

**TOWN OF COLCHESTER, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2023**

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AUDIT REPORT  
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## Independent Auditor's Report

Selectboard  
Town of Colchester, Vermont  
781 Blakely Road  
Colchester, Vermont 05446

### ***Report on the Audit of the Financial Statements***

#### ***Opinions***

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, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Colchester, Vermont, as of June 30, 2023, 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.

#### ***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Colchester, Vermont and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Change in Accounting Principles***

As described in Note I.F. to the financial statements, effective June 30, 2023, the Town implemented GASB Statement No. 96, "Subscription-Based Information Technology Arrangements".

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Colchester, Vermont's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and "Government Auditing Standards" will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and "Government Auditing Standards", we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Colchester, Vermont's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Colchester, Vermont's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that 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 is the responsibility of management and, 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 express no 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 February 8, 2024 on our consideration of the Town of Colchester, Vermont's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town of Colchester, Vermont's 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.

*Sullivan, Powers & Co.*

February 8, 2024  
Montpelier, Vermont  
VT Lic. #92-000180

TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

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, 2023. 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.

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## 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 \$55,320,653. The net position is primarily comprised \$38,490,527 in capital including buildings, land and vehicles, equipment and many unmarketable assets such as roads and stormwater infrastructure. Of the net position, \$6,483,829 is unrestricted net position. Unrestricted net position, less amounts tied up in non-spendable assets such as prepaid expenses and inventory, may be used by the various funds of the Town to meet its ongoing obligations to its citizens and creditors, a significant portion of which may not be transferable between different funds. 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). Additionally, there is \$10,346,297 in resources that are subject to external (non-town) 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 6/30/22, considering employee contributions, Town contributions, expected payments to pensioners, expected rate of return on investments, and the current value of all investments one year prior to this audit period. The fiscal year ending June 30, 2023 ended with net deferred outflow of resources of \$2,249,143. This is due to one or more of the following: a change to the difference between projected and actual earnings on pension plan investments, a change 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. This results in a combined employer and employee net pension liability of \$6,216,756. In FY22, the VMERS reporting year in which we rely for our FY23 financials, the pension fiduciary net position as a percentage of total pension liability was 73.6%. In FY21 which was paired with FY22 financials, it was 86.29%. Based on changing financial conditions, the above-mentioned net deferred outflow, both employer and employee liabilities will change annually based on the actual market value of investments in the year prior to the audit. As this metric is defined by the current value of investments, and whereby liabilities are paid out over time, is not realistic. However, it is conservative, in terms of estimating on the higher end of potential employee and employer liabilities and percent funded.

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

- Governmental funds contain many funds including General, Capital Project, Reserve Funds and Debt Service funds. Each of these funds can contain several projects.
  - Capital Project Funds – includes Capital Transportation Plan, Capital Grant funds, Parks Capital Plan.
  - Reserve Fund – includes technology, communications, re-appraisal (funds from state), records retention, and public safety capital with its subcomponents (police boat reserve, rescue equipment



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

reserve, rescue communications reserve, technical rescue equipment reserve, and technical rescue communication reserve).

- Non-Major Governmental Funds – includes Revolving Loan (servicing existing and secured loans of State provided federal funding to property owners for septic system repairs, which has been discontinued following the State creating a program for all of Vermont), Community Development (State provided Federal funding generally for affordable housing), Grant, Police Special Revenue, Cemetery, Recreation Acquisition and Development, and Capital Equipment Funds.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$17,519,656, an increase of \$2,575,886 in comparison with the prior year.
- The Debt Service Fund contains voter restricted Local Option Tax Revenues. FY23 Local Option Tax revenues exceed payments made in FY23 causing the Debt Service Funds restricted fund balance to increase to \$9,729,210, a \$1,826,456 increase over FY22.
- General Fund fund balance decreased \$92,297 in FY23. This decrease was due to unexpected inflation that occurred in 2022 which impacted labor and material costs in FY 23, primarily in the police department, but offset by savings in other areas and as well, revenues that were in excess of budgeted revenues.
- Wastewater Fund Net Position decreased \$213,478 in FY23. An increase in Depreciation was primarily responsible for the decrease in net position.
- Stormwater net position increased \$248,929 to \$4,917,123.

## 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, culture and recreation, community development, capital outlay, and debt service. The business-type activities of the Town include Wastewater, Recreation Program Fund, Stormwater Fund and Rescue Fund.

The Statement of Net Position (Exhibit A) 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

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

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

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

### **Fund Financial Statements**

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

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

The Town maintains three major governmental funds; the General Fund, Capital Projects Fund, and the Debt Service Fund. In addition to this, the Town maintains a number of Special Revenue Funds, Capital Project Funds, and a Permanent 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 9.

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 five enterprise funds; the Wastewater Fund, the Recreation Program Fund, the Stormwater Fund, the Police Dispatch fund and the Rescue Fund. The Police Dispatch fund was closed in FY23 due to no longer having billable revenue from other municipalities. In future years, Dispatch will be a department within the General 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 each of the Funds. The proprietary fund financial statements may be found in Exhibits F through H and Schedules 10 through 12.

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**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 fiduciary fund financial statement of the Town can be found in Exhibits I and J and Schedules 13 and 14.

**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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Summary Statement of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current & Other Assets	24,215,373	19,115,250	4,594,019	4,577,065	28,809,392	23,692,315
Capital Assets	36,601,029	37,258,512	12,307,438	12,663,868	48,908,467	49,922,380
Total Assets	60,816,402	56,373,762	16,901,457	17,240,933	77,717,859	73,614,695
Deferred Outflows of Resources	2,289,887	1,552,862	234,733	255,946	2,524,620	1,808,808
Long-Term Liabilities	9,406,477	7,283,361	8,054,775	8,399,649	17,461,252	15,683,010
Other Liabilities	5,981,673	3,365,036	639,224	618,653	6,620,897	3,983,689
Total Liabilities	15,388,150	10,648,397	8,693,999	9,018,302	24,082,149	19,666,699
Deferred Inflows of Resources	814,064	2,389,701	25,613	286,123	839,677	2,675,824
Net Invested in Capital Assets	33,570,309	33,574,678	4,920,218	4,813,685	38,490,527	38,388,363
Restricted	10,346,297	8,533,324	0	0	10,346,297	8,533,324
Unrestricted	2,987,469	2,780,524	3,496,360	3,378,769	6,483,829	6,159,293
Total Net Position	46,904,075	44,888,526	8,416,578	8,192,454	55,320,653	53,080,980

Net Position states a government's financial status in a required standard format that may be compared over time and among similar governments. At the end of the fiscal year, the Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$55,320,653.

The largest portion of the Town's assets (70%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure (roads, bridges, etc.) less any related, outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

TOWN OF COLCHESTER, VERMONT  
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\$10,346,297 of the Town's net position is subject to external (non-town) restrictions on how they may be used. A majority of the remaining \$6,483,829 (unrestricted net position, less inventory and prepaid expenses) may be used to meet the government's ongoing financial obligations to its citizens and creditors, a significant portion of which may not be transferable between different funds. 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) or which require voter approval to access, such as the Local Option Tax fund.

### Governmental activities

Governmental activities increased the Town's net position by \$2,015,549 for the fiscal year ended June 30, 2023. Revenues increased from FY22 by \$2,070,792 due to increased Grant revenues and \$2,343,305 in Local Option Tax revenue and Investment Income that was collected in the debt service fund during the fiscal year. The Local Option Tax funds are used to pay existing debt payments with remaining funds going to restricted fund balance. Governmental expenditures increased from FY22 by \$2,083,454 due to increase costs of goods and services among all departments as well as Grant spending.

Public Safety remains the largest expense at 40% of total Governmental Activity expenses. General Government and Public Works are the next largest at 21% and 22%, respectively of total Governmental Activity expenses.

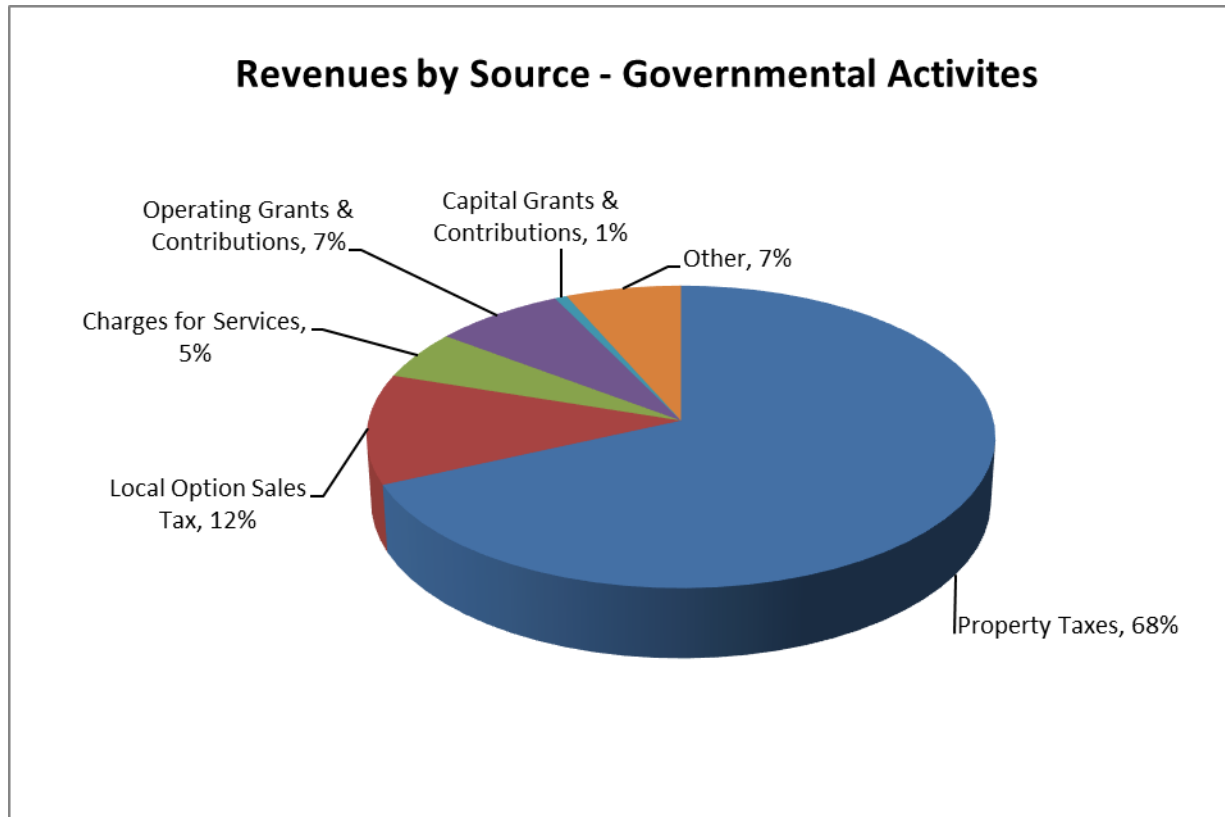
**Summary of the Statement of Activities**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for Services	982,315	958,325	4,257,317	3,820,252	5,239,632	4,778,577
Operating Grants & Contributions	1,403,688	427,493	4,664	229,306	1,408,352	656,799
Capital Grants & Contributions	131,257	278,595	114,444	82,464	245,701	361,059
General Revenues:					-	-
Property Taxes	12,840,192	12,364,748	-	-	12,840,192	12,364,748
Other	3,645,257	2,902,756	55,340	3,668	3,700,597	2,906,424
Total Revenues	19,002,709	16,931,917	4,431,765	4,135,690	23,434,474	21,067,607
Expenses:						
General Government	3,360,753	3,204,718	-	-	3,360,753	3,204,718
Public Safety	6,517,450	5,776,521	-	-	6,517,450	5,776,521
Public Works	3,623,815	3,215,270	-	-	3,623,815	3,215,270
Community Development	790,921	123,614	-	-	790,921	123,614
Culture & Recreation	1,891,998	1,755,687	927,787	789,634	2,819,785	2,545,321
Interest on Long-Term Debt	105,386	131,059	-	-	105,386	131,059
Stormwater	-	-	697,836	838,049	697,836	838,049
Police Dispatch	-	-	531,392	634,623	531,392	634,623
Wastewater	-	-	1,735,547	1,703,996	1,735,547	1,703,996
Rescue	-	-	1,011,916	933,856	1,011,916	933,856
Total Expenses	16,290,323	14,206,869	4,904,478	4,900,158	21,194,801	19,107,027
Increase/(Decrease) in Net Position Before Transfer	2,712,386	2,725,048	(472,713)	(764,468)	2,239,673	1,960,580
Transfers	(696,837)	(664,353)	696,837	933,677	-	269,324
Change in Net Position	2,015,549	2,060,695	224,124	169,209	2,239,673	2,229,904
Beginning Net Position	44,888,526	42,827,831	8,192,454	8,023,245	53,080,980	50,851,076
Ending Net Position	46,904,075	44,888,526	8,416,578	8,192,454	55,320,653	53,080,980

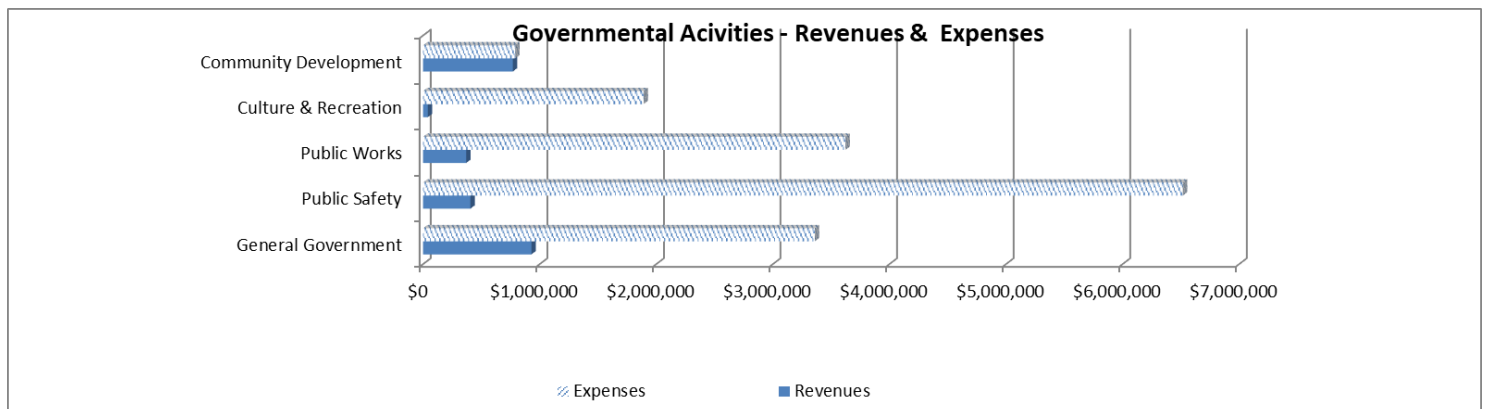
TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

The majority of revenue for governmental activities comes from property taxes; 68% of total revenue or \$12,840,192. This percentage is down 5.5% from FY22 due to grant revenues increasing by 4.8% from prior year. Local Option Sales are the second largest category of revenue at 12% of total revenue or \$2,215,053. These revenues are restricted for use for voter approved debt or capital payments.

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 revenues and interest earnings are excluded. This chart indicates that program revenues do not support program expenses requiring property taxes to pay for the bulk of the expenses.



TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

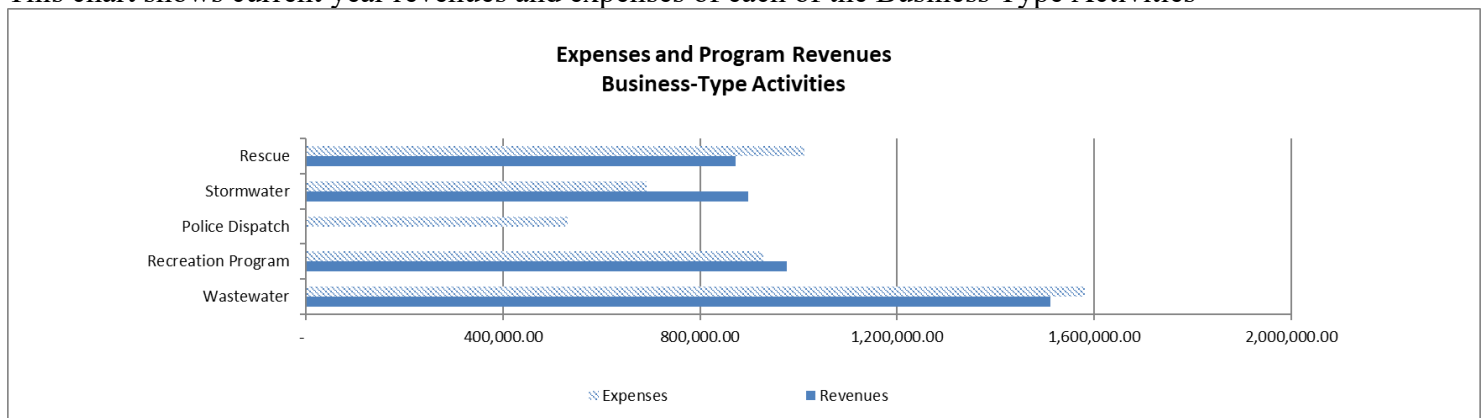
**Business-type activities (Police Dispatch, Wastewater, Recreation Program and Stormwater Funds):**

Business-type activities increased the Town's net position by \$224,124, during the current fiscal year through planned expenses. Key elements of this change are as follows:

- Wastewater Fund was \$213,478 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 and planned this over spending and a significant portion of the Wastewater Fund balance will be drawn down over the course of this loan repayment which will help avoid rate related spikes which exceed 10% related to the capacity rights.
- The Town no longer has a dispatch contract to generate revenue needed to maintain the Dispatch Enterprise Fund. The Dispatch Fund was transferred to the General fund to close the Enterprise Fund. In the future, Dispatch will be budgeted and presented as a department within the General Fund.
- Recreation Program Fund covered their costs with \$70,491 in revenue to contribute toward Business-type activities net position. The fund has a positive net position of \$999,580 at the end of FY23.
- Stormwater Fund program revenues covered their operating expenses and contributed \$248,929 toward the business-type fund net position. Stormwater's FY23 net position, which includes capital assets increased to \$4,917,123.
- Rescue Fund covered their costs with \$108,119 in revenue to contribute toward Business-type activities net position. This is after the budgeted transfer from the general fund. Rescue's Fund, which includes capital assets, has a positive net position of \$1,162,935 at the end of FY23.

Business-type activities are accounted for in the same manner that businesses account for operations. It is necessary that revenues (operating and non-operating) plus retained earnings meet or exceed expenses to continue operating. The graph below titled Expenses and Program Revenues Business-Type Activities demonstrates that during the current fiscal year expenses, including depreciation of capital assets where applicable, exceeded revenues for the Police Dispatch Fund by \$531,392, the Wastewater Fund by \$70,129, and the Rescue fund by \$139,958. However, the Stormwater Fund covered their expenditures with \$205,612 remaining and Recreation Program Fund with \$48,660 remaining. The excess Stormwater revenues were budgeted to be carried forward for future capital needs within the Stormwater Fund.

This chart shows current year revenues and expenses of each of the Business Type Activities



TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

## **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 State Education Taxes to the Colchester School District based all taxes LEVIED, even if the State Education Taxes are NOT COLLECTED by the Town. The State Education Tax Funded Colchester School District budget is nearly three times that of the Town. Payment of the State Education Taxes represent the Town's most significant ongoing fiscal responsibility.

The General Fund is the primary 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 General Fund fund balance was \$3,137,630. This amount includes \$136,617 is non-spendable inventory and prepaid expenses as well as \$1,080,814 in assigned or committed fund balance totaling \$1,217,431. This leaves an unassigned fund balance net of non-spendable items of \$1,920,199. This remaining amount has significant restrictions on expenditure in the Town Charter. The assigned or committed fund balances are for the following uses:
  - \$353,814 - Committed to offset leave time expenses exceeding budget
  - \$376,000 - Assigned to reduce property taxes in fiscal year 2024
  - \$351,000 - Assigned to reduce property taxes in fiscal year 2025

The Town's unassigned General Fund fund balance of \$1,920,199 on June 30, 2023 was 13.27% of total General Fund operating expenses as defined by the Selectboard's Fund Balance Policy. This is \$499,130 less than the suggested two months operating costs.

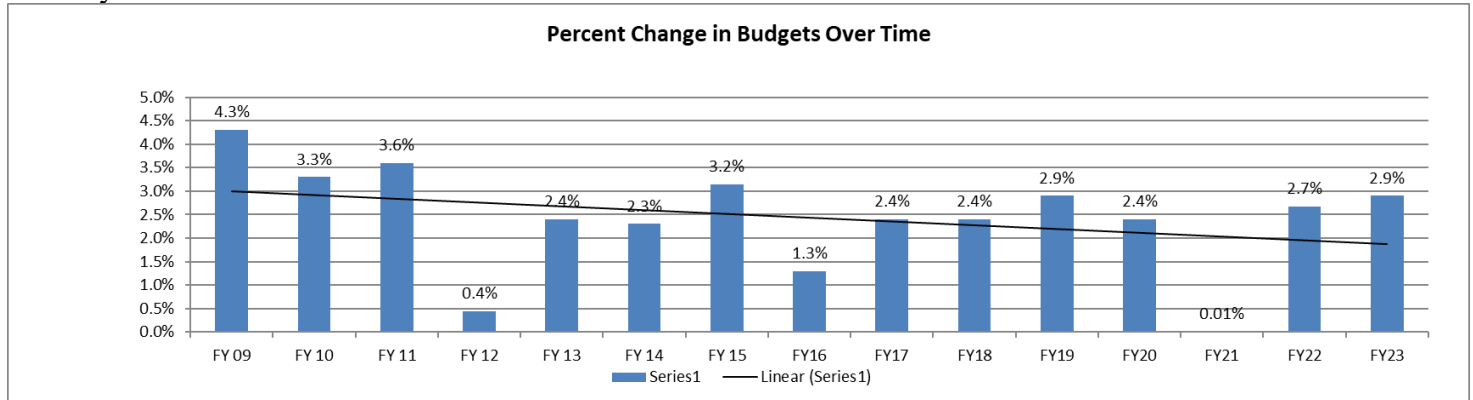
In addition to the General Fund, the Town maintains other funds including the Capital Project Funds maintained to provide infrastructure improvements in the Town, funds for grants received by the Town and funds for special revenues received by the Town.

The Town operates a Septic Loan Fund that provided financial assistance for the upgrade of failing on-site septic systems. The Town has outstanding loans to 6 individuals or families as of June 30, 2023. The Town is no longer making loans from this Fund as the State has set up an equivalent program.

TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

The Town's FY 2023 General Fund budget totaling \$13,880,217 increased 2.9% over FY 22. The budget increase between FY 21 and FY 22 was 2.7%. The graph below shows the percent change in General Fund budget for the last 15 years.



Actual revenues in the General Fund of \$13,957,954 were more than budgeted and actual General Fund expenditures of \$14,050,251 were higher than budgeted. The result is a deficiency of \$92,297. The FY23 General Fund budget contained \$324,333 in revenue from fund balance to offset a budgeted deficit. Due to the ending balance deficit, \$92,297 of fund balance was used in FY23 to offset the budget.

Some of the key factors contributing to this outcome include:

Revenue Variances

- Building & Zoning Permit revenues were \$55,771 over budget due to building and development in town.
- Combined revenue of Passport and Passport photo revenues were \$33,095 over budget.
- Interest earnings were higher than expected finishing FY23 at \$80,118 over budget.
- Off duty police revenue was \$41,632 over budget due to road construction in town.
- Recording Fees were \$66,777 under budget due to the housing market and high borrowing rates.

Expenditure Variances

- The Selectboard did not spend contingency funding of \$66,000.
- Protective turnout gear purchased for the Fire Department was not received in FY22 and had to be expensed in FY23 causing the line item to be \$45,588 over budget. As a whole the fire department was \$78,465 under budget due to savings in various line items.
- Police department had higher than expected costs due to unbudgeted inflating causing salaries, benefits, training and Uniform line items to be over budget. The department in total was \$309,634 over budget.
- Information Technology finished \$45,917 over budget due to additional security being put in place to protect the Town's electronic documents and software.
- Planning and Zoning finished the year \$28,978 under budget.
- Assessor finished the year \$30,249 under budget.



TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

## 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, 2023, totaled \$48,908,467 (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.

<b>Summary Capital Assets (net of depreciation)</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Land	2,320,536	2,320,536	132,568	132,568	2,453,104	2,453,104
Construction in Progress	1,095,447	808,600	432,749	73,284	1,528,196	881,884
Land Improvements	959,223	952,772	-	-	959,223	952,772
Buildings & Improvements	8,764,323	8,959,634	264,004	275,167	9,028,327	9,234,801
Equipment & Furniture	908,488	1,025,467	108,114	80,420	1,016,602	1,105,887
Vehicles	4,205,027	4,371,068	323,390	379,000	4,528,417	4,750,068
Infrastructure	18,347,985	18,820,435	3,115,356	3,055,398	21,463,341	21,875,833
Plant & Equipment	-	-	1,862,343	1,992,225	1,862,343	1,992,225
Capacity Rights	-	-	6,068,914	6,675,806	6,068,914	6,675,806
<b>Total</b>	<b>36,601,029</b>	<b>37,258,512</b>	<b>12,307,438</b>	<b>12,663,868</b>	<b>48,908,467</b>	<b>49,922,380</b>

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

- Land Improvements to include multiple tennis court resurfacings totaling \$67,856.
- Building Improvements include flooring replacement at the Center Fire Station in the amount of \$27,741.
- Various equipment in multiple departments were purchased to include: Two Servers (\$19,115 combined), Toro Mower (\$14,902), Konica Minolta Multi-Purpose Copier (\$4,922), Library Book Return Bin (\$5,473), Evolution Thermal Camera (\$8686), Parks Sander/Spreader (\$6033), Bayside Waterfront Awning (\$9572). Airport Park water fountain (\$7564), three Motorola Radios for Fire (\$22,137), and Town Hall HVAC Compressor replacement (\$7060).
- Vehicle additions (replacements) include: 2022 Dodge Charger (\$40,105), 2022 Dodge Durango (\$49,616), 2022 Chevy Silverado (\$51,468), 2023 Chevy Silverado (\$49,217), 2023 International Dump Truck (\$218,114), Zodiac Inflatable Rescue Boat (\$20,639), and Park's Kioti Tractor (\$27,718).
- Infrastructure increases during FY23 include paving of Deer Lane (\$24,719), Creek Glen (\$25,078), Justin Morgan (\$81,486), Bay Road (\$228,155), Windemere Way (\$49,096), and Burnham Library parking lot resurfacing (\$42,586).
- The Rescue Fund additions include six Motorola Portable radios (\$36,941) and Motorola Radio for Ambulance (\$8,005).
- Stormwater fund added \$197,671 of stormwater infrastructure with Lining of stormwater pipes.

TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

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

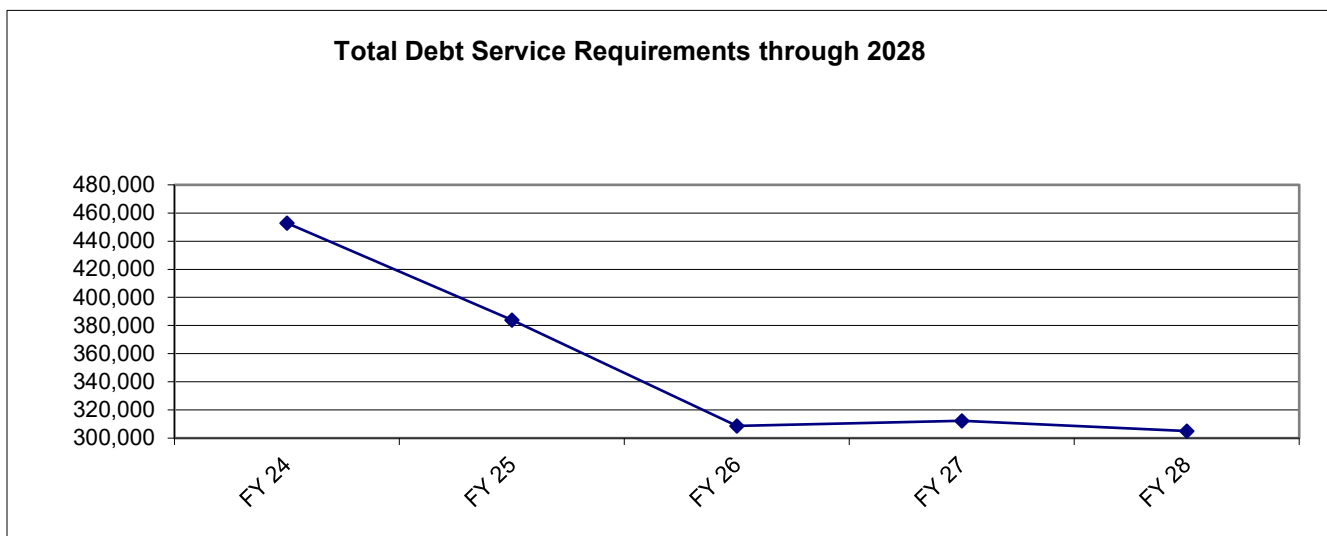
- Equipment deletions include Landpride Overseeder, John Deere Tractor, Beach house awning, Bobcat Mower, multiple voting machines, meeting house sound system, Zodiac Boat, two license plate readers, forensic video station, command vehicle radio and Bauer air tank reloader.
- Vehicle deletions (with initial purchase costs shown) include a 2006 Chevy Silverado (\$16,659), 2010 Chevy Silverado (\$23,228), 2006 Zodiac Boat (\$11,500), 2014 Chevy Impala (\$24,489), 2019 Dodge Durango (\$43,141), 2020 Dodge Durango (\$42,356), 1993 Ford Sidewalk tractor (\$28,645), 2010 Chevy Silverado (\$21,697), 2015 International dump truck (\$117,685).

### Debt Administration

There were no new borrowings in FY23 for Governmental Activities. Business-type Activities bond payable for Malletts Bay Sewer Study increased an additional \$59,430 while realizing \$29,715 of loan forgiveness in FY23. Payments for the Malletts Bay Sewer Study begin June 1, 2027.

Summary of Outstanding Debt						
	Governmental Activities		Business-Type Debt		Total	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	1,805,516	2,394,921	122,344	92,629	1,927,860	2,487,550
Notes Payable	70,000	105,000	-	-	70,000	105,000
Special Assessment Debt with Government Commitment	-	-	-	-	-	-
Financed Purchases	1,276,081	1,391,924	-	-	1,276,081	1,391,924
Due to South Burlington-Capacity Rights	-	-	7,264,876	7,850,183	7,264,876	7,850,183
Total	3,151,597	3,891,845	7,387,220	7,942,812	10,538,817	11,834,657

The below chart indicates the Town's debt service requirements (excluding financed purchases) 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-J of this report.



TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

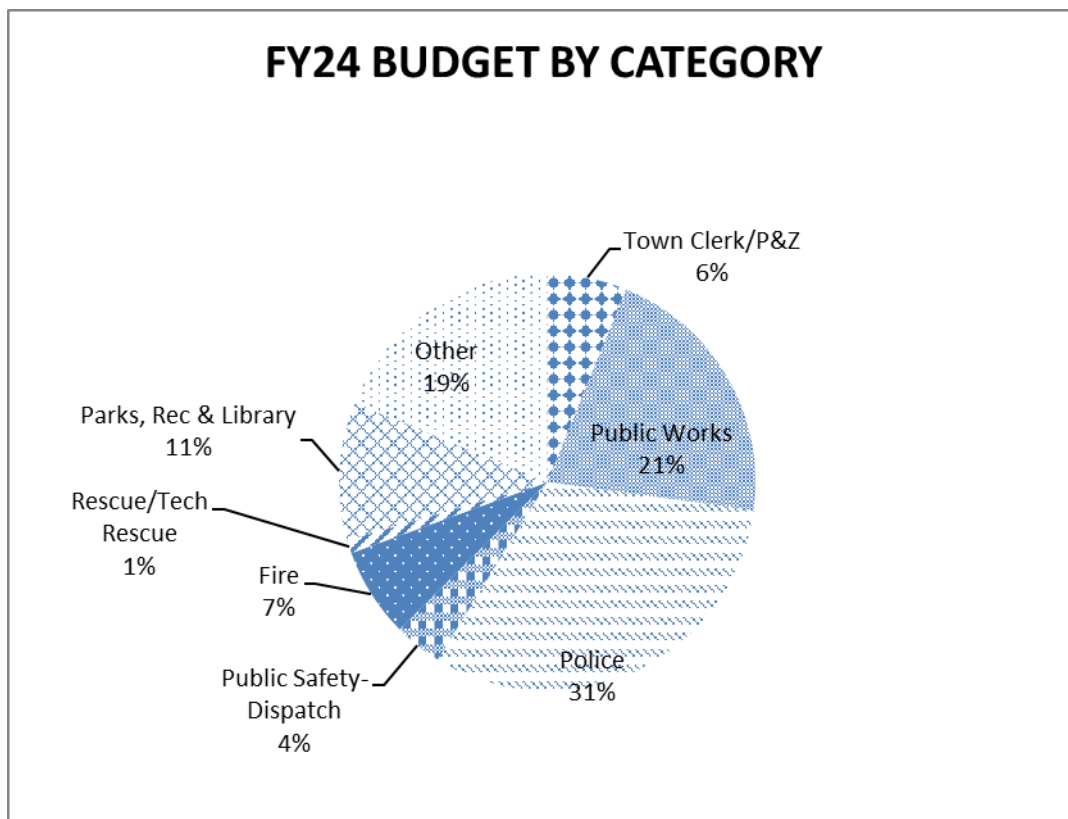
### Economic Factors and Next Year's Budgets and Rates

- The Colchester Grand List is made up of primarily residential properties. For FY23, 75% of property tax revenues come from residential properties.
- The Municipal Grand List value for the Town was \$22,400,235 in FY23. This was a .78% increase over the prior fiscal year. Since 1970 the Town of Colchester's Grand List has grown from \$169,278 to \$22,400,235.
- The Town has slow but steady growth in housing. Population is growing slightly and much slower than housing. This housing growth increases revenues but also adds service needs.

### Next Year's (FY 24) Budget

- The Town of Colchester approved a General Fund budget for FY24 in the amount of \$15,028,386. This represents an increase of 8.3% over the previous year, due to the high inflation in FY23.
- The municipal tax rate increased by 6.06% to \$0.6098.
- In FY 15 through 24, approximately 43% of the budget is for public safety services.
- Public Works represents about 21% of the General Fund budget in FY24.
- Parks, Recreation and the Library represent about 11% of the General Fund budget in FY23.

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



TOWN OF COLCHESTER, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

**Future Budgetary Issues**

In fiscal years 2024 and beyond, the Town will face increased service and infrastructure needs requiring capital and operating expenditures for:

- 1) Private sector goods, equipment, services, vehicles, and capital used in municipal service provision which are increasing at a higher rate than in the past;
- 2) Labor costs due to a shortage of trained, experienced workers for year-round, in-person and often outside work;
- 3) Police, Fire and Rescue staffing necessary to serve significant new development being permitted as it is developed and sold or rented;
- 4) Transportation improvements such as the Bayside intersection and most other improvements such as paths and sidewalks, as our capital transportation plan has capacity for maintaining what we have but not improvements;
- 5) Water quality improvements above and beyond those required by state and federal regulations as our current level of funding, including grants is expected to meet these significant required improvements; and
- 6) Cost shifts from State and Federal government for a variety of services as well as reductions in grants and financial support such as community justice. More information on future resource needs is available [here](#).

**REQUESTS FOR INFORMATION**

This report is designed to provide an overview of the Town of Colchester's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Town of Colchester, 781 Blakely Road, Colchester, VT 05446. The report is available online at <https://www.colchestervt.gov/317/Finance-Department>.

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2023

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 26,040,104	\$ 0	\$ 26,040,104
Investments	360,608	0	360,608
Deposits with Insurance Company	8,600	0	8,600
Receivables (Net of Allowance for Uncollectibles)	828,437	845,605	1,674,042
Notes Receivable (Net of Allowance for Uncollectibles)	29,563	0	29,563
Lease Receivables	604,407	0	604,407
Internal Balances	(3,734,899)	3,734,899	0
Prepaid Expenses	2,099	0	2,099
Inventory	76,454	13,515	89,969
Capital Assets:			
Land	2,320,536	132,568	2,453,104
Construction in Progress	1,095,447	432,749	1,528,196
Other Capital Assets (Net of Accumulated Depreciation)	33,185,046	11,742,121	44,927,167
Total Assets	<u>60,816,402</u>	<u>16,901,457</u>	<u>77,717,859</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	2,289,887	234,733	2,524,620
Total Deferred Outflows of Resources	<u>2,289,887</u>	<u>234,733</u>	<u>2,524,620</u>
<u>LIABILITIES</u>			
Accounts Payable	284,423	156,336	440,759
Accrued Payroll and Benefits Payable	444,628	104,056	548,684
Unearned Revenue	5,168,263	342,508	5,510,771
Due to Others	36,731	0	36,731
Due to Custodial Funds	11,152	0	11,152
Accrued Interest Payable	36,476	36,324	72,800
Noncurrent Liabilities:			
Due within One Year	581,736	597,012	1,178,748
Due in More than One Year	8,824,741	7,457,763	16,282,504
Total Liabilities	<u>15,388,150</u>	<u>8,693,999</u>	<u>24,082,149</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	10,753	0	10,753
Lease Receivables	553,447	0	553,447
Deferred Inflows of Resources Related to the Town's Participation in VMERS	249,864	25,613	275,477
Total Deferred Inflows of Resources	<u>814,064</u>	<u>25,613</u>	<u>839,677</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	33,570,309	4,920,218	38,490,527
Restricted:			
Non-Expendable:			
Culture and Recreation	2,000	0	2,000
Expendable:			
Culture and Recreation	382,311	0	382,311
Cemetery	179,451	0	179,451
Capital Projects	9,729,210	0	9,729,210
Other	53,325	0	53,325
Unrestricted	2,987,469	3,496,360	6,483,829
Total Net Position	<u>\$ 46,904,075</u>	<u>\$ 8,416,578</u>	<u>\$ 55,320,653</u>

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

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 3,360,753	\$ 849,901	\$ 79,728	\$ 0	\$ (2,431,124)	\$ 0	\$ (2,431,124)
Public Safety	6,517,450	77,935	328,310	0	(6,111,205)	0	(6,111,205)
Public Works	3,623,815	31,797	212,694	125,784	(3,253,540)	0	(3,253,540)
Culture and Recreation	1,891,998	21,511	13,768	5,473	(1,851,246)	0	(1,851,246)
Community Development	790,921	1,171	769,188	0	(20,562)	0	(20,562)
Interest on Long-term Debt	105,386	0	0	0	(105,386)	0	(105,386)
Total Governmental Activities	16,290,323	982,315	1,403,688	131,257	(13,773,063)	0	(13,773,063)
Business-type Activities:							
Wastewater	1,735,547	1,511,342	0	82,193	0	(142,012)	(142,012)
Recreation Program	927,787	976,447	0	0	0	48,660	48,660
Stormwater	697,836	897,570	4,664	21,501	0	225,899	225,899
Police Dispatch	531,392	0	0	0	0	(531,392)	(531,392)
Rescue	1,011,916	871,958	0	10,750	0	(129,208)	(129,208)
Total Business-type Activities	4,904,478	4,257,317	4,664	114,444	0	(528,053)	(528,053)
Total Primary Government	\$ 21,194,801	\$ 5,239,632	\$ 1,408,352	\$ 245,701	(13,773,063)	(528,053)	(14,301,116)
General Revenues:							
Property Taxes					12,840,192	0	12,840,192
Penalties and Interest on Delinquent Taxes					149,628	0	149,628
Local Option Sales Tax					2,215,053	0	2,215,053
Payments in Lieu of Taxes					355,151	0	355,151
General State Grants					61,836	0	61,836
Impact Fees					131,432	0	131,432
Unrestricted Investment Earnings					369,521	55,340	424,861
Insurance Proceeds					14,392	0	14,392
Gain on Sale of Land					305,437	0	305,437
Proceeds from Sale of Equipment					2,250	0	2,250
Proceeds from Sale of Vehicles					19,643	0	19,643
Other Revenues					20,914	0	20,914
Transfers:					(696,837)	696,837	0
Total General Revenues and Transfers					15,788,612	752,177	16,540,789
Change in Net Position					2,015,549	224,124	2,239,673
Net Position - July 1, 2022					44,888,526	8,192,454	53,080,980
Net Position - June 30, 2023					\$ 46,904,075	\$ 8,416,578	\$ 55,320,653

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

TOWN OF COLCHESTER, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash	\$ 25,872,652	\$ 0	\$ 0	\$ 167,452	\$ 26,040,104
Investments	360,608	0	0	0	360,608
Deposits with Insurance Company	8,600	0	0	0	8,600
Receivables (Net of Allowance for Uncollectibles)	204,623	20,474	599,105	4,235	828,437
Notes Receivable (Net of Allowance for Uncollectibles)	0	0	0	29,563	29,563
Lease Receivables	604,407	0	0	0	604,407
Due from Other Funds	0	5,683,225	9,130,105	4,077,776	18,891,106
Prepaid Items	603	0	0	1,496	2,099
Inventory	76,454	0	0	0	76,454
Total Assets	<u>\$ 27,127,947</u>	<u>\$ 5,703,699</u>	<u>\$ 9,729,210</u>	<u>\$ 4,280,522</u>	<u>\$ 46,841,378</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 170,696	\$ 34,095	\$ 0	\$ 79,632	\$ 284,423
Accrued Payroll and Benefits Payable	444,628	0	0	0	444,628
Due to Other Funds	22,632,143	0	0	5,014	22,637,157
Unearned Revenue	5,636	5,121,543	0	41,084	5,168,263
Due to Others	36,731	0	0	0	36,731
Total Liabilities	<u>23,289,834</u>	<u>5,155,638</u>	<u>0</u>	<u>125,730</u>	<u>28,571,202</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Prepaid Property Taxes	10,753	0	0	0	10,753
Lease Receivables	553,447	0	0	0	553,447
Unavailable Property Taxes, Penalties and Interest	123,303	0	0	0	123,303
Unavailable Grants	11,680	20,474	0	0	32,154
Unavailable Miscellaneous Revenue	1,300	0	0	0	1,300
Unavailable Notes Receivable	0	0	0	29,563	29,563
Total Deferred Inflows of Resources	<u>700,483</u>	<u>20,474</u>	<u>0</u>	<u>29,563</u>	<u>750,520</u>
<u>FUND BALANCES</u>					
Nonspendable	136,617	0	0	3,496	140,113
Restricted	0	0	9,729,210	697,135	10,426,345
Committed	353,814	458,622	0	802,352	1,614,788
Assigned	727,000	68,965	0	2,622,246	3,418,211
Unassigned	1,920,199	0	0	0	1,920,199
Total Fund Balances	<u>3,137,630</u>	<u>527,587</u>	<u>9,729,210</u>	<u>4,125,229</u>	<u>17,519,656</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 27,127,947</u>	<u>\$ 5,703,699</u>	<u>\$ 9,729,210</u>	<u>\$ 4,280,522</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.					36,601,029
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					186,320
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.					(9,442,953)
Deferred Outflows and Inflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.					<u>2,040,023</u>
Net Position of Governmental Activities					<u>\$ 46,904,075</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, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 11,717,820	\$ 627,172	\$ 0	\$ 490,402	\$ 12,835,394
Penalties and Interest on Delinquent Taxes	149,628	0	0	0	149,628
Local Option Sales Tax	0	0	2,215,053	0	2,215,053
Payments in Lieu of Taxes	355,151	0	0	0	355,151
Intergovernmental	318,254	125,600	0	1,080,654	1,524,508
Charges for Services	524,158	0	0	1,250	525,408
Permits, Licenses and Fees	653,843	0	0	177,187	831,030
Fines and Forfeits	15,134	0	0	0	15,134
Loan Repayments	0	0	0	26,428	26,428
Loan Interest Income	0	0	0	1,171	1,171
Investment Income	102,118	81,097	128,252	58,054	369,521
Donations	1,800	0	0	6,037	7,837
Opioids Settlement	52,572	0	0	0	52,572
Other	11,967	0	0	8,947	20,914
Total Revenues	<u>13,902,445</u>	<u>833,869</u>	<u>2,343,305</u>	<u>1,850,130</u>	<u>18,929,749</u>
Expenditures:					
General Government	3,102,647	0	0	28,178	3,130,825
Public Safety	5,312,515	0	0	332,302	5,644,817
Public Works	2,804,944	40,895	0	0	2,845,839
Culture and Recreation	1,531,372	31,024	0	14,765	1,577,161
Community Development	140,921	0	0	650,000	790,921
Capital Outlay:					
General Government	7,060	0	0	54,287	61,347
Public Safety	30,822	0	0	99,780	130,602
Public Works	0	553,900	0	246,046	799,946
Culture and Recreation	23,168	118,980	0	255,137	397,285
Debt Service:					
Principal	53,000	0	409,642	184,977	647,619
Interest	31,168	0	56,083	23,751	111,002
Total Expenditures	<u>13,037,617</u>	<u>744,799</u>	<u>465,725</u>	<u>1,889,223</u>	<u>16,137,364</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>864,828</u>	<u>89,070</u>	<u>1,877,580</u>	<u>(39,093)</u>	<u>2,792,385</u>
Other Financing Sources/(Uses):					
Insurance Proceeds	14,392	0	0	0	14,392
Proceeds from Sale of Land	0	0	0	305,437	305,437
Proceeds from Sale of Equipment	0	0	0	2,250	2,250
Proceeds from Sale of Vehicles	0	0	0	72,224	72,224
Transfers In	41,117	99,922	0	378,533	519,572
Transfers Out	(1,012,634)	0	(51,124)	(66,616)	(1,130,374)
Total Other Financing Sources/(Uses)	<u>(957,125)</u>	<u>99,922</u>	<u>(51,124)</u>	<u>691,828</u>	<u>(216,499)</u>
Net Change in Fund Balances	(92,297)	188,992	1,826,456	652,735	2,575,886
Fund Balances - July 1, 2022	<u>3,229,927</u>	<u>338,595</u>	<u>7,902,754</u>	<u>3,472,494</u>	<u>14,943,770</u>
Fund Balances - June 30, 2023	<u>\$ 3,137,630</u>	<u>\$ 527,587</u>	<u>\$ 9,729,210</u>	<u>\$ 4,125,229</u>	<u>\$ 17,519,656</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, 2023

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)	\$ 2,575,886
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,389,180) is allocated over their estimated useful lives and reported as depreciation expense (\$1,967,317). This is the amount by which depreciation exceeded capital outlays in the current period.	(578,137)
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.	(79,346)
The Town elected to report police dispatch activities, previously reported in the Police Dispatch Fund as an Enterprise Fund, within the General Fund. As a result, the Town transferred the assets, deferred outflows of resources, liabilities and deferred inflows of resources in the Police Dispatch Fund to the governmental activities. This amount is the net effect on net position.	(178,664)
The Town transferred long-term debt related to the Malletts Bay Sewer Project to the Wastewater Fund. The effect of this transaction is to increase net position.	92,629
The issuance of long-term debt (\$-0-) (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$647,619) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	647,619
The issuance of loans receivable (\$-0-) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$26,428) 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.	(26,428)
Governmental funds report employer pension contributions as expenditures (\$535,250). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$1,028,389) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.	(493,139)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount is the net difference in the treatment of these items from the previous year.	17,962
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. This amount is the net difference in the treatment of these items from the previous year.	37,167
Change in net position of governmental activities (Exhibit B)	\$ <u>2,015,549</u>

The General Fund charges the Wastewater Fund and Stormwater Fund for administrative expenses. These charges, totaling \$128,776 and \$131,520, respectively, have been eliminated from the Governmental Activities on the Statement of Activities.

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

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2023

	Wastewater Fund	Recreation Program Fund	Stormwater Fund	Non-Major Enterprise Funds	Total
<u>ASSETS</u>					
Current Assets:					
Receivables (Net of Allowance for Uncollectibles)	\$ 420,308	\$ 0	\$ 99,576	\$ 325,721	\$ 845,605
Due from Other Funds	66,585	1,562,527	1,648,680	457,107	3,734,899
Inventory	<u>13,515</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,515</u>
Total Current Assets	<u>500,408</u>	<u>1,562,527</u>	<u>1,748,256</u>	<u>782,828</u>	<u>4,594,019</u>
Noncurrent Assets:					
Capital Assets:					
Land	132,568	0	0	0	132,568
Construction in Progress	315,164	0	117,585	0	432,749
Plant and Equipment	6,499,191	0	0	0	6,499,191
Buildings and Building Improvements	0	0	0	507,933	507,933
Machinery and Equipment	0	0	7,780	209,656	217,436
Vehicles	0	0	229,721	482,983	712,704
Infrastructure	0	0	4,781,849	0	4,781,849
Capacity Rights	12,137,834	0	0	0	12,137,834
Less: Accumulated Depreciation and Amortization	<u>(10,705,768)</u>	<u>0</u>	<u>(1,839,208)</u>	<u>(569,850)</u>	<u>(13,114,826)</u>
Total Noncurrent Assets	<u>8,378,989</u>	<u>0</u>	<u>3,297,727</u>	<u>630,722</u>	<u>12,307,438</u>
Total Assets	<u>8,879,397</u>	<u>1,562,527</u>	<u>5,045,983</u>	<u>1,413,550</u>	<u>16,901,457</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>0</u>	<u>72,707</u>	<u>51,963</u>	<u>110,063</u>	<u>234,733</u>
Total Deferred Outflows of Resources	<u>0</u>	<u>72,707</u>	<u>51,963</u>	<u>110,063</u>	<u>234,733</u>
<u>LIABILITIES</u>					
Current Liabilities:					
Accounts Payable	118,382	16,846	16,714	4,394	156,336
Accrued Payroll and Benefits Payable	531	61,173	7,750	34,602	104,056
Unearned Revenue	0	342,508	0	0	342,508
Accrued Interest Payable	36,324	0	0	0	36,324
Due to South Burlington - Capacity Rights - Current Portion	<u>597,012</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>597,012</u>
Total Current Liabilities	<u>752,249</u>	<u>420,527</u>	<u>24,464</u>	<u>38,996</u>	<u>1,236,236</u>
Noncurrent Liabilities:					
Compensated Absences Payable	0	28,154	22,732	38,647	89,533
Net Pension Liability	0	179,039	127,957	271,026	578,022
General Obligation Bonds Payable - Noncurrent Portion	122,344	0	0	0	122,344
Due to South Burlington - Capacity Rights - Noncurrent Portion	<u>6,667,864</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,667,864</u>
Total Noncurrent Liabilities	<u>6,790,208</u>	<u>207,193</u>	<u>150,689</u>	<u>309,673</u>	<u>7,457,763</u>
Total Liabilities	<u>7,542,457</u>	<u>627,720</u>	<u>175,153</u>	<u>348,669</u>	<u>8,693,999</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>0</u>	<u>7,934</u>	<u>5,670</u>	<u>12,009</u>	<u>25,613</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>7,934</u>	<u>5,670</u>	<u>12,009</u>	<u>25,613</u>
<u>NET POSITION</u>					
Net Investment in Capital Assets	991,769	0	3,297,727	630,722	4,920,218
Unrestricted	<u>345,171</u>	<u>999,580</u>	<u>1,619,396</u>	<u>532,213</u>	<u>3,496,360</u>
Total Net Position	<u>\$ 1,336,940</u>	<u>\$ 999,580</u>	<u>\$ 4,917,123</u>	<u>\$ 1,162,935</u>	<u>\$ 8,416,578</u>

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

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	Wastewater Fund	Recreation Program Fund	Stormwater Fund	Non-Major Enterprise Funds	Total
Operating Revenues:					
Charges for Services	\$ 1,497,663	\$ 927,161	\$ 888,406	\$ 871,958	\$ 4,185,188
Interest and Penalties	13,679	0	9,164	0	22,843
Recreation Programs Grant Income	0	49,286	0	0	49,286
Total Operating Revenues	<u>1,511,342</u>	<u>976,447</u>	<u>897,570</u>	<u>871,958</u>	<u>4,257,317</u>
Operating Expenses:					
Salaries and Benefits	9,010	766,619	298,286	1,254,778	2,328,693
Administration Costs	128,776	0	131,520	0	260,296
General Expenses	10,014	33,431	34,891	132,577	210,913
Program Expenses	0	127,737	0	0	127,737
Sewage Treatment	545,760	0	0	0	545,760
Chemicals	52,316	0	0	0	52,316
Permits and Testing	0	0	19,681	0	19,681
Repairs and Maintenance	39,787	0	59,698	43,809	143,294
Machinery and Equipment	0	0	2,129	695	2,824
Utilities	59,034	0	5,988	29,477	94,499
Depreciation and Amortization	736,774	0	139,765	81,972	958,511
Total Operating Expenses	<u>1,581,471</u>	<u>927,787</u>	<u>691,958</u>	<u>1,543,308</u>	<u>4,744,524</u>
Operating Income/(Loss)	<u>(70,129)</u>	<u>48,660</u>	<u>205,612</u>	<u>(671,350)</u>	<u>(487,207)</u>
Non-Operating Revenues/(Expenses):					
Stormwater Projects Grant Income	0	0	4,664	0	4,664
Stormwater Projects Grant Expenses	0	0	(5,878)	0	(5,878)
Investment Income	3,345	21,831	23,030	7,134	55,340
Net Interest Expense	(154,076)	0	0	0	(154,076)
Total Non-Operating Revenues/(Expenses)	<u>(150,731)</u>	<u>21,831</u>	<u>21,816</u>	<u>7,134</u>	<u>(99,950)</u>
Net Income/(Loss) Before Capital Contributions and Transfers	<u>(220,860)</u>	<u>70,491</u>	<u>227,428</u>	<u>(664,216)</u>	<u>(587,157)</u>
Capital Contributions and Transfers:					
Capital Contributions	82,193	0	21,501	0	103,694
Capital Contributions - Property Taxes	0	0	0	10,750	10,750
Transfers In	66,616	0	0	952,765	1,019,381
Transfers Out	(141,427)	0	0	(181,117)	(322,544)
Total Capital Contributions and Transfers	<u>7,382</u>	<u>0</u>	<u>21,501</u>	<u>782,398</u>	<u>811,281</u>
Change in Net Position	(213,478)	70,491	248,929	118,182	224,124
Net Position - July 1, 2022	<u>1,550,418</u>	<u>929,089</u>	<u>4,668,194</u>	<u>1,044,753</u>	<u>8,192,454</u>
Net Position - June 30, 2023	<u>\$ 1,336,940</u>	<u>\$ 999,580</u>	<u>\$ 4,917,123</u>	<u>\$ 1,162,935</u>	<u>\$ 8,416,578</u>

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

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	Wastewater Fund	Recreation Program Fund	Stormwater Fund	Non-Major Enterprise Funds	Total
<b>Cash Flows From Operating Activities:</b>					
Receipts from Customers and Users	\$ 1,507,997	\$ 1,006,018	\$ 896,194	\$ 795,739	\$ 4,205,948
Receipts from Operating Grants	0	49,286	0	8,454	57,740
Payments for Goods and Services	(715,372)	(159,804)	(185,371)	(210,928)	(1,271,475)
Payments for Interfund Services	(128,776)	0	(131,520)	0	(260,296)
Payments for Wages and Benefits	(8,707)	(723,324)	(294,544)	(1,220,501)	(2,247,076)
Net Cash Provided/(Used) by Operating Activities	655,142	172,176	284,759	(627,236)	484,841
<b>Cash Flows From Noncapital Financing Activities:</b>					
(Increase)/Decrease in Due from Other Funds	256,770	(194,007)	(95,165)	20,196	(12,206)
Transfers Received from Other Funds	0	0	0	774,101	774,101
Stormwater Projects Grant Expenses	0	0	(5,878)	0	(5,878)
Net Cash Provided/(Used) by Noncapital Financing Activities	256,770	(194,007)	(101,043)	794,297	756,017
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Transfers Received from Other Funds	66,616	0	0	0	66,616
Transfers Paid to Other Funds	(48,798)	0	0	(140,000)	(188,798)
Issuance of Long-term Debt	59,430	0	0	0	59,430
Proceeds from Capital Grants	52,478	0	27,818	0	80,296
Proceeds from Capital Contributions - Property Taxes	0	0	0	10,750	10,750
Acquisition and Construction of Capital Assets	(302,673)	0	(234,564)	(44,945)	(582,182)
Principal Paid to South Burlington for Capacity Rights	(585,307)	0	0	0	(585,307)
Interest Paid to South Burlington for Capacity Rights	(157,003)	0	0	0	(157,003)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(915,257)	0	(206,746)	(174,195)	(1,296,198)
<b>Cash Flows From Investing Activities:</b>					
Receipt of Interest and Dividends	3,345	21,831	23,030	7,134	55,340
Net Cash Provided by Investing Activities	3,345	21,831	23,030	7,134	55,340
Net Increase in Cash	0	0	0	0	0
Cash - July 1, 2022	0	0	0	0	0
Cash - June 30, 2023	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:</b>					
Operating Income/(Loss)	\$ (70,129)	\$ 48,660	\$ 205,612	\$ (671,350)	\$ (487,207)
Depreciation and Amortization	736,774	0	139,765	81,972	958,511
(Increase)/Decrease in Receivables	(3,006)	2,153	(1,376)	(67,424)	(69,653)
(Increase)/Decrease in Prepaid Expenses	0	180	0	0	180
(Increase)/Decrease in Inventory	4,513	0	0	0	4,513
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	(24,231)	(9,637)	(46,090)	(79,958)
Increase/(Decrease) in Accounts Payable	(13,313)	1,184	(62,984)	(4,711)	(79,824)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	303	17,097	(1,698)	8,459	24,161
Increase/(Decrease) in Unearned Revenue	0	76,704	0	0	76,704
Increase/(Decrease) in Compensated Absences Payable	0	3,916	4,090	7,210	15,216
Increase/(Decrease) in Net Pension Liability	0	92,771	52,633	226,265	371,669
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	(46,258)	(41,646)	(161,567)	(249,471)
Net Cash Provided/(Used) by Operating Activities	\$ 655,142	\$ 172,176	\$ 284,759	\$ (627,236)	\$ 484,841

There was \$12,491 of capital acquisitions in the Wastewater Fund included in accounts payable at June 30, 2023.

There was \$7,408 of capital acquisitions in the Stormwater Fund included in accounts payable at June 30, 2023.

The Wastewater Fund recognized a forgiveness of debt from the State of Vermont in the amount of \$29,715.

The Governmental Activities transferred \$92,629 of long-term debt related to the Malletts Bay Sewer Project to the Wastewater Fund.

Effective July 1, 2023, the Town elected to report police dispatch activities, previously reported in the Police Dispatch Fund included in the Non-Major Enterprise Funds, within the General Fund. As a result, the Town transferred the assets, deferred outflows of resources, liabilities and deferred inflows of resources as described in Note IV.F.

The Non-Major Enterprise Funds disposed of capital assets with a cost and accumulated depreciation of \$5,215.

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

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2023

	<u>Custodial Funds</u>
<u>ASSETS</u>	
Due from Other Funds	\$ <u>11,152</u>
Total Assets	<u>11,152</u>
<u>LIABILITIES</u>	
Liabilities:	<u>0</u>
<u>NET POSITION</u>	
Restricted	<u>11,152</u>
Total Net Position	\$ <u><u>11,152</u></u>

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

TOWN OF COLCHESTER, VERMONT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Custodial Funds</u>
<u>ADDITIONS</u>	
Education Taxes Collected for Other Governments	\$ 32,861,102
Impact Fees Collected for the School District	94,800
Investment Income Collected for the School District	<u>156</u>
Total Additions	<u>32,956,058</u>
<u>DEDUCTIONS</u>	
Education Taxes Distributed to Other Governments	32,861,102
Impact Fees Distributed to the School District	<u>90,000</u>
Total Deductions	<u>32,951,102</u>
Change in Net Position	4,956
Net Position - July 1, 2022	<u>6,196</u>
Net Position - June 30, 2023	<u>\$ 11,152</u>

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

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

The Town of Colchester, Vermont, (herein the "Town") operates under a Manager/Selectboard form of government and provides the services authorized by State statute and its charter: public safety, highways and streets, parks and recreation, cemeteries, library, economic development, planning and zoning, wastewater treatment, stormwater improvements and general administrative services.

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

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

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

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

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

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

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

TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

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.

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

The Town reports on the following major enterprise funds:

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

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

Stormwater Fund – This fund accounts for the stormwater 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.



TOWN OF COLCHESTER, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

Additionally, the Town reports the following fund type:

Custodial Funds – These funds are used to report resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals.

**C. Measurement Focus**

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

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

**D. Basis of Accounting**

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

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

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

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

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

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

#### **E. Use of Estimates**

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

#### **F. New Pronouncement – Subscription-Based Information Technology Arrangements**

Effective June 30, 2023, the Town implemented GASB Statement No. 96, “Subscription-Based Information Technology Arrangements”. GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, “Leases”, as amended. The Town currently has no subscription-based information technology arrangements applicable to this Statement that are material to the financial statements.

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

**1. Cash**

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

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

**2. Investments**

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

**3. Receivables**

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

**4. Internal Balances**

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

**5. Pensions**

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

**6. Inventories and Prepaid Expenses/Items**

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/items.

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

## 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

## 8. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. 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
Recreation Facilities (Part of Buildings)	\$ 10,000	10-25 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

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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. Leases**

**Lessee:** The Town recognizes lease liabilities and a right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. The Town recognizes lease liabilities with an initial, individual value deemed material. At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term debt in the government-wide and proprietary fund financial statements.

**Lessor:** The Town recognizes a lease receivable and a deferred inflows of resources in both the government-wide and fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable. Subsequently, the deferred inflows of resources is recognized as revenue on a straight-line basis over the term of the lease. Lease receivables in excess of the related deferred inflows of resources are reported as nonspendable fund balances of governmental funds in the fund financial statements as these are not in spendable form.

## **10. Compensated Absences**

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

As of June 30, 2023, the governmental activities had \$616,146 in total compensated absences liability. The General Fund fund balance contains \$353,814 of committed fund balance as approved by the voters to fund a portion of this liability. Because this funding is not available for any other purpose and can only be un-committed through the annual voter approved budget process, it is tracked in a separate fund, the Accrued Leave Time Fund, for expenditures exceeding budget. The unfunded leave time liability as of June 30, 2023 is \$262,332. Management and the Selectboard are taking significant efforts through policies which reduce leave accumulation and additional funding to reduce this liability further in future years.

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

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## **11. Long-term Liabilities**

Long-term liabilities include bonds payable, notes payable, 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.

## **12. 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, proprietary fund and fiduciary 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:

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.

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Notes receivable differences arise because governmental funds report the issuance of notes receivable as expenditures and repayments of notes receivable as revenues, whereas government-wide statements report those transactions as increases and decreases in assets, respectively.

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

### **III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **A. Budgetary Information**

Budgets are approved at the annual Town Meeting in March. Budget changes within a department, which do not change the total expenditures, require approval of the Town Manager. Budget changes between departments, which do not change the total expenditures, require Selectboard approval. Voter approval is required before expenditures exceed 104% 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. There was no activity for the Accrued Leave Time Fund during the year.

#### **B. Budgeted Deficit**

The Town budgeted a current year's deficiency of revenues over expenditures in the General Fund in the amount of \$324,333 in order to utilize a portion of the previous year's surplus, and importantly, to decrease the increase in property taxes. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

#### **C. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2023, expenditures in the General Fund exceeded appropriations by \$170,034. These over-expenditures were funded by excess revenues.

### **IV. DETAILED NOTES ON ALL FUNDS**

#### **A. Cash and Investments**

The Town's cash and investments as of June 30, 2023 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$26,038,462
Cash on Hand	<u>1,642</u>
Total Cash	<u>26,040,104</u>

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Investments:

Certificates of Deposit	\$ <u>360,608</u>
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Total Cash and Investments	\$ <u>26,400,712</u>
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The Town has two (2) certificates of deposit at various banks in the amounts of \$114,600 and \$246,008 with interest rates of 0.35% and 0.70%, respectively. Both certificates of deposit mature by fiscal year 2026.

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 following table shows the custodial credit risk of the Town's cash and certificates of deposit.

	Book Balance	Bank Balance
Insured by FDIC	\$ 610,659	\$ 610,659
Uninsured, Collateralized by U.S. Government Agencies		
Securities Held by the Pledging Financial Institution's Agent	<u>25,788,411</u>	<u>26,433,108</u>
	<u>\$ 26,399,070</u>	<u>\$ 27,043,767</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	\$26,038,462
Investments – Certificates of Deposit	<u>360,608</u>
Total	\$ <u>26,399,070</u>



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**Interest Rate Risk**

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

**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 are exempt from credit risk analysis.

**Concentration of Credit Risk**

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town's certificates of deposit 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, 2023, 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	\$ 197,882	\$ 0	\$ 197,882
Penalties and Interest Receivable	58,799	0	58,799
Local Option Sales Tax Receivable	599,105	0	599,105
Grants Receivable	38,879	26,229	65,108
Accounts Receivable	17,399	0	17,399
Billed Services	26,373	670,090	696,463
Unbilled Services	0	369,286	369,286
Allowance for Doubtful Accounts - Taxes	(110,000)	0	(110,000)
Allowance for Doubtful Accounts - Ambulance	0	(210,000)	(210,000)
Allowance for Doubtful Accounts - Stormwater	0	(10,000)	(10,000)
Total	\$ <u>828,437</u>	\$ <u>845,605</u>	\$ <u>1,674,042</u>

For the year ended June 30, 2023, the Town increased the allowance for doubtful accounts related to ambulance billings from \$160,000 to \$210,000. This resulted in a reduction of ambulance revenues of \$50,000 in the Rescue Fund.

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**C. Notes Receivable**

Notes receivable as of June 30, 2023 are as follows:

Note Receivable, Holy Cross Senior Housing Partnership, Principal Payments Deferred until November, 2037, 0% Interest	\$ 300,000 *
Note Receivable, Fort Apartments Limited Partnership, Principal in the Form of a Balloon Payment due August 1, 2051, 0% Interest, Collateralized by 3 <sup>rd</sup> Mortgage on Land and Premises at 309 Ethan Allen Drive and 397 Ethan Allen Drive	330,000 *
Note Receivable, 600 Dalton Drive (Cares), Champlain Housing Trust Corporation, Principal Payments Deferred until September, 2036, 0% Interest	65,778 *
Note Receivable, Brookside Partnership (Morehouse Drive/ Brookside Apartments, Champlain Housing Trust), Principal and Interest Payments Deferred until January, 2039, Interest at 4.46%	240,000 *
Note Receivable, Winchester Place Limited Partnership, Principal Payments Deferred until May, 2057, 0% Interest	543,477 *
Notes Receivable, Six (6) 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.J.	<u>29,563</u>
Total Notes Receivable	1,508,818
Plus: Accrued Interest on Notes Receivable	147,979
Less: Allowance for Doubtful Notes and Accrued Interest Receivable	<u>(1,627,234)</u>
Reported Value as of June 30, 2023	\$ <u><u>29,563</u></u>

- \* These loans come from proceeds of grants of Federal funds via the State of Vermont to the Town. The loans may be deferred for eternity, at the Town's discretion, as long as the properties remain affordable. Should the Town require repayment, the Town would have to give the principal and interest back to the State of Vermont or make a loan to another affordable development.

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**D. Lease Receivables**

In August, 1994, the Town entered into a land lease agreement with Arborvitae Medical Office Partners, LLC. The Town will lease land which is adjacent to the Town's offices to Arborvitae Medical Office Partners, LLC. for thirty (30) years. The Town will receive lease payments from Arborvitae Medical Office Partners, LLC for thirty (30) years. The agreement provided for the construction of a building which is rented to a medical center. Arborvitae Medical Office Partners, LLC. collects these rent payments. At the end of the thirty (30) year agreement, the building will become property of the Town. The Town will then begin to receive the rental payments from the medical center. A purchase price option is included in the lease whereby the Town can purchase the building. The current purchase price is \$259,876.

The Town also has an agreement to lease tower space atop the Fire Department Station for the purpose of installation and operation of a telecommunications transmitter site. The initial lease term is for five (5) years, with three (3) successive five (5) year renewal terms, with payments due monthly. The lease will renew automatically unless the Lessee declines the option. The Lessee has the right to terminate this agreement upon the annual anniversary of the commencement date provided that three (3) months prior notice is given. The Town receives monthly payments of \$2,300 during year one (1) and increasing by two and one-half percent (2.5%) each subsequent year. The commencement date of the first lease term was November 1, 2021.

As of June 30, 2023, the Town's receivable for lease payments was \$604,407. During the year ended June 30, 2023, the Town recognized \$60,733 and \$11,993 in lease revenue and interest revenue, respectively.

The future lease payments for these agreements are as follows:

2024	\$ 91,540
2025	29,420
2026	30,156
2027	30,910
2028	31,682
2029-2033	170,696
2034-2038	193,127
2039-2042	<u>146,238</u>
	<u>\$723,769</u>

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**E. Capital Assets**

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,320,536	\$ 0	\$ 0	\$ 2,320,536
Construction in Progress	808,600	336,463	49,616	1,095,447
Total Capital Assets, Not Being Depreciated	<u>3,129,136</u>	<u>336,463</u>	<u>49,616</u>	<u>3,415,983</u>
Capital Assets, Being Depreciated:				
Land Improvements	1,971,830	67,856	0	2,039,686
Buildings and Building Improvements	12,146,390	27,741	0	12,174,131
Equipment and Furniture	3,020,320	125,462	215,977	2,929,805
Vehicles	6,786,408	456,877	329,400	6,913,885
Infrastructure	26,178,070	451,120	0	26,629,190
Totals	<u>50,103,018</u>	<u>1,129,056</u>	<u>545,377</u>	<u>50,686,697</u>
Less Accumulated Depreciation for:				
Land Improvements	1,019,058	61,405	0	1,080,463
Buildings and Building Improvements	3,186,756	223,052	0	3,409,808
Equipment and Furniture	1,994,853	222,554	196,090	2,021,317
Vehicles	2,415,340	536,736	243,218	2,708,858
Infrastructure	7,357,635	923,570	0	8,281,205
Totals	<u>15,973,642</u>	<u>1,967,317</u>	<u>439,308</u>	<u>17,501,651</u>
Total Capital Assets, Being Depreciated	<u>34,129,376</u>	<u>(838,261)</u>	<u>106,069</u>	<u>33,185,046</u>
Governmental Activities Capital Assets, Net	<u>\$ 37,258,512</u>	<u>\$ (501,798)</u>	<u>\$ 155,685</u>	<u>\$ 36,601,029</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 132,568	\$ 0	\$ 0	\$ 132,568
Construction in Progress	73,284	359,465	0	432,749
Total Capital Assets, Not Being Depreciated	<u>205,852</u>	<u>359,465</u>	<u>0</u>	<u>565,317</u>
Capital Assets, Being Depreciated:				
Plant and Equipment:				
10 Years	7,807	0	0	7,807
15 Years	51,811	0	0	51,811
25 Years	1,206,654	0	0	1,206,654
30 Years	221,037	0	0	221,037
40 Years	323,679	0	0	323,679
50 Years	4,688,203	0	0	4,688,203
Buildings and Building Improvements	507,933	0	0	507,933
Machinery and Equipment	177,706	44,945	5,215	217,436
Vehicles	712,704	0	0	712,704
Infrastructure	4,584,178	197,671	0	4,781,849
Capacity Rights - Wastewater Treatment	12,137,834	0	0	12,137,834
Totals	<u>24,619,546</u>	<u>242,616</u>	<u>5,215</u>	<u>24,856,947</u>
Less Accumulated Depreciation for:				
Plant and Equipment	4,506,966	129,882	0	4,636,848
Buildings and Building Improvements	232,766	11,163	0	243,929
Machinery and Equipment	97,286	17,251	5,215	109,322
Vehicles	333,704	55,610	0	389,314
Infrastructure	1,528,780	137,713	0	1,666,493
Capacity Rights - Wastewater Treatment	5,462,028	606,892	0	6,068,920
Totals	<u>12,161,530</u>	<u>958,511</u>	<u>5,215</u>	<u>13,114,826</u>
Total Capital Assets, Being Depreciated	<u>12,458,016</u>	<u>(715,895)</u>	<u>0</u>	<u>11,742,121</u>
Business-type Activities Capital Assets, Net	<u>\$ 12,663,868</u>	<u>\$ (356,430)</u>	<u>\$ 0</u>	<u>\$ 12,307,438</u>

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 121,507	Wastewater	\$ 736,774
Public Safety	649,314	Stormwater	139,765
Public Works	928,651	Rescue	<u>81,972</u>
Culture and Recreation	<u>267,845</u>		
Total Depreciation Expense - Governmental Activities	<u>\$ 1,967,317</u>	Total Depreciation Expense - Business-type Activities	<u>\$ 958,511</u>

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**F. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2023 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 22,632,143
Capital Projects Fund	5,683,225	0
Debt Service Fund	9,130,105	0
Non-Major Governmental Funds	4,077,776	5,014
Wastewater Fund	66,585	0
Recreation Program Fund	1,562,527	0
Stormwater Fund	1,648,680	0
Non-Major Enterprise Funds	457,107	0
Custodial Funds - School District		
Impact Fees Fund	<u>11,152</u>	<u>0</u>
Total	<u>\$ 22,637,157</u>	<u>\$ 22,637,157</u>

Interfund transfers during the year ended June 30, 2023 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Reserve Fund	\$ 2,500	Appropriation - Conservation Commission
General Fund	Reserve Fund	5,000	Appropriation - Technical Rescue Equipment
General Fund	Recreation Acquisition and Development Fund	5,000	Appropriation
General Fund	Fire Capital Equipment Fund	226,033	Appropriation
General Fund	Police Dispatch Fund	543,908	Appropriation
General Fund	Rescue Fund	230,193	Appropriation
Debt Service Fund	Capital Projects Fund	51,124	Additional Funding for Building of Recreation Center
Revolving Loan Fund	Wastewater Fund	66,616	Additional Funding for Malletts Bay Sewer Project
Wastewater Fund	Capital Projects Fund	48,798	Reimburse Initial Malletts Bay Sewer Project Costs
Wastewater Fund	Governmental Activities	92,629	Reassignment of Debt Related to Malletts Bay Sewer Project
Police Dispatch Fund	General Fund	41,117	Transfer of Police Dispatch Fund Balance to General Fund
Police Dispatch Fund	Reserve Fund	<u>140,000</u>	Funding for Future Police Dispatch Capital Expenditures
Total		<u>\$ 1,452,918</u>	

Effective July 1, 2023, the Town elected to report police dispatch activities, previously reported in the Police Dispatch Fund as an Enterprise Fund, within the General Fund. As a result, the Town transferred the assets, deferred outflows of resources, liabilities and deferred inflows of resources in the Police Dispatch Fund to the governmental activities as follows:

Deferred Outflows of Resources Related to the Town's Participation in VMERS	\$ 101,171
Compensated Absences Payable	(19,665)
Net Pension Liability	(249,131)
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>(11,039)</u>
Total	<u>\$(178,664)</u>

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**G. Deferred Outflows of Resources**

Deferred outflows of resources in the governmental activities consists of \$423,472 from the difference between the expected and actual experience, \$915,450 from the net difference between the projected and actual investment earnings on pension plan investments \$288,278 from changes of assumptions and \$127,437 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 \$535,250 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$2,289,887.

Deferred outflows of resources in the business-type activities consists of \$43,409 from the difference between the expected and actual experience, \$93,842 from the net difference between the projected and actual investment earnings on pension plan investments, \$29,551 from changes of assumptions and \$13,063 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 \$54,868 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the business-type activities is \$234,733.

Deferred outflows of resources in the Recreation Program Fund consists of \$13,446 from the difference between the expected and actual experience, \$29,067 from the net difference between the projected and actual investment earnings on pension plan investments, \$9,153 from changes of assumptions and \$4,046 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$16,995 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Recreation Program Fund is \$72,707.

Deferred outflows of resources in the Stormwater Fund consists of \$9,609 from the difference between the expected and actual experience, \$20,774 from the net difference between the projected and actual investment earnings on pension plan investments, \$6,542 from changes of assumptions and \$2,892 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 \$12,146 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Stormwater Fund is \$51,963.

Deferred outflows of resources in the Non-Major Enterprise Funds consists of \$20,354 from the difference between the expected and actual experience, \$44,001 from the net difference between the projected and actual investment earnings on pension plan investments, \$13,856 from changes of assumptions and \$6,125 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 \$25,727 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Non-Major Enterprise Funds is \$110,063.

**H. Unearned Revenue**

Unearned revenue in the governmental activities consists of \$5,162,627 of grant revenue and \$5,636 of insurance proceeds received in advance. Total unearned revenue in the governmental activities is \$5,168,263.

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Unearned revenue in the business-type activities and Recreation Program Fund consists of \$342,508 of recreation fees received in advance.

Unearned revenue in the General Fund consists of \$5,636 of insurance proceeds received in advance.

Unearned revenue in the Capital Projects Fund consists of \$5,121,543 of grant revenue received in advance.

Unearned revenue in the Non-Major Governmental Funds consists of \$41,084 of grant revenue received in advance.

**I. Deferred Inflows of Resources**

Deferred inflows of resources in the governmental activities consists of \$249,864 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). It also includes \$10,753 of prepaid property taxes and \$553,447 associated with leases that will be recognized as revenue over the lease terms. Total deferred inflows of resources in the governmental activities is \$814,064.

Deferred inflows of resources in the business-type activities consists \$25,613 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).

Deferred inflows of resources in the General Fund consists of \$123,303 of delinquent property taxes, penalties and interest on those taxes, \$11,680 of grant revenue and \$1,300 of miscellaneous revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$10,753 of prepaid property taxes and \$553,447 associated with leases that will be recognized as revenue over the lease terms. Total deferred inflows of resources in the General Fund is \$700,483.

Deferred inflows of resources in the Capital Projects Fund consist of \$20,474 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 \$29,563 of notes receivable as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Recreation Program Fund consists of \$7,934 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).

Deferred inflows of resources in the Stormwater Fund consists of \$5,670 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).

Deferred inflows of resources in the Non-Major Enterprise Funds consists of \$12,009 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).



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**J. 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 financed purchases 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 public works projects and to fund septic system improvement loan programs.

It is the policy of the Town to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

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

Long-term liabilities outstanding as of June 30, 2023 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, Bellwood Drainage Project, Principal Payments of \$49,642 Payable on December 1 Annually, 0% Interest, Due and Paid December, 2023	\$ 99,281	\$ 0	\$ 49,642	\$ 49,639

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Administrative Fee Payments of \$8,962 Payable on April 1 Annually, 2% Administrative Fee, Due April, 2027	\$ 42,241	\$ 0	\$ 8,113	\$ 34,128
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Administrative Fee Payments of \$4,831 Payable on July 1 Annually, 2% Administrative Fee, Due July, 2028	27,061	0	4,290	22,771
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Administrative Fee Payments of \$6,050 Payable on August 1 Annually, 2% Administrative Fee, Due August, 2034	68,655	0	4,677	63,978
Bond Payable, Vermont Municipal Bond Bank, Blakely Road Municipal Buildings and Buildings Improvements, Principal Payments of \$305,000 Payable on November 1 Annually, Interest Ranging from 3.865% to 4.715% Payable May 1 and November 1, Due November, 2027	1,830,000	0	305,000	1,525,000
Bond Payable, Vermont Municipal Bond Bank, Bayside Property Purchase, Principal Payments of \$55,000 Payable on December 1 Annually, Interest Ranging from 1.87% to 5.09% Payable June 1 and December 1, Due December, 2024	165,000	0	55,000	110,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, Windemere Park Septic System Improvements, Principal and Administrative Fee Payments of \$71,455 Payable on June 1 Annually, 2% Administrative Fee, Due and Paid June, 2023	70,054	0	70,054	0

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, M&T Bank, Fire Department Capital Improvements and Refurbish of 1999 Fast Attack Pumper Truck, Principal Payments of \$35,000 Plus Interest Payable on January 15 Annually, Interest at 2.85%, Due January, 2025	\$ 105,000	\$ 0	\$ 35,000	\$ 70,000
Financed Purchase, Municipal Leasing Consultants, LLC, Pumpkin Patch (Malletts Bay Avenue) Solar Array, Principal and Interest Payments of \$43,213 Payable on October 15 Annually, Interest at 4.27%, Due October, 2032	373,112	0	27,281	345,831
Financed Purchase, Municipal Leasing Consultants, LLC, Roosevelt Highway Solar Array, Principal and Interest Payments of \$40,955 Payable on January 31 Annually, Interest at 4.32%, Due January, 2033	352,668	0	25,719	326,949
Financed Purchase, Capital One Public Funding, LLC, 2016 Aerial Fire Truck, Principal and Interest Payments of \$42,351 Payable on August 8 Annually, Interest at 2.75%, Due August, 2031	365,916	0	32,289	333,627
Financed Purchase, U.S. Bancorp Government Leasing and Finance, Inc., 2019 Pumper Truck, Principal and Interest Payments of \$37,100 Payable on October 1 Annually, Interest at 2.18%, Due October, 2030	<u>300,228</u>	<u>0</u>	<u>30,554</u>	<u>269,674</u>
Total Governmental Activities	<u>\$3,799,216</u>	<u>\$ 0</u>	<u>\$647,619</u>	<u>\$3,151,597</u>

TOWN OF COLCHESTER, VERMONT  
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Business-type Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Malletts Bay Sewer Study, Authorized to \$300,000 but Eligible for \$150,000 Forgiveness, Principal Payments of \$15,000 Payable on June 1 Annually Beginning June 1, 2027, 0% Interest, Due June, 2036. The Town Recognized \$29,715 of Principal Forgiveness During the Year.	\$92,629	\$59,430	\$29,715	\$122,344
Total Business-type Activities	\$92,629	\$59,430	\$29,715	\$122,344

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 2,302,292	\$ 0	\$ 496,776	\$ 1,805,516	\$ 427,064
Notes Payable	105,000	0	35,000	70,000	35,000
Financed Purchases	1,391,924	0	115,843	1,276,081	119,672
Compensated Absences Payable	628,032	0	11,886	616,146	0
Net Pension Liability	2,763,484	2,875,250	0	5,638,734	0
Total Governmental Activities Long-term Liabilities	\$ 7,190,732	\$ 2,875,250	\$ 659,505	\$ 9,406,477	\$ 581,736
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type Activities</b>					
General Obligation Bonds Payable	\$ 92,629	\$ 59,430	\$ 29,715	\$ 122,344	\$ 0
Due to South Burlington - Capacity Rights	7,850,183	0	585,307	7,264,876	597,012
Compensated Absences Payable	93,982	0	4,449	89,533	0
Net Pension Liability	455,484	122,538	0	578,022	0
Total Business-type Activities Long-term Liabilities	\$ 8,492,278	\$ 181,968	\$ 619,471	\$ 8,054,775	\$ 597,012

During the year, the Town transferred \$92,629 of long-term debt related to the Malletts Bay Sewer Project in the governmental activities to the Wastewater Fund. As a result, the beginning balance columns of the governmental activities and business-type activities have been adjusted.

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The Town has an agreement with the City of South Burlington, Vermont that assisted with the upgrade of South Burlington's wastewater treatment facility. This agreement provides wastewater treatment capacity rights to the Town of Colchester. 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%, however, the Town agreed with the City of South Burlington to defer the April, 2021 payment to April, 2022. Accordingly, the final payment year was extended an additional year to April, 2034. 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, 2023 was \$7,264,876.

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

The change in the net pension liability is allocated to the function where the employee is charged.

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 581,736	\$ 91,565
2025	536,413	66,932
2026	450,877	41,293
2027	455,496	40,301
2028	451,312	29,979
2029-2033	664,014	68,210
2034-2035	11,749	354
Total	<u>\$ 3,151,597</u>	<u>\$ 338,634</u>

## K. 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.

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

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. Because users are interested in information about those minimum fund balance policies and how governments comply with them, governments are required to explain their minimum fund balance policies, if they have them, in notes to the financial statements. The Town has a minimum fund balance policy which is to maintain an unassigned fund balance which is no less than thirteen percent (13%) of the prior year's General Fund operating expenditures plus bond payments. The fund balance, as outlined in this policy, on June 30, 2023, was 13.2% of the 2023 operating expenditures plus bond payments.

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 Deposits	\$ 8,600
Nonspendable Prepaid Items	603
Nonspendable Inventories	76,454
Nonspendable Resources from Lease Receivables in Excess of Related Deferred Inflows of Resources	<u>50,960</u>
Total General Fund	<u>136,617</u>

Non-Major Funds

Capital Projects Funds:

Nonspendable Prepaid Items	1,496
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Permanent Fund:

Nonspendable Burnham Memorial Library Fund Principal	<u>2,000</u>
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Total Non-Major Funds	<u>3,496</u>
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Total Nonspendable Fund Balances	<u>\$140,113</u>
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The fund balances in the following funds are restricted as follows:

Major Funds

Debt Service Fund (Local Option Tax Fund):

Restricted for Capital or Debt Service of Voter-Approved Capital Projects within the Town and Voter-Approved Intermunicipal Financial Support by Charter	\$ <u>9,729,210</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Revolving Loans by Grant Agreements (Source of Revenue is Grant Revenue)	82,048
Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	476
Restricted for Grant Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	9,158
Restricted for Police Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	23,691
Restricted for Cemetery Expenses by Statute (Source of Revenue is Sale of Lots)	<u>179,451</u>

Total Special Revenue Funds	<u>294,824</u>
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Capital Projects Funds:

Restricted for Recreation Acquisition and Development Expenditures by Impact Fees (Source of Revenue is Impact Fees)	353,253
Restricted for Severance Corners Gazebo Expenditures by Donations (Source of Revenue is Donations)	<u>20,000</u>

Total Capital Projects Funds	<u>373,253</u>
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Permanent Fund:

Burnham Memorial Library Expenses by Trust Agreement – Expendable Portion (Source of Revenue is Donations)	<u>29,058</u>
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Total Non-Major Funds	<u>697,135</u>
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Total Restricted Fund Balances	<u>\$10,426,345</u>
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TOWN OF COLCHESTER, VERMONT  
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The fund balances in the following funds are committed as follows:

Major Funds

General Fund:

Committed for Accrued Leave Time Payments by the Voters \$ 353,814

Capital Projects Fund:

Committed for Capital Project Expenditures by the Voters 458,622

Non-Major Funds

Special Revenue Funds:

Committed for Cemetery Capital Improvements by the Voters 35,000

Capital Projects Funds:

Committed for Capital Equipment Expenditures by the Voters 214,676

Committed for Fire Capital Equipment Expenditures  
by the Voters 552,676

Total Capital Projects Funds 767,352

Total Non-Major Funds 802,352

Total Committed Fund Balances \$1,614,788

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

Major Funds

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2024 \$ 376,000

Assigned to Reduce Property Taxes in Fiscal Year 2025 351,000

Total General Fund 727,000

Capital Projects Fund:

Assigned for Creek Farm Bridge Expenditures 68,965



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Non-Major Funds

Special Revenue Funds:	
Assigned for Cemetery Capital Improvements	\$ <u>35,000</u>
Capital Projects Funds:	
Assigned for Reserve Fund Expenses for Reappraisal, Technology and Public Safety Capital Items	1,947,246
Assigned for Capital Equipment Expenditures	<u>640,000</u>
Total Capital Projects Funds	<u>2,587,246</u>
Total Non-Major Funds	<u>2,622,246</u>
Total Assigned Fund Balances	<u>\$3,418,211</u>

**L. Restricted and Designated Net Position**

The restricted net position of the Town as of June 30, 2023 consisted of the following:

Governmental Activities:	
Restricted for Capital or Debt Service of Voter-Approved Capital Projects within the Town and Voter-Approved Intermunicipal Financial Support by Charter	\$ 9,729,210
Restricted for Community Development by Grant Agreements	476
Restricted for Grant Expenses by Grant Agreements	9,158
Restricted for Law Enforcement by Grant Agreements	23,691
Restricted for Cemetery by Statute	179,451
Restricted for Recreation Acquisition/Development by Impact Fees	353,253
Restricted for Severance Corners Gazebo Expenditures by Donations	20,000
Restricted for Burnham Library by Donations - Non-Expendable Portion	2,000
Restricted for Burnham Library by Donations - Expendable Portion	<u>29,058</u>
Total Governmental Activities	<u>\$10,346,297</u>

The designated net position of the Town as of June 30, 2023 consisted of the following:

Business-type Activities:	
Wastewater Fund:	
Designated for South Burlington Plant Debt Service	\$ <u>200,000</u>
Total Business-type Activities	<u>\$200,000</u>

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**V. OTHER INFORMATION**

**A. Pension Plans**

**Defined Benefit Plan**

**The Vermont Municipal Employees' Retirement System (VMERS)**

**Plan Description**

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. As of June 30, 2022, the measurement date selected by the State of Vermont, the retirement system consisted of 359 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 and Deferred Inflows of Resources**

As of June 30, 2022, the measurement date selected by the State of Vermont, VMERS was funded at 73.60% and had a plan fiduciary net position of \$845,979,471 and a total pension liability of \$1,149,351,427 resulting in a net position liability of \$303,371,956. As of June 30, 2023, the Town's proportionate share of this was 2.0492% resulting in a net pension liability of \$6,216,756. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 2.0492% was a decrease of 0.1378 from its proportion measured as of the prior year.

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For the year ended June 30, 2023, the Town recognized pension expense of \$1,125,496.

As of June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 466,881	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	1,009,292	0
Changes of assumptions	317,829	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	140,500	275,477
Town's required employer contributions made subsequent to the measurement date	<u>590,118</u>	<u>0</u>
	<u>\$ 2,524,620</u>	<u>\$ 275,477</u>

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$590,118 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2024	\$ 518,801
2025	408,379
2026	149,146
2027	<u>582,699</u>
Total	<u>\$1,659,025</u>

### Summary of System Provisions

**Membership** – Full time employees of participating municipalities. Municipalities can elect coverage under Groups A, B, C or D provisions. The Town elected coverage under Groups B, C and D.

**Creditable Service** – Service as a member plus purchased service.

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Average Final Compensation (AFC) – Group A – Average annual compensation during highest five (5) consecutive years. Groups B and C – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

Service Retirement Allowance:

Eligibility – Group A – The earlier of age 65 with five (5) years of service or age 55 with thirty-five (35) years of service. Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C and D – Age 55 with five (5) years of service.

Amount – Group A – 1.4% of AFC times service. 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 Groups A and 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 Groups A and B. Age 50 with twenty (20) years of service for Group D.

Amount – Normal retirement allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Groups A and 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.

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Death Benefit:

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

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

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 2% for Group A and 3% for Groups B, C and D.

Optional Benefit and Death after Retirement – For Groups A, 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 Contributions – Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions with interest are refunded.

Member Contribution Rates – Group A – 3.25%. Group B – 5.625%. Group C – 10.75%. Group D – 12.10%.

Employer Contribution Rates – Group A – 4.75%. Group B – 6.25%. Group C – 8.00%. Group D – 10.60%.

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

**Significant Actuarial Assumptions and Methods**

Investment Rate of Return: 7.00%, net of pension plan investment expenses, including inflation.

Inflation: 2.30% per year.

Salary increases: Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2022 COLA was 2.00% for Group A members and 2.30% for Groups B, C and D members. The January 1, 2023 COLA was 2.00% for Group A members and 3.00% for Groups B, C and D members.

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Mortality:

Pre-Retirement: Groups A, B and C – 40% PubG-2010 General Employee Amount-Weighted below-median and 60% of PubG-2010 General Employee Amount-Weighted, with generational projection using scale MP-2019. Group D – PubG-2010 General Employee Amount-Weighted above-median, with generational projection using scale MP-2019.

Healthy Post-Retirement – Retirees: Groups A, B and C – 104% of 40% PubG-2010 General Healthy Retiree Amount-Weighted below-median and 60% of PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019. Group D – PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019.

Healthy Post-Retirement – Beneficiaries: Groups A, B and C – 70% Pub-2010 Contingent Survivor Amount-Weighted below-median and 30% of Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019. Group D – Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019.

Disabled Post-Retirement: All Groups – PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

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

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

Assets: The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determine the contribution requirements.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Passive Global Equities	24%	4.30%
Active Global Equities	5%	4.30%
Large Cap US Equities	4%	3.25%
Small/Mid Cap US Equities	3%	3.75%
Non-US Developed Market Equities	7%	5.00%
Private Equity	10%	6.50%
Emerging Market Debt	4%	3.50%
Private & Alternate Credit	10%	4.75%
Non-Core Real Estate	4%	6.00%
Core Fixed Income	19%	0.00%
Core Real Estate	3%	3.50%
US TIPS	3%	(0.50)%
Infrastructure/Farmland	4%	4.25%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members). The Board voted to authorize employer contribution rate increases of 0.50% each year for a period of four years beginning July 1, 2022. In 2022, the Legislature passed H.740, which effectively split the Board-authorized increases evenly between members and employers by including an increase in the employee rate of 0.25% for each group for four years, beginning July 1, 2022. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.00%) or one percent higher (8.00%):

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$9,315,536	\$6,216,756	\$3,667,881

#### **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.

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**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. All of the investments are self-directed by each employee. Total covered payroll was \$360,091. Pension expense for the year ended June 30, 2023 was \$28,657.

**Deferred Compensation Plan**

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

**B. Contingent Liabilities**

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

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

**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.



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

**D. Property Taxes**

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are collected three (3) times per year. During the tax year ended June 30, 2023, taxes became due and payable on August 15, 2022, November 15, 2022 and March 15, 2023. 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 2023 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Town	0.5750	0.5750
Education	<u>1.5392</u>	<u>1.8257</u>
Total	<u>2.1142</u>	<u>2.4007</u>

**E. Local Option Sales Tax**

In the fiscal year ending June 30, 2023, the Town had revenue of \$2,215,053 in local option sales tax in the Debt Service Fund. The Town paid out \$465,725 in voter approved capital project debt service for the Bellwood neighborhood drainage project, the Bayside Hazlett Property and the Blakely Road Town Hall Building and Police Station improvements and transferred \$51,124 to provide additional funding for the building of the recreation center. The fund balance of the Debt Service Fund is \$9,729,210.

**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 2023, the Library did not make any contributions to the Foundation. The balance of the Endowment Fund at June 30, 2023 is \$160,006.

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**G. 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, 2023, the Town borrowed \$831,864 and has a balance owed of \$120,877.

TOWN OF COLCHESTER, VERMONT  
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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
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	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:			
PROPERTY TAXES	\$ 11,750,230	\$ 11,763,180	\$ 12,950
VETERAN'S TAX EXEMPTION	(30,000)	(45,360)	(15,360)
INTEREST ON DELINQUENT TAXES	40,000	54,201	14,201
PENALTIES ON DELINQUENT TAXES	62,500	95,427	32,927
RECORDING FEES	185,000	118,223	(66,777)
CLERK FEES	67,155	88,214	21,059
STATE AID TO HIGHWAYS	206,960	212,694	5,734
MISCELLANEOUS PUBLIC WORKS REVENUE	27,600	31,797	4,197
BUILDING/ZONING PERMITS	265,000	320,771	55,771
PLANNING AND ZONING FEES	93,500	108,879	15,379
MISCELLANEOUS POLICE REVENUE	69,500	103,678	34,178
MISCELLANEOUS RECREATION REVENUE	10,000	21,346	11,346
TRANSFER FROM SEWER FUND	128,776	128,776	0
TRANSFER FROM STORMWATER FUND	131,520	131,520	0
TRANSFER FROM POLICE DISPATCH FUND	0	41,117	41,117
GENERAL REVENUE	191,516	366,513	174,997
833 BLAKELY LEASE REVENUE	30,992	60,733	29,741
PILOT & CURRENT USE	325,635	356,245	30,610
	<u>13,555,884</u>	<u>13,957,954</u>	<u>402,070</u>
TOTAL REVENUES			
EXPENDITURES:			
SELECTBOARD:			
SALARIES & WAGES	7,500	8,500	(1,000)
EMPLOYER TAXES & BENEFITS	574	650	(76)
SERVICES & UTILITIES	67,500	0	67,500
	<u>75,574</u>	<u>9,150</u>	<u>66,424</u>
TOTAL SELECTBOARD			
TRANSFERS:			
TRANSFER TO FIRE CAPITAL EQUIPMENT FUND	226,033	226,033	0
	<u>226,033</u>	<u>226,033</u>	<u>0</u>
TOTAL TRANSFERS			
CIVIL BOARD:			
SALARIES & WAGES	27,543	13,460	14,083
EMPLOYER TAXES & BENEFITS	6,155	2,161	3,994
SERVICES & UTILITIES	4,000	1,237	2,763
EQUIPMENT	600	0	600
MISCELLANEOUS	7,000	2,440	4,560
	<u>45,298</u>	<u>19,298</u>	<u>26,000</u>
TOTAL CIVIL BOARD			
MANAGER:			
SALARIES & WAGES	502,094	498,718	3,376
EMPLOYER TAXES & BENEFITS	212,031	192,057	19,974
SERVICES & UTILITIES	93,200	98,247	(5,047)
SUPPLIES & PARTS	2,500	4,359	(1,859)
MISCELLANEOUS	22,000	46,208	(24,208)
	<u>831,825</u>	<u>839,589</u>	<u>(7,764)</u>
TOTAL MANAGER			

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BUDGET AND ACTUAL  
GENERAL FUND  
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	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
ECONOMIC DEVELOPMENT:			
SALARIES & WAGES	\$ 82,928	\$ 90,714	\$ (7,786)
EMPLOYER TAXES & BENEFITS	41,646	37,709	3,937
SERVICES & UTILITIES	<u>12,500</u>	<u>12,498</u>	<u>2</u>
TOTAL ECONOMIC DEVELOPMENT	<u>137,074</u>	<u>140,921</u>	<u>(3,847)</u>
FINANCE:			
SALARIES & WAGES	263,789	280,405	(16,616)
EMPLOYER TAXES & BENEFITS	107,808	116,763	(8,955)
SERVICES & UTILITIES	83,500	69,491	14,009
SUPPLIES & PARTS	<u>3,000</u>	<u>1,994</u>	<u>1,006</u>
TOTAL FINANCE	<u>458,097</u>	<u>468,653</u>	<u>(10,556)</u>
ASSESSOR:			
SALARIES & WAGES	117,601	122,071	(4,470)
EMPLOYER TAXES & BENEFITS	53,730	52,626	1,104
SERVICES & UTILITIES	62,000	28,837	33,163
SUPPLIES & PARTS	<u>500</u>	<u>48</u>	<u>452</u>
TOTAL ASSESSOR	<u>233,831</u>	<u>203,582</u>	<u>30,249</u>
TOWN CLERK/TREASURER:			
SALARIES & WAGES	236,973	237,463	(490)
EMPLOYER TAXES & BENEFITS	99,260	98,801	459
SERVICES & UTILITIES	20,250	18,991	1,259
SUPPLIES & PARTS	12,000	14,371	(2,371)
MISCELLANEOUS	<u>600</u>	<u>2,010</u>	<u>(1,410)</u>
TOTAL TOWN CLERK/TREASURER	<u>369,083</u>	<u>371,636</u>	<u>(2,553)</u>
PLANNING/ZONING:			
SALARIES & WAGES	248,258	240,947	7,311
EMPLOYER TAXES & BENEFITS	127,877	103,904	23,973
SERVICES & UTILITIES	89,950	93,868	(3,918)
SUPPLIES & PARTS	<u>3,500</u>	<u>1,888</u>	<u>1,612</u>
TOTAL PLANNING/ZONING	<u>469,585</u>	<u>440,607</u>	<u>28,978</u>
INFORMATION TECHNOLOGY:			
SALARIES & WAGES	123,288	136,873	(13,585)
EMPLOYER TAXES & BENEFITS	46,531	47,476	(945)
SERVICES & UTILITIES	28,850	55,221	(26,371)
EQUIPMENT	<u>5,000</u>	<u>10,016</u>	<u>(5,016)</u>
TOTAL INFORMATION TECHNOLOGY	<u>203,669</u>	<u>249,586</u>	<u>(45,917)</u>
POLICE ENFORCEMENT:			
SALARIES & WAGES	2,505,581	2,762,681	(257,100)
EMPLOYER TAXES & BENEFITS	1,199,526	1,185,875	13,651
SERVICES & UTILITIES	282,900	328,896	(45,996)
EQUIPMENT	55,000	77,740	(22,740)
SUPPLIES & PARTS	10,000	13,088	(3,088)
MISCELLANEOUS	<u>92,000</u>	<u>86,361</u>	<u>5,639</u>
TOTAL POLICE ENFORCEMENT	<u>4,145,007</u>	<u>4,454,641</u>	<u>(309,634)</u>

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BUDGET AND ACTUAL  
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	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
TRANSFER TO POLICE DISPATCH FUND:	\$ 543,908	\$ 543,908	\$ 0
FIRE:			
SALARIES & WAGES	367,607	357,345	10,262
EMPLOYER TAXES & BENEFITS	172,871	151,186	21,685
SERVICES & UTILITIES	137,100	126,858	10,242
EQUIPMENT	153,500	126,202	27,298
SUPPLIES & PARTS	107,000	84,608	22,392
MISCELLANEOUS	7,400	20,814	(13,414)
TOTAL FIRE	945,478	867,013	78,465
TRANSFER TO RESCUE FUND:	230,193	230,193	0
TECHNICAL RESCUE:			
SALARIES & WAGES	9,000	9,000	0
EMPLOYER TAXES & BENEFITS	2,063	2,109	(46)
SERVICES & UTILITIES	26,700	26,602	98
EQUIPMENT	4,000	2,603	1,397
SUPPLIES & PARTS	300	0	300
TOTAL TECHNICAL RESCUE	42,063	40,314	1,749
PUBLIC WORKS - ADMINISTRATION:			
SALARIES & WAGES	478,663	512,461	(33,798)
EMPLOYER TAXES & BENEFITS	185,627	160,152	25,475
SERVICES & UTILITIES	41,500	71,001	(29,501)
SUPPLIES & PARTS	1,450	1,311	139
TOTAL PUBLIC WORKS - ADMINISTRATION	707,240	744,925	(37,685)
HIGHWAY DEPARTMENT:			
SALARIES & WAGES	556,710	482,219	74,491
EMPLOYER TAXES & BENEFITS	327,154	320,019	7,135
SERVICES & UTILITIES	172,276	196,108	(23,832)
SUPPLIES & PARTS	380,860	469,711	(88,851)
MISCELLANEOUS	0	3,231	(3,231)
TOTAL HIGHWAY DEPARTMENT	1,437,000	1,471,288	(34,288)
MAINTENANCE FACILITY:			
SALARIES & WAGES	283,093	256,116	26,977
EMPLOYER TAXES & BENEFITS	106,863	93,381	13,482
SERVICES & UTILITIES	53,275	58,524	(5,249)
EQUIPMENT	5,000	5,221	(221)
SUPPLIES & PARTS	39,150	40,780	(1,630)
MISCELLANEOUS	0	662	(662)
TOTAL MAINTENANCE FACILITY	487,381	454,684	32,697
STORMWATER - SERVICES & UTILITIES:	142,000	141,295	705

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	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>BUILDINGS:</b>			
SALARIES & WAGES	\$ 62,095	\$ 274	\$ 61,821
EMPLOYER TAXES & BENEFITS	24,467	5,362	19,105
SERVICES & UTILITIES	106,300	125,453	(19,153)
SUPPLIES & PARTS	3,500	1,480	2,020
MISCELLANEOUS	700	85	615
<b>TOTAL BUILDINGS</b>	<b>197,062</b>	<b>132,654</b>	<b>64,408</b>
<b>HEALTH SERVICES:</b>			
VISITING NURSE ASSOCIATION	36,000	36,000	0
STEPS TO END DOMESTIC VIOLENCE	550	550	0
TURNING POINT	1,000	1,000	0
ANIMAL CONTROL CONTRACT	20,847	24,077	(3,230)
ANIMAL CONTROL FEES	6,500	395	6,105
<b>TOTAL HEALTH SERVICES</b>	<b>64,897</b>	<b>62,022</b>	<b>2,875</b>
<b>PARKS:</b>			
SALARIES & WAGES	227,385	229,263	(1,878)
EMPLOYER TAXES & BENEFITS	86,226	71,365	14,861
SERVICES & UTILITIES	139,200	164,493	(25,293)
EQUIPMENT	10,000	5,028	4,972
SUPPLIES & PARTS	17,000	19,613	(2,613)
MISCELLANEOUS	0	10,933	(10,933)
<b>TOTAL PARKS</b>	<b>479,811</b>	<b>500,695</b>	<b>(20,884)</b>
<b>RECREATION:</b>			
SALARIES & WAGES	154,995	153,086	1,909
EMPLOYER TAXES & BENEFITS	52,558	63,630	(11,072)
SERVICES & UTILITIES	54,200	50,373	3,827
SUPPLIES & PARTS	3,500	3,283	217
MISCELLANEOUS	0	100	(100)
<b>TOTAL RECREATION</b>	<b>265,253</b>	<b>270,472</b>	<b>(5,219)</b>
<b>LIBRARY:</b>			
SALARIES & WAGES	446,882	451,190	(4,308)
EMPLOYER TAXES & BENEFITS	210,670	208,165	2,505
SERVICES & UTILITIES	144,900	141,054	3,846
SUPPLIES & PARTS	5,200	6,082	(882)
<b>TOTAL LIBRARY</b>	<b>807,652</b>	<b>806,491</b>	<b>1,161</b>

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TOWN OF COLCHESTER, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
INTERGOVERNMENTAL EXPENDITURES:			
CHAMBER OF COMMERCE	\$ 1,500	\$ 0	\$ 1,500
VT COUNCIL ON WORLD AFFAIRS	500	0	500
GBIC	3,000	3,000	0
CHITTENDEN COUNTY REGIONAL PLANNING	26,630	26,630	0
WINOOSKI VALLEY PARK DISTRICT	53,073	53,073	0
VLCT	24,000	23,325	675
CCTA & GMT ADA/GMT ROUTES (RT 15 & RT 7)	84,000	103,636	(19,636)
SPECIAL SERVICES TRANSPORTATION AGENCY	30,000	36,061	(6,061)
COUNTY TAX	110,000	112,376	(2,376)
CONSERVATION COMMISSION	<u>2,500</u>	<u>2,500</u>	<u>0</u>
TOTAL INTERGOVERNMENTAL EXPENDITURES	<u>335,203</u>	<u>360,601</u>	<u>(25,398)</u>
TOTAL EXPENDITURES	<u>13,880,217</u>	<u>14,050,251</u>	<u>(170,034)</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u><u>(324,333)</u></u>	\$ (92,297)	\$ <u><u>232,036</u></u>
FUND BALANCE - JULY 1, 2022		<u>3,229,927</u>	
FUND BALANCE - JUNE 30, 2023		\$ <u><u>3,137,630</u></u>	

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TOWN OF COLCHESTER, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
VMERS DEFINED BENEFIT PLAN  
JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 303,371,956	\$ 147,184,198	\$ 252,974,064	\$ 173,491,807	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	2.0492%	2.1870%	2.0515%	2.1725%	2.2137%	2.2780%	2.2541%	2.2404%	1.9500%
Town's Proportionate Share of the Net Pension Liability	\$ 6,216,756	\$ 3,218,968	\$ 5,189,879	\$ 3,769,193	\$ 3,114,054	\$ 2,759,940	\$ 2,900,916	\$ 1,727,252	\$ 177,972
Town's Covered Employee Payroll	\$ 6,764,015	\$ 6,552,782	\$ 5,975,822	\$ 5,976,336	\$ 5,650,565	\$ 5,412,857	\$ 4,972,437	\$ 4,566,655	\$ 4,298,381
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	91.9093%	49.1237%	86.8480%	63.0686%	55.1105%	50.9886%	58.3399%	37.8231%	4.1404%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.60%	86.29%	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions and Methods: None.

Changes in Plan Provisions: At the November 17, 2020 Board meeting, the Board voted unanimously to authorize employer contribution rate increases of 0.50% each year for a period of four years, beginning July 1, 2022. In 2022, the Legislature passed H.740, which effectively split the Board-authorized increases evenly between members and employers by including an increase in the employee rate of 0.25% for each group for four years, beginning July 1, 2022.

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



TOWN OF COLCHESTER, VERMONT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
VMERS DEFINED BENEFIT PLAN  
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	\$ 590,118	\$ 512,711	\$ 486,252	\$ 424,904	\$ 417,422	\$ 387,735	\$ 372,020	\$ 342,586	\$ 313,173
Contributions in Relation to the Actuarially Determined Contributions	<u>590,118</u>	<u>512,711</u>	<u>486,252</u>	<u>424,904</u>	<u>417,422</u>	<u>387,735</u>	<u>372,020</u>	<u>342,586</u>	<u>313,173</u>
Contribution Excess/(Deficiency)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Town's Covered Employee Payroll	\$ 7,449,473	\$ 6,764,015	\$ 6,552,782	\$ 5,975,822	\$ 5,976,336	\$ 5,650,565	\$ 5,412,857	\$ 4,972,437	\$ 4,566,655
Contributions as a Percentage of Town's Covered Employee Payroll	7.922%	7.580%	7.421%	7.110%	6.985%	6.862%	6.873%	6.890%	6.858%

**Notes to Schedule**

Valuation Date: June 30, 2022

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

TOWN OF COLCHESTER, VERMONT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2023

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Burnham Memorial Library Fund	Total
<u>ASSETS</u>				
Cash	\$ 125,480	\$ 0	\$ 41,972	\$ 167,452
Receivables	4,235	0	0	4,235
Notes Receivable (Net of Allowance for Uncollectibles)	29,563	0	0	29,563
Due from Other Funds	277,088	3,800,688	0	4,077,776
Prepaid Items	<u>0</u>	<u>1,496</u>	<u>0</u>	<u>1,496</u>
Total Assets	\$ <u>436,366</u>	\$ <u>3,802,184</u>	\$ <u>41,972</u>	\$ <u>4,280,522</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 895	\$ 72,837	\$ 5,900	\$ 79,632
Due to Other Funds	0	0	5,014	5,014
Unearned Revenue	<u>41,084</u>	<u>0</u>	<u>0</u>	<u>41,084</u>
Total Liabilities	<u>41,979</u>	<u>72,837</u>	<u>10,914</u>	<u>125,730</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Notes Receivable	<u>29,563</u>	<u>0</u>	<u>0</u>	<u>29,563</u>
Total Deferred Inflows of Resources	<u>29,563</u>	<u>0</u>	<u>0</u>	<u>29,563</u>
<u>FUND BALANCES</u>				
Nonspendable	0	1,496	2,000	3,496
Restricted	294,824	373,253	29,058	697,135
Committed	35,000	767,352	0	802,352
Assigned	<u>35,000</u>	<u>2,587,246</u>	<u>0</u>	<u>2,622,246</u>
Total Fund Balances	<u>364,824</u>	<u>3,729,347</u>	<u>31,058</u>	<u>4,125,229</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>436,366</u>	\$ <u>3,802,184</u>	\$ <u>41,972</u>	\$ <u>4,280,522</u>

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TOWN OF COLCHESTER, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Burnham Memorial Library Fund	Total
Revenues:				
Property Taxes	\$ 0	\$ 490,402	\$ 0	\$ 490,402
Intergovernmental	1,019,972	60,682	0	1,080,654
Charges for Services	1,250	0	0	1,250
Permits, Licenses and Fees	0	175,222	1,965	177,187
Loan Repayments	26,428	0	0	26,428
Loan Interest Income	1,171	0	0	1,171
Investment Income	4,165	53,889	0	58,054
Donations	0	1,715	4,322	6,037
Other	0	8,870	77	8,947
Total Revenues	<u>1,052,986</u>	<u>790,780</u>	<u>6,364</u>	<u>1,850,130</u>
Expenditures:				
General Government	10,845	17,333	0	28,178
Public Safety	319,541	12,761	0	332,302
Culture and Recreation	7,646	0	7,119	14,765
Community Development	650,000	0	0	650,000
Capital Outlay:				
General Government	0	54,287	0	54,287
Public Safety	0	99,780	0	99,780
Public Works	0	246,046	0	246,046
Culture and Recreation	5,473	249,664	0	255,137
Debt Service:				
Principal	87,134	97,843	0	184,977
Interest	4,164	19,587	0	23,751
Total Expenditures	<u>1,084,803</u>	<u>797,301</u>	<u>7,119</u>	<u>1,889,223</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(31,817)</u>	<u>(6,521)</u>	<u>(755)</u>	<u>(39,093)</u>
Other Financing Sources/(Uses):				
Proceeds from Sale of Land	0	305,437	0	305,437
Proceeds from Sale of Equipment	0	2,250	0	2,250
Proceeds from Sale of Vehicles	0	72,224	0	72,224
Transfers In	0	378,533	0	378,533
Transfers Out	(66,616)	0	0	(66,616)
Total Other Financing Sources/(Uses)	<u>(66,616)</u>	<u>758,444</u>	<u>0</u>	<u>691,828</u>
Net Change in Fund Balances	(98,433)	751,923	(755)	652,735
Fund Balances - July 1, 2022	<u>463,257</u>	<u>2,977,424</u>	<u>31,813</u>	<u>3,472,494</u>
Fund Balances - June 30, 2023	<u>\$ 364,824</u>	<u>\$ 3,729,347</u>	<u>\$ 31,058</u>	<u>\$ 4,125,229</u>

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TOWN OF COLCHESTER, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2023

	Revolving Loan Fund	Community Development Fund	Grant Fund	Police Special Revenue Fund	Cemetery Fund	Total
<u>ASSETS</u>						
Cash	\$ 101,789	\$ 0	\$ 0	\$ 23,691	\$ 0	\$ 125,480
Receivables	0	0	4,235	0	0	4,235
Notes Receivable (Net of Allowance for Uncollectibles)	29,563	0	0	0	0	29,563
Due from Other Funds	<u>15,602</u>	<u>476</u>	<u>10,664</u>	<u>0</u>	<u>250,346</u>	<u>277,088</u>
Total Assets	<u>\$ 146,954</u>	<u>\$ 476</u>	<u>\$ 14,899</u>	<u>\$ 23,691</u>	<u>\$ 250,346</u>	<u>\$ 436,366</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 895	\$ 895
Unearned Revenue	<u>35,343</u>	<u>0</u>	<u>5,741</u>	<u>0</u>	<u>0</u>	<u>41,084</u>
Total Liabilities	<u>35,343</u>	<u>0</u>	<u>5,741</u>	<u>0</u>	<u>895</u>	<u>41,979</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Notes Receivable	<u>29,563</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,563</u>
Total Deferred Inflows of Resources	<u>29,563</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,563</u>
<u>FUND BALANCES</u>						
Restricted	82,048	476	9,158	23,691	179,451	294,824
Committed	0	0	0	0	35,000	35,000
Assigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,000</u>	<u>35,000</u>
Total Fund Balances	<u>82,048</u>	<u>476</u>	<u>9,158</u>	<u>23,691</u>	<u>249,451</u>	<u>364,824</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 146,954</u>	<u>\$ 476</u>	<u>\$ 14,899</u>	<u>\$ 23,691</u>	<u>\$ 250,346</u>	<u>\$ 436,366</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, 2023

	Revolving Loan Fund	Community Development Fund	Grant Fund	Police Special Revenue Fund	Cemetery Fund	Total
Revenues:						
Intergovernmental	\$ 66,616	\$ 650,000	\$ 302,846	\$ 510	\$ 0	\$ 1,019,972
Charges for Services	0	0	0	0	1,250	1,250
Loan Repayments	2,130	24,298	0	0	0	26,428
Loan Interest Income	703	468	0	0	0	1,171
Investment Income	0	0	128	540	3,497	4,165
Total Revenues	<u>69,449</u>	<u>674,766</u>	<u>302,974</u>	<u>1,050</u>	<u>4,747</u>	<u>1,052,986</u>
Expenditures:						
General Government	0	0	0	0	10,845	10,845
Public Safety	0	0	289,727	29,814	0	319,541
Culture and Recreation	0	0	7,646	0	0	7,646
Community Development	0	650,000	0	0	0	650,000
Capital Outlay:						
Culture and Recreation	0	0	5,473	0	0	5,473
Debt Service:						
Principal	17,080	70,054	0	0	0	87,134
Interest	2,763	1,401	0	0	0	4,164
Total Expenditures	<u>19,843</u>	<u>721,455</u>	<u>302,846</u>	<u>29,814</u>	<u>10,845</u>	<u>1,084,803</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>49,606</u>	<u>(46,689)</u>	<u>128</u>	<u>(28,764)</u>	<u>(6,098)</u>	<u>(31,817)</u>
Other Financing Sources/(Uses):						
Transfers Out	<u>(66,616)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(66,616)</u>
Total Other Financing Sources/(Uses)	<u>(66,616)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(66,616)</u>
Net Change in Fund Balances	(17,010)	(46,689)	128	(28,764)	(6,098)	(98,433)
Fund Balances - July 1, 2022	<u>99,058</u>	<u>47,165</u>	<u>9,030</u>	<u>52,455</u>	<u>255,549</u>	<u>463,257</u>
Fund Balances - June 30, 2023	<u>\$ 82,048</u>	<u>\$ 476</u>	<u>\$ 9,158</u>	<u>\$ 23,691</u>	<u>\$ 249,451</u>	<u>\$ 364,824</u>

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TOWN OF COLCHESTER, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2023

	Reserve Fund	Recreation Acquisition and Development Fund	Capital Equipment Fund	Fire Capital Equipment Fund	Total
<u>ASSETS</u>					
Due from Other Funds	\$ 1,949,867	\$ 353,253	\$ 944,892	\$ 552,676	\$ 3,800,688
Prepaid Items	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,496</u>	<u>1,496</u>
Total Assets	<u>\$ 1,949,867</u>	<u>\$ 353,253</u>	<u>\$ 944,892</u>	<u>\$ 554,172</u>	<u>\$ 3,802,184</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ <u>2,621</u>	\$ <u>0</u>	\$ <u>70,216</u>	\$ <u>0</u>	\$ <u>72,837</u>
Total Liabilities	<u>2,621</u>	<u>0</u>	<u>70,216</u>	<u>0</u>	<u>72,837</u>
Fund Balances:					
Nonspendable	0	0	0	1,496	1,496
Restricted	0	353,253	20,000	0	373,253
Committed	0	0	214,676	552,676	767,352
Assigned	<u>1,947,246</u>	<u>0</u>	<u>640,000</u>	<u>0</u>	<u>2,587,246</u>
Total Fund Balances	<u>1,947,246</u>	<u>353,253</u>	<u>874,676</u>	<u>554,172</u>	<u>3,729,347</u>
Total Liabilities and Fund Balances	<u>\$ 1,949,867</u>	<u>\$ 353,253</u>	<u>\$ 944,892</u>	<u>\$ 554,172</u>	<u>\$ 3,802,184</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, 2023

	Reserve Fund	Recreation Acquisition and Development Fund	Capital Equipment Fund	Fire Capital Equipment Fund	Total
Revenues:					
Property Taxes	\$ 80,500	\$ 0	\$ 409,902	\$ 0	\$ 490,402
Intergovernmental	60,682	0	0	0	60,682
Permits, Licenses and Fees	43,790	131,432	0	0	175,222
Investment Income	29,293	4,935	11,941	7,720	53,889
Donations	1,715	0	0	0	1,715
Other	8,485	0	385	0	8,870
Total Revenues	<u>224,465</u>	<u>136,367</u>	<u>422,228</u>	<u>7,720</u>	<u>790,780</u>
Expenditures:					
General Government	17,333	0	0	0	17,333
Public Safety	4,305	0	8,456	0	12,761
Capital Outlay:					
General Government	44,037	0	10,250	0	54,287
Public Safety	20,639	0	51,400	27,741	99,780
Public Works	0	0	246,046	0	246,046
Culture and Recreation	0	118,428	131,236	0	249,664
Debt Service:					
Principal	0	0	0	97,843	97,843
Interest	0	0	0	19,587	19,587
Total Expenditures	<u>86,314</u>	<u>118,428</u>	<u>447,388</u>	<u>145,171</u>	<u>797,301</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>138,151</u>	<u>17,939</u>	<u>(25,160)</u>	<u>(137,451)</u>	<u>(6,521)</u>
Other Financing Sources:					
Proceeds from Sale of Land	305,437	0	0	0	305,437
Proceeds from Sale of Equipment	0	0	2,250	0	2,250
Proceeds from Sale of Vehicles	0	0	72,224	0	72,224
Transfers In	147,500	5,000	0	226,033	378,533
Total Other Financing Sources	<u>452,937</u>	<u>5,000</u>	<u>74,474</u>	<u>226,033</u>	<u>758,444</u>
Net Change in Fund Balances	591,088	22,939	49,314	88,582	751,923
Fund Balances - July 1, 2022	<u>1,356,158</u>	<u>330,314</u>	<u>825,362</u>	<u>465,590</u>	<u>2,977,424</u>
Fund Balances - June 30, 2023	<u>\$ 1,947,246</u>	<u>\$ 353,253</u>	<u>\$ 874,676</u>	<u>\$ 554,172</u>	<u>\$ 3,729,347</u>

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TOWN OF COLCHESTER, VERMONT  
 COMBINING SCHEDULE OF FUND NET POSITION  
 NON-MAJOR ENTERPRISE FUNDS  
 JUNE 30, 2023

	Police Dispatch Fund	Rescue Fund	Total
<u>ASSETS</u>			
Current Assets:			
Receivables (Net of Allowance for Uncollectibles)	\$ 0	\$ 325,721	\$ 325,721
Due from Other Funds	<u>0</u>	<u>457,107</u>	<u>457,107</u>
Total Current Assets	<u>0</u>	<u>782,828</u>	<u>782,828</u>
Noncurrent Assets:			
Capital Assets:			
Buildings and Building Improvements	0	507,933	507,933
Machinery and Equipment	0	209,656	209,656
Vehicles	0	482,983	482,983
Less: Accumulated Depreciation	<u>0</u>	<u>(569,850)</u>	<u>(569,850)</u>
Total Noncurrent Assets	<u>0</u>	<u>630,722</u>	<u>630,722</u>
Total Assets	<u>0</u>	<u>1,413,550</u>	<u>1,413,550</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>0</u>	<u>110,063</u>	<u>110,063</u>
Total Deferred Outflows of Resources	<u>0</u>	<u>110,063</u>	<u>110,063</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	0	4,394	4,394
Accrued Payroll and Benefits Payable	<u>0</u>	<u>34,602</u>	<u>34,602</u>
Total Current Liabilities	<u>0</u>	<u>38,996</u>	<u>38,996</u>
Noncurrent Liabilities:			
Compensated Absences Payable	0	38,647	38,647
Net Pension Liability	<u>0</u>	<u>271,026</u>	<u>271,026</u>
Total Noncurrent Liabilities	<u>0</u>	<u>309,673</u>	<u>309,673</u>
Total Liabilities	<u>0</u>	<u>348,669</u>	<u>348,669</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>0</u>	<u>12,009</u>	<u>12,009</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>12,009</u>	<u>12,009</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	0	630,722	630,722
Unrestricted	<u>0</u>	<u>532,213</u>	<u>532,213</u>
Total Net Position	<u>\$ 0</u>	<u>\$ 1,162,935</u>	<u>\$ 1,162,935</u>

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TOWN OF COLCHESTER, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 NON-MAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023

	Police Dispatch Fund	Rescue Fund	Total
Operating Revenues:			
Charges for Services	\$ 0	\$ 871,958	\$ 871,958
Total Operating Revenues	<u>0</u>	<u>871,958</u>	<u>871,958</u>
Operating Expenses:			
Salaries and Benefits	520,071	734,707	1,254,778
General Expenses	11,321	121,256	132,577
Repairs and Maintenance	0	43,809	43,809
Machinery and Equipment	0	695	695
Utilities	0	29,477	29,477
Depreciation	<u>0</u>	<u>81,972</u>	<u>81,972</u>
Total Operating Expenses	<u>531,392</u>	<u>1,011,916</u>	<u>1,543,308</u>
Operating Income/(Loss)	<u>(531,392)</u>	<u>(139,958)</u>	<u>(671,350)</u>
Non-Operating Revenues:			
Investment Income	<u>0</u>	<u>7,134</u>	<u>7,134</u>
Total Non-Operating Revenues	<u>0</u>	<u>7,134</u>	<u>7,134</u>
Net Income/(Loss) Before Capital Contributions and Transfers	<u>(531,392)</u>	<u>(132,824)</u>	<u>(664,216)</u>
Capital Contributions and Transfers			
Capital Contributions - Property Taxes	0	10,750	10,750
Transfers In	722,572	230,193	952,765
Transfers Out	<u>(181,117)</u>	<u>0</u>	<u>(181,117)</u>
Total Capital Contributions and Transfers	<u>541,455</u>	<u>240,943</u>	<u>782,398</u>
Change in Net Position	10,063	108,119	118,182
Net Position/(Deficit) - July 1, 2022	<u>(10,063)</u>	<u>1,054,816</u>	<u>1,044,753</u>
Net Position - June 30, 2023	<u>\$ 0</u>	<u>\$ 1,162,935</u>	<u>\$ 1,162,935</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT  
COMBINING SCHEDULE OF CASH FLOWS  
NON-MAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	Police Dispatch Fund	Rescue Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 0	\$ 795,739	\$ 795,739
Receipts from Operating Grants	0	8,454	8,454
Payments for Goods and Services	(11,586)	(199,342)	(210,928)
Payments for Wages and Benefits	<u>(509,356)</u>	<u>(711,145)</u>	<u>(1,220,501)</u>
Net Cash Provided/(Used) by Operating Activities	<u>(520,942)</u>	<u>(106,294)</u>	<u>(627,236)</u>
Cash Flows From Noncapital Financing Activities:			
(Increase)/Decrease in Due from Other Funds	117,034	(96,838)	20,196
Transfers Received from Other Funds	<u>543,908</u>	<u>230,193</u>	<u>774,101</u>
Net Cash Provided by Noncapital Financing Activities	<u>660,942</u>	<u>133,355</u>	<u>794,297</u>
Cash Flows From Capital and Related Financing Activities:			
Transfers Paid to Other Funds	(140,000)	0	(140,000)
Proceeds from Capital Contributions - Property Taxes	0	10,750	10,750
Acquisition and Construction of Capital Assets	<u>0</u>	<u>(44,945)</u>	<u>(44,945)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(140,000)</u>	<u>(34,195)</u>	<u>(174,195)</u>
Cash Flows From Investing Activities:			
Receipt of Interest and Dividends	<u>0</u>	<u>7,134</u>	<u>7,134</u>
Net Cash Provided by Investing Activities	<u>0</u>	<u>7,134</u>	<u>7,134</u>
Net Increase in Cash	0	0	0
Cash - July 1, 2022	<u>0</u>	<u>0</u>	<u>0</u>
Cash - June 30, 2023	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:			
Operating Income/(Loss)	\$ (531,392)	\$ (139,958)	\$ (671,350)
Depreciation	0	81,972	81,972
(Increase)/Decrease in Receivables	0	(67,424)	(67,424)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	(21,945)	(24,145)	(46,090)
Increase/(Decrease) in Accounts Payable	(265)	(4,446)	(4,711)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	2,387	6,072	8,459
Increase/(Decrease) in Compensated Absences Payable	(339)	7,549	7,210
Increase/(Decrease) in Net Pension Liability	108,140	118,125	226,265
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>(77,528)</u>	<u>(84,039)</u>	<u>(161,567)</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ (520,942)</u>	<u>\$ (106,294)</u>	<u>\$ (627,236)</u>

Effective July 1, 2023, the Town elected to report police dispatch activities within the General Fund. As a result, the Town transferred the assets, deferred outflows of resources, liabilities and deferred inflows of resources as described in Note IV.F.

The Rescue Fund disposed of capital assets with a cost and accumulated depreciation of \$5,215.

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TOWN OF COLCHESTER, VERMONT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 JUNE 30, 2023

	Education Tax Fund	School District Impact Fees Fund	Total
<u>ASSETS</u>			
Due from Other Funds	\$ 0	\$ 11,152	\$ 11,152
Total Assets	0	11,152	11,152
<u>LIABILITIES</u>			
Liabilities:	0	0	0
<u>NET POSITION</u>			
Restricted	0	11,152	11,152
Total Net Position	\$ 0	\$ 11,152	\$ 11,152

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TOWN OF COLCHESTER, VERMONT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023

	Education Tax Fund	School District Impact Fees Fund	Total
<u>ADDITIONS</u>			
Education Taxes Collected for Other Governments	\$ 32,861,102	\$ 0	\$ 32,861,102
Impact Fees Collected for the School District	0	94,800	94,800
Investment Income Collected for the School District	<u>0</u>	<u>156</u>	<u>156</u>
Total Additions	<u>32,861,102</u>	<u>94,956</u>	<u>32,956,058</u>
<u>DEDUCTIONS</u>			
Education Taxes Distributed to Other Governments	32,861,102	0	32,861,102
Impact Fees Distributed to the School District	<u>0</u>	<u>90,000</u>	<u>90,000</u>
Total Deductions	<u>32,861,102</u>	<u>90,000</u>	<u>32,951,102</u>
Change in Net Position	0	4,956	4,956
Net Position - July 1, 2022	<u>0</u>	<u>6,196</u>	<u>6,196</u>
Net Position - June 30, 2023	\$ <u><u>0</u></u>	\$ <u><u>11,152</u></u>	\$ <u><u>11,152</u></u>

See Disclaimer in Accompanying Independent Auditor's Report.

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VT Lic. #92-000180

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

Selectboard  
Town of Colchester, Vermont  
781 Blakely Road  
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, 2023, 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 February 8, 2024.

### ***Report on 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) as a basis for designing 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. 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 or significant deficiencies may exist that were not identified.

### ***Report on 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 financial statements. 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.

*Sullivan, Powers & Co.*

February 8, 2024  
Montpelier, Vermont  
VT Lic. #92-000180