

TOWN OF COLCHESTER, VERMONT

AUDIT REPORT

JUNE 30, 2016

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Vermont, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Colchester, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Vermont, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated December 21, 2016 on our consideration of the Town of Colchester, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Colchester, Vermont's internal control over financial reporting and compliance.

December 21, 2016
Montpelier, Vermont
VT Lic. #92-000180

Sullivan, Powers & Company

TOWN OF COLCHESTER, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016. The purpose of the management discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

FINANCIAL HIGHLIGHTS

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

The assets and deferred outflows of resources of the Town of Colchester exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$40,330,013. Of this amount, \$6,004,428 (unrestricted net position) may be used by the various funds of the Town to meet its ongoing obligations to its citizens and creditors and \$1,017,824 represent resources that are subject to external restrictions on how they may be used.

- GASB Statement No. 68 "Financial Reporting for Pension Plans" requires the Town to report its proportionate share of the net pension liability and related deferred outflows and inflows of resources. The Vermont Municipal Employees' Retirement System (VMERS) pension liability was determined by an actuarial valuation as of 6/30/15, considering employee contributions, Town contributions, expected payments to pensioners, expected rate of return on investments, and the current value of all investments one year prior to this audit period. As expected, the methods for calculating produced a large fluctuation in the fiscal year 2016 annual financial statement. The fiscal year ending June 30, 2016 ended with a net deferred outflows of resource of \$1,272,117 due from a decrease to the difference between projected and actual earnings on pension plan investments, a difference between expected and actual experience, changes in assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions and the Town's required employer contributions made subsequent to the measurement date and a net pension liability of \$1,727,252. In FY 15, the VMERS reporting year in which we rely for our FY 16 financials, the fiduciary net position as a percentage of the total pension liability was 87.42%. In FY 14, which was paired with our FY 15 financials, it was 98.32%.
- Local Option Tax collection began in October of 2015. Local Option Tax revenues are constrained to use for voter approved debt payments. This removed debt from property tax obligations and enabled a lowering of the municipal tax rate.

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

- Governmental funds contain many funds including General, Capital Project, Reserve Funds and Debt Service funds. Each of these funds can contain several projects.
 - Capital Projects Fund – includes Capital Transportation Plan, Grant funds, Parks Capital Plan, Recreation Acquisition and Development Impact Fees
 - Reserve Fund – includes technology, communications, re-appraisal (funds from state), records retention, and public safety capital with its subcomponents (police boat reserve, rescue equipment reserve, rescue communications reserve, technical rescue equipment reserve, and technical rescue communication reserve).
 - Non-Major Governmental Funds – includes capital equipment, vehicles and facility; library and cemetery funds, and debt service.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,702,828, an increase of \$299,599 in comparison with the prior year.
- The General Fund fund balance increased \$424,476 from last year due to efforts to collect on delinquent property taxes. These efforts decreased the outstanding property tax receivable by \$131,483 from the prior fiscal year.

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- The Non-Major Governmental Funds includes a loan due from Housing Foundation Inc. The Town borrowed from the State of Vermont Special Environmental Revolving Fund to finance a wastewater disposal system at Windemere Estates Mobile Home Park. The Housing Foundation, Inc. has guaranteed repayment of the loan to the Town in monthly installments of \$6,166 which began January 2016. The monthly payment includes a 2% administrative fee and will be paid in full January 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

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

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

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

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Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Summary Statement of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current & Other Assets	7,659,421	7,398,929	3,978,373	4,601,863	11,637,794	12,000,792
Capital Assets	35,644,908	34,402,189	13,239,063	13,980,945	48,883,971	48,383,134
Total Assets	43,304,329	41,801,118	17,217,436	18,582,808	60,521,765	60,383,926
Deferred Outflow s of Resources	1,155,197	445,592	116,920	15,158	1,272,117	460,750
Long-Term Liabilities Outstanding	7,656,623	6,719,888	12,202,166	12,786,295	19,858,789	19,506,183
Other Liabilities	1,199,950	914,270	388,327	366,356	1,588,277	1,280,626
Total Liabilities	8,856,573	7,634,158	12,590,493	13,152,651	21,447,066	20,786,809
Deferred Inflow s of Resources	16,803	554,779	0	18,054	16,803	572,833
Net Position:						
Net Invested in Capital Assets	30,914,843	29,200,440	2,392,918	2,536,016	33,307,761	31,736,456
Restricted	1,011,224	669,436	6,600	6,600	1,017,824	676,036
Unrestricted	3,660,083	4,187,897	2,344,345	2,884,645	6,004,428	7,072,542
Total Net Position	35,586,150	34,057,773	4,743,863	5,427,261	40,330,013	39,485,034

Net Position states a government's financial status in a required standard format that may be compared over time and among similar governments. At the end of the fiscal year, the Town's assets exceeded liabilities and deferred inflows of resources by \$40,330,013.

The largest portion of the Town's assets (82.6%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure (roads, bridges, etc.) less any related, outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

\$1,017,824 of the Town's net position is restricted. These assets are subject to external restrictions on their use. The remaining \$6,004,428 may be used to meet the government's ongoing financial obligations. Included in the unrestricted net position are amounts that voters and management have assigned for particular purposes, such as reserves for expenditures in subsequent years and wastewater capacity rights (funding of South Burlington's Sewer plant upgrade).

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Governmental activities

Governmental activities increased the Town's net position by \$1,528,377 for the fiscal year ended June 30, 2016. Key elements of the change are as follows:

- In fiscal year 2016 the Town received \$996,547 in Capital Grants and Contributions. These grants allowed the Town to proceed with capital projects, not using Town funds.
- \$927,670 in Local Option Tax revenue was collected during the fiscal year. These funds were used to pay existing debt payments.

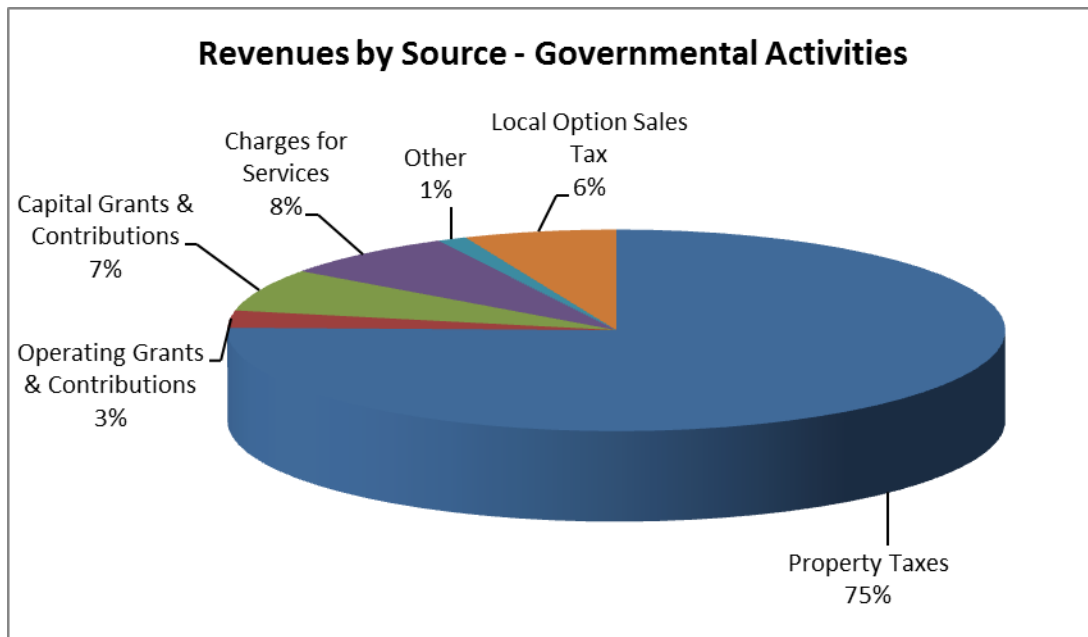
Public Safety remains the largest expense at 40% of total Governmental Activity expenses. This remains unchanged from fiscal year 2016.

Summary of the Statement of Activities

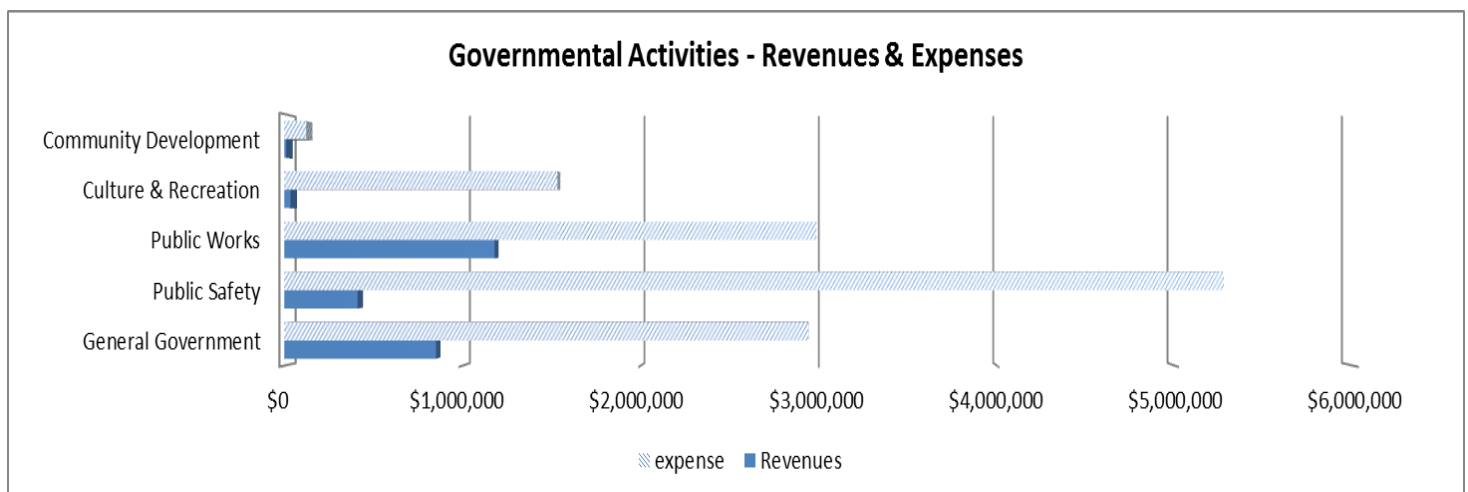
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$1,087,639	\$1,267,512	\$2,175,919	\$1,857,489	\$3,263,558	\$3,125,001
Operating Grants & Contributions	402,476	507,488	0	0	402,476	507,488
Capital Grants & Contributions	996,547	693,215	0	0	996,547	693,215
General Revenues:						0
Property Taxes	11,002,583	11,435,298	0	0	11,002,583	11,435,298
Other	1,435,152	574,732	109,382	104,880	1,544,534	679,612
Total Revenues	14,924,397	14,478,245	2,285,301	1,962,369	17,209,698	16,440,614
Expenses:						
General Government	2,941,201	2,824,790	0	0	2,941,201	2,824,790
Public Safety	5,273,514	5,696,594	0	0	5,273,514	5,696,594
Public Works	2,987,158	2,964,548	0	0	2,987,158	2,964,548
Community Development	122,547	92,173	0	0	122,547	92,173
Culture & Recreation	1,531,932	1,404,863	904,903	883,813	2,436,835	2,288,676
Interest on Long-Term Debt	212,164	218,933	0	0	212,164	218,933
Police Dispatch	0	0	597,800	0	597,800	0
Wastewater	0	0	1,793,500	1,752,804	1,793,500	1,752,804
Total Expenses	13,068,516	13,201,901	3,296,203	2,636,617	16,364,719	15,838,518
Increase/(Decrease) in Net Position						
Before Transfers	1,855,881	1,276,344	(1,010,902)	(674,248)	844,979	602,096
Transfers	(327,504)	(2,000)	327,504	2,000	0	0
Change in Net Position	1,528,377	1,274,344	(683,398)	(672,248)	844,979	602,096
Beginning Net Position	34,057,773	32,783,429	5,427,261	6,099,509	39,485,034	38,882,938
Ending Net Position	\$35,586,150	\$34,057,773	\$4,743,863	\$5,427,261	\$40,330,013	\$39,485,034

TOWN OF COLCHESTER, VERMONT
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The majority of revenue for governmental activities comes from property taxes, 75% of total revenue or \$11,002,583. This decreased by 4% from FY15 due to Local Option Tax collections being added as a revenue source. Charges for services were the second largest category of revenue at 8% of total revenue or \$1,087,639. The following graph shows the distribution of governmental revenues by source.



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



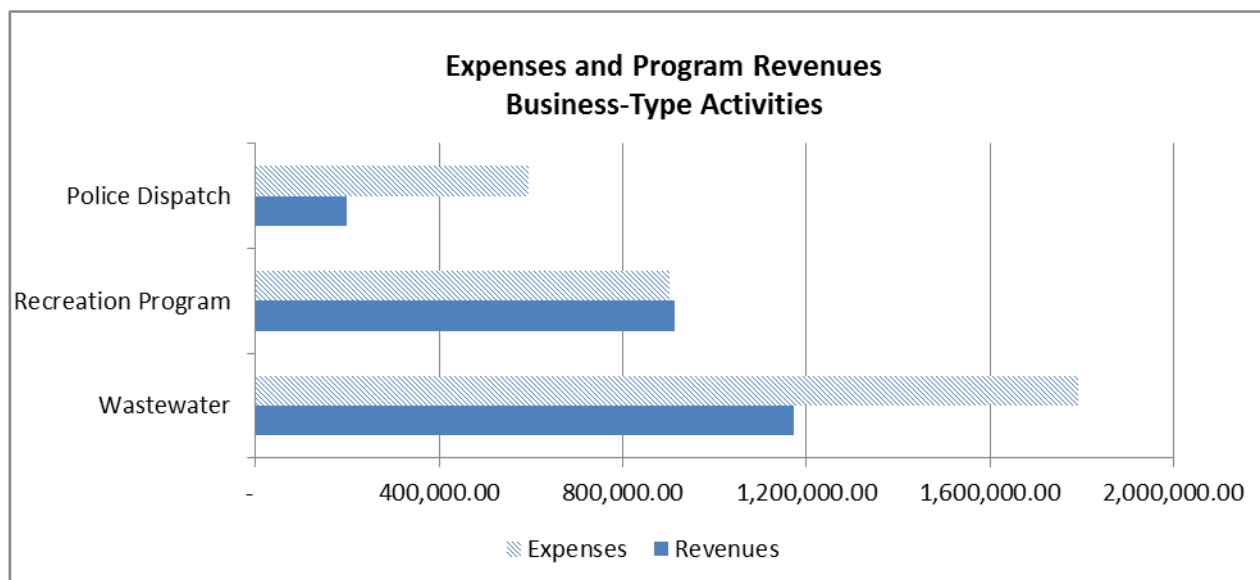
TOWN OF COLCHESTER, VERMONT
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Business-type activities (Police Dispatch, Wastewater and Recreation Funds):

Business-type activities decreased the Town's net position by \$683,398 during the current fiscal year through planned expenses. Key elements of this change are as follows:

- Wastewater Fund was \$729,214 short of covering their expenditures with charges for services. The Town paid South Burlington for capacity rights in their sewer plant and we recognize this investment by depreciating \$606,892 in value each of the 20 years of the funding relationship. The Town anticipated this over spending and a significant portion of the Wastewater Fund balance will be drawn down over the course of this loan repayment so as to avoid rate related spikes related to the capacity rights.
- Police Dispatch Fund became an enterprise fund in FY16. The Town of Colchester has a contract with the Town of Milton for dispatch services which covers a portion of the funds expenses. \$327,504 of expenses was funded by a planned transfer from the General Fund. The Dispatch fund ended the fiscal year with a \$70,053 deficit. This was in part because the fund "inherited" \$28,704 in leave time liabilities from the general fund, and with the remainder primarily related to overtime. The formula for funding the dispatch service should recoup the overtime expense in the next few years.
- Recreation Program Fund covered their expenses during the fiscal year and contributed \$8,196 to the Business-type Activities net position.

Business-type activities are accounted for in the same manner that businesses account for operations. It is necessary that revenues (operating and non-operating) plus retained earnings meet or exceed expenses to continue operating. The graph below titled Expenses and Program Revenues-Type Activities demonstrates that during the current fiscal year expenses exceeded revenues for the Police Dispatch Fund by \$397,557 and Wastewater Fund by \$621,541. However, the Recreation Program Fund covered their expenditures with \$8,196 remaining. The Dispatch fund is new and does not yet have retained earnings. The Wastewater and Recreation Program Funds have retained earnings.



TOWN OF COLCHESTER, VERMONT
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FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds.

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

The General Fund is the chief operating fund of the Town of Colchester. A key financial statistic to evaluating the financial strength of the Town is the level of the General Fund unassigned fund balance as a percent of total revenues or expenditures. According to best practices as outlined by the GASB, upon which the Town is audited, the unassigned fund balance should provide coverage of 2 to 4 months expenditures.

- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,638,195 and \$64,065 was non-spendable for inventory and prepaid expenses. A total of \$678,267 is assigned or committed for the following uses:
 - \$153,814 - Committed to offset leave time expenses exceeding budget
 - \$253,791 - Assigned to reduce property taxes in fiscal year 2017
 - \$135,331 - Assigned to reduce property taxes in fiscal year 2018
 - \$135,331 - Assigned to transfer to accrued General Fund Leave Time Fund in FY18

The Town's unassigned General Fund fund balance of \$1,638,195 on June 30, 2016 was 13% of total General Fund operating expenses as defined by the Selectboard's Fund Balance Policy. This is \$417,909 less than the suggested two months operating costs.

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

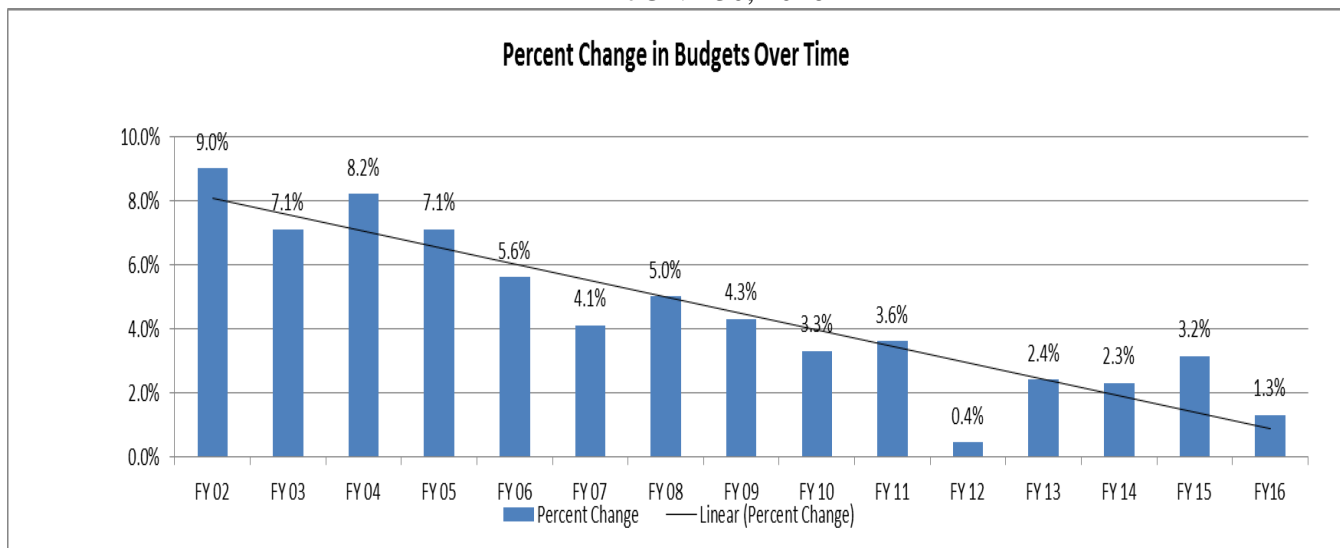
The Town operates a Septic Revolving Loan Fund to provide financial assistance for the upgrade of failing on-site septic systems. The Town has outstanding loans to 17 individuals or families as of June 30, 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The Town's FY 2016 General Fund budget totaling \$11,867,777 increased 1.3% over FY 15. The budget increase between FY 14 and FY 15 was 3.32%. As a service organization, employee related costs comprise about 59% of the General Fund expenses.

The graph on the next page shows the percent change in General Fund budget for the last 15 years.

**TOWN OF COLCHESTER, VERMONT
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Actual revenues of \$11,935,635 in the General Fund were higher than budgeted. Actual expenditures of \$11,664,973 were lower than budgeted. This resulted in a surplus of \$270,662.

Some of the key factors contributing to this outcome include:

Revenue Variances

- Better than expected Property Tax Revenue, Interest and Penalties all exceeded the FY16 budget by a combined amount of \$187,864.
- Several revenues ended the year higher than budgeted including: Building/Zoning Permits, \$80,362 over budget; and state wastewater fees \$43,470 over budget. Rescue revenues and state payment in lieu of taxes were \$37,107 and \$20,621 over budget respectively.
- It was determined that due to the higher than anticipated revenues, the \$50,000 transfer from capital projects fund was reduced to \$7,000. The General Fund budget was able to absorb salary costs related to capital project management. The Capital Project Fund will not transfer related salary costs to the general fund in FY17 and going forward.

Expenditure Variances

- Health Insurance costs were under budget by \$131,549. Town management evaluated options and stayed with the high deductible plan when insurance plans were renewed in January 2016. Premium costs increased minimally for the year. Dental Insurance, Life/Disability Insurance and Liability insurance also finished the year under budget by a combined total of \$31,805.
- A combination of Motor vehicle fuel prices remaining down and a mild winter, resulted in fuel expenses \$101,633 under budget. In addition, the mild winter limited salt use, resulting in \$49,009 in savings.
- Workers Compensation rates were subject to an unanticipated large rate increase during the fiscal year. The year ended with Workers Compensation expenses \$41,620 over budget.
- \$80,000 was transferred from DPW-Stormwater to the Transportation Capital Plan, as approved by the Selectboard to assist with funding a comprehensive stormwater management system for Malletts Bay. This transfer was not budgeted.
- The Police department went over budget in Uniforms/equipment line item by \$91,134. A large piece of the overspending was due to purchasing of Police Car Cameras. Due to Gas, Vehicle Maintenance and Health insurance ending the year under budget, the Police department ended the fiscal year 0.3% overspent.

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MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

- The Selectboard did not spend contingency funding of \$66,000.
- Rescue finished the year \$27,181 (5.1%) over budget. \$13,244 of this over spending was due to salaries. Rescue had an employee out on long-term disability and filling shifts was challenging. They were able to limit their overtime by relying on more per diem employees than anticipated.
- DPW-Maintenance Facility ended the year \$38,139 over budget. \$29,719 of the over spending was the Salary line item. This was mainly due to a long-time employee retiring and being paid out accrued time.
-

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town of Colchester's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totaled \$48,883,971 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The Town's capital assets included in the financial reports do not include the value of infrastructure assets (generally roads, bridges and the sewer system) put into operation prior to July 1, 2003, as allowed by GASB 34. All other capital assets are included and the department of Public Works maintains detailed and ongoing inventory of the condition of roads and bridges and monitors the sewer system through various methods.

<u>Summary Capital Assets (net of depreciation)</u>						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$2,104,936	\$2,104,936	\$132,568	\$132,568	\$2,237,504	\$2,237,504
Construction in Progress	693,048	1,701,270	22,247	0	715,295	1,701,270
Land Improvements	1,242,697	1,225,658	0	0	1,242,697	1,225,658
Buildings & Improvements	8,050,419	7,349,455	0	0	8,050,419	7,349,455
Equipment & Furniture	1,238,486	1,345,672	0	0	1,238,486	1,345,672
Vehicles	1,825,960	2,039,478	0	0	1,825,960	2,039,478
Infrastructure	20,489,362	18,635,720	0	0	20,489,362	18,635,720
Plant & Equipment	0	0	2,767,090	2,924,327	2,767,090	2,924,327
Capacity Rights	0	0	10,317,158	10,924,050	10,317,158	10,924,050
Total	\$35,644,908	\$34,402,189	\$13,239,063	\$13,980,945	\$48,883,971	\$48,383,134

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

- Infrastructure increased by \$1,853,642 and was primarily comprised of \$1,726,378 for completion of the Mill Pond bridge. A portion of this project was funded by state funds. The asset belongs to the Town and therefore, the full amount is capitalized. Mill Pond Road roadway was also reconstructed and paved totaling \$312,157. \$391,606 of the infrastructure asset is River Road Sidewalk project which was completed.
- Construction in Progress projects that were completed during FY16 include: Mill Pond Bridge, Mill Pond Roadway, Airport Park Maintenance Facility, Town Hall 3rd Floor expansion
- Significant equipment increases include police car cameras (\$56,325), Mallets Bay dock (\$27,050) and Fuel Management Software at the town garage (\$11,537).

TOWN OF COLCHESTER, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

- Increases in vehicles include two new police vehicles which replace existing vehicles and one new Chevy Pickup truck for Public Works. After equipment outfitting to two Impalas and one pickup, the vehicles total \$110,362.

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

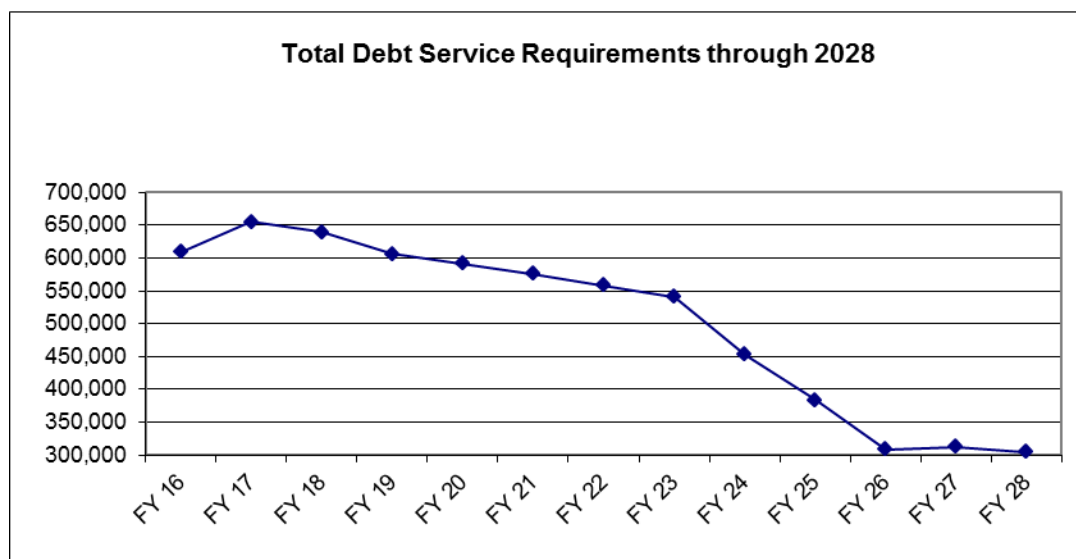
- Equipment deletions include a Chevy Tahoe, Crown Victoria and Chevy Pickup which were replaced in FY16.

Debt Administration

The only new borrowing in the governmental funds in 2016 was \$75,006 for the Windmere Mobile Home Park septic system improvement bond. The full value of the loan (\$475,000) has been drawn and payments begin in December 2016. There was no new borrowing in the business-type funds in Fiscal Year 2016.

Summary of Outstanding Debt						
	Governmental Activities		Business-Type Debt		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$5,266,075	\$5,624,673	\$237,144	\$316,192	\$5,503,219	\$5,940,865
Special Assessment Debt with Government Commitment	0	0	1,140,000	1,310,000	\$1,140,000	\$1,310,000
Capital Leases Payable	177,935	234,978	0	0	\$177,935	\$234,978
Due to South Burlington-Capacity Rights	0	0	10,609,001	11,128,737	\$10,609,001	\$11,128,737
Total	\$5,444,010	\$5,859,651	\$11,986,145	\$12,754,929	\$17,430,155	\$18,614,580

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



TOWN OF COLCHESTER, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

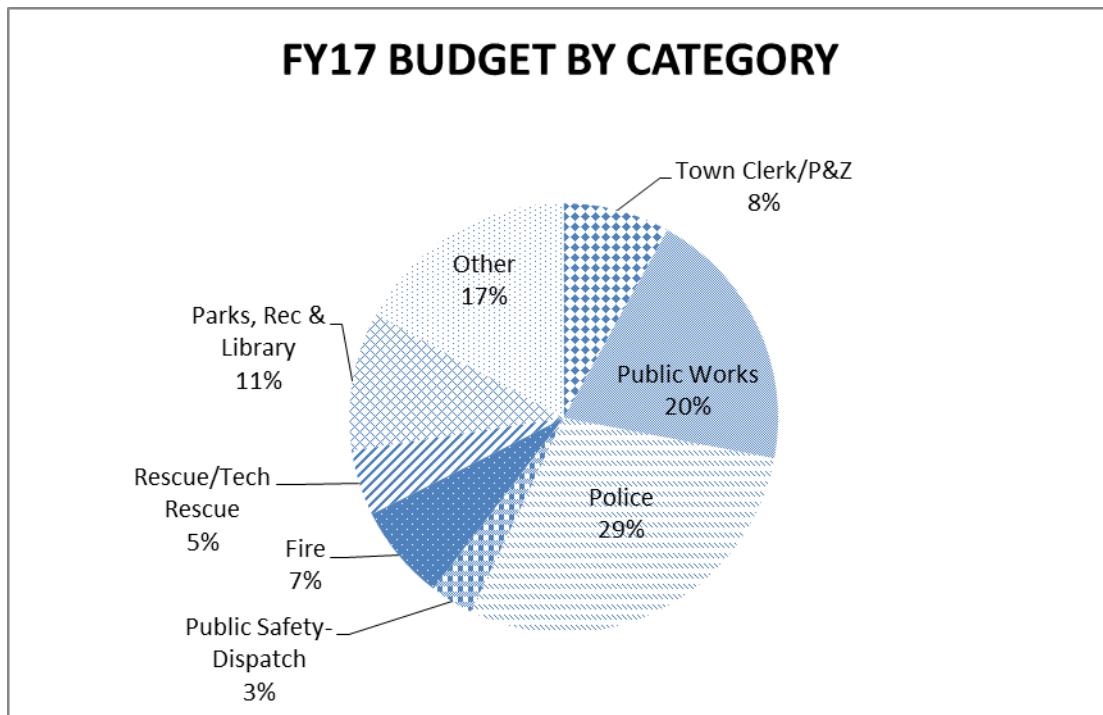
Economic Factors and Next Year's Budgets and Rates

- The Colchester Grand List is made up of primarily residential properties. For FY 16, 78.7% of property tax revenues come from residential properties.
- The Municipal Grand List value for the Town was \$20,370,712 as of the beginning of FY 16. This was a 1.69% increase over the prior fiscal year. Since 1970 the Town of Colchester's Grand List has grown from \$169,278 to \$20,370,712.

Next Year's (FY 17) Budget

- The Town of Colchester approved a General Fund budget for 2017 in the amount of \$12,155,259. This represents an increase of 2.42% over the previous year.
- The municipal tax rate increased by 0.6% to \$0.5405.
- In FY 15 through 17, about 44% of the budget is for public safety services.
- Public Works represents about 20% of the General Fund budget in FY 15, 16 and 17.
- Parks, Recreation and the Library represent about 11% of the General Fund budget in FY 15, 16 and 17.
- As a service organization employee related costs comprise 59% of the General Fund expenses.

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



TOWN OF COLCHESTER, VERMONT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2016

Future Budgetary Issues

In fiscal years 2017 and beyond, the Town will face pressures of increased service and infrastructure needs requiring increased expenditures for:

- more highway workers due to increased roads and paths
- water quality improvements to preserve Malletts Bay, Lake Champlain and our rivers/tributaries
- mandates from Federal and State government to address and mitigate stormwater impacts
- cost shifts from State and Federal government for a variety of services as well as reductions in grants and financial support
- police, rescue, and firefighting resources to meet demands of new development
- developing, recruiting, training and replacing employees as 28% of our workforce is 55 or older

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 Deputy Town Manager/Chief Financial Officer, Town of Colchester, PO Box 55, Colchester, VT 05446. The report is available online at www.colchestervt.gov.

TOWN OF COLCHESTER, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 8,070,326	\$ 3,670	\$ 8,073,996
Investments	502,489	176,600	679,089
Receivables (Net of Allowance for Uncollectibles)	744,779	1,470,136	2,214,915
Notes Receivable (Net of Allowance for Uncollectibles)	594,011	0	594,011
Internal Balances	(2,316,249)	2,316,249	0
Prepaid Expenses	8,421	1,469	9,890
Inventory	55,644	10,249	65,893
Capital Assets:			
Land	2,104,936	132,568	2,237,504
Construction in Progress	693,048	22,247	715,295
Other Capital Assets (Net of Accumulated Depreciation)	32,846,924	13,084,248	45,931,172
Total Assets	43,304,329	17,217,436	60,521,765
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	1,155,197	116,920	1,272,117
Total Deferred Outflows of Resources	1,155,197	116,920	1,272,117
<u>LIABILITIES</u>			
Accounts Payable	545,519	72,203	617,722
Accrued Payroll and Benefits Payable	307,901	65,282	373,183
Unearned Revenue	124,879	204,120	328,999
Due to Others	191,702	0	191,702
Accrued Interest Payable	29,949	46,722	76,671
Noncurrent Liabilities:			
Due within One Year	550,708	789,178	1,339,886
Due in More than One Year	7,105,915	11,412,988	18,518,903
Total Liabilities	8,856,573	12,590,493	21,447,066
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	16,803	0	16,803
Total Deferred Inflows of Resources	16,803	0	16,803
<u>NET POSITION</u>			
Net Investment in Capital Assets	30,914,843	2,392,918	33,307,761
Restricted:			
Public Safety	124,749	0	124,749
Culture and Recreation	232,090	0	232,090
Cemetery	264,740	0	264,740
Capital Projects	256,863	0	256,863
Other	132,782	6,600	139,382
Unrestricted	3,660,083	2,344,345	6,004,428
Total Net Position	\$ 35,586,150	\$ 4,743,863	\$ 40,330,013

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

TOWN OF COLCHESTER, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 2,941,201	\$ 669,730	\$ 181,044	\$ 0	\$ (2,090,427)	\$ 0	\$ (2,090,427)
Public Safety	5,273,514	356,207	13,600	40,884	(4,862,823)	0	(4,862,823)
Public Works	2,987,158	28,522	196,369	955,663	(1,806,604)	0	(1,806,604)
Culture and Recreation	1,531,932	22,682	11,463	0	(1,497,787)	0	(1,497,787)
Community Development	122,547	10,498	0	0	(112,049)	0	(112,049)
Interest on Long-term Debt	212,164	0	0	0	(212,164)	0	(212,164)
Total Governmental Activities	13,068,516	1,087,639	402,476	996,547	(10,581,854)	0	(10,581,854)
Business-type Activities:							
Wastewater	1,793,500	1,064,286	0	0	0	(729,214)	(729,214)
Recreation Program	904,903	911,390	0	0	0	6,487	6,487
Police Dispatch	597,800	200,243	0	0	0	(397,557)	(397,557)
Total Business-type Activities	3,296,203	2,175,919	0	0	0	(1,120,284)	(1,120,284)
Total Primary Government	\$ 16,364,719	\$ 3,263,558	\$ 402,476	\$ 996,547	(10,581,854)	(1,120,284)	(11,702,138)
General Revenues:							
Property Taxes					11,002,583	0	11,002,583
Penalties and Interest on Delinquent Taxes					145,189	0	145,189
Local Option Sales Tax					927,670	0	927,670
General State Grants					267,390	0	267,390
Impact Fees					42,630	0	42,630
Unrestricted Investment Earnings					31,618	109,382	141,000
Gain on Sale of Vehicles					4,782	0	4,782
Other Revenues					15,873	0	15,873
Transfers:					(327,504)	327,504	0
Total General Revenues and Transfers					12,110,231	436,886	12,547,117
Change in Net Position					1,528,377	(683,398)	844,979
Net Position - July 1, 2015					34,057,773	5,427,261	39,485,034
Net Position - June 30, 2016					\$ 35,586,150	\$ 4,743,863	\$ 40,330,013

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

TOWN OF COLCHESTER, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Capital Projects Fund	Reserve Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 7,752,268	\$ 0	\$ 0	\$ 318,058	\$ 8,070,326
Investments	405,138	0	0	97,351	502,489
Receivables (Net of Allowance for Uncollectibles)	328,294	32,861	1,018	382,606	744,779
Notes Receivable (Net of Allowance for Uncollectibles)	0	0	0	594,011	594,011
Due from Other Funds	0	1,024,672	1,223,771	769,156	3,017,599
Prepaid Expenses	8,421	0	0	0	8,421
Inventory	55,644	0	0	0	55,644
Total Assets	<u>\$ 8,549,765</u>	<u>\$ 1,057,533</u>	<u>\$ 1,224,789</u>	<u>\$ 2,161,182</u>	<u>\$ 12,993,269</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 251,608	\$ 116,295	\$ 59,137	\$ 118,479	\$ 545,519
Accrued Payroll and Benefits Payable	307,820	0	0	81	307,901
Due to Other Funds	5,228,400	0	0	105,448	5,333,848
Unearned Revenue	0	0	0	124,879	124,879
Due to Others	191,702	0	0	0	191,702
Total Liabilities	<u>5,979,530</u>	<u>116,295</u>	<u>59,137</u>	<u>348,887</u>	<u>6,503,849</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Prepaid Property Taxes	16,803	0	0	0	16,803
Unavailable Property Taxes, Penalties and Interest	135,585	0	0	0	135,585
Unavailable Ambulance Fees	28,933	0	0	0	28,933
Unavailable Grants	8,387	2,873	0	0	11,260
Unavailable Notes Receivable	0	0	0	594,011	594,011
Total Deferred Inflows of Resources	<u>189,708</u>	<u>2,873</u>	<u>0</u>	<u>594,011</u>	<u>786,592</u>
<u>FUND BALANCES</u>					
Nonspendable	64,065	0	0	165,071	229,136
Restricted	0	0	0	910,443	910,443
Committed	153,814	0	0	0	153,814
Assigned	524,453	938,365	1,165,652	142,770	2,771,240
Unassigned	1,638,195	0	0	0	1,638,195
Total Fund Balances	<u>2,380,527</u>	<u>938,365</u>	<u>1,165,652</u>	<u>1,218,284</u>	<u>5,702,828</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,549,765</u>	<u>\$ 1,057,533</u>	<u>\$ 1,224,789</u>	<u>\$ 2,161,182</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:					
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.					35,644,908
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					769,789
Long-term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.					(7,686,572)
Deferred Outflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.					<u>1,155,197</u>
Net Position of Governmental Activities					<u>\$ 35,586,150</u>

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

TOWN OF COLCHESTER, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Projects Fund	Reserve Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 9,933,658	\$ 763,902	\$ 60,500	\$ 387,044	\$ 11,145,104
Penalties and Interest on Delinquent Taxes	145,189	0	0	0	145,189
Local Option Sales Tax	0	0	0	927,670	927,670
Intergovernmental	626,102	70,224	58,429	94,194	848,949
Charges for Services	514,891	25,632	0	16,324	556,847
Permits, Licenses and Fees	641,839	0	31,738	42,630	716,207
Fines and Forfeits	21,807	0	0	0	21,807
Loan Repayments	0	0	0	66,858	66,858
Loan Interest Income	0	0	0	10,498	10,498
Investment Income	22,542	3,136	3,483	2,457	31,618
Donations	600	0	200	17,403	18,203
Other	11,494	3,416	2,206	1,647	18,763
Total Revenues	<u>11,918,122</u>	<u>866,310</u>	<u>156,556</u>	<u>1,566,725</u>	<u>14,507,713</u>
Expenditures:					
General Government	2,701,502	0	89,623	31,365	2,822,490
Public Safety	4,822,762	0	19,907	13,167	4,855,836
Public Works	2,080,242	31,200	0	0	2,111,442
Culture and Recreation	1,222,216	5,480	0	66,938	1,294,634
Community Development	120,889	0	0	75,103	195,992
Capital Outlay:					
General Government	28,065	0	0	355,515	383,580
Public Safety	60,939	0	0	119,980	180,919
Public Works	4,644	725,013	58,763	74,078	862,498
Culture and Recreation	21,683	541,509	0	0	563,192
Debt Service:					
Principal	0	0	0	486,897	486,897
Interest	0	0	0	204,343	204,343
Total Expenditures	<u>11,062,942</u>	<u>1,303,202</u>	<u>168,293</u>	<u>1,427,386</u>	<u>13,961,823</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>855,180</u>	<u>(436,892)</u>	<u>(11,737)</u>	<u>139,339</u>	<u>545,890</u>
Other Financing Sources/(Uses):					
Proceeds from Long-term Debt	0	0	0	75,006	75,006
Proceeds from Sale of Vehicles	0	0	0	6,207	6,207
Transfers In	7,000	80,000	25,200	5,000	117,200
Transfers Out	(437,704)	(7,000)	0	0	(444,704)
Total Other Financing Sources/(Uses)	<u>(430,704)</u>	<u>73,000</u>	<u>25,200</u>	<u>86,213</u>	<u>(246,291)</u>
Net Change in Fund Balances	424,476	(363,892)	13,463	225,552	299,599
Fund Balances - July 1, 2015	<u>1,956,051</u>	<u>1,302,257</u>	<u>1,152,189</u>	<u>992,732</u>	<u>5,403,229</u>
Fund Balances - June 30, 2016	<u>\$ 2,380,527</u>	<u>\$ 938,365</u>	<u>\$ 1,165,652</u>	<u>\$ 1,218,284</u>	<u>\$ 5,702,828</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, 2016

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)	\$ 299,599
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,990,189) is allocated over their estimated useful lives and reported as depreciation expense (\$1,614,589). This is the amount by which capital outlays exceeded depreciation in the current period.	375,600
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.	(24,662)
The effect of donations of capital assets is to increase net position. The State of Vermont is currently constructing a bridge for the Town.	891,781
The issuance of long-term debt (\$75,006) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$486,897) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In addition, the Town recognized a forgiveness of debt in the amount of \$3,750. This amount is the net effect of these differences in the treatment of long-term debt and related items.	415,641
The issuance of loans receivable (\$71,256) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$66,858) provides current financial resources to governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of loans receivable.	4,398
Governmental funds report employer pension contributions as expenditures (\$311,090). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$467,147) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.	(156,057)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(314,126)
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>36,203</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 1,528,377</u>

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

TOWN OF COLCHESTER, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Major Funds		Non-Major Fund	
	Wastewater Fund	Recreation Program Fund	Police Dispatch Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 3,670	\$ 0	\$ 0	\$ 3,670
Investments	176,600	0	0	176,600
Receivables (Net of Allowance for Uncollectibles)	329,982	154	0	330,136
Special Assessment Receivable - Current Portion	180,000	0	0	180,000
Due from Other Funds	1,732,934	576,121	7,194	2,316,249
Prepaid Expenses	347	1,122	0	1,469
Inventory	10,249	0	0	10,249
Total Current Assets	2,433,782	577,397	7,194	3,018,373
Noncurrent Assets:				
Special Assessment Receivable - Noncurrent Portion	960,000	0	0	960,000
Capital Assets:				
Land	132,568	0	0	132,568
Construction in Progress	22,247	0	0	22,247
Plant and Equipment	6,400,515	0	0	6,400,515
Capacity Rights	12,137,834	0	0	12,137,834
Less: Accumulated Depreciation and Amortization	(5,454,101)	0	0	(5,454,101)
Total Noncurrent Assets	14,199,063	0	0	14,199,063
Total Assets	16,632,845	577,397	7,194	17,217,436
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	39,050	77,870	116,920
Total Deferred Outflows of Resources	0	39,050	77,870	116,920
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	58,114	12,988	1,101	72,203
Accrued Payroll and Benefits Payable	92	45,586	19,604	65,282
Unearned Revenue	0	204,120	0	204,120
Accrued Interest Payable	46,722	0	0	46,722
Special Assessment Debt with Governmental Commitment - Current Portion	180,000	0	0	180,000
General Obligation Bonds Payable - Current Portion	79,048	0	0	79,048
Due to South Burlington - Capacity Rights - Current Portion	530,130	0	0	530,130
Total Current Liabilities	894,106	262,694	20,705	1,177,505
Noncurrent Liabilities:				
Compensated Absences Payable	0	28,582	28,704	57,286
Net Pension Liability	0	53,027	105,708	158,735
Special Assessment Debt with Governmental Commitment - Noncurrent Portion	960,000	0	0	960,000
General Obligation Bonds Payable - Noncurrent Portion	158,096	0	0	158,096
Due to South Burlington - Capacity Rights - Noncurrent Portion	10,078,871	0	0	10,078,871
Total Noncurrent Liabilities	11,196,967	81,609	134,412	11,412,988
Total Liabilities	12,091,073	344,303	155,117	12,590,493
<u>NET POSITION/(DEFICIT)</u>				
Net Investment in Capital Assets	2,392,918	0	0	2,392,918
Restricted	6,600	0	0	6,600
Unrestricted/(Deficit)	2,142,254	272,144	(70,053)	2,344,345
Total Net Position/(Deficit)	\$ 4,541,772	\$ 272,144	\$ (70,053)	\$ 4,743,863

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

TOWN OF COLCHESTER, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Major Funds		Non-Major Fund	
	Wastewater Fund	Recreation Program Fund	Police Dispatch Fund	Total
Operating Revenues:				
Charges for Services	\$ 1,064,286	\$ 911,390	\$ 200,243	\$ 2,175,919
Total Operating Revenues	1,064,286	911,390	200,243	2,175,919
Operating Expenses:				
Salaries and Benefits	5,747	687,439	590,850	1,284,036
Insurances	4,661	8,346	3,221	16,228
Administration Costs	98,895	0	0	98,895
General Expenses	4,279	55,557	3,729	63,565
Program Expenses	0	153,561	0	153,561
Sewage Treatment	515,723	0	0	515,723
Chemicals	38,704	0	0	38,704
Repairs and Maintenance	20,289	0	0	20,289
Utilities	44,373	0	0	44,373
Depreciation and Amortization	764,129	0	0	764,129
Total Operating Expenses	1,496,800	904,903	597,800	2,999,503
Operating Income/(Loss)	(432,514)	6,487	(397,557)	(823,584)
Non-Operating Revenues/(Expenses):				
Interest Income on Special Assessment Debt Service	96,232	0	0	96,232
Investment Income	11,441	1,709	0	13,150
Interest Expense	(296,700)	0	0	(296,700)
Total Non-Operating Revenues/(Expenses)	(189,027)	1,709	0	(187,318)
Net Income/(Loss) Before Other Financing Sources	(621,541)	8,196	(397,557)	(1,010,902)
Other Financing Sources:				
Transfers In	0	0	327,504	327,504
Total Other Financing Sources	0	0	327,504	327,504
Change in Net Position	(621,541)	8,196	(70,053)	(683,398)
Net Position - July 1, 2015	5,163,313	263,948	0	5,427,261
Net Position/(Deficit) - June 30, 2016	\$ 4,541,772	\$ 272,144	\$ (70,053)	\$ 4,743,863

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, 2016

	Major Funds		Non-Major Fund	
	Wastewater Fund	Recreation Program Fund	Police Dispatch Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 1,059,726	\$ 944,065	\$ 200,243	\$ 2,204,034
Payments for Goods and Services	(664,958)	(225,915)	(5,849)	(896,722)
Payments for Interfund Services	(98,895)	0	0	(98,895)
Payments for Wages and Benefits	(5,761)	(667,035)	(514,704)	(1,187,500)
Net Cash Provided/(Used) by Operating Activities	290,112	51,115	(320,310)	20,917
Cash Flows From Noncapital Financing Activities:				
(Increase)/Decrease in Due from Other Funds	450,605	(52,824)	(7,194)	390,587
Transfers Received from Other Funds	0	0	327,504	327,504
Net Cash Provided/(Used) by Noncapital Financing Activities	450,605	(52,824)	320,310	718,091
Cash Flows From Capital and Related Financing Activities:				
Special Assessments Received	170,000	0	0	170,000
Acquisition and Construction of Capital Assets	(22,247)	0	0	(22,247)
Principal Paid to South Burlington for Capacity Rights	(519,736)	0	0	(519,736)
Interest Paid to South Burlington for Capacity Rights	(224,308)	0	0	(224,308)
Principal Paid on General Obligation Bonds Payable	(249,048)	0	0	(249,048)
Interest Paid on General Obligation Bonds Payable	(70,287)	0	0	(70,287)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(915,626)	0	0	(915,626)
Cash Flows From Investing Activities:				
Receipt of Interest and Dividends	107,673	1,709	0	109,382
Net Decrease in Investments	31,302	0	0	31,302
Net Cash Provided by Investing Activities	138,975	1,709	0	140,684
Net Increase/(Decrease) in Cash	(35,934)	0	0	(35,934)
Cash - July 1, 2015	39,604	0	0	39,604
Cash - June 30, 2016	\$ 3,670	\$ 0	\$ 0	\$ 3,670
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:				
Operating Income/(Loss)	\$ (432,514)	\$ 6,487	\$ (397,557)	\$ (823,584)
Depreciation and Amortization	764,129	0	0	764,129
(Increase)/Decrease in Accounts Receivable	(4,560)	(154)	0	(4,714)
(Increase)/Decrease in Prepaid Expenses	(347)	(120)	0	(467)
(Increase)/Decrease in Inventory	848	0	0	848
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	(23,892)	(77,870)	(101,762)
Increase/(Decrease) in Accounts Payable	(37,430)	(8,331)	1,101	(44,660)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	(14)	12,107	19,604	31,697
Increase/(Decrease) in Unearned Revenue	0	32,829	0	32,829
Increase/(Decrease) in Compensated Absences Payable	0	3,071	28,704	31,775
Increase/(Decrease) in Net Pension Liability	0	47,172	105,708	152,880
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	(18,054)	0	(18,054)
Net Cash Provided/(Used) by Operating Activities	\$ 290,112	\$ 51,115	\$ (320,310)	\$ 20,917

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

TOWN OF COLCHESTER, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

	Agency Fund
	Developer Escrow Fund
<u>ASSETS</u>	
Cash	\$ 224,198
Total Assets	224,198
<u>LIABILITIES</u>	
Due to Others	224,198
Total Liabilities	224,198
<u>NET POSITION</u>	
Total Net Position	\$ 0

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

The Town reports on the following major governmental funds:

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

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

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

The Town reports on the following major enterprise funds:

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

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

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

Additionally, the Town reports the following fund type:

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

E. Use of Estimates

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

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. Cash

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

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

2. Investments

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

3. Receivables

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

4. Internal Balances

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

5. Pensions

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

6. Inventories and Prepaid Expenses

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

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, "deferred outflows of resources", represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one type which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities, the business-type activities and the proprietary funds report deferred outflows of resources from one source; deferred outflows related to the Town's participation in the Vermont Employees Retirement System. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

8. Capital Assets

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

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

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

	Capitalization Threshold	Estimated Service Life
Land	\$ 10,000	Not Depreciated
Land Improvements	\$ 10,000	30-50 Years
Buildings and Building Improvements	\$ 25,000	30-80 Years
Equipment	\$ 5,000	5-10 Years
Furniture	\$ 5,000	5-10 Years
Vehicles	\$ 5,000	5-10 Years
Infrastructure	\$ 25,000	7-50 Years
Wastewater Plant and Equipment	\$ 10,000	10-50 Years
Capacity Rights	\$ N/A	20 Years

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

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

9. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused leave time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences are recorded as expenditures in the year they are paid.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

As of June 30, 2016, the Governmental Activities had \$644,096 in total compensated absences liability. The General Fund fund balance contains \$153,814 of committed fund balance as approved by the voters to fund a portion of this liability. Because this funding is not available for any other purpose and can only be un-committed through the annual voter approved budget process, it is tracked in a separate fund, the Accrued Leave Time Fund for expenditures exceeding budget. The unfunded leave time liability as of June 30, 2016 is \$490,282. Management and the Selectboard are taking significant efforts through policies which reduce leave accumulation and additional funding to reduce this liability further in future years.

Leave time liability affiliated with Enterprise Funds (the Recreation Program Fund and the Police Dispatch Fund) have leave time included as liabilities in their Statement of Net Position, as shown on Exhibit F.

10. Long-term Liabilities

Long-term liabilities include bonds payable, capital leases, and other obligations such as compensated absences, long term obligations for wastewater treatment capacity rights and the Town's net pension liability. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current liabilities on their balance sheets.

11. Fund Equity

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

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

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are approved at the annual Town Meeting in March. Budget changes within a department, which do not change the total expenditures, require approval of the Town Manager. Budget changes between departments, which do not change the total expenditures, require Selectboard approval. The Town made no budget changes during the year. Voter approval is required before expenditures exceed 102% of the voter approved budget. The budget presented herein is for the Town’s “General Fund” only and does not include the Accrued Leave Time Fund activity that is included with the General Fund.

B. Budgeted Deficit

The Town budgeted a current year’s deficiency of revenues over expenditures in the General Fund in the amount of \$257,530 in order to utilize a portion of the previous year’s surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2016 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$8,173,149
Deposits held by Investment Company	118,416
Cash on Hand	<u>6,629</u>
Total Cash	<u>8,298,194</u>
Investments:	
Certificates of Deposit	425,642
U.S. Treasury Strips	176,600
Corporate Bonds	27,200
Common Stock	<u>49,647</u>
Total Investments	<u>679,089</u>
Total Cash and Investments	<u>\$8,977,283</u>

The Town has three (3) certificates of deposit at various banks ranging from \$20,504 to \$294,068 with interest rates ranging from 0.4% to 2.0%. All of the certificates of deposit mature by fiscal year 2020.

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

Custodial Credit Risk

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

	Book Balance	Bank Balance
Insured by FDIC/SIPC	\$ 750,041	\$ 750,041
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	7,923,098	8,459,102
Uninsured, Uncollateralized	<u>44,068</u>	<u>44,068</u>
	<u>\$ 8,717,207</u>	<u>\$ 9,253,211</u>

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$8,173,149
Cash – Deposits held by Investment Company	118,416
Investments – Certificates of Deposit	<u>425,642</u>
Total	<u>\$8,717,207</u>

Interest Rate Risk

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

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity. The U.S. Treasury Strips 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	
U.S. Treasury Strips	\$ 35,952	\$ 140,648	\$ 0	\$ 176,600
Corporate Bonds	9,430	7,519	10,251	27,200
Total	<u>\$ 45,382</u>	<u>\$ 148,167</u>	<u>\$ 10,251</u>	<u>\$ 203,800</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The Town does not have any policy to limit the exposure to credit risk. The Town's certificates of deposit, U.S. Treasury Strips and common stock are exempt from credit risk analysis.

Investment Type	Standard and Poor's Rating as of June 30, 2016			Total
	BBB+	BBB	BBB-	
Corporate Bonds	\$ 10,251	\$ 7,519	\$ 9,430	\$ 27,200
Total	\$ 10,251	\$ 7,519	\$ 9,430	\$ 27,200

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town's certificates of deposit and U.S. Treasury Strips are exempt from concentration of credit risk analysis. There are no other investments in any one issuer that represent more than 5% of total investments.

B. Receivables

Receivables as of June 30, 2016, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	\$ 196,712	\$ 0	\$ 196,712
Penalties and Interest Receivable	37,593	0	37,593
Local Option Sales Tax Receivable	361,466	0	361,466
Ambulance Receivable	148,631	0	148,631
Grants Receivable	62,213	0	62,213
Accounts Receivable	39,664	154	39,818
Billed Services	0	12,518	12,518
Unbilled Services	0	317,464	317,464
Special Assessment - Current Portion *	0	180,000	180,000
Special Assessment - Noncurrent Portion *	0	960,000	960,000
Allowance for Doubtful Accounts	(101,500)	0	(101,500)
Total	\$ 744,779	\$ 1,470,136	\$ 2,214,915

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

C. Notes Receivable

Notes receivable as of June 30, 2016 are as follows:

Note Receivable, Holy Cross Senior Housing Partnership, Principal and Interest Payments Deferred until October, 2017, Interest at 1%, Monthly Principal and Interest Payments of \$1,380 due thereafter until October 31, 2037	\$ 300,000
Note Receivable, Champlain Housing Trust Corporation, Principal in the Form of a Balloon Payment due August 30, 2021, 0% Interest, Collateralized by 3 rd Mortgage on Land and Premises at 1302 Ethan Allen Drive	190,000
Note Receivable, Champlain Housing Trust Corporation, Principal Payments Deferred until August, 2036, 0% Interest	65,778
Note Receivable, Brookside Partnership, Principal and Interest Payments Deferred until January 2039, Interest at 4.46%	240,000
Note Receivable, Housing Foundation, Inc., Principal and Administrative Fee Payments of \$6,116 Monthly Beginning January, 2016, 2% Administrative Fee, Due January, 2022. Income from Repayment of the Loan will be Used to Pay the Related Windemere Park Septic System Improvements Bond Described in Note IV.I.	437,729
Notes Receivable, Seventeen (17) Loans to Residents for On-Site Sewage Disposal Systems and Potable Water Service, Principal and Interest Due Monthly Over Twenty (20) Years, Interest at 3%, Secured by Liens on Properties. Income from Repayment of the Loans will be Used to Pay the Related Septic Improvement Loan Program Bonds Described in Note IV.I.	<u>156,282</u>
Total Notes Receivable	1,389,789
Plus: Accrued Interest on Notes Receivable	73,051
Less: Allowance for Doubtful Notes and Accrued Interest Receivable	<u>(868,829)</u>
Reported Value as of June 30, 2016	<u>\$ 594,011</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

D. Capital Assets

Capital asset activity for the year ended June 30, 2016 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	1,701,270	2,492,265	3,500,487	693,048
Total Capital Assets, Not Being Depreciated	<u>3,806,206</u>	<u>2,492,265</u>	<u>3,500,487</u>	<u>2,797,984</u>
Capital Assets, Being Depreciated:				
Land Improvements	1,994,189	74,997	0	2,069,186
Buildings and Building Improvements	9,450,504	880,416	26,650	10,304,270
Equipment and Furniture	2,467,575	116,438	10,000	2,574,013
Vehicles	3,806,773	110,362	97,187	3,819,948
Infrastructure	23,056,201	2,715,902	0	25,772,103
Totals	<u>40,775,242</u>	<u>3,898,115</u>	<u>133,837</u>	<u>44,539,520</u>
Less Accumulated Depreciation for:				
Land Improvements	768,531	57,958	0	826,489
Buildings and Building Improvements	2,101,049	170,074	17,272	2,253,851
Equipment and Furniture	1,121,903	223,624	10,000	1,335,527
Vehicles	1,767,295	300,673	73,980	1,993,988
Infrastructure	4,420,481	862,260	0	5,282,741
Totals	<u>10,179,259</u>	<u>1,614,589</u>	<u>101,252</u>	<u>11,692,596</u>
Total Capital Assets, Being Depreciated	<u>30,595,983</u>	<u>2,283,526</u>	<u>32,585</u>	<u>32,846,924</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,402,189</u>	<u>\$ 4,775,791</u>	<u>\$ 3,533,072</u>	<u>\$ 35,644,908</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 132,568	\$ 0	\$ 0	\$ 132,568
Construction in Progress	0	22,247	0	22,247
Total Capital Assets, Not Being Depreciated	<u>132,568</u>	<u>22,247</u>	<u>0</u>	<u>154,815</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	221,037	0	0	221,037
40 Years	323,679	0	0	323,679
50 Years	4,688,203	0	0	4,688,203
Capacity Rights - Wastewater Treatment	12,137,834	0	0	12,137,834
Totals	<u>18,538,349</u>	<u>0</u>	<u>0</u>	<u>18,538,349</u>
Less Accumulated Depreciation for:				
Plant and Equipment	3,476,188	157,237	0	3,633,425
Capacity Rights - Wastewater Treatment	1,213,784	606,892	0	1,820,676
Totals	<u>4,689,972</u>	<u>764,129</u>	<u>0</u>	<u>5,454,101</u>
Total Capital Assets, Being Depreciated	<u>13,848,377</u>	<u>(764,129)</u>	<u>0</u>	<u>13,084,248</u>
Business-type Activities Capital Assets, Net	<u>\$ 13,980,945</u>	<u>\$ (741,882)</u>	<u>\$ 0</u>	<u>\$ 13,239,063</u>

TOWN OF COLCHESTER, VERMONT
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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 105,158	Wastewater	\$ <u>764,129</u>
Public Safety	335,905		
Public Works	947,499		
Culture and Recreation	<u>226,027</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
\$ <u>1,614,589</u>		\$ <u>764,129</u>	

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2016 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 5,228,400
Capital Projects Fund	1,024,672	0
Reserve Fund	1,223,771	0
Non-Major Governmental Funds	769,156	105,448
Wastewater Fund	1,732,934	0
Recreation Program Fund	576,121	0
Police Dispatch Fund	<u>7,194</u>	<u>0</u>
Total	\$ <u>5,333,848</u>	\$ <u>5,333,848</u>

Interfund transfers during the year ended June 30, 2016 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Reserve Fund	\$ 25,200	Appropriation
General Fund	Capital Projects Fund	80,000	Fund Stormwater Management System Expenditures
General Fund	Recreation Acquisition and Development Fund	5,000	Appropriation
General Fund	Police Dispatch Fund	327,504	Appropriation
Capital Projects Fund	General Fund	<u>7,000</u>	Appropriation
Total		\$ <u>444,704</u>	

F. Unearned Revenue

Unearned revenue in the Non-Major Governmental Funds consists of \$124,879 of grant revenue received in advance.

Unearned revenue in the Recreation Program Fund consists of \$204,120 of recreation fees received in advance. This revenue will be earned when the recreation programs are provided.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

G. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$49,582 from the difference between the expected and actual experience, \$312,369 from changes in assumptions, \$303,028 from the difference between the projected and actual investment earnings, \$179,128 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$311,090 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Governmental Activities is \$1,155,197.

Deferred outflows of resources in the Business-type Activities consists of \$5,017 from the difference between the expected and actual experience, \$31,613 from changes in assumptions, \$30,666 from the difference between the projected and actual investment earnings, \$18,128 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$31,496 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Business-type Activities is \$116,920.

Deferred outflows of resources in the Recreation Program Fund consists of \$1,676 from the difference between the expected and actual experience, \$10,561 from changes in assumptions, \$10,244 from the difference between the projected and actual investment earnings, \$6,056 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$10,513 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Recreation Program Fund is \$39,050.

Deferred outflows of resources in the Police Dispatch Fund consists of \$3,341 from the difference between the expected and actual experience, \$21,052 from changes in assumptions, \$20,422 from the difference between the projected and actual investment earnings, \$12,072 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$20,983 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Police Dispatch Fund is \$77,870.

H. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities consists of \$16,803 of prepaid property taxes.

Deferred inflows of resources in the General Fund consists of \$135,585 of delinquent property taxes, penalties and interest on those taxes, \$28,933 of ambulance fees and \$8,387 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$16,803 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$189,708.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Deferred inflows of resources in the Capital Projects Fund consist of \$2,873 of grant revenue not collected within sixty (60) days after year-end as this would not be available to liquidate current liabilities.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$594,011 of notes receivable not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

I. Long-term Liabilities

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

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

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

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

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Long-term liabilities outstanding as of June 30, 2016 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Belwood Drainage Project, Principal Payments of \$49,641 Payable on December 1 Annually, 0% Interest, Due December, 2023	\$ 446,771	\$ 0	\$ 49,641	\$ 397,130
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$9,174 Payable on April 1 Annually, Interest at 2%, Due April, 2027	97,015	0	7,234	89,781
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$4,941 Payable on July 1 Annually, Interest at 2%, Due July, 2028	56,075	0	3,820	52,255
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$6,181 Payable on August 1 Annually Beginning August, 2016, Interest at 2%, Due August, 2034	101,068	0	4,159	96,909
Bond Payable, Vermont Municipal Bond Bank, Municipal Building, Principal Payments of \$310,000 Payable on December 1 Annually, Interest Ranging from 3.865% to 4.665% Payable June 1 and December 1, Due December, 2027	3,970,000	0	310,000	3,660,000

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Bayside Property Purchase, Principal Payments of \$55,000 Payable on December 1 Annually, Interest Ranging from 1.87% to 5.09% Payable June 1 and December 1, Due December, 2024	\$ 550,000	\$ 0	\$ 55,000	\$ 495,000
Capital Lease Payable, First Niagara Leasing, Street Light Project, Principal and Interest Payments of \$61,656 Payable on July 15 Annually, Interest at 1.946%, Due July, 2018	234,978	0	57,043	177,935
Bond Payable, State of Vermont Special Environmental Revolving Fund, Windemere Park Septic System Improvements, Authorized to \$500,000 but Eligible for \$25,000 Subsidy, Principal and Administrative Fee Payments of \$73,393 Payable on December 1 Annually Beginning December 1, 2016, 2% Administrative Fee, Due December, 2022. The Town Recognized the Remaining \$3,750 of the Subsidy during the Year	<u>403,744</u>	<u>75,006</u>	<u>3,750</u>	<u>475,000</u>
Total Governmental Activities	<u>\$5,859,651</u>	<u>\$75,006</u>	<u>\$490,647</u>	<u>\$5,444,010</u>

Business-type Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$60,000 to \$155,000 Payable on November 1 Annually, Interest Ranging from 6.9% to 7.0% Payable May 1 and November 1, Due November, 2020	\$ 785,000	\$ 0	\$110,000	\$ 675,000
Bond Payable, Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$35,000 to \$90,000 Payable on November 1 Annually, Interest Ranging from 6.9% to 7.0% Payable May 1 and November 1, Due November, 2021	525,000	0	60,000	465,000

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Breezy Acres Trailer Park Sewer System, Principal Payments of \$79,048 Payable on July 1 Annually, 0% Interest, Due July, 2019	\$ 316,192	\$ 0	\$ 79,048	\$ 237,144
Total Business-type Activities	\$ <u>1,626,192</u>	\$ <u>0</u>	\$ <u>249,048</u>	\$ <u>1,377,144</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 5,624,673	\$ 75,006	\$ 433,604	\$ 5,266,075	\$ 489,052
Capital Leases Payable	234,978	0	57,043	177,935	61,656
Compensated Absences Payable	688,120	0	44,024	644,096	0
Net Pension Liability	<u>172,117</u>	<u>1,396,400</u>	<u>0</u>	<u>1,568,517</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	\$ <u>6,719,888</u>	\$ <u>1,471,406</u>	\$ <u>534,671</u>	\$ <u>7,656,623</u>	\$ <u>550,708</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 316,192	\$ 0	\$ 79,048	\$ 237,144	\$ 79,048
Special Assessment Debt with Governmental Commitment	1,310,000	0	170,000	1,140,000	180,000
Due to South Burlington - Capacity Rights	11,128,737	0	519,736	10,609,001	530,130
Compensated Absences Payable	25,511	31,775	0	57,286	0
Net Pension Liability	<u>5,855</u>	<u>152,880</u>	<u>0</u>	<u>158,735</u>	<u>0</u>
Total Business-type Activities Long-term Liabilities	\$ <u>12,786,295</u>	\$ <u>184,655</u>	\$ <u>768,784</u>	\$ <u>12,202,166</u>	\$ <u>789,178</u>

The Town has an agreement with the City of South Burlington, Vermont to assist in the upgrade of South Burlington's wastewater treatment facility. This agreement provides wastewater treatment capacity rights to the Town of Colchester in exchange for \$8,115,040 in growth in capacity costs and \$5,225,594 in operation and maintenance upgrade costs for a total of \$13,340,634. The Town of Colchester has paid for \$1,202,800 of these costs through a STAG grant. The City of South Burlington has issued twenty year bonds from the State of Vermont Special Environmental Revolving Fund to provide the additional funding for this project and will bill the Town of Colchester for its proportionate share of the project costs. The Town of Colchester plans to pay for these improvements from a combination of cash reserves, grants and rate adjustments. The annual debt service to the Town will require annual payments of \$742,310, which began in April, 2014, for twenty (20) years which includes interest at 2%. The Town of Colchester has acquired the capacity and treatment rights for both past and future development within the Town. The balance owed to the City of South Burlington as of June 30, 2016 was \$10,609,001.

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

TOWN OF COLCHESTER, VERMONT
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The change in the net pension liability is allocated to the function where the employee is charged.

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities	
	Principal	Interest	Capital Leases	Principal	Interest
2017	\$ 489,052	\$ 186,117	\$ 61,656	\$ 259,048	\$ 59,476
2018	490,641	169,357	61,656	274,048	10,096
2019	492,261	134,236	61,656	289,048	(37,480)
2020	493,913	117,621	0	225,000	(43,511)
2021	495,598	100,404	0	240,000	(108,402)
2022-2026	2,125,578	221,148	0	90,000	(49,611)
2027-2031	655,502	11,832	0	0	0
2032-2036	23,530	1,188	0	0	0
Total	5,266,075	941,903	184,968	1,377,144	(169,432)
Less: Imputed Interest	0	0	(7,033)	0	0
Total	<u>\$ 5,266,075</u>	<u>\$ 941,903</u>	<u>\$ 177,935</u>	<u>\$ 1,377,144</u>	<u>\$ (169,432)</u>

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

J. Fund Balances

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

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

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

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

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

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

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

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

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ 8,421
Nonspendable Inventories	<u>55,644</u>
Total General Fund	<u>64,065</u>

Non-Major Funds

Permanent Funds:

Nonspendable Burnham Memorial Library Fund Principal	2,000
Nonspendable Cemetery Fund Principal	<u>163,071</u>
Total Non-Major Funds	<u>165,071</u>
Total Nonspendable Fund Balances	<u>\$229,136</u>

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

Non-Major Funds

Special Revenue Funds:

Restricted for Revolving Loans by Grant Agreements (Source of Revenue is Grant Revenue)	\$ 92,185
Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	86,829
Restricted for Grant Expenses by Grant Agreement (Source of Revenue is Grant Revenue and Donations)	18,058
Restricted for Police Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	<u>124,749</u>
Total Special Revenue Funds	<u>321,821</u>

TOWN OF COLCHESTER, VERMONT
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JUNE 30, 2016

Capital Projects Funds:

Restricted for Recreation Acquisition and Development Expenditures by Impact Fees (Source of Revenue is Impact Fees)	<u>\$213,091</u>
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Permanent Funds:

Burnham Memorial Library Expenses by Trust Agreement – Expendable Portion (Source of Revenue is Donations)	16,999
Restricted for Cemetery Expenses by Trust Agreement – Expendable Portion (Source of Revenue is Sale of Lots)	<u>101,669</u>

Total Permanent Funds	<u>118,668</u>
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Debt Service Fund:

Restricted for Expenses or Financing of Voter-Approved Capital Projects within the Town and Voter-Approved Intermunicipal Financial Support by Charter	<u>256,863</u>
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Total Restricted Fund Balances	<u>\$910,443</u>
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The fund balance in the following fund is committed as follows:

Major Fund

General Fund:

Committed for Accrued Leave Time Payments by the Voters	<u>\$153,814</u>
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Total Committed Fund Balance	<u>\$153,814</u>
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2017	\$ 253,791
Assigned to Reduce Property Taxes in Fiscal Year 2018	135,331
Assigned to Transfer to Accrued General Fund Leave Time Fund in Fiscal Year 2018	<u>135,331</u>

Total General Fund	<u>524,453</u>
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Capital Projects Fund:

Assigned for Capital Projects	<u>938,365</u>
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Reserve Fund:

Assigned for Reserve Fund Expenses for Reappraisal, Technology and Public Safety Capital Items	<u>1,165,652</u>
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TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Non-Major Funds

Capital Projects Funds:

Assigned for Capital Equipment Expenditures	\$ 134,319
Assigned for Emma's Way Expenditures	<u>8,451</u>

Total Non-Major Funds 142,770

Total Assigned Fund Balances \$2,771,240

K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2016 consisted of the following:

Governmental Activities:

Inventories Restricted for Highway Use by Statute	\$ 55,644
Restricted for Revolving Loans by Grant Agreement	9,522
Restricted for Community Development by Grant Agreements	49,558
Restricted for Grant Expenses by Grant Agreements	18,058
Restricted for Law Enforcement by Grant Agreements	124,749
Restricted for Recreation Acquisition/Development by Impact Fees	213,091
Restricted for Burnham Library by Donations - Non-Expendable Portion	2,000
Restricted for Burnham Library by Donations - Expendable Portion	16,999
Restricted for Cemetery by Trust Agreements - Non-Expendable Portion	163,071
Restricted for Cemetery by Trust Agreements - Expendable Portion	101,669
Restricted for Expenses of Voter-Approved Capital Projects within the Town and Voter-Approved Intermunicipal Financial Support by Charter	<u>256,863</u>

Total Governmental Activities \$1,011,224

Business-type Activities:

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

The designated net position of the Town as of June 30, 2016 consisted of the following:

Business-type Activities:

Wastewater Fund:

Designated for South Burlington Plant Debt Service	\$1,206,455
Designated for Wastewater Fund Expenditures	<u>935,799</u>

Total Wastewater Fund 2,142,254

Recreation Program Fund:

Designated for Recreation Program Fund Expenses	<u>272,144</u>
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Total Business-type Activities \$2,414,398

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

The unrestricted deficit in the Police Dispatch Fund of \$70,053 will be funded in future years with additional revenues.

V. OTHER INFORMATION

A. PENSION PLAN

Defined Benefit Plan

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2016, the retirement system consisted of 436 participating employers.

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources

As of June 30, 2015, the measurement date selected by the State of Vermont, VMERS was funded at 87.42% and had a plan fiduciary net position of \$535,903,742 and a total pension liability of \$612,999,552 resulting in a net pension liability of \$77,095,810. As of June 30, 2016, the Town's proportionate share of this was 2.2404% resulting in a liability of \$1,727,252. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2015, the Town's proportion of 2.2404% was an increase of .2904% from its proportion measured as of June 30, 2014.

TOWN OF COLCHESTER, VERMONT
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JUNE 30, 2016

For the year ended June 30, 2016, the Governmental Activities, the Recreation Program Fund and the Police Dispatch Fund recognized pension expense of \$467,147, \$15,739, and \$48,821, respectively.

As of June 30, 2016, the Town reported deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 54,599
Changes in assumptions	343,982
Difference between projected and actual investment earnings	333,694
Changes in proportion and differences between employer contributions and proportionate share of contributions	197,256
Town's required employer contributions made subsequent to the measurement date	<u>342,586</u>
	<u>\$ 1,272,117</u>

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$342,586 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2017	\$202,199
2018	202,199
2019	202,199
2020	<u>322,934</u>
Total	<u>\$929,531</u>

Summary of System Provisions

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

Creditable Service: Service as a member plus purchased service.

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Service Retirement Allowance:

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

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

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

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B. Age 50 with twenty (20) years of service for Group D.

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

Member Contributions: Group B – 4.875% effective July 1, 2015 (increased from 4.75%). Group C – 9.875% from July 1, 2015 to December 31, 2015 (changed from 9.75% and then 10.0% effective January 1, 2016). Group D – 11.35% effective July 1, 2015 (increased from 11.25%).

Employer Contributions: Group B – 5.50% effective July 1, 2015 (increased from 5.375%). Group C – 7.125% from July 1, 2015 to December 31, 2015 (changed from 7.0% and then 7.25% effective January 1, 2016). Group D – 9.85% effective July 1, 2015 (increased from 9.75%).

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

Significant Actuarial Assumptions and Methods

Interest Rate: A select-and-ultimate interest rate set, specified as follows. The interest rate set is restarted every year.

Year 1: 6.25%	Year 10: 8.50%
Year 2: 6.75%	Year 11: 8.50%
Year 3: 7.00%	Year 12: 8.50%
Year 4: 7.50%	Year 13: 8.50%
Year 5: 7.75%	Year 14: 8.50%
Year 6: 8.25%	Year 15: 8.50%
Year 7: 8.25%	Year 16: 8.75%
Year 8: 8.25%	Year 17 and later: 9.00%
Year 9: 8.50%	

Salary increases: 5% per year.

Deaths:

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females.

Non-disabled retirees and terminated vested participants – The 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females.

Disabled retirees – RP-2000 Disabled Life Tables.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Beneficiaries – 1995 Buck Mortality Tables for males and females.

Spouse's Age: Husbands are assumed to be three years older than their wives.

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.8% per annum for Groups B, C and D members.

Actuarial Cost Method: Entry Age Normal – Level Percentage of Pay.

Asset Valuation Method: Invested assets are reported at fair value.

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

Inflation: The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the expected long-term real rates and the expected long-term inflation rate of 3.0%.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Discount Rate: The discount rate used to measure the total pension liability was 7.95%, a decrease from 8.23% in the prior year. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$3,450,072	\$1,727,252	\$283,036

Additional Information

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

Defined Contribution Plan

The Town offers a 401(a) pension plan to all full time employees, except police officers who were hired prior to January 1, 2013. The plan provides for 100% vesting after five (5) years of service. This plan qualifies, according to the Internal Revenue Service, as a defined contribution pension plan for governmental organizations exempt from income taxes. The Town contributes 8.5% of each non-union employee's base pay and 7% of each union employee's base pay. Both union and non-union employees contribute 1% of their base pay. The International City/County Management Association administers the Plan. Total covered payroll was \$1,016,182. Pension expense for the year ended June 30, 2016 was \$79,876.

Deferred Compensation Plan

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

B. CONTINGENT LIABILITIES

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

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

C. RISK MANAGEMENT

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

The Town is also a member of the Vermont League of Cities and Towns 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.

D. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are collected three (3) times per year. During the tax year ended June 30, 2016, taxes became due and payable on August 15, 2015, November 15, 2015 and March 15, 2016. The Town assesses a 5% penalty on delinquent taxes for the first thirty (30) days and then 8% thereafter. Interest is assessed at 1% per month. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale. The tax rates for 2016 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.5405	.5405
Education	<u>1.4386</u>	<u>1.5589</u>
Total	<u>1.9791</u>	<u>2.0994</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

E. LOCAL OPTION SALES TAX

In the fiscal year ending June 30, 2016, the Town recorded as revenue \$927,670 in Local Option Sales Tax Revenues as noted in Schedule 5. The Town paid out \$670,945 in voter approved capital project debt service in fiscal year 2016 for the Bellowood Neighborhood Drainage project, the Bayside Hazlett Property, the LED Street Light lease-purchase, and the Blakely Road Town Hall Building and Police Station improvements. The balance of the Debt Service Fund (which is a subcomponent of the Non-Major Governmental Funds as showing in Exhibit D) is \$256,863.

F. ENDOWMENT FUND

On May 5, 1997, the Burnham Memorial Library created an endowment at the Vermont Community Foundation. In doing so, the ownership of the funds passed to the Vermont Community Foundation with the stipulation that the Foundation pay to the Library an amount, determined on an annual basis, to be not less than 5% of the value of the funds as of the end of the previous year. Payments are to be made at least semiannually. The endowment is not reflected on the balance sheet of the Town. In 2016, the Library contributed another \$2,190 to the Foundation. The balance of the Endowment Fund at June 30, 2016 is \$80,413.

G. LAND LEASE

In August, 1994, the Town of Colchester entered into a land lease agreement with Homestead Design, Inc. The Town will lease land which is adjacent to the Town's offices to Homestead Design, Inc. for thirty (30) years. The Town will receive lease payments from Homestead Design, Inc. for thirty (30) years. The agreement provided for the construction of a building which is rented to a medical center. Homestead Design, Inc. collects these rent payments. At the end of the thirty (30) year agreement, the building will become property of the Town. The Town will then begin to receive the rental payments from the medical center. A purchase price option is included in the lease whereby the Town can purchase the building. The current purchase price is \$847,641.

Future land lease revenue is as follows:

2017	\$ 26,337
2018	27,061
2019	27,806
2020	28,570
2021	29,356
Thereafter	<u>93,001</u>
	<u>\$232,131</u>

H. COMMITMENTS

The Town of Colchester's voters have approved borrowing up to \$1,225,000 from the State of Vermont Special Environmental Revolving Fund to be used for low interest septic system improvement loans for Colchester residents and the Housing Foundation, Inc. As of June 30, 2016, the Town borrowed \$831,864 and has a balance owed of \$713,945.

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:			
PROPERTY TAXES	\$ 9,799,483	\$ 9,960,927	\$ 161,444
VETERAN'S TAX EXEMPTION	(19,500)	(27,269)	(7,769)
INTEREST ON DELINQUENT TAXES	48,000	67,793	19,793
PENALTIES ON DELINQUENT TAXES	63,000	77,396	14,396
LIQUOR LICENSES	4,100	3,865	(235)
LICENSES - TOWN	4,500	5,915	1,415
DEPARTMENT OF MOTOR VEHICLES	850	945	95
MARRIAGE LICENSES	1,200	1,077	(123)
DOG LICENSES	6,500	10,875	4,375
PAYMENT IN LIEU OF TAXES	160,000	180,621	20,621
CURRENT USE HOLD HARMLESS	20,000	34,937	14,937
VLCT INSURANCE DISTRIBUTIONS	10,000	0	(10,000)
INVESTMENT INCOME	28,000	22,542	(5,458)
WASTEWATER ADMINISTRATION CHARGES	98,895	98,895	0
TRANSFER FROM CAPITAL PROJECTS FUND	50,000	7,000	(43,000)
MISCELLANEOUS	20,000	8,604	(11,396)
SUPPORT PAYMENTS	60,870	51,832	(9,038)
POLICE	2,000	1,765	(235)
CUSI	9,453	10,145	692
POLICE ORDINANCE FEES	1,800	8,015	6,215
POLICE SPECIAL DETAIL CHARGES	0	9,474	9,474
POLICE OFF DUTY CHARGES	0	20,655	20,655
AMBULANCE	345,050	382,157	37,107
TECHNICAL RESCUE	5,000	0	(5,000)
RECORDING FEES	120,000	124,189	4,189
ACCESSORY APARTMENT/SEASONAL COVERSION	500	700	200
BUILDING/ZONING PERMITS	200,000	280,362	80,362
SEPTIC PERMITS	1,200	2,000	800
DRB LEGAL NOTICES	1,400	1,550	150
DRB/BLA APPLICATIONS	20,000	26,000	6,000
EXCAVATION W/ROW	11,600	9,650	(1,950)
CERTIFICATES OF OCCUPANCY	12,000	24,775	12,775
GIS INCOME	350	62	(288)
STATE WASTEWATER PERMITS	28,000	71,470	43,470
ORDINANCE AND MAP COPIES	400	316	(84)
CERTIFIED COPIES OF VITAL RECORDS	5,000	5,367	367
COPIES AND MAPS	17,000	15,047	(1,953)
USE OF VAULT	3,000	2,564	(436)
PASSPORTS	16,000	28,315	12,315
PASSPORT PHOTOS	6,500	11,345	4,845
ROAD MISCELLANEOUS	2,500	2,890	390
DOG CONTROL	1,775	1,945	170
GREEN MOUNTAIN PASSPORTS	200	440	240
RECREATION	13,950	17,508	3,558
LIBRARY DONATIONS	0	600	600
SENIOR CENTER RENTAL	150	0	(150)
DISTRICT COURT FINES	38,000	21,794	(16,206)
PLANNING AND ZONING FINES	1,000	13	(987)
PUBLIC SAFETY GRANT	0	7,802	7,802
BOATING SAFETY GRANT	20,000	23,541	3,541
PUBLIC WORKS GRANT	0	10,513	10,513
CONTAINER GRANT	5,000	2,571	(2,429)
ACT 68 REIMBURSEMENT	50,000	59,073	9,073
ACT 60 REIMBURSEMENT	6,850	6,874	24
ANNUAL SCHOOL PAYMENT	22,750	23,824	1,074
ANNUAL SCHOOL PAYMENT - MAINTENANCE	18,000	18,000	0
STATE AID TO HIGHWAYS	202,745	196,369	(6,376)
TRANSFER FROM WELLNESS FUND	65,176	0	(65,176)
TOTAL REVENUES	11,610,247	11,935,635	325,388

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
SELECTBOARD:			
SALARIES	\$ 6,500	\$ 6,500	\$ 0
EMPLOYER TAXES & BENEFITS	497	497	0
TOWN MEETING	750	0	750
TOWN REPORT	1,581	684	897
PRINTING & BINDING	4,500	0	4,500
MISCELLANEOUS	500	0	500
CONTINGENCY	66,000	0	66,000
TRANSFER TO WELLNESS FUND	65,176	0	65,176
TRANSFER TO ACCRUED LEAVE TIME FUND	153,814	153,814	0
TOTAL SELECTBOARD	299,318	161,495	137,823
CIVIL BOARD:			
SALARIES	16,283	12,969	3,314
OTHER SALARIES	7,000	1,575	5,425
EMPLOYER TAXES & BENEFITS	11,647	10,089	1,558
POSTAGE & EQUIPMENT	2,800	447	2,353
MISCELLANEOUS	5,000	2,120	2,880
TOTAL CIVIL BOARD	42,730	27,200	15,530
MANAGER:			
SALARIES	325,105	322,372	2,733
EMPLOYER TAXES & BENEFITS	115,086	99,667	15,419
PERSONNEL DEVELOPMENT	5,000	5,741	(741)
EMPLOYEE & VOLUNTEER APPRECIATION	2,000	2,179	(179)
DUES & PUBLICATIONS	3,500	3,884	(384)
PROFESSIONAL SERVICES	8,800	8,238	562
LEGAL	25,000	56,585	(31,585)
TELEPHONE & COMMUNICATIONS	3,069	4,452	(1,383)
MUNICIPAL MARKETING	0	34	(34)
FLAG REPLACEMENT	500	396	104
PUBLIC HEARING ADVERTISING	3,400	5,549	(2,149)
OPERATING & OFFICE SUPPLIES	9,000	10,841	(1,841)
POSTAGE	700	242	458
MILEAGE REIMBURSEMENT	5,000	6,596	(1,596)
MISCELLANEOUS	20,000	23,278	(3,278)
GREEN UP VERMONT	500	0	500
TOTAL MANAGER	526,660	550,054	(23,394)
COMMUNITY DEVELOPMENT:			
SALARIES	65,088	66,537	(1,449)
EMPLOYER TAXES & BENEFITS	33,262	31,329	1,933
PERSONNEL DEVELOPMENT	1,500	2,452	(952)
DUES & PUBLICATIONS	1,300	2,249	(949)
LEGAL	200	0	200
VEHICLE MAINTENANCE & TRANSPORTATION	500	1,312	(812)
ADVERTISING	300	41	259
MARKETING & COMMUNICATION	19,400	16,564	2,836
OPERATING SUPPLIES	300	405	(105)
MISCELLANEOUS	300	0	300
POSTAGE	400	0	400
TOTAL COMMUNITY DEVELOPMENT	122,550	120,889	1,661
FINANCE:			
SALARIES	195,338	211,960	(16,622)
EMPLOYER TAXES & BENEFITS	83,901	78,380	5,521
PERSONNEL DEVELOPMENT	2,500	403	2,097
DUES & PUBLICATIONS	425	40	385
PROFESSIONAL SERVICES	44,000	28,875	15,125
TELEPHONE	850	0	850
OFFICE SUPPLIES	2,600	3,157	(557)
POSTAGE	1,850	1,447	403
SOFTWARE MAINTENANCE	22,000	20,928	1,072
MISCELLANEOUS	150	543	(393)
TOTAL FINANCE	353,614	345,733	7,881

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
ASSESSOR:			
SALARIES	\$ 86,625	\$ 86,432	\$ 193
LISTERS	500	522	(22)
EMPLOYER TAXES & BENEFITS	55,470	46,435	9,035
PERSONNEL DEVELOPMENT	1,000	2,032	(1,032)
DUES & PUBLICATIONS	875	5,000	(4,125)
PROFESSIONAL SERVICES	29,645	16,651	12,994
LEGAL	7,500	1,185	6,315
REAPPRAISAL	19,000	15,850	3,150
TELEPHONE	500	0	500
OPERATING SUPPLIES	1,300	318	982
POSTAGE	800	874	(74)
GASOLINE	2,400	720	1,680
TECHNOLOGY	1,500	195	1,305
VEHICLE MAINTENANCE	167	0	167
	<u>207,282</u>	<u>176,214</u>	<u>31,068</u>
TOTAL ASSESSOR			
TOWN CLERK/TREASURER:			
SALARIES	216,331	218,821	(2,490)
EMPLOYER TAXES & BENEFITS	105,954	100,588	5,366
PERSONNEL DEVELOPMENT	2,000	1,560	440
DUES & PUBLICATIONS	425	335	90
LEGAL	3,000	7,079	(4,079)
TELEPHONE	1,500	0	1,500
OFFICE SUPPLIES	1,400	0	1,400
OPERATING SUPPLIES	10,000	10,470	(470)
POSTAGE	7,000	7,684	(684)
MACHINERY & EQUIPMENT	500	0	500
TECHNOLOGY	750	0	750
MISCELLANEOUS	500	163	337
	<u>349,360</u>	<u>346,700</u>	<u>2,660</u>
TOTAL TOWN CLERK/TREASURER			
PLANNING/ZONING:			
SALARIES	330,160	347,777	(17,617)
SALARIES - PLANNING COMMISSION/ZONING BOARD	4,102	3,554	548
EMPLOYER TAXES & BENEFITS	161,581	147,934	13,647
PERSONNEL DEVELOPMENT	6,000	5,203	797
DUES & PUBLICATIONS	6,100	6,301	(201)
PROFESSIONAL SERVICES	13,000	11,839	1,161
LEGAL	30,000	23,937	6,063
TELEPHONE	1,824	0	1,824
COMMUNICATIONS	800	789	11
ADVERTISING - RECRUITMENT	500	0	500
ADVERTISING - PUBLIC MEETINGS	1,600	2,687	(1,087)
PRINTING & BINDING	1,300	217	1,083
OPERATING SUPPLIES	4,000	3,420	580
POSTAGE	1,800	1,662	138
GASOLINE	1,358	797	561
MILEAGE REIMBURSEMENT	1,000	887	113
TECHNOLOGY	16,500	12,550	3,950
VEHICLE MAINTENANCE	1,200	542	658
GIS	500	1,333	(833)
3RD PARTY CONSULTANT FEES	10,000	13,288	(3,288)
MISCELLANEOUS	0	223	(223)
	<u>593,325</u>	<u>584,940</u>	<u>8,385</u>
TOTAL PLANNING/ZONING			

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
INFORMATION TECHNOLOGY:			
SALARIES	\$ 121,109	\$ 109,626	\$ 11,483
EMPLOYER TAXES & BENEFITS	50,838	28,734	22,104
PERSONNEL DEVELOPMENT	4,000	0	4,000
INTERNET PROVIDER	1,693	1,942	(249)
TELEPHONE	261	1,091	(830)
COMMUNICATIONS	0	6,064	(6,064)
REPAIR/MAINT - EQUIPMENT	4,000	3,542	458
RECRUITING	299	0	299
OPERATING SUPPLIES	400	204	196
MILEAGE REIMBURSEMENT	175	0	175
MACHINERY & EQUIPMENT	5,000	6,533	(1,533)
COMPUTERS	0	799	(799)
SOFTWARE	3,000	6,318	(3,318)
PROFESSIONAL SERVICES	9,000	4,256	4,744
TOTAL INFORMATION TECHNOLOGY	199,775	169,109	30,666
POLICE ENFORCEMENT:			
SALARIES	2,121,697	2,088,419	33,278
EMPLOYER TAXES & BENEFITS	981,262	968,299	12,963
PERSONNEL DEVELOPMENT	3,500	2,824	676
DUES & PUBLICATIONS	1,400	1,539	(139)
TRAINING	17,000	23,493	(6,493)
UNIFORMS AND EQUIP	32,500	123,634	(91,134)
LEGAL	500	663	(163)
UTILITIES	24,000	22,283	1,717
TELEPHONE	9,000	6,058	2,942
COMMUNICATIONS	35,000	37,226	(2,226)
PUBLIC SAFETY COMMUNICATIONS	19,000	18,824	176
VEHICLE MAINTENANCE	37,850	29,575	8,275
BUILDING MAINTENANCE	24,000	34,893	(10,893)
OFFICE SUPPLIES	8,500	9,753	(1,253)
PHOTO AND FINGERPRINT	6,700	6,265	435
POSTAGE	1,100	1,215	(115)
GASOLINE	88,400	48,227	40,173
TECHNOLOGY	2,500	6,684	(4,184)
MISCELLANEOUS	14,000	20,945	(6,945)
MARINE	9,000	17,287	(8,287)
SPECIAL PROGRAMS	3,000	2,545	455
TRANSFER TO RESERVE FUND - CAPITAL EQUIPMENT BOAT	20,000	0	20,000
TOTAL POLICE ENFORCEMENT	3,459,909	3,470,651	(10,742)
PUBLIC SAFETY DISPATCH:	327,504	327,504	0
FIRE DEPARTMENTS:			
MISCELLANEOUS	100	100	0
COLCHESTER CENTER FIRE CO	464,900	464,900	0
MALLETTS BAY FIRE DEPARTMENT	368,052	368,052	0
TOTAL FIRE DEPARTMENTS	833,052	833,052	0
RESCUE:			
SALARIES	321,116	334,360	(13,244)
EMPLOYER TAXES & BENEFITS	125,938	138,656	(12,718)
TRAINING	8,500	9,357	(857)
UNIFORMS	3,500	2,825	675
LEGAL	200	0	200
HEALTH & SAFETY	500	0	500
UTILITIES	13,000	11,614	1,386
TELEPHONE	700	0	700
COMMUNICATIONS	1,400	1,877	(477)
JANITORIAL SERVICES	1,500	1,280	220
VEHICLE MAINT	4,500	6,085	(1,585)
REPAIR/MAINTENANCE - EQUIPMENT	800	2,913	(2,113)
BUILDING MAINTENANCE	5,500	3,935	1,565
COMMUNICATIONS R&M	400	150	250

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TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
RESCUE/(CONTD):			
OFFICE SUPPLIES	\$ 1,400	\$ 1,674	\$ (274)
OPERATING SUPPLIES	16,500	16,438	62
POSTAGE	60	41	19
GASOLINE	6,750	3,437	3,313
MACHINERY & EQUIPMENT	1,000	3,462	(2,462)
TECHNOLOGY	1,500	0	1,500
TECHNOLOGY UPGRADES	0	755	(755)
MISCELLANEOUS	5,000	7,106	(2,106)
AMBULANCE PERSONNEL DONATIONS	500	1,780	(1,280)
SPECIAL PROGRAMS	300	0	300
TRANSFER TO RESERVE FUND - RESCUE CAPITAL EQUIPMENT	10,900	10,900	0
TRANSFER TO RESERVE FUND - RESCUE CAPITAL COMMUNICATION	6,300	6,300	0
TOTAL RESCUE	537,764	564,945	(27,181)
TECHNICAL RESCUE:			
SALARIES	9,000	9,908	(908)
EMPLOYER TAXES & BENEFITS	3,506	3,520	(14)
TRAINING	4,000	2,978	1,022
UNIFORMS	2,500	3,020	(520)
LEGAL	0	615	(615)
HEALTH & SAFETY	1,400	50	1,350
UTILITIES	150	143	7
COMMUNICATIONS	2,900	2,946	(46)
VEHICLE MAINTENANCE	1,500	2,735	(1,235)
EQUIPMENT R&M	2,000	754	1,246
COMMUNICATIONS R&M	300	0	300
OPERATING SUPPLIES	250	171	79
GASOLINE	2,663	1,195	1,468
MACHINERY & EQUIPMENT	3,000	2,807	193
BUILDING MAINTENANCE	1,000	1,411	(411)
TRANSFER TO RESERVE FUND - TECH. RESCUE CAPITAL EQUIPMENT	6,000	6,000	0
TRANSFER TO RESERVE FUND - TECH. RESCUE CAPITAL COMMUNICATION	2,000	2,000	0
TOTAL TECHNICAL RESCUE	42,169	40,253	1,916
PUBLIC WORKS - ADMINISTRATION:			
SALARIES	360,950	366,980	(6,030)
EMPLOYER TAXES & BENEFITS	164,571	160,187	4,384
PERSONNEL DEVELOPMENT	3,500	2,681	819
DUES & PUBLICATIONS	1,000	1,319	(319)
PROFESSIONAL SERVICES	32,700	35,337	(2,637)
LEGAL	1,000	3,518	(2,518)
TELEPHONE	782	0	782
COMMUNICATIONS	1,492	1,917	(425)
VEHICLE MAINTENANCE & TRANSPORTATION	167	247	(80)
ADVERTISING	0	107	(107)
RECRUITMENT	0	968	(968)
OFFICE SUPPLIES	950	1,274	(324)
OPERATING SUPPLIES	400	60	340
POSTAGE	650	767	(117)
GASOLINE	338	152	186
MILEAGE REIMBURSEMENT	4,500	4,711	(211)
TECHNOLOGY	4,300	4,840	(540)
TOTAL PUBLIC WORKS - ADMINISTRATION	577,300	585,065	(7,765)
HIGHWAY DEPARTMENT:			
SALARIES	445,225	406,690	38,535
EMPLOYER TAXES & BENEFITS	224,571	216,019	8,552
UNIFORMS	6,643	6,032	611
COMMERCIAL DRIVERS LICENSE	300	225	75
STREET LIGHTS	71,162	62,242	8,920
TRAFFIC SIGNALS	8,670	15,156	(6,486)
COMMUNICATIONS	998	768	230
STREET LIGHT MAINTENANCE	0	1,761	(1,761)
TREE MAINTENANCE	5,000	4,855	145

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TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
HIGHWAY DEPARTMENT/(CONT'D):			
TIRES AND TUBES	\$ 8,500	\$ 8,297	\$ 203
STRIPING	28,701	26,725	1,976
REPAIR PARTS & EQUIPMENT	31,040	26,046	4,994
BRIDGES	250	241	9
ROLLER / TRAILER	150	9	141
PAINT TRAILER	100	10	90
HIRED EQUIPMENT - WINTER	500	118	382
HIRED EQUIPMENT - SUMMER	500	524	(24)
OPERATING SUPPLIES	4,000	3,707	293
EQUIPMENT SUPPLIES	1,750	1,018	732
SMALL TOOLS & EQUIPMENT	750	729	21
CHLORIDE	9,320	9,784	(464)
GRAVEL	17,181	25,240	(8,059)
ASPHALT REPAIR	3,500	6,611	(3,111)
SIGNS	8,000	6,753	1,247
WINTER SAND	18,531	18,427	104
WINTER SALT	120,780	71,770	49,010
GASOLINE	72,309	28,291	44,018
MISCELLANEOUS	0	1,732	(1,732)
TOTAL HIGHWAY DEPARTMENT	1,088,431	949,780	138,651
MAINTENANCE FACILITY:			
SALARIES	199,399	229,118	(29,719)
EMPLOYER TAXES & BENEFITS	77,634	92,771	(15,137)
TRAINING	975	975	0
UNIFORMS	2,804	2,385	419
UTILITIES	16,150	15,118	1,032
TELEPHONE	800	0	800
REPAIRS AND MAINTENANCE	12,000	9,642	2,358
VEHICLE MAINTENANCE	500	193	307
OFFICE SUPPLIES	150	100	50
OPERATING SUPPLIES	3,775	2,715	1,060
EQUIPMENT SUPPLIES	14,000	13,683	317
WELDING SUPPLIES	1,000	991	9
GASOLINE	750	610	140
MACHINERY & EQUIPMENT	3,000	2,975	25
TECHNOLOGY	200	0	200
TOTAL MAINTENANCE FACILITY	333,137	371,276	(38,139)
STORMWATER:			
SALARIES	88,201	87,888	313
EMPLOYER TAXES & BENEFITS	49,390	44,905	4,485
UNIFORMS	1,635	1,329	306
LEGAL	0	195	(195)
CATCH BASINS	4,250	4,250	0
SWEEPERS PARTS	5,000	6,177	(1,177)
WATER FOR SWEEPER	0	683	(683)
STORMWATER PUMPS	935	822	113
STORMWATER PERMITTING	5,200	20,262	(15,062)
TREATMENT STRUCTURES	2,000	2,259	(259)
SMALL TOOLS & EQUIPMENT	300	0	300
CULVERTS	5,000	6,218	(1,218)
GASOLINE	6,439	2,751	3,688
PUBLIC EDUCATION/OUTREACH	5,000	5,000	0
WATER QUALITY TESTING	5,727	6,539	(812)
TRANSFER TO CAPITAL PROJECTS FUND	0	80,000	(80,000)
TOTAL STORMWATER	179,077	269,278	(90,201)

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
BUILDINGS:			
SALARIES	\$ 51,427	\$ 49,932	\$ 1,495
EMPLOYER TAXES & BENEFITS	23,702	20,587	3,115
UTILITIES - TOWN HALL	30,100	32,885	(2,785)
UTILITIES - MEETING HOUSE	6,272	6,857	(585)
UTILITIES - HISTORICAL SOCIETY	2,541	2,022	519
COMMUNICATIONS	600	455	145
TRACTOR	500	0	500
VEHICLE MAINTENANCE	1,150	580	570
MAINTENANCE-TOWN HALL	15,736	17,245	(1,509)
CLEANING - TOWN HALL	10,460	10,627	(167)
MAINTENANCE - MEETING HOUSE	10,000	5,300	4,700
MAINTENANCE - HISTORICAL SOCIETY	500	1,007	(507)
OPERATING SUPPLIES	3,400	2,762	638
GASOLINE	1,587	930	657
MISCELLANEOUS	500	770	(270)
REPAIR/MAINTENANCE - EQUIPMENT	1,000	0	1,000
EQUIPMENT - RENTALS/LEASES	20,000	14,055	5,945
TOTAL BUILDINGS	179,475	166,014	13,461
HEALTH SERVICES:			
VISITING NURSE ASSOCIATION	36,000	36,000	0
ANIMAL CONTROL CONTRACT	17,750	16,037	1,713
ANIMAL CONTROL FEES	4,100	3,855	245
TOTAL HEALTH SERVICES	57,850	55,892	1,958
PARKS:			
SALARIES	201,891	199,378	2,513
EMPLOYER TAXES & BENEFITS	80,486	65,595	14,891
PERSONNEL DEVELOPMENT	250	249	1
PROFESSIONAL SERVICES	0	8,892	(8,892)
CONTRACTUAL SERVICES	16,500	20,331	(3,831)
UTILITIES - PARKS	19,000	26,495	(7,495)
TELEPHONE	1,000	1,611	(611)
COMMUNICATIONS	325	221	104
REPAIRS AND MAINTENANCE	16,500	16,466	34
VEHICLE MAINTENANCE	3,500	3,073	427
REPAIR/MAINTENANCE - EQUIPMENT	5,000	5,100	(100)
RENTAL EQUIPMENT	1,000	690	310
OPERATING SUPPLIES	15,000	15,145	(145)
GRASS SEED & BARK MULCH	5,500	628	4,872
FERTILIZER	11,000	11,111	(111)
GASOLINE	14,500	8,751	5,749
MACHINERY & EQUIPMENT	9,000	7,562	1,438
MISCELLANEOUS	0	12,023	(12,023)
TOTAL PARKS	400,452	403,321	(2,869)
RECREATION:			
SALARIES	125,502	128,318	(2,816)
EMPLOYER TAXES & BENEFITS	47,522	46,480	1,042
PERSONNEL DEVELOPMENT	4,000	1,675	2,325
DUES & PUBLICATIONS	1,000	485	515
LEGAL	500	1,265	(765)
UTILITIES - COMMUNITY CENTER	3,000	2,478	522
MAINTENANCE - COMMUNITY CENTER	3,000	2,030	970
TELEPHONE	1,200	0	1,200
COMMUNICATIONS	300	309	(9)
VEHICLE MAINTENANCE & TRANSPORTATION	200	4	196
PRINTING AND BINDING	2,000	346	1,654
OFFICE SUPPLIES	1,850	2,081	(231)
OPERATING SUPPLIES	1,400	2,057	(657)
POSTAGE	1,000	1,119	(119)
MILEAGE REIMBURSEMENT	4,700	4,916	(216)
TECHNOLOGY	4,500	5,053	(553)
SPECIAL PROGRAMS	4,500	5,168	(668)
FAIR DAY	8,500	8,500	0
TRANSFER TO RECREATION ACQUISITION AND DEVELOPMENT FUND	5,000	5,000	0
TOTAL RECREATION	219,674	217,284	2,390

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TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
LIBRARY:			
SALARIES	\$ 359,243	\$ 367,481	\$ (8,238)
EMPLOYER TAXES & BENEFITS	165,507	147,869	17,638
PERSONNEL DEVELOPMENT	3,500	4,074	(574)
DUES & PUBLICATIONS	690	651	39
PROGRAMMING	1,750	2,855	(1,105)
UTILITIES	13,500	13,753	(253)
TELEPHONE	2,800	2,200	600
COMMUNICATION ACCESS - LIBRARY	2,500	1,128	1,372
JANITORIAL SERVICES	11,000	9,916	1,084
GENERAL MAINTENANCE	12,000	12,287	(287)
BUILDING MAINTENANCE	6,000	3,800	2,200
RECRUITMENT	100	39	61
PRINTING/PUBLICITY	2,400	2,168	232
OPERATING SUPPLIES	5,500	6,169	(669)
POSTAGE	4,200	3,203	997
MILEAGE REIMBURSEMENT	1,500	1,550	(50)
BOOKS - ADULT	17,750	17,296	454
BOOKS - JUVENILE	14,300	14,352	(52)
PERIODICALS	2,500	2,721	(221)
AUDIO/VISUAL MATERIALS	5,000	4,955	45
LIBRARY TECHNOLOGY	4,389	3,619	770
ELECTRONIC RESOURCES	5,000	5,707	(707)
GRANT RETURNED	0	395	(395)
CLASSIC CONNECTIONS	0	106	(106)
TOTAL LIBRARY	641,129	628,294	12,835
CEMETERY:			
REPAIRS AND MAINTENANCE	19,875	20,074	(199)
MISCELLANEOUS	3,120	2,364	756
INSURANCE - PACIF/CL/BOND/E&O	352	0	352
TOTAL CEMETERY	23,347	22,438	909
INTERGOVERNMENTAL EXPENDITURES:			
LCR CHAMBER	1,500	1,260	240
VT COUNCIL ON WORLD AFFAIRS	500	500	0
GBIC	6,000	6,000	0
CHITTENDEN COUNTY REGIONAL PLANNING	25,089	25,089	0
WINOOSKI VALLEY PARK DISTRICT	43,000	43,000	0
VLCT	19,618	19,237	381
CCTA	27,663	27,663	0
CCTA PILOT PROGRAM	42,523	42,523	0
SSTA	14,000	17,052	(3,052)
LOCAL MOTION	2,500	2,500	0
COUNTY TAX	88,000	92,768	(4,768)
CONSERVATION COMMISSION	2,500	0	2,500
TOTAL INTERGOVERNMENTAL EXPENDITURES	272,893	277,592	(4,699)
TOTAL EXPENDITURES	11,867,777	11,664,973	202,804
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (257,530)	270,662	\$ 528,192
ADJUSTMENTS TO RECONCILE FROM THE BUDGETARY BASIS OF ACCOUNTING TO THE MODIFIED ACCRUAL BASIS OF ACCOUNTING:			
ACCRUED LEAVE TIME FUND TRANSFER IN		153,814	
NET CHANGE IN FUND BALANCE		424,476	
FUND BALANCE - JULY 1, 2015		1,956,051	
FUND BALANCE - JUNE 30, 2016		\$ 2,380,527	

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

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
VMERS DEFINED BENEFIT PLAN
JUNE 30, 2016

	2016	2015
Total Plan Net Pension Liability	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	2.2404%	1.9500%
Town's Proportionate Share of the Net Pension Liability	\$ 1,727,252	\$ 177,972
Town's Covered Employee Payroll	\$ 4,972,437	\$ 4,566,655
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	34.7365%	3.8972%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The discount rate used to measure the net pension liability was lowered from 8.23% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

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

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TOWN OF COLCHESTER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
Contractually Required Contribution (Actuarially Determined)	\$ 342,586	\$ 313,173
Contributions in Relation to the Actuarially Determined Contributions	<u>342,586</u>	<u>313,173</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 4,972,437	\$ 4,566,655
Contributions as a Percentage of Town's Covered Employee Payroll	6.890%	6.858%

Notes to Schedule

Valuation Date: June 30, 2015

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

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TOWN OF COLCHESTER, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Debt Service Fund	Total
<u>ASSETS</u>					
Cash	\$ 183,262	\$ 0	\$ 134,796	\$ 0	\$ 318,058
Investments	0	0	97,351	0	97,351
Receivables	19,765	1,200	175	361,466	382,606
Notes Receivable (Net of Allowance for Uncollectibles)	594,011	0	0	0	594,011
Due from Other Funds	<u>243,754</u>	<u>472,309</u>	<u>53,093</u>	<u>0</u>	<u>769,156</u>
Total Assets	\$ <u>1,040,792</u>	\$ <u>473,509</u>	\$ <u>285,415</u>	\$ <u>361,466</u>	\$ <u>2,161,182</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 117,648	\$ 831	\$ 0	\$ 118,479
Accrued Payroll and Benefits Payable	81	0	0	0	81
Due to Other Funds	0	0	845	104,603	105,448
Unearned Revenue	<u>124,879</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>124,879</u>
Total Liabilities	<u>124,960</u>	<u>117,648</u>	<u>1,676</u>	<u>104,603</u>	<u>348,887</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Notes Receivable	<u>594,011</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>594,011</u>
Total Deferred Inflows of Resources	<u>594,011</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>594,011</u>
<u>FUND BALANCES</u>					
Nonspendable	0	0	165,071	0	165,071
Restricted	321,821	213,091	118,668	256,863	910,443
Assigned	<u>0</u>	<u>142,770</u>	<u>0</u>	<u>0</u>	<u>142,770</u>
Total Fund Balances	<u>321,821</u>	<u>355,861</u>	<u>283,739</u>	<u>256,863</u>	<u>1,218,284</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>1,040,792</u>	\$ <u>473,509</u>	\$ <u>285,415</u>	\$ <u>361,466</u>	\$ <u>2,161,182</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Debt Service Fund	Total
Revenues:					
Property Taxes	\$ 0	\$ 387,044	\$ 0	\$ 0	\$ 387,044
Local Option Sales Tax	0	0	0	927,670	927,670
Intergovernmental	46,697	47,497	0	0	94,194
Charges for Services	0	0	16,324	0	16,324
Permits, Licenses and Fees	0	42,630	0	0	42,630
Loan Repayments	66,858	0	0	0	66,858
Loan Interest Income	10,498	0	0	0	10,498
Investment Income	663	1,362	432	0	2,457
Donations	0	13,497	3,906	0	17,403
Other	79	1,200	368	0	1,647
Total Revenues	<u>124,795</u>	<u>493,230</u>	<u>21,030</u>	<u>927,670</u>	<u>1,566,725</u>
Expenditures:					
General Government	11,573	6,921	12,871	0	31,365
Public Safety	3,349	9,818	0	0	13,167
Culture and Recreation	12,504	45,176	9,258	0	66,938
Community Development	75,103	0	0	0	75,103
Capital Outlay:					
General Government	0	337,953	17,562	0	355,515
Public Safety	11,526	108,454	0	0	119,980
Public Works	0	74,078	0	0	74,078
Debt Service:					
Principal	15,213	0	0	471,684	486,897
Interest	5,082	0	0	199,261	204,343
Total Expenditures	<u>134,350</u>	<u>582,400</u>	<u>39,691</u>	<u>670,945</u>	<u>1,427,386</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(9,555)</u>	<u>(89,170)</u>	<u>(18,661)</u>	<u>256,725</u>	<u>139,339</u>
Other Financing Sources:					
Proceeds from Long-term Debt	75,006	0	0	0	75,006
Proceeds from Sale of Vehicles	0	6,207	0	0	6,207
Transfers In	0	5,000	0	0	5,000
Total Other Financing Sources	<u>75,006</u>	<u>11,207</u>	<u>0</u>	<u>0</u>	<u>86,213</u>
Net Change in Fund Balances	65,451	(77,963)	(18,661)	256,725	225,552
Fund Balances - July 1, 2015	<u>256,370</u>	<u>433,824</u>	<u>302,400</u>	<u>138</u>	<u>992,732</u>
Fund Balances - June 30, 2016	<u>\$ 321,821</u>	<u>\$ 355,861</u>	<u>\$ 283,739</u>	<u>\$ 256,863</u>	<u>\$ 1,218,284</u>

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TOWN OF COLCHESTER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2016

	Revolving Loan Fund	Community Development Fund	Grant Fund	Police Special Revenue Fund	Total
<u>ASSETS</u>					
Cash	\$ 130,525	\$ 0	\$ 0	\$ 52,737	\$ 183,262
Receivables	0	0	19,765	0	19,765
Notes Receivable (Net of Allowance for Uncollectibles)	156,282	437,729	0	0	594,011
Due from Other Funds	<u>79,524</u>	<u>86,829</u>	<u>5,389</u>	<u>72,012</u>	<u>243,754</u>
Total Assets	<u>\$ 366,331</u>	<u>\$ 524,558</u>	<u>\$ 25,154</u>	<u>\$ 124,749</u>	<u>\$ 1,040,792</u>
<u>LIABILITIES</u>					
Accrued Payroll and Benefits Payable	\$ 0	\$ 0	\$ 81	\$ 0	\$ 81
Unearned Revenue	<u>117,864</u>	<u>0</u>	<u>7,015</u>	<u>0</u>	<u>124,879</u>
Total Liabilities	<u>117,864</u>	<u>0</u>	<u>7,096</u>	<u>0</u>	<u>124,960</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Notes Receivable	<u>156,282</u>	<u>437,729</u>	<u>0</u>	<u>0</u>	<u>594,011</u>
Total Deferred Inflows of Resources	<u>156,282</u>	<u>437,729</u>	<u>0</u>	<u>0</u>	<u>594,011</u>
<u>FUND BALANCES</u>					
Restricted	<u>92,185</u>	<u>86,829</u>	<u>18,058</u>	<u>124,749</u>	<u>321,821</u>
Total Fund Balances	<u>92,185</u>	<u>86,829</u>	<u>18,058</u>	<u>124,749</u>	<u>321,821</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 366,331</u>	<u>\$ 524,558</u>	<u>\$ 25,154</u>	<u>\$ 124,749</u>	<u>\$ 1,040,792</u>

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TOWN OF COLCHESTER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Revolving Loan Fund	Community Development Fund	Grant Fund	Police Special Revenue Fund	Total
Revenues:					
Intergovernmental	\$ 0	\$ 0	\$ 46,417	\$ 280	\$ 46,697
Loan Repayments	29,587	37,271	0	0	66,858
Loan Interest Income	4,956	5,542	0	0	10,498
Investment Income	236	130	63	234	663
Other	79	0	0	0	79
Total Revenues	34,858	42,943	46,480	514	124,795
Expenditures:					
General Government	0	0	11,573	0	11,573
Public Safety	0	0	3,349	0	3,349
Culture and Recreation	0	0	12,504	0	12,504
Community Development	0	75,103	0	0	75,103
Capital Outlay:					
Public Safety	0	0	11,526	0	11,526
Debt Service:					
Principal	15,213	0	0	0	15,213
Interest	5,082	0	0	0	5,082
Total Expenditures	20,295	75,103	38,952	0	134,350
Excess/(Deficiency) of Revenues Over Expenditures	14,563	(32,160)	7,528	514	(9,555)
Other Financing Sources:					
Proceeds from Long-term Debt	0	75,006	0	0	75,006
Total Other Financing Sources	0	75,006	0	0	75,006
Net Change in Fund Balances	14,563	42,846	7,528	514	65,451
Fund Balances - July 1, 2015	77,622	43,983	10,530	124,235	256,370
Fund Balances - June 30, 2016	\$ 92,185	\$ 86,829	\$ 18,058	\$ 124,749	\$ 321,821

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TOWN OF COLCHESTER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2016

	Recreation Acquisition and Development Fund	Capital Equipment Fund	FEMA Fund	Emma's Way Fund	Total
<u>ASSETS</u>					
Receivables	\$ 0	\$ 1,200	\$ 0	\$ 0	\$ 1,200
Due from Other Funds	<u>213,091</u>	<u>250,767</u>	<u>0</u>	<u>8,451</u>	<u>472,309</u>
Total Assets	<u>\$ 213,091</u>	<u>\$ 251,967</u>	<u>\$ 0</u>	<u>\$ 8,451</u>	<u>\$ 473,509</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ <u>0</u>	\$ <u>117,648</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>117,648</u>
Total Liabilities	<u>0</u>	<u>117,648</u>	<u>0</u>	<u>0</u>	<u>117,648</u>
Fund Balances:					
Restricted	213,091	0	0	0	213,091
Assigned	<u>0</u>	<u>134,319</u>	<u>0</u>	<u>8,451</u>	<u>142,770</u>
Total Fund Balances	<u>213,091</u>	<u>134,319</u>	<u>0</u>	<u>8,451</u>	<u>355,861</u>
Total Liabilities and Fund Balances	<u>\$ 213,091</u>	<u>\$ 251,967</u>	<u>\$ 0</u>	<u>\$ 8,451</u>	<u>\$ 473,509</u>

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TOWN OF COLCHESTER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Recreation Acquisition and Development Fund	Capital Equipment Fund	FEMA Fund	Emma's Way Fund	Total
Revenues:					
Property Taxes	\$ 0	\$ 387,044	\$ 0	\$ 0	\$ 387,044
Intergovernmental	0	0	47,497	0	47,497
Permits, Licenses and Fees	42,630	0	0	0	42,630
Investment Income	618	744	0	0	1,362
Donations	0	13,497	0	0	13,497
Other	0	1,200	0	0	1,200
Total Revenues	43,248	402,485	47,497	0	493,230
Expenditures:					
General Government	0	6,921	0	0	6,921
Public Safety	0	9,818	0	0	9,818
Culture and Recreation	1,600	43,576	0	0	45,176
Capital Outlay:					
General Government	0	337,953	0	0	337,953
Public Safety	0	108,454	0	0	108,454
Public Works	0	40,584	0	33,494	74,078
Total Expenditures	1,600	547,306	0	33,494	582,400
Excess/(Deficiency) of Revenues Over Expenditures	41,648	(144,821)	47,497	(33,494)	(89,170)
Other Financing Sources:					
Proceeds from Sale of Vehicles	0	6,207	0	0	6,207
Transfers In	5,000	0	0	0	5,000
Total Other Financing Sources	5,000	6,207	0	0	11,207
Net Change in Fund Balances	46,648	(138,614)	47,497	(33,494)	(77,963)
Fund Balances/(Deficit) - July 1, 2015	166,443	272,933	(47,497)	41,945	433,824
Fund Balances - June 30, 2016	\$ 213,091	\$ 134,319	\$ 0	\$ 8,451	\$ 355,861

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TOWN OF COLCHESTER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
 JUNE 30, 2016

	Burnham Memorial Library Fund	Cemetery Fund	Total
<u>ASSETS</u>			
Cash	\$ 20,050	\$ 114,746	\$ 134,796
Investments	0	97,351	97,351
Receivables	0	175	175
Due from Other Funds	<u>0</u>	<u>53,093</u>	<u>53,093</u>
Total Assets	\$ <u>20,050</u>	\$ <u>265,365</u>	\$ <u>285,415</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 206	\$ 625	\$ 831
Due to Other Funds	<u>845</u>	<u>0</u>	<u>845</u>
Total Liabilities	<u>1,051</u>	<u>625</u>	<u>1,676</u>
Fund Balances:			
Nonspendable	2,000	163,071	165,071
Restricted	<u>16,999</u>	<u>101,669</u>	<u>118,668</u>
Total Fund Balances	<u>18,999</u>	<u>264,740</u>	<u>283,739</u>
Total Liabilities and Fund Balances	\$ <u>20,050</u>	\$ <u>265,365</u>	\$ <u>285,415</u>

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TOWN OF COLCHESTER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Burnham Memorial Library Fund	Cemetery Fund	Total
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Revenues:			
Charges for Services	\$ 5,174	\$ 11,150	\$ 16,324
Investment Income	0	432	432
Donations	3,406	500	3,906
Other	<u>368</u>	<u>0</u>	<u>368</u>
Total Revenues	<u>8,948</u>	<u>12,082</u>	<u>21,030</u>
Expenditures:			
General Government	0	12,871	12,871
Culture and Recreation	9,258	0	9,258
Capital Outlay:			
General Government	<u>0</u>	<u>17,562</u>	<u>17,562</u>
Total Expenditures	<u>9,258</u>	<u>30,433</u>	<u>39,691</u>
Net Change in Fund Balances	(310)	(18,351)	(18,661)
Fund Balances - July 1, 2015	<u>19,309</u>	<u>283,091</u>	<u>302,400</u>
Fund Balances - June 30, 2016	<u>\$ 18,999</u>	<u>\$ 264,740</u>	<u>\$ 283,739</u>

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Sullivan, Powers & Co., P.C.
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Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
"Government Auditing Standards"

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Vermont, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Colchester, Vermont's basic financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control Over Financial Reporting

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

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

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

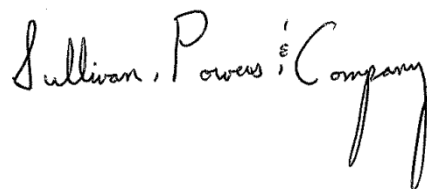
Compliance and Other Matters

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

Purpose of this Report

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

December 21, 2016
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.