources/(Uses)			
Transfer In	0	32,066	32,066
Transfer Out	0	(30,810)	(30,810)
Total Other Financing Sources/(Uses)	0	1,256	1,256
Change in Net Assets	183,786	11,508	195,294
Total Net Assets - July 1, 2010, As Reclassified	6,180,892	206,653	6,387,545
Total Net Assets - June 30, 2011	\$ 6,364,678	\$ 218,161	\$ 6,582,839

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, 2011

	Major Fund	Non-Major Fund	
	Wastewater Fund	Recreation Program Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 848,714	\$ 584,595	\$ 1,433,309
Payments to Suppliers	(495,404)	(131,625)	(627,029)
Payments for Interfund Services	(101,000)	0	(101,000)
Payments for Wages and Benefits	(4,594)	(432,782)	(437,376)
Net Cash Provided by Operating Activities	<u>247,716</u>	<u>20,188</u>	<u>267,904</u>
Cash Flows From Noncapital Financing Activities:			
Proceeds of Grant Income	758,949	0	758,949
Grant Expense	(758,949)	0	(758,949)
Net Transfers In/(Out)	0	1,256	1,256
Net Change in Due To/From Other Funds	<u>40,744</u>	<u>(21,444)</u>	<u>19,300</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>40,744</u>	<u>(20,188)</u>	<u>20,556</u>
Cash Flows From Capital and Related Financing Activities:			
Special Assessments Received	140,000	0	140,000
Principal Paid on Long-Term Notes and Bonds	(219,048)	0	(219,048)
Interest Paid on Long-Term Notes and Bonds	<u>(138,524)</u>	<u>0</u>	<u>(138,524)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(217,572)</u>	<u>0</u>	<u>(217,572)</u>
Cash Flows From Investing Activities:			
Receipt of Interest and Dividends	256,495	0	256,495
Net Decrease in Investments	<u>1,461,926</u>	<u>0</u>	<u>1,461,926</u>
Net Cash Provided by Investing Activities	<u>1,718,421</u>	<u>0</u>	<u>1,718,421</u>
Net Increase in Cash	1,789,309	0	1,789,309
Cash - July 1, 2010	<u>1,151,487</u>	<u>0</u>	<u>1,151,487</u>
Cash - June 30, 2011	<u>\$ 2,940,796</u>	<u>\$ 0</u>	<u>\$ 2,940,796</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 65,015	\$ 10,252	\$ 75,267
Depreciation	149,972	0	149,972
Decrease in Accounts Receivable	12,233	0	12,233
Increase in Inventory	(4,787)	0	(4,787)
Increase in Accounts Payable	25,270	1,205	26,475
Increase in Accrued Payroll	13	5,546	5,559
Increase in Deferred Revenue	0	2,117	2,117
Increase in Compensated Absences	<u>0</u>	<u>1,068</u>	<u>1,068</u>
Net Cash Provided by Operating Activities	<u>\$ 247,716</u>	<u>\$ 20,188</u>	<u>\$ 267,904</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, 2011

	Agency Funds
<u>ASSETS</u>	
Cash	\$ <u>26,697</u>
Total Assets	<u>26,697</u>
<u>LIABILITIES</u>	
Due to Others	<u>26,697</u>
Total Liabilities	<u>26,697</u>
Net Assets	\$ <u><u>0</u></u>

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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
JUNE 30, 2011

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 required to be 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
JUNE 30, 2011

Additionally, the Town reports the following fund types:

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.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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.

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.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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.

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.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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:

	<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.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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.

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.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

2A. Governmental Funds Balance Sheet and the Statement of Net Assets

The differences between the governmental funds balance sheet and government-wide statement of net assets are as follows:

	Balance Sheet	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Elimination of Interfund Balances	Statement of Net Assets
ASSETS						
Cash	\$ 5,991,441	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,991,441
Investments	2,018,883	0	0	0	0	2,018,883
Receivables	1,146,396	0	0	0	0	1,146,396
Notes Receivable	231,250	0	0	0	0	231,250
Due From Other Funds	1,245,604	0	0	0	(1,691,378)	(445,774)
Prepaid Expenses	4,123	0	0	0	0	4,123
Inventories	38,299	0	0	0	0	38,299
Capital Assets	0	0	25,405,562	0	0	25,405,562
Total Assets	10,675,996	0	25,405,562	0	(1,691,378)	34,390,180
LIABILITIES						
Accounts Payable	755,066	0	0	0	0	755,066
Accrued Payroll and Benefits Payable	251,163	0	0	0	0	251,163
Due to Other Funds	1,691,378	0	0	0	(1,691,378)	0
Deferred Revenue	1,194,859	(1,090,152)	0	0	0	104,707
Due to Others	299,589	0	0	0	0	299,589
Accrued Interest Payable	0	22,866	0	0	0	22,866
Noncurrent Liabilities	0	690,695	0	6,842,065	0	7,532,760
Total Liabilities	4,192,055	(376,591)	0	6,842,065	(1,691,378)	8,966,151
NET ASSETS						
Invested in Capital Assets	0	0	25,405,562	(4,660,806)	0	20,744,756
Other	6,483,941	376,591	0	(2,181,259)	0	4,679,273
Total Net Assets	\$ 6,483,941	\$ 376,591	\$ 25,405,562	\$ (6,842,065)	\$ 0	\$ 25,424,029

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

2B. Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

The differences between the governmental funds statement of revenues, expenditures and changes in fund balances and government-wide statement of activities are as follows:

	Statement of Revenue, Expenditures and Changes in Fund Balances	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Elimination of Interfund Activity	Statement of Activities
REVENUES						
Property Taxes	\$ 10,304,418	\$ 62,851	\$ 0	\$ 0	\$ 0	\$ 10,367,269
Penalties and Interest	140,504	0	0	0	0	140,504
Payment In Lieu of Taxes	236,176	0	0	0	0	236,176
Intergovernmental Revenues	1,194,310	451,625	0	0	(1,645,935)	0
Impact Fees	18,375	0	0	0	(18,375)	0
Contributions and Donations	94,609	0	79,620	0	(174,229)	0
Charges for Services	767,884	21,747	0	0	316,167	1,105,798
Investment Income	114,210	0	0	0		114,210
Licenses and Permits	219,064	0	0	0	(219,064)	0
Loan Repayments	6,719	(6,719)	0	0		0
Other Revenues	56,752	0	0	0	(18,296)	38,456
Operating Grants & Contributions	0	0	0	0	725,088	725,088
Capital Grants & Contributions	0	0	0	0	919,232	919,232
Proceeds/Gain on Sale of Equipment	4,380	0	0	0	0	4,380
Transfers from Other Funds	378,261	0	0	0	(378,261)	0
Total Revenues	13,535,662	529,504	79,620	0	(493,673)	13,651,113
EXPENDITURES						
General Government	2,454,854	14,752	109,544	0	(18,250)	2,560,900
Public Safety	4,515,939	31,258	173,247	0	0	4,720,444
Public Works	2,440,062	19,607	619,271	0	(91,000)	2,987,940
Community Development	241,522	(51,646)	0	0	(6,162)	183,714
Culture and Recreation	1,228,864	7,295	155,023	0	0	1,391,182
Capital	2,194,018	0	(2,194,018)	0	0	0
Debt Service:						
Principal	435,431	0	0	(435,431)	0	0
Interest	278,485	(600)	0	0	0	277,885
Transfers to Other Funds	379,517	0	0	0	(378,261)	1,256
Total Expenditures	14,168,692	20,666	(1,136,933)	(435,431)	(493,673)	12,123,321
Net Change for the Year	\$ (633,030)	\$ 508,838	\$ 1,216,553	\$ 435,431	\$ 0	\$ 1,527,792

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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.

3B. Budgeted Deficit

The Town budgeted a current year's deficit of \$341,600 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.

3C. Reclassification/Restatement of Fund Balances and Net Assets

The Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". As a result of adopting this standard, one (1) fund previously reported as a Special Revenue Fund no longer qualified under the new definition, and therefore, is now reported in another fund type. The reclassification is as follows:

	Other Governmental Funds	Other Enterprise Funds
Fund Balance/Net Assets – June 30, 2010 – As Originally Reported	\$ 614,355	\$ 0
Reclassification:		
Recreation Program Fund	(218,307)	218,307
Restatement:		
Accrual of Recreation Program Fund Compensated Absences Due to a Change in Accounting Principle	<u>0</u>	<u>(11,654)</u>
Fund Balance/Net Assets – June 30, 2010 – As Reclassified/Restated	<u>\$ 396,048</u>	<u>\$ 206,653</u>

As a result of reclassifying the Recreation Program Fund from a Special Revenue Fund to an Enterprise Fund, the beginning net assets for the Governmental Activities was decreased by \$206,653 from \$24,102,890 to \$23,896,237 and the beginning net assets for the business-type activities was increased by \$206,653 from \$6,180,892 to \$6,387,545.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

4. DETAILED NOTES ON ALL FUNDS

4A. Cash and Investments

Cash and Investments at June 30, 2011 consisted of the following:

Demand Deposits with Financial Institutions	\$ 8,952,345
Cash on Hand	<u>6,589</u>
Total Cash	<u>8,958,934</u>
 Certificates of Deposit	 1,902,023
U.S. Treasury Strips	296,217
Corporate Bonds	30,667
Mutual Funds - Equities	78,129
Stocks	<u>8,064</u>
Total Investments	<u>2,315,100</u>
Total Cash and Investments	<u>\$ 11,274,034</u>

There are five (5) certificates of deposit ranging from \$35,185 to \$1,000,000 with maturity dates all within the next year. The interest rates range from .54% to 3.39%.

The investment policy of the Town, excluding funds under the control of the Cemetery Commissioners, 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
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

	<u>Book Balance</u>	<u>Bank Balance</u>
Insured - FDIC/SIPC	\$ 727,640	\$ 878,101
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	10,117,951	10,456,534
Uninsured, Uncollateralized	<u>8,777</u>	<u>8,777</u>
	<u>\$ 10,854,368</u>	<u>\$ 11,343,412</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	\$ 8,952,345
Certificates of Deposit	<u>1,902,023</u>
	<u>\$10,854,368</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	\$ 78,129	\$ 78,129
U.S. Treasury Strips	35,988	139,679	120,550	0	296,217
Corporate Bonds	<u>0</u>	<u>0</u>	<u>30,667</u>	<u>0</u>	<u>30,667</u>
Total	<u>\$ 35,988</u>	<u>\$ 139,679</u>	<u>\$ 151,217</u>	<u>\$ 78,129</u>	<u>\$ 405,013</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 excluded from the credit risk analysis.

	Standard and Poor's Rating As of June 30, 2011 – <u>Corporate Bonds</u>
AA+	\$10,937
A-	<u>19,730</u>
Total	<u>\$30,667</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 \$9,528, (31%), of their corporate bonds invested in Goldman Sachs Group, Inc., \$10,937, (36%), of their corporate bonds invested in General Electric Capital Corporation, and \$10,202, (33%), of their corporate bonds invested in Bank of America Corporation.

4B. Receivables

Receivables at June 30, 2011, 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	\$ 298,503	\$ 0	\$ 298,503
Penalties and Interest	48,323	0	48,323
Ambulance Receivables	91,168	0	91,168
Accounts Receivable	43,078	0	43,078
Due from Other Governments	700,324	0	700,324
Billed Services	0	10,328	10,328
Unbilled Services	0	283,274	283,274
Special Assessments - Current Portion *	0	145,000	145,000
Grant Reimbursement	0	443,851	443,851
Special Assessments - Long-Term Portion *	0	1,800,000	1,800,000
Allowance for Doubtful Accounts	(35,000)	0	(35,000)
	<u>\$ 1,146,396</u>	<u>\$ 2,682,453</u>	<u>\$ 3,828,849</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
JUNE 30, 2011

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
Note Receivable - Champlain Housing Trust Corporation, 0% Interest, Principal Balloon Payment due August 30, 2021, Collateralized by 3 rd Mortgage on Land and Premises at 1302 Ethan Allen Drive	190,000
Note Receivable - Champlain Housing Trust Corporation, 0% Interest, Deferred Until August, 2036	65,778
Note Receivable – Brookside Partnership, Principal and Interest Payments Deferred until January 2039, Interest at 4.46%	240,000
Notes Receivable – Nineteen 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>231,250</u>
Total Notes Receivable	1,027,028
Plus: Accrued Interest on Notes Receivable	19,531
Less: Discount on Notes Receivable at Three (3) to Five (5) Percent	(246,091)
Less: Allowance for Doubtful Notes and Accrued Interest Receivable	<u>(569,218)</u>
Net Notes Receivable	\$ <u>231,250</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

4D. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,104,936	\$ 0	\$ 0	\$ 2,104,936
Construction in Progress	1,046,464	1,533,309	309,880	2,269,893
Total Capital Assets, Not Being Depreciated	<u>3,151,400</u>	<u>1,533,309</u>	<u>309,880</u>	<u>4,374,829</u>
Capital Assets, Being Depreciated:				
Land Improvements	1,303,835	0	0	1,303,835
Buildings and Building Improvements	6,958,405	44,054	0	7,002,459
Equipment and Furniture	1,351,487	207,531	29,185	1,529,833
Vehicles	3,255,490	320,648	208,040	3,368,098
Infrastructure	13,441,110	515,567	0	13,956,677
Totals	<u>26,310,327</u>	<u>1,087,800</u>	<u>237,225</u>	<u>27,160,902</u>
Less Accumulated Depreciation for:				
Land Improvements	548,381	34,172	0	582,553
Buildings and Building Improvements	1,340,795	131,136	0	1,471,931
Equipment and Furniture	663,358	125,644	12,837	776,165
Vehicles	1,272,001	266,964	146,572	1,392,393
Infrastructure	1,448,183	458,944	0	1,907,127
Totals	<u>5,272,718</u>	<u>1,016,860</u>	<u>159,409</u>	<u>6,130,169</u>
Total Capital Assets, Being Depreciated	<u>21,037,609</u>	<u>70,940</u>	<u>77,816</u>	<u>21,030,733</u>
Governmental Activities Capital Assets, Net	<u>\$ 24,189,009</u>	<u>\$ 1,604,249</u>	<u>\$ 387,696</u>	<u>\$ 25,405,562</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 132,568	\$ 0	\$ 0	\$ 132,568
Total Capital Assets, Not Being Depreciated	<u>132,568</u>	<u>0</u>	<u>0</u>	<u>132,568</u>
Capital Assets, Being Depreciated:				
Plant and Equipment				
10 Years	7,807	0	0	7,807
25 Years	1,159,789	0	0	1,159,789
30 Years	18,075	0	0	18,075
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>0</u>	<u>0</u>	<u>6,197,553</u>
Less Accumulated Depreciation for:				
Plant and Equipment	2,718,326	149,972	0	2,868,298
Totals	<u>2,718,326</u>	<u>149,972</u>	<u>0</u>	<u>2,868,298</u>
Total Capital Assets, Being Depreciated	<u>3,479,227</u>	<u>(149,972)</u>	<u>0</u>	<u>3,329,255</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,611,795</u>	<u>\$ (149,972)</u>	<u>\$ 0</u>	<u>\$ 3,461,823</u>

TOWN OF COLCHESTER, VERMONT
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Depreciation was charged as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 109,544	Wastewater	\$ <u>149,972</u>
Public Works	579,046		
Public Safety	173,247		
Culture & Recreation	<u>155,023</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-Type Activities	
\$ <u>1,016,860</u>		\$ <u>149,972</u>	

4E. Interfund Balances and Transfers

The composition of interfund balances at June 30, 2011, is as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 1,576,875
Capital Projects Fund	724,187	0
Reserve Fund	452,903	0
Grant Fund	55,433	0
Other Governmental Funds	13,081	114,503
Wastewater Fund	68,491	0
Recreation Program Fund	<u>377,283</u>	<u>0</u>
Total	\$ <u>1,691,378</u>	\$ <u>1,691,378</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Interfund transfers during the year ended June 30, 2011 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 150,000	Repairs to Park Infrastructure
General Fund	Capital Projects Fund	15,000	Replace Siding on Senior Center
General Fund	Reserve Fund	54,000	To Fund Reappraisal Reserve
General Fund	Reserve Fund	4,000	Transfer for Police Radios
General Fund	Reserve Fund	4,000	Painting and Landscaping to Library
General Fund	Reserve Fund	10,300	Rescue Capital Equipment funding
General Fund	Reserve Fund	7,200	Tech Rescue Equipment Funding
General Fund	Reserve Fund	14,000	Transfer to Complete Tech Rescue Garage
General Fund	Reserve Fund	16,088	Transfer for Marine Safety Grant
General Fund	Recreation Program Fund	32,066	Senior Center Renovations
General Fund	Heritage Project Fund	6,000	Subsidize Project
General Fund	Recreation Acquisition and Development Fund	4,000	Budgeted Transfer
Recreation Program Fund	Capital Projects Fund	30,810	Subsidize Senior Center Project
Capital Equipment Fund	Reserve Fund	<u>62,863</u>	Reallocate Reserve Balance
Total		<u><u>\$ 410,327</u></u>	

4F. Deferred Revenue

Deferred Revenue in the General Fund consists of \$266,547 of delinquent taxes, penalty and interest on taxes and \$31,099 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 \$11,856 of prepaid taxes and \$7,484 of other prepaid fees. Total deferred revenue in the General Fund is \$316,986.

Deferred Revenue in the Capital Projects Fund consist of \$538,500 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 \$22,756 of grant receivables not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities and \$85,367 of grant monies advanced to the Town for various purposes that was not spent as of June 30, 2011. Total deferred revenue in the Grant Fund is \$108,123.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Deferred Revenue in the Other Governmental Funds consists of \$231,250 of loans receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred Revenue in the Recreation Program Fund consists of \$111,951 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.

Long-Term liabilities outstanding as of June 30, 2011 were as follows:

	<u>Beginning Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2011</u>
<u>Governmental Activities</u>				
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, Malletts Bay Sewer Study, 0% Interest, Principal Payments of \$10,778 Due Annually from April 1, 2004 through April 1, 2013	\$ 32,330	\$ 0	\$ 10,778	\$ 21,552
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, Belwood Drainage Project, 0% Interest, Principal Payments of \$49,642 Due Annually from October 1, 2004 through December 1, 2023	694,981	0	49,642	645,339

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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	Beginning Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2011</u>
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, Septic System Improvement Loan Program, Interest at 2%, Annual Principal and Interest Payments of \$9,174 Due each April through 2027	\$ 131,107	\$ 0	\$ 6,551	\$ 124,556
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, Septic System Improvement Loan Program, Authorized To \$150,000, \$69,204 Remaining, Interest at 2%, Annual Principal and Interest Payments of \$4,941 Due each April through 2028	74,078	0	3,460	70,618
Bond Payable – Vermont Municipal Bond Bank, Municipal Building, Principal Payments of \$310,000 Due 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	5,520,000	0	310,000	5,210,000
Bond Payable – Vermont Municipal Bond Bank, Bayside Property Purchase, Principal Payments of \$55,000 Due 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>825,000</u>	<u>0</u>	<u>55,000</u>	<u>770,000</u>
Total Notes and Bonds Payable - Governmental Activities	<u>\$7,277,496</u>	<u>\$ 0</u>	<u>\$ 435,431</u>	<u>\$6,842,065</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

	Beginning Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2011</u>
<u>Business-Type Activities</u>				
Bond Payable - Vermont Municipal Bond Bank, Sewer System Expansion, Annual Principal Payments Ranging from \$60,000 to \$155,000 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	\$1,240,000	\$ 0	\$ 80,000	\$1,160,000
Bond Payable - Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$35,000 to \$90,000 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	770,000	0	45,000	725,000
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	75,000	0	15,000	60,000
Bond Payable - State of Vermont Special Environmental Revolving Loan Fund, Sewer System - Breezy Acres Trailer Park, 0% Interest, \$79,048 Principal Payments Due Annually in July until 2019	<u>711,432</u>	<u>0</u>	<u>79,048</u>	<u>632,384</u>
Total Business-Type Activities	<u>\$2,796,432</u>	<u>\$ 0</u>	<u>\$219,048</u>	<u>\$2,577,384</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Changes in all long-term liabilities during the year were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 7,277,496	\$ 0	\$ 435,431	\$ 6,842,065	\$ 435,431
Compensated Absences	578,545 *	72,187	0	650,732	0
Due to State	<u>40,171</u>	<u>0</u>	<u>208</u>	<u>39,963</u>	<u>0</u>
Total Governmental Activities					
Long-term Liabilities	\$ <u>7,896,212</u>	\$ <u>72,187</u>	\$ <u>435,639</u>	\$ <u>7,532,760</u>	\$ <u>435,431</u>
Business-type Activities					
Special Assessment Debt with					
Governmental Commitment	\$ 2,085,000	\$ 0	\$ 140,000	\$ 1,945,000	\$ 145,000
General Obligation Bonds Payable	711,432	0	79,048	632,384	79,048
Compensated Absences	<u>11,654 *</u>	<u>1,068</u>	<u>0</u>	<u>12,722</u>	<u>0</u>
Total Business-type Activities					
Long-Term Liabilities	\$ <u>2,808,086</u>	\$ <u>1,068</u>	\$ <u>219,048</u>	\$ <u>2,590,106</u>	\$ <u>224,048</u>

* The beginning balance for the Governmental Activities and Business-Type Activities have been restated due to a change in accounting principle as discussed in Note 3C. The governmental activities beginning balance decreased by \$11,654 and the business-type activities increased by \$11,654.

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 \$39,963.

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

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	435,631	263,711	224,048	128,750
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
2017-2021	2,106,882	766,654	1,287,144	222,168
2022-2026	1,958,696	345,526	90,000	3,094
2027-2029	<u>628,587</u>	<u>28,895</u>	<u>0</u>	<u>0</u>
Total	\$ <u>6,842,065</u>	\$ <u>2,306,128</u>	\$ <u>2,577,384</u>	\$ <u>760,858</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

4H. Fund Balances

The Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

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.

This statement is also designed to improve the usefulness of fund balance information by clarifying certain parts of the definitions of governmental fund types that have led to confusion. It makes clear, for example, that 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. The Town did change one (1) of the governmental funds as disclosed in Note 3.C., therefore, there was a reclassification of the fund balances.

Information about amounts set aside for emergencies is very important to financial statement users. Because of the importance associated with these balances, Statement 54 clarifies how rainy-day amounts can be reported by treating stabilization arrangements as a specified purpose. Consequently, 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. Governments are required to disclose in the notes key information about their stabilization arrangements, including the authority by which they were established, provisions for additions to the stabilization amount, and circumstances under which those amounts may be spent. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. Because users are interested in information about those minimum fund balance policies and how governments comply with them, governments are required to explain their minimum fund balance policies, if they have them, in notes to the financial statements. The Town does not have any minimum fund balance policies.

TOWN OF COLCHESTER, VERMONT
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Under Statement 54, governments are required to disclose their accounting policies that indicate the order in which restricted, committed, assigned, and unassigned amounts are spent, in circumstances when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications. 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.

In addition, governments also are required to disclose the purpose for each major special revenue fund – identifying which specific revenues and other resources are authorized to be reported in each. The purpose and specific revenues are described in the following section.

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

Nonspendable Fund Balances

Nonspendable General Fund Prepaid Expenses	\$ 4,123
Nonspendable General Fund Inventories	38,299
Nonspendable Cemetery Fund Principal	91,050
Nonspendable Burnham Memorial Library Fund Principal	<u>2,000</u>
Total Nonspendable Fund Balances	<u>\$135,472</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	\$1,964,534
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Community Development Fund:

Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	72,358
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Grant Fund:

Restricted for Grant Expenses by Grant Agreements (Source of Revenue is Grant Revenue)	3,698
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TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Non-Major Funds

Restricted for Police Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	\$ 209,461
Restricted for Cemetery Expenses by Trust Agreement – Expendable Portion (Source of Revenue is Donations)	127,773
Restricted for Heritage Project by Donations (Source of Revenue is Donations)	2,281
Restricted for Recreation Acquisition and Development By Impact Fees (Source of Revenue is Impact Fees)	85,490
Restricted for Burnham Memorial Library by Trust Agreement – Expendable Portion	<u>6,346</u>
Total Restricted Fund Balances	<u>\$2,471,941</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 2012	\$ 446,916
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Capital Projects Fund:

Assigned for Future Capital Projects	865,548
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Reserve Fund:

Assigned for Reserve Fund Expenses for Reappraisal, Technology, Restoration of Records and Public Safety Capital Items	1,436,769
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Non-Major Funds:

Debt Service Fund:

Assigned for Debt Service	<u>138</u>
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Total Assigned Fund Balances	<u>\$2,749,371</u>
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The unassigned deficit of \$35,552 in the Revolving Loan Fund will be funded with future proceeds of long-term debt.

The unassigned deficit of \$68,712 in the Capital Equipment Fund will be funded with future property taxes.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

4I. Restricted and Designated Net Assets

The restricted net assets of the Town as of June 30, 2011 consisted of the following:

Governmental Activities:	
Community Development by Grant Agreements	\$ 32,395
Grant Expenses by Grant Agreements	26,454
Law Enforcement by Grant Agreements	209,461
Cemetery Trust Agreements - Non-Expendable	91,050
Cemetery Trust Agreements - Expendable	127,773
Heritage Project by Donations	2,281
Recreation Acquisition/Development by Impact Fees	85,490
Burnham Library by Donations – Non-Expendable	2,000
Burnham Library by Donations - Expendable	6,346
Revolving Loans by Grant Agreement	<u>525</u>
Total Governmental Activities	<u>\$583,775</u>
Business-type Activities/Proprietary Fund:	
Breezy Acres Sewer Trust Agreement	\$ <u>6,600</u>
Total Business-type Activities/Proprietary Fund	<u>\$ 6,600</u>

The designated net assets of the Town as of June 30, 2011 consisted of the following:

Proprietary Fund:	
Designated to Upgrade South Burlington Plant	<u>\$494,381</u>

5. OTHER INFORMATION

5A. PENSION

The Town offers a 401(a) pension plan to all full time employees, except police officers, with one (1) year of service with 100% vesting after five (5) years of service. This plan qualifies, according to the Internal Revenue Service, as a defined contribution pension plan for governmental organizations exempt from income taxes. The Town contributes 7% of each employee's base pay. Employees contribute 1% of their base pay. The International City/County Management Association administers the Plan. The total payroll for the year was \$5,645,561 while the covered payroll was \$2,906,100. Pension expense for the year ended June 30, 2011 was \$203,428.

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% of their gross salary and the Town contributes 6%, except for the three (3) highest ranking officers who contribute 8%, while the Town contributes 7%.

TOWN OF COLCHESTER, VERMONT
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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 \$1,742,946. Pension expense for the year was \$113,292.

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.

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, 2011, taxes became due and payable on August 15, 2010, November 15, 2010 and March 15, 2011. 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 2011 are as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.6517	1.9363
Town	<u>.7387</u>	<u>.7387</u>
Total Tax Rate/per \$100 of Assessed Valuation	<u>2.3904</u>	<u>2.6750</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.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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.

The "Colchester Landfill Vertical Expansion Trust" was created to provide post-closure costs for twenty (20) years and required distributions to the landfill's owners totaling \$150,000. Any funds remaining after the distributions and all monitoring costs have been paid will be distributed to the Town upon termination of the Trust. The Trust may be terminated by written agreement of the Town, the Trustees and the Secretary of the Vermont Agency of Natural Resources. The balance remaining in the Trust at June 30, 2011 is approximately \$27,688.

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 2011, the Library contributed another \$2,095 to the Foundation. The balance of the Endowment Fund at June 30, 2011 is \$44,836.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 \$1,062,896.

The schedule of future land lease receipts is as follows:

2012	\$ 22,996
2013	23,629
2014	24,279
2015	24,946
2016	25,632
Thereafter	<u>232,131</u>
	<u>\$ 353,613</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.

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 rights to the Town of Colchester in exchange for approximately \$8,000,000 (current estimate). The City of South Burlington anticipates issuing 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 has substantially used all of its previous capacity allocation and future development within the Town is dependent on this project.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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, 2011, the Town has drawn \$230,796 of this amount and repaid \$35,622 leaving a balance owed of \$195,174.

At the March, 2011 Town meeting, the voters of the Town of Colchester authorized the Town to enter into a lease/purchase agreement for up to \$500,000 to upgrade the Town's street lights to LED lights. This work will take place in the summer of 2012.

TOWN OF COLCHESTER, VERMONT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE:					
PROPERTY TAXES	\$ 8,780,731	\$ 0	\$ 8,780,731	\$ 8,727,902	\$ (58,275)
VETERAN'S TAX EXEMPTION	(5,500)	0	(5,500)	(5,446)	5,500
INTEREST ON DELINQUENT TAXES	45,000	0	45,000	62,214	17,214
PENALTIES ON DELINQUENT TAXES	70,000	0	70,000	78,290	8,290
MISC TAX SALE CHARGES	0	0	0	8,250	8,250
LIQUOR LICENSES	3,200	0	3,200	3,650	450
LICENSES-TOWN	4,000	0	4,000	4,515	515
DEPT MOTOR VEHICLES	2,400	0	2,400	1,332	(1,068)
MARRIAGE LICENSES	1,200	0	1,200	1,410	210
CIVIL UNION LICENSES	50	0	50	0	(50)
DOG LICENSES	8,500	0	8,500	4,798	(3,702)
PMTS IN LIEU OF TAXES-OTHER	75,000	0	75,000	161,947	86,947
CURRENT USE HOLD HARMLESS	12,650	0	12,650	15,862	3,212
VLCT INS DISTRIBUTIONS	0	0	0	19,627	19,627
INTEREST	55,000	0	55,000	54,516	(484)
TRANSFER FROM RESERVE FUND	30,000	0	30,000	0	(30,000)
TRANSF FROM WASTEWATER FUND	101,000	0	101,000	101,000	0
TRANSFER FROM CDEV GRANT FUND	0	0	0	6,162	6,162
MISCELLANEOUS	8,000	0	8,000	28,253	20,254
PROMOTIONAL	0	0	0	20	20
COMMUNITY DEV REVENUE	0	0	0	6,130	6,130
SUPPORT PAYMENTS	57,772	0	57,772	58,367	595
MILTON DISPATCH	152,000	0	152,000	149,754	(2,246)
POLICE	0	0	0	2,399	2,399
CUSI	35,989	0	35,989	24,957	(11,032)
POLICE ORDINANCE FEES (F ALRM)	0	0	0	1,960	1,960
AMBULANCE	275,000	0	275,000	278,987	3,987
TECHNICAL RESCUE REIMBURSEMENTS	0	0	0	9,888	9,888
RECORDING FEES	110,000	0	110,000	115,352	5,352
ACCESSORY APT/SEASONAL CONV	1,000	0	1,000	500	(500)
BUILDING/ZONING PERMITS	147,500	0	147,500	139,401	(8,099)
SEPTIC PERMITS	3,000	0	3,000	3,000	0
DRB LEGAL NOTICES/PH	1,000	0	1,000	1,745	745
DRB/BLA APPLICATIONS	18,500	0	18,500	17,052	(1,448)
EXCAVATION W/ROW	9,000	0	9,000	10,400	1,400
CERTIFICATES OF OCCUPANCY	10,500	0	10,500	10,625	125
GIS INCOME	350	0	350	400	50
ST WW PERMITS	26,000	0	26,000	20,636	(5,364)
ORDINANCE & MAP COPIES	500	0	500	394	(106)
CERT COPIES OF VITAL RECORDS	7,000	0	7,000	3,942	(3,058)
COPIES AND MAPS	12,500	0	12,500	16,289	3,789
USE OF VAULT	3,000	0	3,000	3,404	404
PASSPORTS	35,000	0	35,000	17,070	(17,930)
PASSPORT PHOTOS	7,500	0	7,500	5,985	(1,515)
ROAD MISCELLANEOUS	2,200	0	2,200	2,240	40
DOG CONTROL	2,000	0	2,000	1,776	(224)
GREEN MOUNTAIN PASSPORTS	100	0	100	96	(4)
RECREATION	10,950	0	10,950	14,102	3,152
SENIOR CENTER RENTAL	0	0	0	30	30
DISTRICT COURT FINES	45,000	0	45,000	33,910	(11,090)
PLANNING & ZONING FINES	2,500	0	2,500	3,100	600
BOATING SAFETY GRANT (FED FNDS)	0	20,000	20,000	25,000	5,000
ACT 68 REIMBURSEMENT	25,000	0	25,000	47,653	22,653
ACT 60 REIMBURSEMENT	6,850	0	6,850	6,856	6
ANNUAL SCHOOL PAYMENT	34,146	0	34,146	34,342	196
STATE AID TO HIGHWAYS	182,023	0	182,023	181,647	(376)
MARINE ENFORCEMENT	20,000	(20,000)	0	0	0
TOTAL REVENUE	10,435,111	0	10,435,111	10,523,691	88,580
EXPENDITURES:					
SELECTBOARD:					
SALARIES	6,500	0	6,500	6,368	132
SOCIAL SECURITY	497	0	497	487	10
TOWN MEETING	2,000	0	2,000	500	1,500
TOWN REPORT	2,000	0	2,000	1,693	307
PRINTING & BINDING	2,200	0	2,200	2,321	(121)
MISCELLANEOUS	250	0	250	156	94
CONTINGENCY	50,000	0	50,000	0	50,000
TOTAL SELECTBOARD	63,447	0	63,447	11,525	51,922

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TOWN OF COLCHESTER, VERMONT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
CIVIL BOARD:					
SALARIES	14,413	0	14,413	11,281	3,132
CIVIL BOARD SALARIES	7,000	0	7,000	4,572	2,428
HEALTH INSURANCE	6,303	0	6,303	4,706	1,597
DENTAL INSURANCE	446	0	446	535	(89)
LIFE/DISABILITY INSURANCE	174	0	174	184	(10)
SOCIAL SECURITY	1,638	0	1,638	1,195	443
RETIREMENT	1,009	0	1,009	790	219
UNEMPLOYMENT COMP	388	0	388	392	(4)
WORKERS COMPENSATION	41	0	41	35	6
POSTAGE	1,280	0	1,280	853	427
MACHINERY & EQUIPMENT	300	0	300	0	300
MISCELLANEOUS	7,200	0	7,200	5,593	1,607
TOTAL CIVIL BOARD	40,192	0	40,192	30,136	10,056
TOWN MANAGER:					
SALARIES	299,576	0	299,576	281,562	18,014
OVERTIME	0	0	0	786	(786)
HEALTH INSURANCE	33,619	0	33,619	33,648	(29)
DENTAL INSURANCE	2,755	0	2,755	3,270	(515)
LIFE/DISABILITY INSURANCE	3,847	0	3,847	4,036	(189)
INSURANCE-PACIF/CL BOND/E&O	11,493	0	11,493	11,937	(444)
SOCIAL SECURITY	23,262	0	23,262	21,870	1,392
RETIREMENT	18,714	0	18,714	19,724	(1,010)
UNEMPLOYMENT COMP	1,938	0	1,938	1,960	(22)
WORKERS COMPENSATION	803	0	803	698	105
MISCELLANEOUS BENEFITS	1,000	0	1,000	2,161	(1,161)
PERSONNEL DEVELOPMENT	6,000	0	6,000	4,185	1,815
DUES & PUBLICATIONS	5,000	0	5,000	4,288	712
PROFESSIONAL SERVICES	1,000	0	1,000	5,407	(4,407)
LEGAL	23,000	0	23,000	22,004	996
LEGAL - UNION NEGOTIATIONS	6,000	0	6,000	22,033	(16,033)
LEGAL - HUMAN RESOURCES	3,000	0	3,000	1,385	1,616
UTILITIES	3,469	0	3,469	3,020	449
TELEPHONE	1,775	0	1,775	1,165	610
MAINTENANCE - TOWN OFFICE	3,209	0	3,209	5,612	(2,403)
FLAG REPLACEMENT	500	0	500	0	500
ADVERTISING-PUBLIC HEARINGS	500	0	500	1,269	(769)
OPERATING SUPPLIES	2,500	0	2,500	2,581	(81)
POSTAGE	620	0	620	692	(72)
MILEAGE ALLOW & REIMBURSEMENT	5,000	0	5,000	4,807	193
MACHINERY & EQUIPMENT	0	0	0	2,988	(2,988)
MISCELLANEOUS	6,341	0	6,341	31,021	(24,681)
GREEN UP VERMONT	400	0	400	489	(89)
WELLNESS PROGRAMS	0	0	0	1,452	(1,452)
TRANSFER TO HERITAGE FUND	0	0	0	6,000	(6,000)
TOTAL TOWN MANAGER	465,321	0	465,321	502,050	(36,729)
COMMUNITY DEVELOPMENT:					
SALARIES	61,606	0	61,606	54,797	6,809
HEALTH INSURANCE	19,100	0	19,100	16,046	3,054
DENTAL INSURANCE	1,324	0	1,324	1,508	(184)
LIFE/DISABILITY INSURANCE	925	0	925	1,002	(77)
INSURANCE-PACIF/CL BOND/E&O	750	0	750	779	(29)
SOCIAL SECURITY	4,713	0	4,713	4,374	339
RETIREMENT	4,313	0	4,313	3,852	461
UNEMPLOYMENT COMP	388	0	388	392	(4)
WORKERS COMPENSATION	207	0	207	179	28
PERSONNEL DEVELOPMENT	1,000	0	1,000	547	453
DUES & PUBLICATIONS	800	0	800	1,024	(224)
PROFESSIONAL SERVICES	9,800	0	9,800	5,155	4,645
LEGAL	0	0	0	45	(45)
UTILITIES	509	0	509	589	(80)
TELEPHONE	104	0	104	196	(92)
VEHICLE MAINT & TRANSPORTATION	700	0	700	309	391
MAINTENANCE - TOWN OFFICE	626	0	626	1,493	(867)
ADVERTISING	100	0	100	363	(263)
PRINTING & BINDING	2,000	0	2,000	8,047	(6,047)
OPERATING SUPPLIES	150	0	150	519	(369)
SOFTWARE	400	0	400	400	0
MISCELLANEOUS	0	0	0	476	(476)
PUBLIC RELATIONS	1,500	0	1,500	1,265	235
TOTAL COMMUNITY DEVELOPMENT	111,015	0	111,015	103,357	7,658

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TOWN OF COLCHESTER, VERMONT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
FINANCE:					
SALARIES	176,808	0	176,808	177,540	(732)
OVERTIME	3,500	0	3,500	1,841	1,659
HEALTH INSURANCE	26,199	0	26,199	29,282	(3,083)
DENTAL INSURANCE	3,390	0	3,390	3,829	(439)
LIFE/DISABILITY INSURANCE	2,322	0	2,322	2,513	(191)
INSURANCE-PACIF/CL BOND/E&O	6,652	0	6,652	6,909	(257)
SOCIAL SECURITY	13,793	0	13,793	13,240	553
RETIREMENT	12,376	0	12,376	10,858	1,518
UNEMPLOYMENT COMP	1,550	0	1,550	1,568	(18)
WORKERS COMPENSATION	518	0	518	449	69
PERSONNEL DEVELOPMENT	1,000	0	1,000	369	631
DUES & PUBLICATIONS	650	0	650	30	620
PROFESSIONAL SERVICES	34,000	0	34,000	41,229	(7,229)
UTILITIES	2,111	0	2,111	2,718	(607)
TELEPHONE	623	0	623	827	(204)
MAINTENANCE - TOWN OFFICE	3,242	0	3,242	4,540	(1,298)
OFFICE SUPPLIES	2,800	0	2,800	2,490	310
POSTAGE	1,695	0	1,695	1,554	141
COMPUTERS	18,000	0	18,000	21,416	(3,416)
MISCELLANEOUS	500	0	500	107	393
TOTAL FINANCE	311,729	0	311,729	323,309	(11,580)
ASSESSOR:					
SALARIES	91,619	0	91,619	104,972	(13,353)
LISTER SALARIES	2,000	0	2,000	1,781	219
OVERTIME	0	0	0	712	(712)
HEALTH INSURANCE	23,995	0	23,995	23,787	208
DENTAL INSURANCE	1,459	0	1,459	1,050	409
LIFE/DISABILITY INSURANCE	1,179	0	1,179	1,769	(590)
INSURANCE-PACIF/CL BOND/E&O	4,293	0	4,293	4,458	(165)
SOCIAL SECURITY	7,162	0	7,162	8,041	(879)
RETIREMENT	6,413	0	6,413	7,329	(916)
UNEMPLOYMENT COMP	533	0	533	539	(6)
WORKERS COMPENSATION	1,737	0	1,737	1,505	232
PERSONNEL DEVELOPMENT	1,000	0	1,000	377	623
DUES & PUBLICATIONS	600	0	600	15	585
PROFESSIONAL SERVICES	10,575	0	10,575	8,224	2,351
LEGAL	6,500	0	6,500	10,109	(3,609)
REAPPRAISAL DEFENSE	50,000	(50,000)	0	0	0
UTILITIES	1,288	0	1,288	1,643	(355)
TELEPHONE	249	0	249	405	(156)
MAINTENANCE - TOWN OFFICE	1,398	0	1,398	1,900	(502)
OPERATING SUPPLIES	600	0	600	417	183
POSTAGE	700	0	700	124	576
GASOLINE	700	0	700	192	508
COMPUTERS	1,500	0	1,500	1,485	15
TRANSFER TO RESERVE FUND	0	50,000	50,000	50,000	0
TOTAL ASSESSOR	215,500	0	215,500	230,834	(15,334)
TOWN CLERK:					
SALARIES	193,065	0	193,065	195,944	(2,879)
OVERTIME	1,020	0	1,020	0	1,020
HEALTH INSURANCE	56,627	0	56,627	47,958	8,669
DENTAL INSURANCE	4,904	0	4,904	5,349	(445)
LIFE/DISABILITY INSURANCE	2,925	0	2,925	3,167	(242)
INSURANCE-PACIF/CL BOND/E&O	6,479	0	6,479	6,729	(250)
SOCIAL SECURITY	14,848	0	14,848	15,010	(162)
RETIREMENT	13,515	0	13,515	13,703	(188)
UNEMPLOYMENT COMP	1,379	0	1,379	1,386	(16)
WORKERS COMPENSATION	566	0	566	490	76
PERSONNEL DEVELOPMENT	2,300	0	2,300	2,135	165
DUES & PUBLICATIONS	500	0	500	335	165
LEGAL	5,000	0	5,000	4,853	147
UTILITIES	8,114	0	8,114	6,741	1,373
TELEPHONE	997	0	997	1,304	(307)
MAINTENANCE - TOWN OFFICE	6,167	0	6,167	7,375	(1,208)
OFFICE SUPPLIES	0	0	0	66	(66)
OPERATING SUPPLIES	13,840	0	13,840	7,714	6,126
POSTAGE	6,700	0	6,700	6,046	654
MACHINERY & EQUIPMENT	500	0	500	0	500
COMPUTERS	750	0	750	400	350
MISCELLANEOUS	300	0	300	424	(124)
TOTAL TOWN CLERK	340,496	0	340,496	327,138	13,358

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TOWN OF COLCHESTER, VERMONT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
PURCHASE/MAINTAIN EQUIPMENT:					
INSURANCE-PACIF/CL BOND/E&O	846	0	846	879	(33)
EQUIP - REPAIR/MAINTAIN	3,000	0	3,000	591	2,409
EQUIP - RENTALS/LEASES	21,000	0	21,000	17,701	3,299
OFFICE SUPPLIES	8,600	0	8,600	5,867	2,733
POSTAGE	705	0	705	571	134
TOTAL PURCHASE/MAINTAIN EQUIPMENT	34,151	0	34,151	25,609	8,542
PLANNING / ZONING:					
SALARIES	330,796	0	330,796	295,514	35,282
SALARIES - PLAN COMM/DRB	3,900	0	3,900	3,836	64
OVERTIME	2,550	0	2,550	2,794	(244)
HEALTH INSURANCE	86,422	0	86,422	56,822	29,600
DENTAL INSURANCE	6,706	0	6,706	8,310	(1,604)
LIFE/DISABILITY INSURANCE	4,868	0	4,868	4,347	521
INSURANCE-PACIF/CL BOND/E&O	12,075	0	12,075	12,540	(465)
SOCIAL SECURITY	25,799	0	25,799	23,656	2,143
RETIREMENT	23,334	0	23,334	18,956	4,378
UNEMPLOYMENT COMP	2,713	0	2,713	2,744	(31)
WORKERS COMPENSATION	2,972	0	2,972	2,575	397
PERSONNEL DEVELOPMENT	4,000	0	4,000	3,000	1,000
DUES & PUBLICATIONS	1,200	0	1,200	1,400	(200)
PROFESSIONAL SERVICES	7,000	0	7,000	5,493	1,507
LEGAL	19,000	0	19,000	36,562	(17,562)
MASTER PLAN REWRITE	1,000	0	1,000	1,251	(251)
UTILITIES	4,980	0	4,980	5,460	(480)
TELEPHONE	1,122	0	1,122	1,575	(453)
COMMUNICATIONS	668	0	668	564	104
VEHICLE MAINT & TRANSPORTATION	3,000	0	3,000	2,480	520
MAINTENANCE - TOWN OFFICE	6,167	0	6,167	7,536	(1,369)
RECRUITING	1,000	0	1,000	263	737
ADV-PUBLIC MEETINGS	1,400	0	1,400	2,146	(746)
PRINTING & BINDING	1,500	0	1,500	1,380	120
OPERATING SUPPLIES	4,000	0	4,000	5,663	(1,663)
POSTAGE	2,090	0	2,090	1,902	188
GASOLINE	1,000	0	1,000	876	124
COMPUTERS	1,000	0	1,000	1,011	(11)
GIS	1,500	0	1,500	2,000	(500)
TOTAL PLANNING / ZONING	563,762	0	563,762	512,656	51,106
INFORMATION TECHNOLOGY:					
SALARIES	79,284	0	79,284	50,615	28,669
HEALTH INSURANCE	13,600	0	13,600	11,665	1,935
DENTAL INSURANCE	689	0	689	207	482
LIFE/DISABILITY INSURANCE	517	0	517	701	(184)
INSURANCE-PACIF/CL BOND/E&O	2,509	0	2,509	2,605	(96)
SOCIAL SECURITY	6,065	0	6,065	3,635	2,430
RETIREMENT	3,206	0	3,206	3,025	181
UNEMPLOYMENT COMP	775	0	775	784	(9)
WORKERS COMPENSATION	218	0	218	189	29
PERSONNEL DEVELOPMENT	1,600	0	1,600	0	1,600
INTERNET PROVIDER	1,500	0	1,500	1,319	181
WEB FILE DEVELOPMENT	0	0	0	300	(300)
WEB FILE MAINTENANCE	1,400	0	1,400	1,448	(48)
UTILITIES	1,129	0	1,129	1,565	(436)
TELEPHONE	440	0	440	494	(54)
REPAIRS & MAINTENANCE	6,000	0	6,000	7,787	(1,787)
MAINTENANCE - TOWN OFFICE	1,669	0	1,669	1,975	(306)
OFFICE SUPPLIES	2,000	0	2,000	550	1,450
MILEAGE ALLOW & REIMBURSEMENT	250	0	250	122	128
MACHINERY & EQUIPMENT	8,800	0	8,800	7,106	1,694
SOFTWARE	5,500	0	5,500	2,030	3,470
MISCELLANEOUS	0	0	0	212	(212)
TOTAL INFORMATION TECHNOLOGY	137,151	0	137,151	98,334	38,817

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
POLICE:					
SALARIES	1,709,423	0	1,709,423	1,534,965	174,458
SHIFT DIFFERENTIAL	22,331	0	22,331	19,833	2,498
SUPERVISOR DIFFERENTIAL	0	0	0	1,168	(1,168)
SEASONAL STAFF	4,500	0	4,500	4,583	(83)
OVERTIME	170,000	0	170,000	192,989	(22,989)
OVERTIME 2.0	21,643	0	21,643	13,352	8,291
OVERTIME 3.0	25,490	0	25,490	8,462	17,028
HEALTH INSURANCE	416,375	0	416,375	326,555	89,820
DENTAL INSURANCE	31,726	0	31,726	25,760	5,966
LIFE/DISABILITY INSURANCE	31,576	0	31,576	24,994	6,582
INSURANCE-PACIF/CL BOND/E&O	110,815	0	110,815	88,593	22,222
SOCIAL SECURITY	149,778	0	149,778	135,558	14,220
RETIREMENT	124,648	0	124,648	119,022	5,626
RETIREMENT HEALTH SAVINGS	1,311	0	1,311	0	1,311
UNEMPLOYMENT COMP	11,800	0	11,800	11,935	(135)
WORKERS COMPENSATION	64,633	0	64,633	55,363	9,270
PERSONNEL DEVELOPMENT	1,000	0	1,000	453	547
DUES & PUBLICATIONS	1,400	0	1,400	1,342	58
TRAINING	16,370	0	16,370	13,054	3,316
UNIFORMS & EQUIP (PD)	30,000	0	30,000	36,158	(6,158)
LEGAL	500	0	500	1,330	(830)
UTILITIES	19,343	0	19,343	20,557	(1,214)
TELEPHONE	9,027	0	9,027	8,261	767
COMMUNICATIONS	34,154	0	34,154	32,382	1,772
COMMUNICATIONS PUBLIC SAFETY	24,500	0	24,500	11,380	13,120
VEHICLE MAINT & TRANSPORTATION	35,695	0	35,695	36,172	(477)
MAINTENANCE - TOWN OFFICE	17,760	0	17,760	18,635	(875)
OFFICE SUPPLIES	8,000	0	8,000	6,796	1,204
OPERATING SUPPLIES	0	0	0	75	(75)
POLICE - PHOTO & FINGERPRINT	6,728	0	6,728	5,638	1,089
POSTAGE	949	0	949	801	148
GASOLINE	64,080	0	64,080	61,279	2,801
MILEAGE ALLOW & REIMBURSEMENT	0	0	0	4,517	(4,517)
MACHINERY & EQUIPMENT	0	0	0	550	(550)
COMPUTERS	10,300	0	10,300	8,444	1,856
MISCELLANEOUS	10,500	0	10,500	12,089	(1,589)
BOATING SAFETY-FEDERAL GRANT	8,750	0	8,750	19,481	(10,731)
SPECIAL PROGRAMS	2,300	0	2,300	2,297	3
TRANSFER TO CAPITAL EQUIP FUND	20,000	0	20,000	16,088	3,912
TOTAL POLICE	3,217,405	0	3,217,405	2,880,910	336,495
FIRE DEPARTMENTS:					
MBFD COMMUNICATION PUB SAFETY	15,500	0	15,500	14,268	1,232
CCFD COMM PUB SAFETY	16,500	0	16,500	16,437	63
COLCHESTER CENTER VOL FIRE CO	386,200	0	386,200	386,200	0
MALLETS BAY FIRE DEPT	295,892	0	295,892	295,892	0
TOTAL FIRE DEPARTMENTS	714,092	0	714,092	712,797	1,295
RESCUE:					
SALARIES	210,057	0	210,057	210,711	(654)
RESCUE PER DIEM	0	0	0	16,749	(16,749)
AMBULANCE PERSONNEL	22,300	0	22,300	24,779	(2,479)
OVERTIME	14,275	0	14,275	19,709	(5,434)
HEALTH INSURANCE	56,212	0	56,212	30,438	25,774
DENTAL INSURANCE	3,116	0	3,116	368	2,748
LIFE/DISABILITY INSURANCE	2,786	0	2,786	3,244	(458)
INSURANCE-PACIF/CL BOND/E&O	9,219	0	9,219	10,798	(1,579)
SOCIAL SECURITY	18,867	0	18,867	20,946	(2,079)
RETIREMENT	16,265	0	16,265	13,979	2,286
UNEMPLOYMENT COMP	2,598	0	2,598	2,628	(30)
WORKERS COMPENSATION	15,694	0	15,694	13,597	2,097
TRAINING	7,000	0	7,000	5,867	1,133
UNIFORMS	4,000	0	4,000	5,114	(1,114)
LEGAL	3,000	0	3,000	3,000	0
HEALTH & SAFETY	600	0	600	75	525
UTILITIES	11,448	0	11,448	8,982	2,466
TELEPHONE	623	0	623	558	65
COMMUNICATIONS	1,400	0	1,400	1,865	(465)
COMMUNICATIONS PUBLIC SAFETY	4,000	0	4,000	0	4,000
JANITORIAL SERVICES	2,000	0	2,000	1,884	116
VEHICLE MAINT & TRANSPORTATION	4,500	0	4,500	3,711	789
EQUIP - REPAIR/MAINTAIN	1,000	0	1,000	832	168
MAINTENANCE - BUILDING	5,500	0	5,500	12,293	(6,793)

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TOWN OF COLCHESTER, VERMONT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
COMMUNICATIONS MAINT/REPAIR	500	0	500	433	68
OFFICE SUPPLIES	1,600	0	1,600	2,127	(527)
OPERATING SUPPLIES	9,700	0	9,700	12,400	(2,700)
POSTAGE	195	0	195	270	(75)
GASOLINE	8,000	0	8,000	7,169	831
MACHINERY & EQUIPMENT	1,000	0	1,000	4,631	(3,631)
TECHNOLOGY UPGRADES	3,000	0	3,000	2,131	869
CAPITAL EQUIPMENT	0	0	0	472	(472)
MISCELLANEOUS	2,750	0	2,750	2,969	(219)
AMB PERSONNEL DONATIONS TO CRS	1,500	0	1,500	490	1,010
SPECIAL PROGRAMS	500	0	500	260	240
TRANSFER TO RESCUE CAP EQUIP	10,300	0	10,300	10,300	0
TRANS TO RESCUE CAP COMMUN	4,000	0	4,000	8,000	(4,000)
TOTAL RESCUE	459,505	0	459,505	463,779	(4,274)
TECHNICAL RESCUE:					
SALARIES	9,000	0	9,000	13,941	(4,941)
INSURANCE-PACIF/CL BOND/E&O	0	0	0	262	(262)
SOCIAL SECURITY	689	0	689	1,067	(378)
WORKERS COMPENSATION	589	0	589	324	265
TRAINING	3,000	0	3,000	2,095	905
UNIFORMS	3,000	0	3,000	1,537	1,463
HEALTH & SAFETY	2,500	0	2,500	1,360	1,140
COMMUNICATIONS	3,800	0	3,800	4,217	(417)
COMMUNICATIONS PUBLIC SAFETY	2,000	0	2,000	2,201	(201)
VEHICLE MAINT & TRANSPORTATION	1,500	0	1,500	1,155	345
EQUIP - REPAIR/MAINTAIN	2,500	0	2,500	1,912	588
COMMUNICATIONS MAINT/REPAIR	500	0	500	0	500
OPERATING SUPPLIES	0	0	0	270	(270)
GASOLINE	2,200	0	2,200	1,356	844
MACHINERY & EQUIPMENT	2,500	0	2,500	2,620	(120)
TR TECH RES CAPITAL EQUIP	6,000	0	6,000	20,000	(14,000)
TRANS TECH RESCUE COMMUNICAT	1,200	0	1,200	1,200	0
TOTAL TECHNICAL RESCUE	40,978	0	40,978	55,517	(14,539)
POLICE DISPATCH:					
SALARIES	236,301	42,213	278,514	264,473	14,041
SHIFT DIFFERENTIAL	9,966	0	9,966	7,984	1,982
SALARIES PT DISPATCH	42,213	(42,213)	0	0	0
OVERTIME	25,556	0	25,556	37,541	(11,985)
OVERTIME 2.0	10,000	0	10,000	10,941	(941)
HEALTH INSURANCE	69,275	0	69,275	74,242	(4,967)
DENTAL INSURANCE	4,418	0	4,418	3,422	996
LIFE/DISABILITY INSURANCE	3,551	0	3,551	3,871	(320)
SOCIAL SECURITY	24,789	0	24,789	24,304	485
RETIREMENT	16,541	0	16,541	18,420	(1,879)
UNEMPLOYMENT COMP	3,961	0	3,961	4,006	(45)
WORKERS COMPENSATION	934	0	934	390	544
MISCELLANEOUS BENEFITS	0	0	0	125	(125)
TOTAL POLICE DISPATCH	447,505	0	447,505	449,719	(2,214)
DPW - ADMINISTRATION:					
SALARIES	260,850	0	260,850	262,658	(1,808)
HEALTH INSURANCE	62,866	0	62,866	53,295	9,571
DENTAL INSURANCE	5,296	0	5,296	4,319	977
LIFE/DISABILITY INSURANCE	3,887	0	3,887	4,103	(216)
INSURANCE-PACIF/CL BOND/E&O	7,944	0	7,944	8,250	(306)
SOCIAL SECURITY	20,299	0	20,299	20,219	80
RETIREMENT	18,574	0	18,574	17,538	1,036
UNEMPLOYMENT COMP	1,551	0	1,551	1,569	(18)
WORKERS COMPENSATION	11,008	0	11,008	9,537	1,471
PERSONNEL DEVELOPMENT	2,000	0	2,000	928	1,072
DUES & PUBLICATIONS	550	0	550	588	(38)
PROFESSIONAL SERVICES	32,700	0	32,700	30,317	2,383
LEGAL	2,500	0	2,500	1,511	989
UTILITIES	3,937	0	3,937	4,512	(575)
TELEPHONE	1,869	0	1,869	839	1,030
COMMUNICATIONS	880	0	880	834	46
VEHICLE MAINT & TRANSPORTATION	500	0	500	154	346
MAINTENANCE - TOWN OFFICE	4,945	0	4,945	4,218	727

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TOWN OF COLCHESTER, VERMONT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
ADVERTISING	0	0	0	206	(206)
ADV - RECRUITING	500	0	500	40	460
OFFICE SUPPLIES	400	0	400	942	(542)
OPERATING SUPPLIES	500	0	500	411	89
POSTAGE	501	0	501	592	(91)
GASOLINE	1,400	0	1,400	1,090	310
MILEAGE ALLOW & REIMBURSEMENT	4,500	0	4,500	4,517	(17)
MACHINERY & EQUIPMENT	0	0	0	13	(13)
COMPUTERS	0	0	0	325	(325)
TOTAL DPW - ADMINISTRATION	449,957	0	449,957	433,525	16,432
DPW - HIGHWAY DEPARTMENT:					
SALARIES	361,428	0	361,428	342,818	18,610
SHIFT DIFFERENTIAL	11,169	0	11,169	8,568	2,601
SEASONAL LABOR	0	0	0	936	(936)
OVERTIME	42,840	0	42,840	58,585	(15,745)
OVERTIME 2.0	8,160	0	8,160	3,139	5,021
HEALTH INSURANCE	80,962	0	80,962	72,627	8,335
DENTAL INSURANCE	6,759	0	6,759	7,139	(380)
LIFE/DISABILITY INSURANCE	5,437	0	5,437	5,879	(442)
INSURANCE-PACIF/CL BOND/E&O	20,914	0	20,914	20,734	180
SOCIAL SECURITY	32,405	0	32,405	31,907	498
RETIREMENT	25,300	0	25,300	23,997	1,303
UNEMPLOYMENT COMP	3,100	0	3,100	3,135	(35)
WORKERS COMPENSATION	20,507	0	20,507	17,768	2,739
MISCELLANEOUS BENEFITS	0	0	0	100	(100)
UNIFORMS	6,643	0	6,643	6,202	441
COMMERCIAL DRIVERS LICENSES	600	0	600	602	(2)
STREET LIGHTS	118,075	0	118,075	116,930	1,145
TRAFFIC SIGNALS	9,544	0	9,544	8,201	1,343
COMMUNICATIONS	998	0	998	734	264
TREE MAINTENANCE	4,400	0	4,400	5,450	(1,050)
TIRES AND TUBES	8,544	0	8,544	8,529	15
STRIPING	26,937	0	26,937	7,170	19,767
TRUCK 1 - 2003 INTL	750	0	750	125	625
TRUCK 2 - 2003 INTL	750	0	750	267	483
TRUCK 3 - 2007 INTERNATIONAL	750	0	750	183	567
TRUCK 4 - 2008 CHEVY	500	0	500	357	143
TRUCK 5 - 2007 INTERNATIONAL	750	0	750	119	631
TRUCK 6 - 2006 INTERNATIONAL	750	0	750	2,987	(2,217)
GRADER	5,480	0	5,480	4,442	1,038
LOADER	3,000	0	3,000	1,094	1,906
TRACTOR/MOWER	750	0	750	885	(135)
DROT	750	0	750	594	156
HOLDER	3,000	0	3,000	514	2,486
TRUCK 18 - 2009 INTERNATIONAL	750	0	750	613	137
TRUCK 8 - 2006 CHEVY	1,500	0	1,500	1,486	14
TRUCK 9 - 2002 CHEVY CREW CAB	500	0	500	0	500
TRUCK 10 - 2004 CHEVY 4X4	250	0	250	659	(409)
CHAIN SAWS	300	0	300	101	199
SANDERS	2,000	0	2,000	2,283	(283)
SNOWPLOWS	11,390	0	11,390	8,543	2,847
BRIDGES	250	0	250	123	127
ROLLER/TRAILER	50	0	50	58	(8)
PAINT TRAILER	0	0	0	41	(41)
EMERGENCY ROAD REPAIRS	0	0	0	38,102	(38,102)
HIRED EQUIPMENT - WINTER	500	0	500	550	(50)
HIRED EQUIPMENT - SUMMER	500	0	500	0	500
OPERATING SUPPLIES	4,000	0	4,000	4,125	(125)
EQUIPMENT SUPPLIES	1,750	0	1,750	1,566	184
SMALL TOOLS & EQUIPMENT	400	0	400	153	247
CHLORIDE	11,117	0	11,117	8,111	3,006
CULVERTS	0	0	0	53	(53)
GRAVEL	17,181	0	17,181	34,741	(17,560)
ASPHALT REPAIR	4,000	0	4,000	4,393	(393)
SIGNS	8,000	0	8,000	7,439	561
WINTER SAND	25,365	0	25,365	9,871	15,494
WINTER SALT	109,824	0	109,824	108,708	1,116
GASOLINE	55,398	0	55,398	70,165	(14,767)
MACHINERY & EQUIPMENT	0	0	0	8	(8)
TOTAL DPW - HIGHWAY DEPARTMENT	1,066,977	0	1,066,977	1,064,589	2,388

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TOWN OF COLCHESTER, VERMONT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
DPW - MAINTENANCE FACILITY:					
SALARIES	161,138	0	161,138	161,756	(618)
SHIFT DIFFERENTIAL	638	0	638	434	204
SEASONAL LABOR	11,100	0	11,100	9,762	1,338
OVERTIME	4,182	0	4,182	1,220	2,962
OVERTIME 2.0	850	0	850	119	731
HEALTH INSURANCE	39,417	0	39,417	34,093	5,324
DENTAL INSURANCE	3,337	0	3,337	4,387	(1,050)
LIFE/DISABILITY INSURANCE	2,422	0	2,422	2,620	(198)
INSURANCE-PACIF/CL BOND/E&O	6,019	0	6,019	6,251	(232)
SOCIAL SECURITY	13,610	0	13,610	13,343	267
RETIREMENT	11,280	0	11,280	11,323	(43)
UNEMPLOYMENT COMP	1,550	0	1,550	1,568	(18)
WORKERS COMPENSATION	8,613	0	8,613	7,462	1,151
MISCELLANEOUS BENEFITS	0	0	0	65	(65)
TRAINING	975	0	975	975	0
UNIFORMS	2,965	0	2,965	3,012	(47)
UTILITIES	17,759	0	17,759	16,045	1,714
TELEPHONE	100	0	100	1,165	(1,065)
REPAIRS & MAINTENANCE	13,524	0	13,524	13,317	207
VEHICLE MAINT & TRANSPORTATION	250	0	250	557	(307)
OFFICE SUPPLIES	150	0	150	98	52
OPERATING SUPPLIES	3,500	0	3,500	4,232	(732)
EQUIPMENT SUPPLIES	14,000	0	14,000	13,791	209
WELDING SUPPLIES	1,000	0	1,000	1,204	(204)
GASOLINE	600	0	600	346	254
MACHINERY & EQUIPMENT	3,000	0	3,000	2,991	9
COMPUTERS	200	0	200	0	200
TOTAL DPW - MAINTENANCE FACILITY	322,179	0	322,179	312,136	10,043
STORMWATER:					
SALARIES	75,278	0	75,278	73,390	1,888
OVERTIME	0	0	0	736	(736)
HEALTH INSURANCE	16,239	0	16,239	13,739	2,500
DENTAL INSURANCE	721	0	721	433	288
LIFE/DISABILITY INSURANCE	1,096	0	1,096	1,187	(91)
INSURANCE-PACIF/CL BOND/E&O	3,360	0	3,360	3,490	(130)
SOCIAL SECURITY	5,759	0	5,759	5,809	(50)
RETIREMENT	5,104	0	5,104	4,973	131
UNEMPLOYMENT COMP	867	0	867	877	(10)
WORKERS COMPENSATION	3,644	0	3,644	3,157	487
UNIFORMS	766	0	766	696	71
LEGAL	500	0	500	875	(375)
CATCH BASINS	4,250	0	4,250	2,756	1,494
SWEEPER	1,500	0	1,500	1,474	26
SWEEPER-2007 STERLING	1,000	0	1,000	3,125	(2,125)
STORM WATER PUMPS	7,785	0	7,785	7,998	(213)
STORMWATER PERMITTING	5,000	0	5,000	4,289	711
TREATMENT STRUCTURES	2,880	0	2,880	2,026	854
SMALL TOOLS & EQUIPMENT	100	0	100	0	100
CULVERTS	5,000	0	5,000	1,391	3,609
GASOLINE	0	0	0	5,126	(5,126)
MACHINERY & EQUIPMENT	0	0	0	117	(117)
MISCELLANEOUS	0	0	0	452	(452)
PUBLIC OUTREACH & EDUCATION	5,000	0	5,000	5,055	(55)
WATER QUALITY TESTING	5,727	0	5,727	5,721	6
TOTAL STORMWATER	151,576	0	151,576	148,892	2,684
BUILDINGS:					
SALARIES	37,878	0	37,878	41,892	(4,014)
OVERTIME	1,530	0	1,530	4,341	(2,811)
OVERTIME 2.0	0	0	0	237	(237)
HEALTH INSURANCE	19,676	0	19,676	16,599	3,077
DENTAL INSURANCE	1,324	0	1,324	1,811	(487)
LIFE/DISABILITY INSURANCE	570	0	570	616	(46)
INSURANCE-PACIF/CL BOND/E&O	2,578	0	2,578	3,039	(461)
SOCIAL SECURITY	3,015	0	3,015	4,299	(1,284)
RETIREMENT	2,759	0	2,759	2,932	(173)

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TOWN OF COLCHESTER, VERMONT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
UNEMPLOYMENT COMP	388	0	388	392	(4)
WORKERS COMPENSATION	1,686	0	1,686	1,460	226
MISCELLANEOUS BENEFITS	0	0	0	65	(65)
PERSONNEL DEVELOPMENT	250	0	250	340	(90)
UTILITIES - MEETING HOUSE	6,717	0	6,717	5,725	992
UTILITIES - SENIOR CENTER	2,446	0	2,446	2,005	441
UTILITIES-HISTORICAL SOCIETY	2,667	0	2,667	2,366	301
COMMUNICATIONS	180	0	180	762	(582)
VEHICLE MAINT & TRANSPORTATION	0	0	0	445	(445)
MAINTENANCE - SENIOR CENTER	3,000	0	3,000	1,197	1,803
MAINTENANCE - MEETING HOUSE	4,365	0	4,365	5,893	(1,528)
MAINTENANCE-HISTORICAL SOCIETY	1,000	0	1,000	350	650
OPERATING SUPPLIES	2,200	0	2,200	2,483	(283)
OPER SUPL-MTG HOUSE	0	0	0	421	(421)
OPER SUPL-HIST SCTY	0	0	0	63	(63)
OPER SUPL-SENIOR CTR	0	0	0	86	(86)
GASOLINE	2,700	0	2,700	1,595	1,106
MILEAGE ALLOW & REIMBURSEMENT	0	0	0	64	(64)
BUILDINGS & IMPROVEMENTS	3,000	0	3,000	719	2,281
POLICE COMMUNITY CENTER	0	0	0	720	(720)
MISCELLANEOUS	200	0	200	354	(154)
TOTAL BUILDINGS	100,129	0	100,129	103,271	(3,142)
HEALTH SERVICES:					
VISITING NURSE ASSOC	18,000	0	18,000	18,000	0
HOWARD MENTAL HEALTH	2,700	0	2,700	2,700	0
CHAMPLAIN VALLEY AGY 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	15,486	0	15,486	15,640	(154)
ANIMAL CONTROL FEES	3,500	0	3,500	3,230	270
VERMONT CARES	1,250	0	1,250	1,250	0
TOTAL HEALTH SERVICES	45,766	0	45,766	45,650	116
PARKS:					
SALARIES	53,378	0	53,378	55,298	(1,920)
SEASONAL LABOR	128,525	0	128,525	120,092	8,433
OVERTIME	2,550	0	2,550	3,673	(1,123)
OVERTIME 2.0	0	0	0	3,134	(3,134)
HEALTH INSURANCE	19,676	0	19,676	15,224	4,452
DENTAL INSURANCE	1,324	0	1,324	496	828
LIFE/DISABILITY INSURANCE	801	0	801	867	(66)
VT HEALTH CARE CONTRIBUTIONS	1,500	0	1,500	644	856
INSURANCE-PACIF/CL BOND/E&O	6,272	0	6,272	5,242	1,030
SOCIAL SECURITY	14,111	0	14,111	13,794	317
RETIREMENT	3,737	0	3,737	3,751	(14)
UNEMPLOYMENT COMP	3,488	0	3,488	3,528	(40)
WORKERS COMPENSATION	7,050	0	7,050	6,108	942
PERSONNEL DEVELOPMENT	500	0	500	185	315
CONTRACTUAL SERVICES	16,225	0	16,225	16,426	(201)
UTILITIES - PARKS	17,509	0	17,509	16,027	1,482
TELEPHONE	750	0	750	742	8
COMMUNICATIONS	468	0	468	181	287
REPAIRS & MAINTENANCE	10,000	0	10,000	13,756	(3,756)
VEHICLE MAINT & TRANSPORTATION	3,500	0	3,500	2,620	880
EQUIP - REPAIR/MAINTAIN	3,000	0	3,000	5,272	(2,272)
EQUIP - RENTALS/LEASES	1,000	0	1,000	167	833
OPERATING SUPPLIES	10,000	0	10,000	14,023	(4,023)
GRASS SEED	2,100	0	2,100	2,075	25
FERTILIZER	10,000	0	10,000	10,172	(172)
GASOLINE	10,679	0	10,679	12,385	(1,706)
MACHINERY & EQUIPMENT	9,000	0	9,000	4,920	4,080
TOTAL PARKS	337,143	0	337,143	330,802	6,341

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
RECREATION:					
SALARIES	158,456	0	158,456	112,853	45,603
HEALTH INSURANCE	30,230	0	30,230	15,593	14,637
DENTAL INSURANCE	3,972	0	3,972	3,418	554
LIFE/DISABILITY INSURANCE	2,380	0	2,380	1,866	514
INSURANCE-PACIF/CL BOND/E&O	6,978	0	6,978	5,565	1,413
SOCIAL SECURITY	12,466	0	12,466	9,271	3,195
RETIREMENT	11,407	0	11,407	7,810	3,597
UNEMPLOYMENT COMP	1,163	0	1,163	1,176	(13)
WORKERS COMPENSATION	4,713	0	4,713	4,083	630
PERSONNEL DEVELOPMENT	2,000	0	2,000	724	1,276
DUES & PUBLICATIONS	1,000	0	1,000	975	25
LEGAL	1,000	0	1,000	0	1,000
UTILITIES	2,983	0	2,983	3,060	(77)
TELEPHONE	932	0	932	1,170	(238)
COMMUNICATIONS	900	0	900	296	604
VEHICLE MAINT & TRANSPORTATION	0	0	0	155	(155)
MAINTENANCE - TOWN OFFICE	3,843	0	3,843	4,303	(460)
PRINTING/PUBLICITY	1,000	0	1,000	1,059	(59)
OFFICE SUPPLIES	2,000	0	2,000	1,428	572
OPERATING SUPPLIES	1,400	0	1,400	1,155	245
POSTAGE	2,623	0	2,623	1,624	999
GASOLINE	500	0	500	0	500
MILEAGE ALLOW & REIMBURSEMENT	4,500	0	4,500	4,551	(51)
COMPUTERS	4,500	0	4,500	3,383	1,117
SPECIAL PROGRAMS	7,000	0	7,000	3,972	3,028
TRANSF TO RECR PROGRAM FUND	0	0	0	32,066	(32,066)
FAIR DAY	7,500	0	7,500	7,500	0
TRANSFER TO RAD	4,000	0	4,000	4,000	0
WINOOSKI VALLEY PARK DISTRICT	41,000	0	41,000	41,000	0
TRANSFER TO PARKS CAPITAL	0	0	0	165,000	(165,000)
TOTAL RECREATION	320,446	0	320,446	439,056	(118,610)
LIBRARY:					
SALARIES	308,445	0	308,445	278,225	30,220
TEMPORARY SUBS	10,000	0	10,000	26,050	(16,050)
HEALTH INSURANCE	81,738	0	81,738	62,417	19,321
DENTAL INSURANCE	7,066	0	7,066	5,239	1,827
LIFE/DISABILITY INSURANCE	2,823	0	2,823	2,588	235
INSURANCE-PACIF/CL BOND/E&O	11,665	0	11,665	9,311	2,354
SOCIAL SECURITY	24,361	0	24,361	22,721	1,640
RETIREMENT	21,591	0	21,591	19,474	2,117
UNEMPLOYMENT COMP	3,875	0	3,875	3,919	(44)
WORKERS COMPENSATION	915	0	915	793	122
DUES & PUBLICATIONS	690	0	690	290	400
PROGRAMMING	1,000	0	1,000	875	125
UTILITIES	15,379	0	15,379	12,126	3,253
TELEPHONE	2,367	0	2,367	2,459	(92)
COMMUNICATIONS	2,976	0	2,976	1,222	1,754
JANITORIAL SERVICES	8,320	0	8,320	7,911	409
EQUIP - REPAIR/MAINTAIN	75	0	75	0	75
MAINTENANCE - LIBRARY	11,031	0	11,031	8,388	2,643
MAINTENANCE - BUILDING	4,500	0	4,500	310	4,190
ADV - RECRUITING	100	0	100	280	(180)
PRINTING/PUBLICITY	600	0	600	600	0
OPERATING SUPPLIES	5,340	0	5,340	5,410	(70)
POSTAGE	4,200	0	4,200	3,767	433
MILEAGE ALLOW & REIMBURSEMENT	2,486	0	2,486	1,114	1,372
BOOKS - ADULT	17,500	0	17,500	17,642	(142)
BOOKS - JUVENILE	13,800	0	13,800	14,104	(304)
PERIODICALS	4,280	0	4,280	4,180	100
AUDIO/VISUAL MATERIALS	2,723	0	2,723	3,568	(845)
COMPUTERS	9,889	0	9,889	8,919	970
ELECTRONIC RESOURCES	2,539	0	2,539	3,049	(510)
MISCELLANEOUS	3,000	0	3,000	2,570	430
TRANSFER TO RESERVE FUND	0	0	0	4,000	(4,000)
TOTAL LIBRARY	585,274	0	585,274	533,521	51,753

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amendments	Final Budget	Actual	Variance Favorable (Unfavorable)
CEMETERY:					
INSURANCE-PACIF/CL BOND/E&O	0	0	0	115	(115)
REPAIRS & MAINTENANCE	23,750	0	23,750	15,000	8,750
MISCELLANEOUS	2,660	0	2,660	2,730	(70)
TOTAL CEMETERY	26,410	0	26,410	17,845	8,565
INTERGOVERNMENTAL EXPENDITURES:					
CHAMBER OF COMMERCE	1,100	0	1,100	1,090	10
VT COUNCIL ON WORLD AFFAIRS	500	0	500	0	500
GBIC	3,000	0	3,000	3,000	0
CHITTENDEN CO REGIONAL PLNG	13,144	0	13,144	14,246	(1,102)
VT LEAGUE OF CITIES & TOWNS	17,075	0	17,075	17,075	0
HANDICAP TRANSPORTATION	60,000	0	60,000	37,176	22,824
METROPOLITAN PLANNING ORG	12,276	0	12,276	12,276	0
COUNTY TAX	101,510	0	101,510	97,143	4,368
TOTAL INTERGOVERNMENTAL EXPEND	208,605	0	208,605	182,006	26,599
TOTAL EXPENDITURES	10,776,711	0	10,776,711	10,338,963	437,748
EXCESS/(DEFICIENCY) OF REVENUE OVER EXPEDITURES	\$ (341,600)	\$ 0	\$ (341,600)	\$ 184,728	\$ 526,328
FUND BALANCE - JULY 1, 2010				1,536,031	
FUND BALANCE - JUNE 30, 2011				\$ 1,720,759	

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Permanent Fund Burnham Memorial Library Fund	Total
<u>ASSETS</u>					
Cash	\$ 274,084	\$ 92,885	\$ 0	\$ 8,604	\$ 375,573
Investments	152,045	0	0	0	152,045
Receivables (Net of Allowance for Doubtful Accounts)	1,955	0	0	0	1,955
Notes Receivable (Net of Allowance for Doubtful Accounts)	231,250	0	0	0	231,250
Due From Other Funds	<u>9,356</u>	<u>2,939</u>	<u>138</u>	<u>648</u>	<u>13,081</u>
Total Assets	<u>\$ 668,690</u>	<u>\$ 95,824</u>	<u>\$ 138</u>	<u>\$ 9,252</u>	<u>\$ 773,904</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ 6,875	\$ 95	\$ 0	\$ 906	\$ 7,876
Due to Other Funds	35,552	78,951	0	0	114,503
Deferred Revenue	<u>231,250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>231,250</u>
Total Liabilities	<u>273,677</u>	<u>79,046</u>	<u>0</u>	<u>906</u>	<u>353,629</u>
Fund Balances/(Deficit):					
Nonspendable	91,050	0	0	2,000	93,050
Restricted	339,515	85,490	0	6,346	431,351
Assigned	0	0	138	0	138
Unassigned	<u>(35,552)</u>	<u>(68,712)</u>	<u>0</u>	<u>0</u>	<u>(104,264)</u>
Total Fund Balances/(Deficit)	<u>395,013</u>	<u>16,778</u>	<u>138</u>	<u>8,346</u>	<u>420,275</u>
Total Liabilities and Fund Balances	<u>\$ 668,690</u>	<u>\$ 95,824</u>	<u>\$ 138</u>	<u>\$ 9,252</u>	<u>\$ 773,904</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, 2011

	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Permanent Fund Burnham Memorial Library Fund	Total
Revenues:					
Property Taxes	\$ 0	\$ 294,596	\$ 699,801	\$ 0	\$ 994,397
Intergovernmental Revenues	5,425	0	0	0	5,425
Impact Fees	0	18,375	0	0	18,375
Donations	24,238	0	0	0	24,238
Charges for Services	2,870	0	0	8,769	11,639
Investment Income	27,002	3,501	0	2	30,505
Loan Repayments	6,719	0	0	0	6,719
Total Revenues	<u>66,254</u>	<u>316,472</u>	<u>699,801</u>	<u>8,771</u>	<u>1,091,298</u>
Expenditures:					
Current Expenditures					
Public Safety	1,155	485	0	0	1,640
Public Works	0	1,494	0	0	1,494
Culture & Recreation	27,957	0	0	9,321	37,278
Community Development	50,684	0	0	0	50,684
Capital Outlay:					
Public Works	0	172,447	0	0	172,447
Culture & Recreation	0	41,129	0	0	41,129
Debt Service:					
Principal	10,011	0	425,420	0	435,431
Interest	4,104	0	274,381	0	278,485
Total Expenditures	<u>93,911</u>	<u>215,555</u>	<u>699,801</u>	<u>9,321</u>	<u>1,018,588</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(27,657)</u>	<u>100,917</u>	<u>0</u>	<u>(550)</u>	<u>72,710</u>
Other Financing Sources/(Uses):					
Proceeds from Sale of Equipment	0	4,380	0	0	4,380
Transfers in	6,000	4,000	0	0	10,000
Transfers out	0	(62,863)	0	0	(62,863)
Total Other Financing Sources/(Uses)	<u>6,000</u>	<u>(54,483)</u>	<u>0</u>	<u>0</u>	<u>(48,483)</u>
Net Change in Fund Balances	(21,657)	46,434	0	(550)	24,227
Fund Balances/(Deficit) - July 1, 2010	<u>416,670</u>	<u>(29,656)</u>	<u>138</u>	<u>8,896</u>	<u>396,048</u>
Fund Balances - June 30, 2011	<u>\$ 395,013</u>	<u>\$ 16,778</u>	<u>\$ 138</u>	<u>\$ 8,346</u>	<u>\$ 420,275</u>

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	Revolving Loan Fund	Police Special Revenue Fund	Cemetery Fund	Heritage Project Fund	Total
<u>ASSETS</u>					
Cash	\$ 0	\$ 209,461	\$ 64,623	\$ 0	\$ 274,084
Investments	0	0	152,045	0	152,045
Receivables (Net of Allowance for Doubtful Accounts)	0	0	1,955	0	1,955
Notes Receivable (Net of Allowance for Doubtful Accounts)	231,250	0	0	0	231,250
Due From Other Funds	<u>0</u>	<u>0</u>	<u>200</u>	<u>9,156</u>	<u>9,356</u>
Total Assets	<u>\$ 231,250</u>	<u>\$ 209,461</u>	<u>\$ 218,823</u>	<u>\$ 9,156</u>	<u>\$ 668,690</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 6,875	\$ 6,875
Due to Other Funds	35,552	0	0	0	35,552
Deferred Revenue	<u>231,250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>231,250</u>
Total Liabilities	<u>266,802</u>	<u>0</u>	<u>0</u>	<u>6,875</u>	<u>273,677</u>
Fund Balances/(Deficits):					
Nonspendable	0	0	91,050	0	91,050
Restricted	0	209,461	127,773	2,281	339,515
Unassigned	<u>(35,552)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(35,552)</u>
Total Fund Balances/(Deficits)	<u>(35,552)</u>	<u>209,461</u>	<u>218,823</u>	<u>2,281</u>	<u>395,013</u>
Total Liabilities and Fund Balances	<u>\$ 231,250</u>	<u>\$ 209,461</u>	<u>\$ 218,823</u>	<u>\$ 9,156</u>	<u>\$ 668,690</u>

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, 2011

	Revolving Loan Fund	Police Special Revenue Fund	Cemetery Fund	Heritage Project Fund	Total
Revenues:					
Intergovernmental Revenues	\$ 0	\$ 5,425	\$ 0	\$ 0	\$ 5,425
Donations	0	0	0	24,238	24,238
Charges for Services	0	0	2,870	0	2,870
Investment Income	4,163	3,086	19,753	0	27,002
Loan Repayments	6,719	0	0	0	6,719
Total Revenues	10,882	8,511	22,623	24,238	66,254
Expenditures:					
Current Expenditures					
Public Safety	0	1,155	0	0	1,155
Culture & Recreation	0	0	0	27,957	27,957
Community Development	50,684	0	0	0	50,684
Debt Service:					
Principal	10,011	0	0	0	10,011
Interest	4,104	0	0	0	4,104
Total Expenditures	64,799	1,155	0	27,957	93,911
Excess/(Deficiency) of Revenues Over Expenditures	(53,917)	7,356	22,623	(3,719)	(27,657)
Other Financing Sources:					
Transfers In	0	0	0	6,000	6,000
Total Other Financing Sources	0	0	0	6,000	6,000
Net Change in Fund Balances	(53,917)	7,356	22,623	2,281	(21,657)
Fund Balances - July 1, 2010	18,365	202,105	196,200	0	416,670
Fund Balances/(Deficit) - June 30, 2011	\$ (35,552)	\$ 209,461	\$ 218,823	\$ 2,281	\$ 395,013

See Disclaimer in the accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	Recreation Acquisition and Development Fund	Capital Equipment Fund	Total
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 82,551	\$ 10,334	\$ 92,885
Due From Other Funds	<u>2,939</u>	<u>0</u>	<u>2,939</u>
Total Assets	<u>\$ 85,490</u>	<u>\$ 10,334</u>	<u>\$ 95,824</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 0	\$ 95	\$ 95
Due To Other Funds	<u>0</u>	<u>78,951</u>	<u>78,951</u>
Total Liabilities	<u>0</u>	<u>79,046</u>	<u>79,046</u>
Fund Balances/(Deficit):			
Restricted	85,490	0	85,490
Unassigned	<u>0</u>	<u>(68,712)</u>	<u>(68,712)</u>
Total Fund Balances/(Deficit)	<u>85,490</u>	<u>(68,712)</u>	<u>16,778</u>
Total Liabilities and Fund Balances	<u>\$ 85,490</u>	<u>\$ 10,334</u>	<u>\$ 95,824</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, 2011

	Recreation Acquisition and Development Fund	Capital Equipment Fund	Total
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Revenues:			
Property Taxes	\$ 0	\$ 294,596	\$ 294,596
Impact Fees	18,375	0	18,375
Investment Income	<u>1,672</u>	<u>1,829</u>	<u>3,501</u>
Total Revenues	<u>20,047</u>	<u>296,425</u>	<u>316,472</u>
Expenditures:			
Public Safety	0	485	485
Public Works	488	1,006	1,494
Capital Outlay:			
Public Works	0	172,447	172,447
Culture and Recreation	<u>8,626</u>	<u>32,503</u>	<u>41,129</u>
Total Expenditures	<u>9,114</u>	<u>206,441</u>	<u>215,555</u>
Excess of Revenues Over Expenditures	<u>10,933</u>	<u>89,984</u>	<u>100,917</u>
Other Financing Sources/(Uses):			
Proceeds from Sale of Equipment	0	4,380	4,380
Transfers In	4,000	0	4,000
Transfers out	<u>0</u>	<u>(62,863)</u>	<u>(62,863)</u>
Total Other Financing Sources/(Uses)	<u>4,000</u>	<u>(58,483)</u>	<u>(54,483)</u>
Net Change in Fund Balances	14,933	31,501	46,434
Fund Balances/(Deficit) - July 1, 2010	<u>70,557</u>	<u>(100,213)</u>	<u>(29,656)</u>
Fund Balances/(Deficit) - June 30, 2011	<u>\$ 85,490</u>	<u>\$ (68,712)</u>	<u>\$ 16,778</u>

See Disclaimer in the accompanying Independent Auditor's Report.

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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, 2011, which collectively comprise the Town of Colchester, Vermont’s basic financial statements and have issued our report thereon dated February 8, 2012. 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.

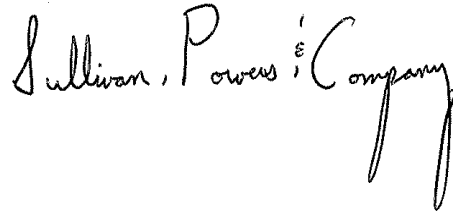
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses 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.

February 8, 2012
Montpelier, Vermont
Vt Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive, flowing style with a large, stylized 'S' at the beginning and a long, sweeping underline.