

TOWN OF COLCHESTER, VERMONT
AUDIT REPORT AND REPORTS ON
COMPLIANCE AND INTERNAL CONTROL
JUNE 30, 2017

TOWN OF COLCHESTER, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2017

	<u>Page #</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-15
Basic Financial Statements:	
Statement of Net Position	Exhibit A 16
Statement of Activities	Exhibit B 17
Governmental Funds:	
Balance Sheet	Exhibit C 18
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E 20
Proprietary Funds:	
Statement of Fund Net Position	Exhibit F 21
Statement of Revenues, Expenses and Changes in Fund Net Position	Exhibit G 22
Statement of Cash Flows	Exhibit H 23
Fiduciary Fund:	
Statement of Fiduciary Net Position	Exhibit I 24
Notes to the Financial Statements	25-55
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	Schedule 1 56-63

TOWN OF COLCHESTER, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2017

		<u>Page #</u>
Schedule of Proportionate Share of the Net Pension Liability - VMERS Defined Benefit Plan	Schedule 2	64
Schedule of Contributions - VMERS Defined Benefit Plan	Schedule 3	65
 Other Information:		
Combining Balance Sheet - Non-Major Governmental Funds	Schedule 4	66
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	Schedule 5	67
Combining Balance Sheet - Non-Major Special Revenue Funds	Schedule 6	68
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds	Schedule 7	69
Combining Balance Sheet - Non-Major Capital Projects Funds	Schedule 8	70
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Projects Funds	Schedule 9	71
Combining Balance Sheet - Non-Major Permanent Funds	Schedule 10	72
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Permanent Funds	Schedule 11	73
Schedule of Expenditures of Federal Awards	Schedule 12	74-75
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"		76-77

TOWN OF COLCHESTER, VERMONT
AUDIT REPORT
TABLE OF CONTENTS
JUNE 30, 2017

	<u>Page #</u>
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	78-79
Summary Schedule of Prior Audit Findings	80
Schedule of Findings and Deficiencies in Internal Control	81

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Vermont, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Colchester, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Vermont, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters - Other Information

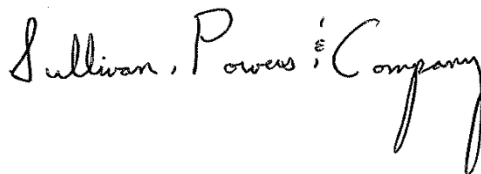
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Colchester, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by “Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,” is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by “Government Auditing Standards”

In accordance with “Government Auditing Standards”, we have also issued our report dated February 8, 2018 on our consideration of the Town of Colchester, Vermont’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Town of Colchester, Vermont’s internal control over financial reporting and compliance.

February 8, 2018
Montpelier, Vermont
VT Lic. #92-000180

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

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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, 2017. The purpose of the management discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

FINANCIAL HIGHLIGHTS

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

The assets and deferred outflows of resources of the Town of Colchester exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$41,069,053. Of this amount, \$5,367,969 (unrestricted net position) may be used by the various funds of the Town to meet its ongoing obligations to its citizens and creditors and \$1,855,934 represent resources that are subject to external restrictions on how they may be used.

- GASB Statement No. 68 "Financial Reporting for Pension Plans" requires the Town to report its proportionate share of the net pension liability and related deferred outflows and inflows of resources. The Vermont Municipal Employees' Retirement System (VMERS) pension liability was determined by an actuarial valuation as of 6/30/16, considering employee contributions, Town contributions, expected payments to pensioners, expected rate of return on investments, and the current value of all investments one year prior to this audit period. As expected, the methods for calculating produced a large fluctuation in the fiscal year 2017 annual financial statement. The fiscal year ending June 30, 2017 ended with a net deferred outflows of resource of \$1,981,384 due from a decrease to the difference between projected and actual earnings on pension plan investments, a difference between expected and actual experience, changes in assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions and the Town's required employer contributions made subsequent to the measurement date and a net pension liability of \$2,900,916. In FY 16, the VMERS reporting year in which we rely for our FY 17 financials, the fiduciary net position as a percentage of the total pension liability was 80.95% In FY 15, which was paired with our FY 16 financials, it was 87.42%
- Local Option Tax revenues are constrained to use for voter approved debt payments. This removed debt from property tax obligations and enabled a lowering of the municipal tax rate.

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

- Governmental funds contain many funds including General, Capital Project, Reserve Funds and Debt Service funds. Each of these funds can contain several projects.
 - Capital Projects Fund – includes Capital Transportation Plan, Grant funds, Parks Capital Plan, Recreation Acquisition and Development Impact Fees
 - Reserve Fund – includes technology, communications, re-appraisal (funds from state), records retention, and public safety capital with its subcomponents (police boat reserve, rescue equipment reserve, rescue communications reserve, technical rescue equipment reserve, and technical rescue communication reserve).
 - Non-Major Governmental Funds – includes capital equipment, vehicles and facility; library and cemetery funds, and debt service.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$6,390,137, an increase of \$687,309 in comparison with the prior year.
- The Non-Major Governmental Funds includes Debt Service Fund which contains Local Option Tax Revenues. FY17 Local Option Tax revenues exceed payments made in FY17 causing an increase in the Restricted Fund balance to \$1,782,929, an \$805,165 increase over FY16.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

- General Fund fund balance increased \$157,668 in FY17 due to higher than anticipated payment in lieu of taxes from the State of Vermont and a 4.2% increase in ambulance rates that was effective November 2016.
- Wastewater Fund Net Position decreased \$601,243 in FY17 primarily due to depreciation of the purchase of capacity rights from payments being made to the City of South Burlington for the Wastewater expansion project. Annual payments of \$742,310 are due through fiscal year 2024.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

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

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

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

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Fund Financial Statements

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

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

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

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

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

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

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

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

Supplementary information including a budgetary comparison statement for the general fund and the combining statements referred to earlier in connection with non-major governmental funds can be found immediately following the notes to the financial statements.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Summary Statement of Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current & Other Assets	8,424,728	7,659,421	3,589,938	3,978,373	12,014,666	11,637,794
Capital Assets	35,842,183	35,644,908	12,502,195	13,239,063	48,344,378	48,883,971
Total Assets	<u>44,266,911</u>	<u>43,304,329</u>	<u>16,092,133</u>	<u>17,217,436</u>	<u>60,359,044</u>	<u>60,521,765</u>
Deferred Outflows of Resources	1,804,544	1,155,197	176,840	116,920	1,981,384	1,272,117
Other Liabilities	1,076,028	1,199,950	11,518,067	388,327	12,594,095	1,588,277
Long-Term Liabilities						
Outstanding	8,227,931	7,656,623	435,886	12,202,166	8,663,817	19,858,789
Total Liabilities	<u>9,303,959</u>	<u>8,856,573</u>	<u>11,953,953</u>	<u>12,590,493</u>	<u>21,257,912</u>	<u>21,447,066</u>
Deferred Inflows of Resources	13,463	16,803	0	0	13,463	16,803
Net Position:						
Net Invested in Capital Assets	31,579,922	30,914,843	2,265,228	2,392,918	33,845,150	33,307,761
Restricted	1,855,934	1,011,224	0	6,600	1,855,934	1,017,824
Unrestricted	3,318,177	3,660,083	2,049,792	2,344,345	5,367,969	6,004,428
Total Net Position	<u>36,754,033</u>	<u>35,586,150</u>	<u>4,315,020</u>	<u>4,743,863</u>	<u>41,069,053</u>	<u>40,330,013</u>

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 \$41,069,053.

The largest portion of the Town's assets (82%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure (roads, bridges, etc.) less any related, outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

\$1,855,934 of the Town's net position is restricted. These assets are subject to external restrictions on their use. The remaining \$5,367,969 may be used to meet the government's ongoing financial obligations. Included in the unrestricted net position are amounts that voters and management have assigned for particular purposes, such as reserves for expenditures in subsequent years and wastewater capacity rights (funding of South Burlington's Sewer plant upgrade).

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Governmental activities

Governmental activities increased the Town's net position by \$1,167,883 for the fiscal year ended June 30, 2017. Key elements of the change are as follows:

- In fiscal year 2017 the Town received \$747,760 in Capital Grants and Contributions. These grants allowed the Town to proceed with capital projects, not using Town funds.
- \$1,482,495 in Local Option Tax revenue was collected during the fiscal year. These funds are used to pay existing debt payments with remaining funds going to restricted fund balance.

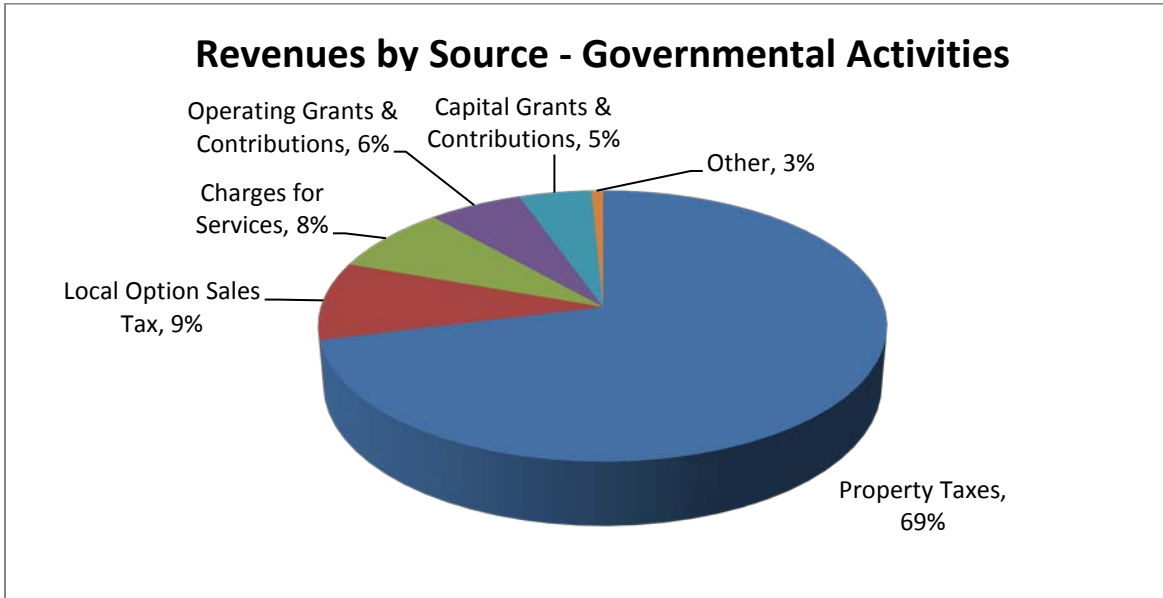
Public Safety remains the largest expense at 38% of total Governmental Activity expenses. This is 2% lower than last year due to grant expenses in Community Development Activities.

Summary of the Statement of Activities

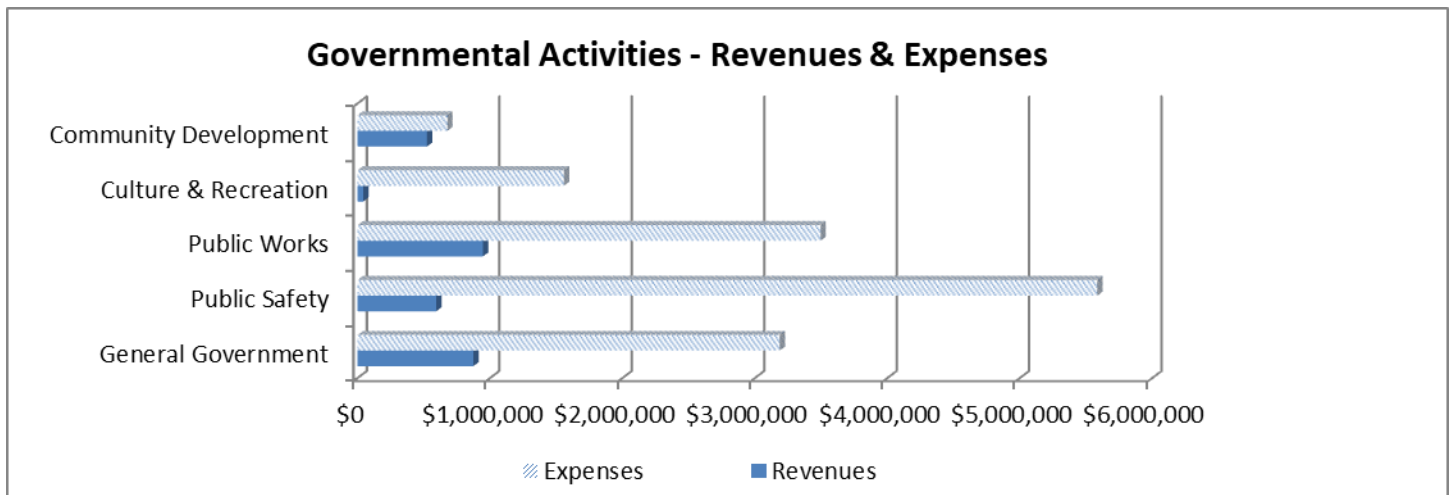
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$1,264,032	\$1,087,639	\$2,291,304	\$2,175,919	\$3,555,336	\$3,263,558
Operating Grants & Contributions	968,143	402,476	0	0	\$968,143	402,476
Capital Grants & Contributions	747,760	996,547	0	0	\$747,760	996,547
General Revenues:						0
Property Taxes	11,276,433	11,002,583	0	0	\$11,276,433	11,002,583
Other	2,139,309	1,435,152	93,801	109,382	\$2,233,110	1,544,534
Total Revenues	16,395,677	14,924,397	2,385,105	2,285,301	18,780,782	17,209,698
Expenses:						
General Government	3,187,076	2,941,201	0	0	3,187,076	2,941,201
Public Safety	5,585,546	5,273,514	0	0	5,585,546	5,273,514
Public Works	3,495,412	2,987,158	0	0	3,495,412	2,987,158
Community Development	677,435	122,547	0	0	677,435	122,547
Culture & Recreation	1,557,721	1,531,932	937,030	904,903	2,494,751	2,436,835
Interest on Long-Term Debt	187,209	212,164	0	0	187,209	212,164
Police Dispatch	0	0	631,511	597,800	631,511	597,800
Wastewater	0	0	1,782,802	1,793,500	1,782,802	1,793,500
Total Expenses	14,690,399	13,068,516	3,351,343	3,296,203	18,041,742	16,364,719
Increase/(Decrease) in Net Position Before Transfer	1,705,278	1,855,881	(966,238)	(1,010,902)	739,040	844,979
Transfers	(537,395)	(327,504)	537,395	327,504	0	0
Change in Net Position	1,167,883	1,528,377	(428,843)	(683,398)	739,040	844,979
Beginning Net Position	35,586,150	34,057,773	4,743,863	5,427,261	40,330,013	39,485,034
Ending Net Position	36,754,033	\$35,586,150	\$4,315,020	\$4,743,863	\$41,069,053	\$40,330,013

TOWN OF COLCHESTER, VERMONT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2017

The majority of revenue for governmental activities comes from property taxes; 69% of total revenue or \$11,276,433. This decreased by 4% from FY16 due to a full year of Local Option Tax Collections and additional grant revenue in Community Development Activities. Charges for services were the second largest category of revenue at 8% of total revenue or \$1,264,032. The following graph shows the distribution of governmental revenues by source.



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



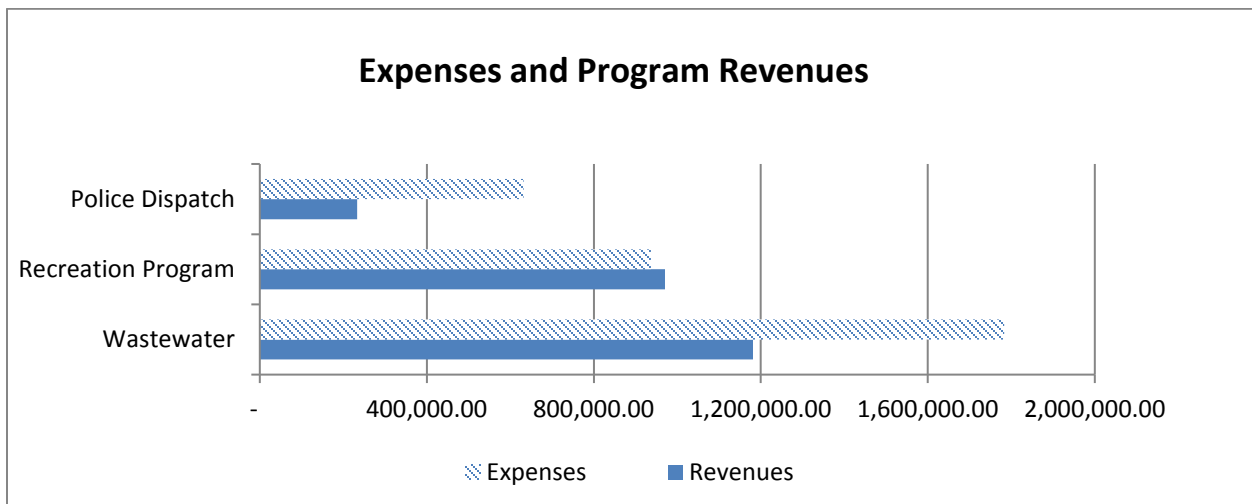
TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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

Business-type activities decreased the Town's net position by \$428,843 during the current fiscal year through planned expenses. Key elements of this change are as follows:

- Wastewater Fund was \$693,048 short of covering their expenditures with charges for services. The Town paid South Burlington for capacity rights in their sewer plant and we recognize this investment by depreciating \$606,892 in value each of the 20 years of the funding relationship. The Town anticipated this over spending and a significant portion of the Wastewater Fund balance will be drawn down over the course of this loan repayment so as to avoid rate related spikes related to the capacity rights.
- Police Dispatch Fund was \$398,752 short of covering their expenditures with charges for services. The Town of Milton contracts with us for dispatch services which covers a portion of the funds expenses. \$546,800 of expenses were funded by a planned transfer from the General Fund. The Dispatch fund ended the fiscal year with a positive net position of \$78,054.
- Recreation Program Fund covered their expenses during the fiscal year and contributed \$24,293 to the Business-type Activities net position.

Business-type activities are accounted for in the same manner that businesses account for operations. It is necessary that revenues (operating and non-operating) plus retained earnings meet or exceed expenses to continue operating. The graph below titled Expenses and Program Revenues-Type Activities demonstrates that during the current fiscal year expenses exceeded revenues for the Police Dispatch Fund by \$398,693 and Wastewater Fund by \$601,243. However, the Recreation Program Fund covered their expenditures with \$33,698 remaining.



TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

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

- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,642,368 and \$105,352 was non-spendable for inventory and prepaid expenses. A total of \$790,475 is assigned or committed for the following uses:
 - \$253,814 - Committed to offset leave time expenses exceeding budget
 - \$336,661 - Assigned to reduce property taxes in fiscal year 2018
 - \$200,000 - Assigned to reduce property taxes in fiscal year 2019

The Town's unassigned General Fund fund balance of \$1,642,368 on June 30, 2017 was 13% of total General Fund operating expenses as defined by the Selectboard's Fund Balance Policy. This is \$496,633 less than the suggested two months operating costs.

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

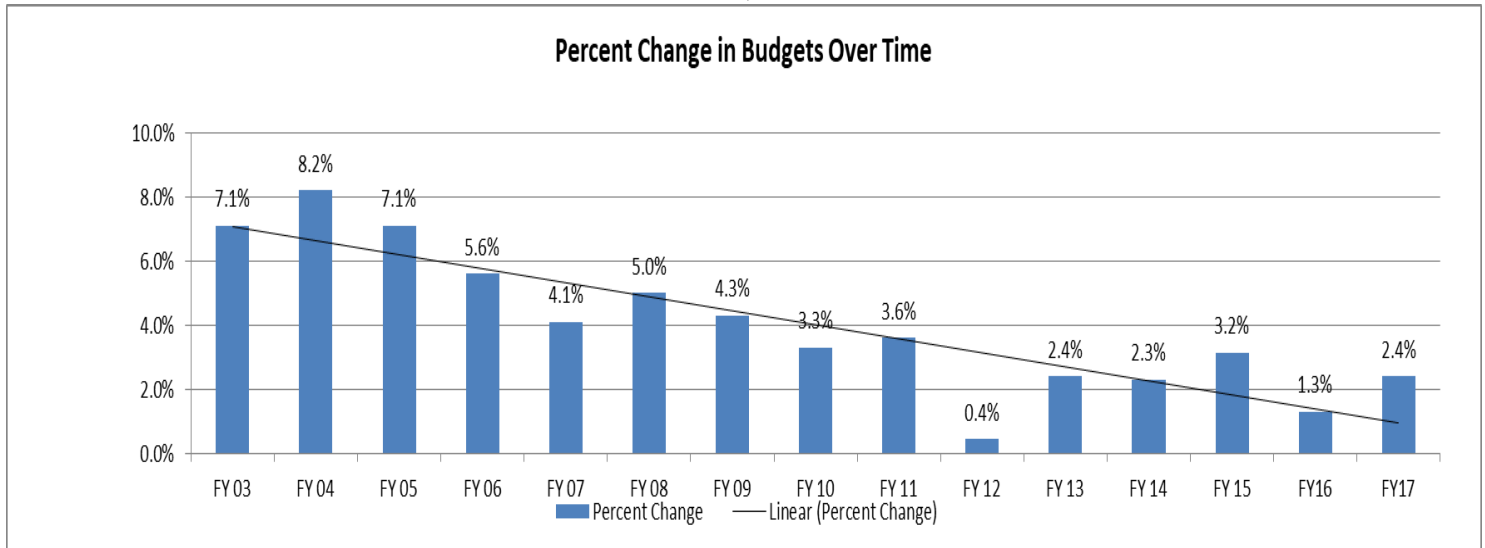
The Town operates a Septic Revolving Loan Fund to provide financial assistance for the upgrade of failing on-site septic systems. The Town has outstanding loans to 15 individuals or families as of June 30, 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The Town's FY 2017 General Fund budget totaling \$12,155,259 increased 2.4% over FY 16. The budget increase between FY 15 and FY 16 was 1.3%. As a service organization, employee related costs comprise about 59% of the General Fund expenses.

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

**TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**



Actual revenues of \$12,248,521 in the General Fund were higher than budgeted. Actual expenditures of \$12,190,853 were higher than budgeted. This resulted in a surplus of \$57,668.

Some of the key factors contributing to this outcome include:

Revenue Variances

- Payment in Lieu of Taxes ended \$113,598 over budget due to construction of a new State owned lab building located on South Park Drive.
- Several revenues ended the year higher than budgeted including: Building/Zoning Permits, \$64,272 over budget; Police Ordinance Fees \$44,036 over budget and Police Special Detail Charges \$21,061 over budget. Off-duty police revenues were higher than anticipated due to the work that was done at the Route 7/Bay Road intersection.
- \$9,650 in budgeted Grant Income was not received.
- District Court Fines were \$12,986 lower than budgeted.

Expenditure Variances

- The Selectboard approved a \$150,000 transfer to the Police Dispatch Fund to cover expenses. The General Fund surplus was able to cover this transfer that was not budgeted.
- Health Insurance costs were under budget by \$84,497. Town management evaluated options and stayed with the high deductible plan when insurance plans were renewed in January 2017. Premium costs increased minimally for the year.
- Motor vehicle fuel prices remaining down resulted in fuel expenses \$77,575 under budget.
- Legal Fees were \$23,430 over budget primarily due to police union grievances.
- The Selectboard did not spend contingency funding of \$66,000.
- DPW-Administration ended the year \$23,031 over budget. The Salary line item was overspent by \$31,925. This was mainly due to a long-time employee retiring and being paid out accrued time and a reclassification of an existing employee. Offsetting the salary expense is \$11,001 in underspending of the Professional Services line item.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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, 2017, totaled \$48,334,378 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The Town's capital assets included in the financial reports do not include the value of infrastructure assets (generally roads, bridges and the sewer system) put into operation prior to July 1, 2003, as allowed by GASB 34. All other capital assets are included and the department of Public Works maintains detailed and ongoing inventory of the condition of roads and bridges and monitors the sewer system through various methods.

<u>Summary Capital Assets (net of depreciation)</u>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	2,104,936	2,104,936	132,568	132,568	2,237,504	2,237,504
Construction in Progress	959,756	693,048	0	22,247	959,756	715,295
Land Improvements	1,395,752	1,242,697	0	0	1,395,752	1,242,697
Buildings & Improvements	7,866,144	8,050,419	0	0	7,866,144	8,050,419
Equipment & Furniture	1,128,071	1,238,486	0	0	1,128,071	1,238,486
Vehicles	1,972,816	1,825,960	0	0	1,972,816	1,825,960
Infrastructure	20,414,708	20,489,362	0	0	20,414,708	20,489,362
Plant & Equipment	0	0	2,659,361	2,767,090	2,659,361	2,767,090
Capacity Rights	0	0	9,710,266	10,317,158	9,710,266	10,317,158
Total	35,842,183	35,644,908	12,502,195	13,239,063	48,344,378	48,883,971

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

- Infrastructure increased by \$1,085,012 and was primarily comprised of \$475,131 for work done on the Moorehouse Brook Culvert and town wide Road Paving totaling \$356,633.
- Significant equipment increases include a power cot for the ambulance (\$17,152), portable police radios (\$30,413), and police radio repeater (\$13,630).
- Increases in vehicles include a 2016 Ambulance (\$221,555), 2017 International dump truck (\$146,277), four police vehicles totaling \$144,320, and a Technical Rescue Snowmobile (\$10,500).

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

- Equipment and vehicle deletions include two ambulances, a 2009 dump truck, Bombardier ATV, three Chevy Tahoe's, one Crown Victoria, five computer servers, Johnson engine and Scanning Sonar.

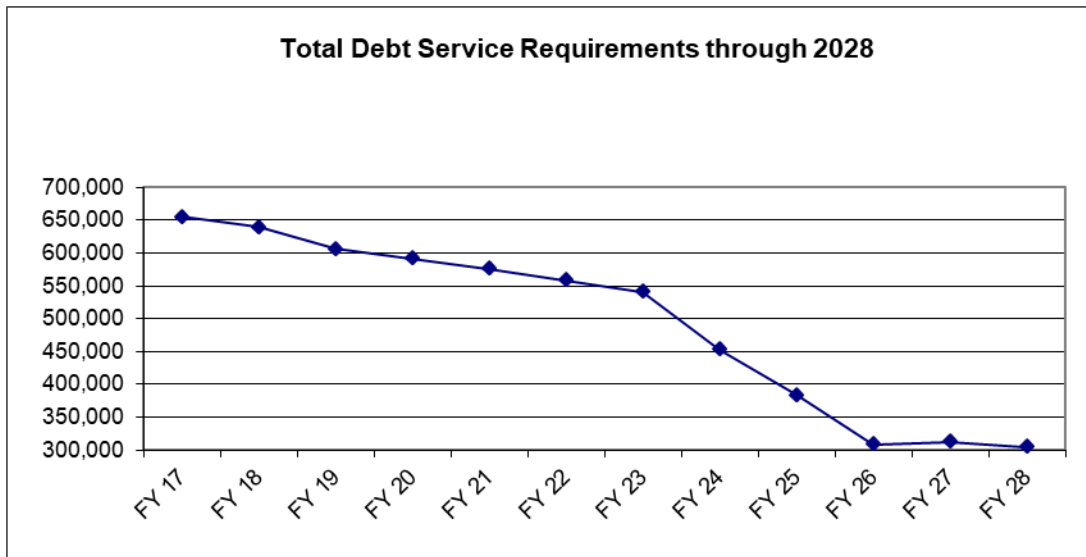
TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Debt Administration

There was no new borrowing in the governmental funds or business-type funds in Fiscal Year 2017.

	Summary of Outstanding Debt					
	Governmental Activities		Business-Type Debt		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$4,777,023	\$5,266,075	\$158,096	\$237,144	\$4,935,119	\$5,503,219
Special Assessment Debt with Government Commitment	0	0	960,000	1,140,000	\$960,000	\$1,140,000
Capital Leases Payable	119,773	177,935	0	0	\$119,773	\$177,935
Due to South Burlington-Capacity Rights	0	0	10,078,871	10,609,001	\$10,078,871	\$10,609,001
Total	\$4,896,796	\$5,444,010	\$11,196,967	\$11,986,145	\$16,093,763	\$17,430,155

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



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors and Next Year's Budgets and Rates

- The Colchester Grand List is made up of primarily residential properties. For FY 17, 76.5% of property tax revenues come from residential properties.
- The Municipal Grand List value for the Town was \$20,749,886 as of the beginning of FY 17. This was a 1.86% increase over the prior fiscal year. Since 1970 the Town of Colchester's Grand List has grown from \$169,278 to \$20,749,886.

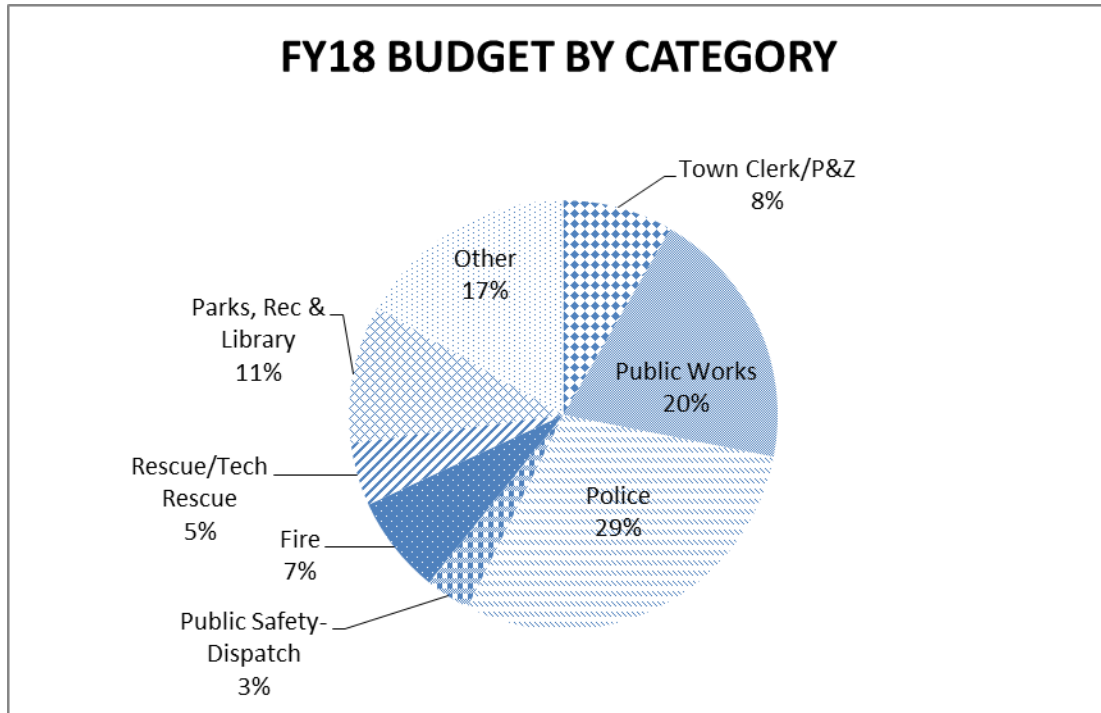
Next Year's (FY 18) Budget

- The Town of Colchester approved a General Fund budget for 2018 in the amount of \$12,452,325. This represents an increase of 2.44% over the previous year.
- The municipal tax rate decreased by .11% to \$0.5271.
- In FY 15 through 18, about 45% of the budget is for public safety services.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

- Public Works represents about 20% of the General Fund budget in FY 18.
- Parks, Recreation and the Library represent about 10% of the General Fund budget in FY18.
- As a service organization employee related costs comprise 59% of the General Fund expenses.

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



Future Budgetary Issues

In fiscal years 2018 and beyond, the Town will face pressures of increased service and infrastructure needs requiring increased expenditures for:

- Funding for paid staff for fire departments to address a lack of daytime volunteer firefighting coverage
- More highway workers due to an increase in roads and paths
- Water quality improvements to preserve Malletts Bay, Lake Champlain and our rivers/tributaries
- Mandates from Federal and State government to address and mitigate stormwater impacts
- Cost shifts from State and Federal government for a variety of services as well as reductions in grants and financial support
- Police and Rescue resources to meet demands of new development and growing community expectations
- Developing, recruiting, training and replacing employees as 28% of our workforce is 55 or older

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the Town of Colchester's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Deputy Town Manager/Chief Financial Officer, Town of Colchester, 781 Blakely Road, Colchester, VT 05446. The report is available online at www.colchestervt.gov.

TOWN OF COLCHESTER, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 8,352,359	\$ 787	\$ 8,353,146
Investments	430,128	139,973	570,101
Receivables (Net of Allowance for Uncollectibles)	1,195,151	1,290,032	2,485,183
Notes Receivable (Net of Allowance for Uncollectibles)	491,831	0	491,831
Internal Balances	(2,150,093)	2,150,093	0
Prepaid Expenses	58,308	0	58,308
Inventory	47,044	9,053	56,097
Capital Assets:			
Land	2,104,936	132,568	2,237,504
Construction in Progress	959,756	0	959,756
Other Capital Assets (Net of Accumulated Depreciation)	<u>32,777,491</u>	<u>12,369,627</u>	<u>45,147,118</u>
Total Assets	<u>44,266,911</u>	<u>16,092,133</u>	<u>60,359,044</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>1,804,544</u>	<u>176,840</u>	<u>1,981,384</u>
Total Deferred Outflows of Resources	<u>1,804,544</u>	<u>176,840</u>	<u>1,981,384</u>
<u>LIABILITIES</u>			
Accounts Payable	494,293	92,810	587,103
Accrued Payroll and Benefits Payable	191,722	42,119	233,841
Unearned Revenue	112,223	256,337	368,560
Due to Others	250,242	0	250,242
Accrued Interest Payable	27,548	44,620	72,168
Noncurrent Liabilities:			
Due within One Year	552,297	814,781	1,367,078
Due in More than One Year	<u>7,675,634</u>	<u>10,703,286</u>	<u>18,378,920</u>
Total Liabilities	<u>9,303,959</u>	<u>11,953,953</u>	<u>21,257,912</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	<u>13,463</u>	<u>0</u>	<u>13,463</u>
Total Deferred Inflows of Resources	<u>13,463</u>	<u>0</u>	<u>13,463</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	31,579,922	2,265,228	33,845,150
Restricted:			
Public Safety	124,989	0	124,989
Culture and Recreation	305,864	0	305,864
Cemetery	262,757	0	262,757
Capital Projects	1,096,223	0	1,096,223
Other	66,101	0	66,101
Unrestricted	<u>3,318,177</u>	<u>2,049,792</u>	<u>5,367,969</u>
Total Net Position	<u>\$ 36,754,033</u>	<u>\$ 4,315,020</u>	<u>\$ 41,069,053</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, 2017

	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	\$ 3,187,076	\$ 683,228	\$ 168,606	\$ 21,851	\$ (2,313,391)	\$ 0	\$ (2,313,391)
Public Safety	5,585,546	540,811	35,167	17,500	(4,992,068)	0	(4,992,068)
Public Works	3,495,412	2,957	235,432	708,409	(2,548,614)	0	(2,548,614)
Culture and Recreation	1,557,721	25,368	17,033	0	(1,515,320)	0	(1,515,320)
Community Development	677,435	11,668	511,905	0	(153,862)	0	(153,862)
Interest on Long-term Debt	187,209	0	0	0	(187,209)	0	(187,209)
Total Governmental Activities	14,690,399	1,264,032	968,143	747,760	(11,710,464)	0	(11,710,464)
Business-type Activities:							
Wastewater	1,782,802	1,089,754	0	0	0	(693,048)	(693,048)
Recreation Program	937,030	968,791	0	0	0	31,761	31,761
Police Dispatch	631,511	232,759	0	0	0	(398,752)	(398,752)
Total Business-type Activities	3,351,343	2,291,304	0	0	0	(1,060,039)	(1,060,039)
Total Primary Government	\$ 18,041,742	\$ 3,555,336	\$ 968,143	\$ 747,760	(11,710,464)	(1,060,039)	(12,770,503)
General Revenues:							
Property Taxes					11,276,433	0	11,276,433
Penalties and Interest on Delinquent Taxes					125,665	0	125,665
Local Option Sales Tax					1,482,495	0	1,482,495
General State Grants					366,332	0	366,332
Impact Fees					69,825	0	69,825
Unrestricted Investment Earnings					32,805	93,801	126,606
Gain on Sale of Vehicles					18,885	0	18,885
Other Revenues					43,302	0	43,302
Transfers:					(537,395)	537,395	0
Total General Revenues and Transfers					12,878,347	631,196	13,509,543
Change in Net Position					1,167,883	(428,843)	739,040
Net Position - July 1, 2016					35,586,150	4,743,863	40,330,013
Net Position - June 30, 2017					\$ 36,754,033	\$ 4,315,020	\$ 41,069,053

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

TOWN OF COLCHESTER, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Capital Projects Fund	Reserve Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 7,876,830	\$ 0	\$ 0	\$ 475,529	\$ 8,352,359
Investments	409,994	0	0	20,134	430,128
Receivables (Net of Allowance for Uncollectibles)	398,110	399,162	0	397,879	1,195,151
Notes Receivable (Net of Allowance for Uncollectibles)	0		0	491,831	491,831
Due from Other Funds	0	749,932	1,166,440	1,303,584	3,219,956
Prepaid Expenses	58,308	0	0	0	58,308
Inventory	47,044	0	0	0	47,044
Total Assets	\$ 8,790,286	\$ 1,149,094	\$ 1,166,440	\$ 2,688,957	\$ 13,794,777
LIABILITIES					
Accounts Payable	\$ 173,495	\$ 301,436	\$ 11,560	\$ 7,802	\$ 494,293
Accrued Payroll and Benefits Payable	191,671	0	0	51	191,722
Due to Other Funds	5,370,049	0	0	0	5,370,049
Unearned Revenue	0	0	0	112,223	112,223
Due to Others	250,242	0	0	0	250,242
Total Liabilities	5,985,457	301,436	11,560	120,076	6,418,529
DEFERRED INFLOWS OF RESOURCES					
Prepaid Property Taxes	13,463	0	0	0	13,463
Unavailable Property Taxes, Penalties and Interest	141,954	0	0	0	141,954
Unavailable Ambulance Fees	105,709	0	0	0	105,709
Unavailable Grants	5,508	227,646	0	0	233,154
Unavailable Notes Receivable	0	0	0	491,831	491,831
Total Deferred Inflows of Resources	266,634	227,646	0	491,831	986,111
FUND BALANCES					
Nonspendable	105,352	0	0	166,571	271,923
Restricted	0	0	0	1,782,929	1,782,929
Committed	253,814	0	0	0	253,814
Assigned	536,661	620,012	1,154,880	127,550	2,439,103
Unassigned	1,642,368	0	0	0	1,642,368
Total Fund Balances	2,538,195	620,012	1,154,880	2,077,050	6,390,137
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,790,286	\$ 1,149,094	\$ 1,166,440	\$ 2,688,957	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:					
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.					35,842,183
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.					972,648
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.					(8,255,479)
Deferred Outflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.					1,804,544
Net Position of Governmental Activities					\$ 36,754,033

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, 2017

	General Fund	Capital Projects Fund	Reserve Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$ 10,018,446	\$ 778,120	\$ 79,250	\$ 394,248	\$ 11,270,064
Penalties and Interest on Delinquent Taxes	125,665	0	0	0	125,665
Local Option Sales Tax	0	0	0	1,482,495	1,482,495
Intergovernmental	732,604	451,876	63,710	543,280	1,791,470
Charges for Services	574,714	0	0	11,033	585,747
Permits, Licenses and Fees	640,919	0	33,312	69,825	744,056
Fines and Forfeits	15,259	0	0	0	15,259
Loan Repayments	0	0	0	91,411	91,411
Loan Interest Income	0	0	0	11,668	11,668
Investment Income	25,006	2,777	3,232	1,790	32,805
Donations	636	32,306	900	35,029	68,871
Other	32,283	4,000	6,054	3,922	46,259
	<u>12,165,532</u>	<u>1,269,079</u>	<u>186,458</u>	<u>2,644,701</u>	<u>16,265,770</u>
Total Revenues					
Expenditures:					
General Government	2,803,542	0	143,604	33,862	2,981,008
Public Safety	4,920,891	0	12,667	21,522	4,955,080
Public Works	2,276,272	125,299	0	10,874	2,412,445
Culture and Recreation	1,219,627	26,575	0	22,800	1,269,002
Community Development	118,883	0	0	543,542	662,425
Capital Outlay:					
General Government	10,000	0	8,860	31,587	50,447
Public Safety	54,799	0	41,270	294,941	391,010
Public Works	0	1,430,506	0	121,225	1,551,731
Culture and Recreation	16,786	44,805	0	0	61,591
Debt Service:					
Principal	0	0	0	547,214	547,214
Interest	0	0	0	189,610	189,610
	<u>11,420,800</u>	<u>1,627,185</u>	<u>206,401</u>	<u>1,817,177</u>	<u>15,071,563</u>
Total Expenditures					
Excess/(Deficiency) of Revenues Over Expenditures	<u>744,732</u>	<u>(358,106)</u>	<u>(19,943)</u>	<u>827,524</u>	<u>1,194,207</u>
Other Financing Sources/(Uses):					
Proceeds from Sale of Vehicles	0	0	4,255	26,242	30,497
Transfers In	92,394	122,742	4,916	5,000	225,052
Transfers Out	<u>(679,458)</u>	<u>(82,989)</u>	<u>0</u>	<u>0</u>	<u>(762,447)</u>
	<u>(587,064)</u>	<u>39,753</u>	<u>9,171</u>	<u>31,242</u>	<u>(506,898)</u>
Total Other Financing Sources/(Uses)					
Net Change in Fund Balances	157,668	(318,353)	(10,772)	858,766	687,309
Fund Balances - July 1, 2016	<u>2,380,527</u>	<u>938,365</u>	<u>1,165,652</u>	<u>1,218,284</u>	<u>5,702,828</u>
Fund Balances - June 30, 2017	<u>\$ 2,538,195</u>	<u>\$ 620,012</u>	<u>\$ 1,154,880</u>	<u>\$ 2,077,050</u>	<u>\$ 6,390,137</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, 2017

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)	\$	687,309
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$2,054,779) is allocated over their estimated useful lives and reported as depreciation expense (\$1,751,345). This is the amount by which capital outlays exceeded depreciation in the current period.		303,434
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.		(106,159)
The issuance of long-term debt (\$0) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$547,214) 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.		547,214
The issuance of loans receivable (\$0) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$91,411) 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. In addition, the Town wrote off \$10,769 of loans receivable.		(102,180)
Governmental funds report employer pension contributions as expenditures (\$338,817). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$762,960) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(424,143)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		305,039
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(42,631)</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>1,167,883</u></u>

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

TOWN OF COLCHESTER, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Major Funds		Non-Major Fund	Total
	Wastewater Fund	Recreation Program Fund	Police Dispatch Fund	
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 787	\$ 0	\$ 0	\$ 787
Investments	139,973	0	0	139,973
Receivables (Net of Allowance for Uncollectibles)	330,032	0	0	330,032
Special Assessment Receivable - Current Portion	195,000	0	0	195,000
Due from Other Funds	1,304,046	675,557	170,490	2,150,093
Inventory	9,053	0	0	9,053
Total Current Assets	<u>1,978,891</u>	<u>675,557</u>	<u>170,490</u>	<u>2,824,938</u>
Noncurrent Assets:				
Special Assessment Receivable - Noncurrent Portion	765,000	0	0	765,000
Capital Assets:				
Land	132,568	0	0	132,568
Plant and Equipment	6,452,326	0	0	6,452,326
Capacity Rights	12,137,834	0	0	12,137,834
Less: Accumulated Depreciation and Amortization	<u>(6,220,533)</u>	<u>0</u>	<u>0</u>	<u>(6,220,533)</u>
Total Noncurrent Assets	<u>13,267,195</u>	<u>0</u>	<u>0</u>	<u>13,267,195</u>
Total Assets	<u>15,246,086</u>	<u>675,557</u>	<u>170,490</u>	<u>16,092,133</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to the Town's Participation in VMERS				
	<u>0</u>	<u>51,045</u>	<u>125,795</u>	<u>176,840</u>
Total Deferred Outflows of Resources	<u>0</u>	<u>51,045</u>	<u>125,795</u>	<u>176,840</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	63,828	28,087	895	92,810
Accrued Payroll and Benefits Payable	142	30,537	11,440	42,119
Unearned Revenue	0	256,337	0	256,337
Accrued Interest Payable	44,620	0	0	44,620
Special Assessment Debt with Governmental Commitment - Current Portion	195,000	0	0	195,000
General Obligation Bonds Payable - Current Portion	79,048	0	0	79,048
Due to South Burlington - Capacity Rights - Current Portion	<u>540,733</u>	<u>0</u>	<u>0</u>	<u>540,733</u>
Total Current Liabilities	<u>923,371</u>	<u>314,961</u>	<u>12,335</u>	<u>1,250,667</u>
Noncurrent Liabilities:				
Compensated Absences Payable	0	40,470	21,721	62,191
Net Pension Liability	0	74,734	184,175	258,909
Special Assessment Debt with Governmental Commitment - Noncurrent Portion	765,000	0	0	765,000
General Obligation Bonds Payable - Noncurrent Portion	79,048	0	0	79,048
Due to South Burlington - Capacity Rights - Noncurrent Portion	<u>9,538,138</u>	<u>0</u>	<u>0</u>	<u>9,538,138</u>
Total Noncurrent Liabilities	<u>10,382,186</u>	<u>115,204</u>	<u>205,896</u>	<u>10,703,286</u>
Total Liabilities	<u>11,305,557</u>	<u>430,165</u>	<u>218,231</u>	<u>11,953,953</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	2,265,228	0	0	2,265,228
Unrestricted	<u>1,675,301</u>	<u>296,437</u>	<u>78,054</u>	<u>2,049,792</u>
Total Net Position	<u>\$ 3,940,529</u>	<u>\$ 296,437</u>	<u>\$ 78,054</u>	<u>\$ 4,315,020</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, 2017

	Major Funds		Non-Major Fund	Total
	Wastewater Fund	Recreation Program Fund	Police Dispatch Fund	
Operating Revenues:				
Charges for Services	\$ 1,089,754	\$ 968,791	\$ 232,759	\$ 2,291,304
Total Operating Revenues	<u>1,089,754</u>	<u>968,791</u>	<u>232,759</u>	<u>2,291,304</u>
Operating Expenses:				
Salaries and Benefits	6,804	738,869	628,707	1,374,380
Administration Costs	102,606	0	0	102,606
General Expenses	4,836	42,658	2,804	50,298
Program Expenses	0	155,503	0	155,503
Sewage Treatment	508,774	0	0	508,774
Chemicals	37,032	0	0	37,032
Repairs and Maintenance	34,750	0	0	34,750
Utilities	52,013	0	0	52,013
Depreciation and Amortization	766,432	0	0	766,432
Total Operating Expenses	<u>1,513,247</u>	<u>937,030</u>	<u>631,511</u>	<u>3,081,788</u>
Operating Income/(Loss)	<u>(423,493)</u>	<u>31,761</u>	<u>(398,752)</u>	<u>(790,484)</u>
Non-Operating Revenues/(Expenses):				
Interest Income on Special Assessment Debt Service	87,664	0	0	87,664
Investment Income	4,141	1,937	59	6,137
Interest Expense	(269,555)	0	0	(269,555)
Total Non-Operating Revenues/(Expenses)	<u>(177,750)</u>	<u>1,937</u>	<u>59</u>	<u>(175,754)</u>
Net Income/(Loss) Before Other Financing Sources/(Uses)	<u>(601,243)</u>	<u>33,698</u>	<u>(398,693)</u>	<u>(966,238)</u>
Other Financing Sources/(Uses):				
Transfers In	0	0	546,800	546,800
Transfers Out	0	(9,405)	0	(9,405)
Total Other Financing Sources/(Uses)	<u>0</u>	<u>(9,405)</u>	<u>546,800</u>	<u>537,395</u>
Change in Net Position	(601,243)	24,293	148,107	(428,843)
Net Position/(Deficit) - July 1, 2016	<u>4,541,772</u>	<u>272,144</u>	<u>(70,053)</u>	<u>4,743,863</u>
Net Position - June 30, 2017	<u>\$ 3,940,529</u>	<u>\$ 296,437</u>	<u>\$ 78,054</u>	<u>\$ 4,315,020</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, 2017

	Major Funds		Non-Major Fund	Total
	Wastewater Fund	Recreation Program Fund	Police Dispatch Fund	
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 1,089,704	\$ 1,021,162	\$ 232,759	\$ 2,343,625
Payments for Goods and Services	(630,148)	(181,940)	(3,010)	(815,098)
Payments for Interfund Services	(102,606)	0	0	(102,606)
Payments for Wages and Benefits	(6,754)	(732,318)	(613,312)	(1,352,384)
Net Cash Provided/(Used) by Operating Activities	<u>350,196</u>	<u>106,904</u>	<u>(383,563)</u>	<u>73,537</u>
Cash Flows From Noncapital Financing Activities:				
(Increase)/Decrease in Due from Other Funds	428,888	(99,436)	(163,296)	166,156
Transfers Received from Other Funds	0	0	546,800	546,800
Transfers Paid to Other Funds	0	(9,405)	0	(9,405)
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>428,888</u>	<u>(108,841)</u>	<u>383,504</u>	<u>703,551</u>
Cash Flows From Capital and Related Financing Activities:				
Special Assessments Received	180,000	0	0	180,000
Acquisition and Construction of Capital Assets	(29,564)	0	0	(29,564)
Principal Paid to South Burlington for Capacity Rights	(530,130)	0	0	(530,130)
Interest Paid to South Burlington for Capacity Rights	(213,947)	0	0	(213,947)
Principal Paid on General Obligation Bonds Payable	(259,048)	0	0	(259,048)
Interest Paid on General Obligation Bonds Payable	(57,710)	0	0	(57,710)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(910,399)</u>	<u>0</u>	<u>0</u>	<u>(910,399)</u>
Cash Flows From Investing Activities:				
Receipt of Interest and Dividends	91,805	1,937	59	93,801
Net Decrease in Investments	36,627	0	0	36,627
Net Cash Provided by Investing Activities	<u>128,432</u>	<u>1,937</u>	<u>59</u>	<u>130,428</u>
Net Increase/(Decrease) in Cash	(2,883)	0	0	(2,883)
Cash - July 1, 2016	3,670	0	0	3,670
Cash - June 30, 2017	<u>\$ 787</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 787</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:				
Operating Income/(Loss)	\$ (423,493)	\$ 31,761	\$ (398,752)	\$ (790,484)
Depreciation and Amortization	766,432	0	0	766,432
(Increase)/Decrease in Accounts Receivable	(50)	154	0	104
(Increase)/Decrease in Prepaid Expenses	347	1,122	0	1,469
(Increase)/Decrease in Inventory	1,196	0	0	1,196
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	(11,995)	(47,925)	(59,920)
Increase/(Decrease) in Accounts Payable	5,714	15,099	(206)	20,607
Increase/(Decrease) in Accrued Payroll and Benefits Payable	50	(15,049)	(8,164)	(23,163)
Increase/(Decrease) in Unearned Revenue	0	52,217	0	52,217
Increase/(Decrease) in Compensated Absences Payable	0	11,888	(6,983)	4,905
Increase/(Decrease) in Net Pension Liability	0	21,707	78,467	100,174
Net Cash Provided/(Used) by Operating Activities	<u>\$ 350,196</u>	<u>\$ 106,904</u>	<u>\$ (383,563)</u>	<u>\$ 73,537</u>

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

TOWN OF COLCHESTER, VERMONT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2017

	Agency Fund
	Developer Escrow Fund
<u>ASSETS</u>	
Cash	\$ <u>218,026</u>
Total Assets	<u>218,026</u>
<u>LIABILITIES</u>	
Due to Others	<u>218,026</u>
Total Liabilities	<u>218,026</u>
<u>NET POSITION</u>	
Total Net Position	\$ <u><u>0</u></u>

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

The Town reports on the following major governmental funds:

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

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

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

The Town reports on the following major enterprise funds:

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

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

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

Additionally, the Town reports the following fund type:

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

E. Use of Estimates

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

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

1. Cash

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

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

2. Investments

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

3. Receivables

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

4. Internal Balances

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

5. Pensions

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

6. Inventories and Prepaid Expenses

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

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

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

7. Deferred Outflows/Inflows of Resources

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

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.

TOWN OF COLCHESTER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

8. Capital Assets

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

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

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

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

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

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

9. Compensated Absences

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

As of June 30, 2017, the governmental activities had \$689,128 in total compensated absences liability. The General Fund fund balance contains \$253,814 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, 2017 is \$435,314. 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 and the Police Dispatch Fund) are included as liabilities in their Statement of Net Position, as shown on Exhibit F.

10. Long-term Liabilities

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

11. Fund Equity

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

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

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

B. Budgeted Deficit

The Town budgeted a current year’s deficiency of revenues over expenditures in the General Fund in the amount of \$253,791 in order to utilize a portion of the previous year’s surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2017, expenditures in the General Fund exceeded appropriations by \$35,594 (0.3%). These over-expenditures were funded by excess revenues.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2017 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$8,370,080
Deposits held by Investment Company	198,787
Cash on Hand	<u>2,305</u>
Total Cash	<u>8,571,172</u>
Investments:	
Certificates of Deposit	430,128
U.S. Treasury Strips	<u>139,973</u>
Total Investments	<u>570,101</u>
Total Cash and Investments	<u>\$9,141,273</u>

The Town has three (3) certificates of deposit at various banks ranging from \$20,134 to \$298,479 with interest rates ranging from 0.4% to 2.0%. All of the certificates of deposit mature by fiscal year 2020.

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

Custodial Credit Risk

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

	Book Balance	Bank Balance
Insured by FDIC/SIPC	\$ 830,487	\$ 830,487
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	8,120,029	8,659,047
Uninsured, Uncollateralized	48,479	48,479
	\$ 8,998,995	\$ 9,538,013

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

The book balance is comprised of the following:

Cash – Deposits with Financial Institutions	\$8,370,080
Cash – Deposits held by Investment Company	198,787
Investments – Certificates of Deposit	430,128
Total	\$8,998,995

Interest Rate Risk

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

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity. The U.S. Treasury Strips are shown at their actual maturity.

Investment Type	Remaining Maturity		Total
	Less Than 1 Year	1 to 5 Years	
U.S. Treasury Strips	\$ 35,849	\$ 104,124	\$ 139,973

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Credit Risk

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

Concentration of Credit Risk

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

B. Receivables

Receivables as of June 30, 2017, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Delinquent Taxes Receivable	\$ 232,688	\$ 0	\$ 232,688
Penalties and Interest Receivable	43,079	0	43,079
Local Option Sales Tax Receivable	397,704	0	397,704
Ambulance Receivable	219,790	0	219,790
Grants Receivable	404,670	0	404,670
Accounts Receivable	52,220	0	52,220
Billed Services	0	5,648	5,648
Unbilled Services	0	324,384	324,384
Special Assessment - Current Portion *	0	195,000	195,000
Special Assessment - Noncurrent Portion *	0	765,000	765,000
Allowance for Doubtful Accounts - Taxes	(50,000)	0	(50,000)
Allowance for Doubtful Accounts - Ambulance	<u>(105,000)</u>	<u>0</u>	<u>(105,000)</u>
 Total	 <u>\$ 1,195,151</u>	 <u>\$ 1,290,032</u>	 <u>\$ 2,485,183</u>

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

C. Notes Receivable

Notes receivable as of June 30, 2017 are as follows:

Note Receivable, Holy Cross Senior Housing Partnership, Principal Payments Deferred until November, 2037, 0% Interest	\$ 300,000
Note Receivable, Champlain Housing Trust Corporation, Principal in the Form of a Balloon Payment due August 30, 2021, 0% Interest, Collateralized by 3 rd Mortgage on Land and Premises at 1302 Ethan Allen Drive	190,000
Note Receivable, Champlain Housing Trust Corporation, Principal Payments Deferred until August, 2036, 0% Interest	65,778
Note Receivable, Brookside Partnership, Principal and Interest Payments Deferred until January 2039, Interest at 4.46%	240,000
Note Receivable, Winchester Place Limited Partnership, Principal Payments Deferred until May, 2057, 0% Interest	543,477
Note Receivable, Housing Foundation, Inc., Principal and Administrative Fee Payments of \$6,116 Monthly, 2% Administrative Fee, Due January, 2022. Income from Repayment of the Loan will be Used to Pay the Related Windemere Park Septic System Improvements Bond Described in Note IV.I.	372,293
Notes Receivable, Fifteen (15) Loans to Residents for On-Site Sewage Disposal Systems and Potable Water Service, Principal and Interest Due Monthly Over Twenty (20) Years, Interest at 3%, Secured by Liens on Properties. Income from Repayment of the Loans will be Used to Pay the Related Septic Improvement Loan Program Bonds Described in Note IV.I.	<u>119,538</u>
Total Notes Receivable	1,831,086
Plus: Accrued Interest on Notes Receivable	83,755
Less: Allowance for Doubtful Notes and Accrued Interest Receivable	<u>(1,423,010)</u>
Reported Value as of June 30, 2017	\$ <u>491,831</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

D. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,104,936	\$ 0	\$ 0	\$ 2,104,936
Construction in Progress	693,048	1,085,012	818,304	959,756
Total Capital Assets, Not Being Depreciated	<u>2,797,984</u>	<u>1,085,012</u>	<u>818,304</u>	<u>3,064,692</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,069,186	218,327	0	2,287,513
Buildings and Building Improvements	10,304,270	0	0	10,304,270
Equipment and Furniture	2,574,013	125,091	67,724	2,631,380
Vehicles	3,819,948	522,652	472,081	3,870,519
Infrastructure	25,772,103	865,430	0	26,637,533
Totals	<u>44,539,520</u>	<u>1,731,500</u>	<u>539,805</u>	<u>45,731,215</u>
Less Accumulated Depreciation for:				
Land Improvements	826,489	65,272	0	891,761
Buildings and Building Improvements	2,253,851	184,275	0	2,438,126
Equipment and Furniture	1,335,527	234,077	66,295	1,503,309
Vehicles	1,993,988	327,637	423,922	1,897,703
Infrastructure	5,282,741	940,084	0	6,222,825
Totals	<u>11,692,596</u>	<u>1,751,345</u>	<u>490,217</u>	<u>12,953,724</u>
Total Capital Assets, Being Depreciated	<u>32,846,924</u>	<u>(19,845)</u>	<u>49,588</u>	<u>32,777,491</u>
Governmental Activities Capital Assets, Net	<u>\$ 35,644,908</u>	<u>\$ 1,065,167</u>	<u>\$ 867,892</u>	<u>\$ 35,842,183</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 132,568	\$ 0	\$ 0	\$ 132,568
Construction in Progress	22,247	29,564	51,811	0
Total Capital Assets, Not Being Depreciated	<u>154,815</u>	<u>29,564</u>	<u>51,811</u>	<u>132,568</u>
Capital Assets, Being Depreciated:				
Plant and Equipment:				
10 Years	7,807	0	0	7,807
15 Years	0	51,811	0	51,811
25 Years	1,159,789	0	0	1,159,789
30 Years	221,037	0	0	221,037
40 Years	323,679	0	0	323,679
50 Years	4,688,203	0	0	4,688,203
Capacity Rights - Wastewater Treatment	12,137,834	0	0	12,137,834
Totals	<u>18,538,349</u>	<u>51,811</u>	<u>0</u>	<u>18,590,160</u>
Less Accumulated Depreciation for:				
Plant and Equipment	3,633,425	159,540	0	3,792,965
Capacity Rights - Wastewater Treatment	1,820,676	606,892	0	2,427,568
Totals	<u>5,454,101</u>	<u>766,432</u>	<u>0</u>	<u>6,220,533</u>
Total Capital Assets, Being Depreciated	<u>13,084,248</u>	<u>(714,621)</u>	<u>0</u>	<u>12,369,627</u>
Business-type Activities Capital Assets, Net	<u>\$ 13,239,063</u>	<u>\$ (685,057)</u>	<u>\$ 51,811</u>	<u>\$ 12,502,195</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 105,507	Wastewater	\$ <u>766,432</u>
Public Safety	387,411		
Public Works	1,012,127		
Culture and Recreation	<u>246,300</u>		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
	<u>\$ 1,751,345</u>		<u>\$ 766,432</u>

E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2017 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 5,370,049
Capital Projects Fund	749,932	0
Reserve Fund	1,166,440	0
Non-Major Governmental Funds	1,303,584	0
Wastewater Fund	1,304,046	0
Recreation Program Fund	675,557	0
Police Dispatch Fund	<u>170,490</u>	<u>0</u>
Total	<u>\$ 5,370,049</u>	<u>\$ 5,370,049</u>

Interfund transfers during the year ended June 30, 2017 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Reserve Fund	\$ 2,500	Appropriation
General Fund	Reserve Fund	2,416	Fund Capital Purchase
General Fund	Capital Projects Fund	122,742	Fund Local Match
General Fund	Recreation Acquisition and Development Fund	5,000	Appropriation
General Fund	Police Dispatch Fund	396,800	Appropriation
General Fund	Police Dispatch Fund	150,000	Fund Regional Dispatch Services
Capital Projects Fund	General Fund	82,989	Unspent Project Funding Refund
Recreation Program Fund	General Fund	<u>9,405</u>	Fund Capital Purchase
Total		<u>\$ 771,852</u>	

F. Unearned Revenue

Unearned revenue in the Non-Major Governmental Funds consists of \$112,223 of grant revenue received in advance.

Unearned revenue in the Recreation Program Fund consists of \$256,337 of recreation fees received in advance. This revenue will be earned when the recreation programs are provided.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

G. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$54,274 from the difference between the expected and actual experience, \$424,298 from changes in assumptions, \$856,666 from the difference between the projected and actual investment earnings and \$130,489 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 \$338,817 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$1,804,544.

Deferred outflows of resources in the business-type activities consists of \$5,319 from the difference between the expected and actual experience, \$41,580 from changes in assumptions, \$83,950 from the difference between the projected and actual investment earnings and \$12,788 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 \$33,203 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the business-type activities is \$176,840.

Deferred outflows of resources in the Recreation Program Fund consists of \$1,536 from the difference between the expected and actual experience, \$12,002 from changes in assumptions, \$24,232 from the difference between the projected and actual investment earnings and \$3,691 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 \$9,584 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Recreation Program Fund is \$51,045.

Deferred outflows of resources in the Police Dispatch Fund consists of \$3,783 from the difference between the expected and actual experience, \$29,578 from changes in assumptions, \$59,718 from the difference between the projected and actual investment earnings and \$9,097 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 \$23,619 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Police Dispatch Fund is \$125,795.

H. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$13,463 of prepaid property taxes.

Deferred inflows of resources in the General Fund consists of \$141,954 of delinquent property taxes, penalties and interest on those taxes, \$105,709 of ambulance fees and \$5,508 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$13,463 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$266,634.

Deferred inflows of resources in the Capital Projects Fund consist of \$227,646 of grant revenue not collected within sixty (60) days after year-end as this would not be available to liquidate current liabilities.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$491,831 of notes receivable as these would not be available to liquidate current liabilities.

I. Long-term Liabilities

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

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

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

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

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

Long-term liabilities outstanding as of June 30, 2017 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Belwood Drainage Project, Principal Payments of \$49,642 Payable on December 1 Annually, 0% Interest, Due December, 2023	\$ 397,130	\$ 0	\$ 49,642	\$ 347,488

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$9,174 Payable on April 1 Annually, Interest at 2%, Due April, 2027	\$ 89,781	\$ 0	\$ 7,378	\$ 82,403
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$4,941 Payable on July 1 Annually, Interest at 2%, Due July, 2028	52,255	0	3,896	48,359
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Interest Payments of \$6,181 Payable on August 1 Annually, Interest at 2%, Due August, 2034	96,909	0	4,243	92,666
Bond Payable, Vermont Municipal Bond Bank, Municipal Building, Principal Payments of \$305,000 Payable on December 1 Annually, Interest Ranging from 3.865% to 4.665% Payable June 1 and December 1, Due December, 2027	3,660,000	0	305,000	3,355,000
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	495,000	0	55,000	440,000
Capital Lease Payable, First Niagara Leasing, Street Light Project, Principal and Interest Payments of \$61,656 Payable on July 15 Annually, Interest at 1.946%, Due July, 2018	177,935	0	58,162	119,773

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Windemere Park Septic System Improvements, Principal and Administrative Fee Payments of \$73,393 Payable on December 1 Annually, 2% Administrative Fee, Due December, 2022	\$ 475,000	\$ 0	\$ 63,893	\$ 411,107
Total Governmental Activities	<u>\$5,444,010</u>	<u>\$ 0</u>	<u>\$547,214</u>	<u>\$4,896,796</u>

Business-type Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$60,000 to \$155,000 Payable on November 1 Annually, Interest Ranging from 6.9% to 7.0% Payable May 1 and November 1, Due November, 2020	\$ 675,000	\$ 0	\$115,000	\$ 560,000

Bond Payable, Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$35,000 to \$90,000 Payable on November 1 Annually, Interest Ranging from 6.9% to 7.0% Payable May 1 and November 1, Due November, 2021	465,000	0	65,000	400,000
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Bond Payable, State of Vermont Special Environmental Revolving Fund, Breezy Acres Trailer Park Sewer System, Principal Payments of \$79,048 Payable on July 1 Annually, 0% Interest, Due July, 2019	<u>237,144</u>	<u>0</u>	<u>79,048</u>	<u>158,096</u>
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Total Business-type Activities	<u>\$1,377,144</u>	<u>\$ 0</u>	<u>\$259,048</u>	<u>\$1,118,096</u>
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Changes in long-term liabilities during the year were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 5,266,075	\$ 0	\$ 489,052	\$ 4,777,023	\$ 490,641
Capital Leases Payable	177,935	0	58,162	119,773	61,656
Compensated Absences Payable	644,096	45,032	0	689,128	0
Net Pension Liability	<u>1,568,517</u>	<u>1,073,490</u>	<u>0</u>	<u>2,642,007</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 7,656,623</u>	<u>\$ 1,118,522</u>	<u>\$ 547,214</u>	<u>\$ 8,227,931</u>	<u>\$ 552,297</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
General Obligation Bonds Payable	\$ 237,144	\$ 0	\$ 79,048	\$ 158,096	\$ 79,048
Special Assessment Debt with Governmental Commitment	1,140,000	0	180,000	960,000	195,000
Due to South Burlington - Capacity Rights	10,609,001	0	530,130	10,078,871	540,733
Compensated Absences Payable	57,286	4,905	0	62,191	0
Net Pension Liability	<u>158,735</u>	<u>100,174</u>	<u>0</u>	<u>258,909</u>	<u>0</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 12,202,166</u>	<u>\$ 105,079</u>	<u>\$ 789,178</u>	<u>\$ 11,518,067</u>	<u>\$ 814,781</u>

The Town has an agreement with the City of South Burlington, Vermont to assist in the upgrade of South Burlington's wastewater treatment facility. This agreement provides wastewater treatment capacity rights to the Town of Colchester in exchange for \$8,115,040 in growth in capacity costs and \$5,225,594 in operation and maintenance upgrade costs for a total of \$13,340,634. The Town of Colchester has paid for \$1,202,800 of these costs through a STAG grant. The City of South Burlington has issued twenty year bonds from the State of Vermont Special Environmental Revolving Fund to provide the additional funding for this project and will bill the Town of Colchester for its proportionate share of the project costs. The Town of Colchester plans to pay for these improvements from a combination of cash reserves, grants and rate adjustments. The annual debt service to the Town will require annual payments of \$742,310, which began in April, 2014, for twenty (20) years which includes interest at 2%. The Town of Colchester has acquired the capacity and treatment rights for both past and future development within the Town. The balance owed to the City of South Burlington as of June 30, 2017 was \$10,078,871.

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

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

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities	
	Principal	Interest	Capital Leases	Principal	Interest
2018	\$ 490,641	\$ 169,357	\$ 61,656	\$ 274,048	\$ 10,093
2019	492,261	134,236	61,656	289,048	(37,480)
2020	493,913	117,621	0	225,000	(43,511)
2021	495,598	100,404	0	240,000	(108,402)
2022	497,317	81,478	0	90,000	(49,611)
2023-2027	1,952,176	148,385	0	0	0
2028-2032	337,297	3,588	0	0	0
2033-2035	<u>17,820</u>	<u>718</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	4,777,023	755,787	123,312	1,118,096	(228,911)
Less: Imputed Interest	<u>0</u>	<u>0</u>	<u>(3,539)</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 4,777,023</u>	<u>\$ 755,787</u>	<u>\$ 119,773</u>	<u>\$ 1,118,096</u>	<u>\$ (228,911)</u>

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

J. Fund Balances

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

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

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

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

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

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

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

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

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ 58,308
Nonspendable Inventories	<u>47,044</u>
Total General Fund	<u>105,352</u>

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Non-Major Funds

Permanent Funds:

Nonspendable Burnham Memorial Library Fund Principal	\$ 2,000
Nonspendable Cemetery Fund Principal	<u>164,571</u>

Total Non-Major Funds	<u>166,571</u>
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Total Nonspendable Fund Balances	<u>\$271,923</u>
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The fund balances in the following funds are restricted as follows:

Non-Major Funds

Special Revenue Funds:

Restricted for Revolving Loans by Grant Agreements (Source of Revenue is Grant Revenue)	\$ 101,796
Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	43,288
Restricted for Grant Expenses by Grant Agreement (Source of Revenue is Grant Revenue and Donations)	14,583
Restricted for Police Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	<u>124,989</u>

Total Special Revenue Funds	<u>284,656</u>
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Capital Projects Funds:

Restricted for Recreation Acquisition and Development Expenditures by Impact Fees (Source of Revenue is Impact Fees)	<u>283,745</u>
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Permanent Funds:

Burnham Memorial Library Expenses by Trust Agreement – Expendable Portion (Source of Revenue is Donations)	20,119
Restricted for Cemetery Expenses by Trust Agreement – Expendable Portion (Source of Revenue is Sale of Lots)	<u>98,186</u>

Total Permanent Funds	<u>118,305</u>
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Debt Service Fund:

Restricted for Expenses or Financing of Voter-Approved Capital Projects within the Town and Voter-Approved Intermunicipal Financial Support by Charter	<u>1,096,223</u>
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Total Restricted Fund Balances	<u>\$1,782,929</u>
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TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

Major Fund

General Fund:

Committed for Accrued Leave Time Payments by the Voters	\$ <u>253,814</u>
Total Committed Fund Balance	\$ <u>253,814</u>

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

Major Funds

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2018	\$ 336,661
Assigned to Reduce Property Taxes in Fiscal Year 2019	<u>200,000</u>
Total General Fund	<u>536,661</u>

Capital Projects Fund:

Assigned for Capital Projects	<u>620,012</u>
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Reserve Fund:

Assigned for Reserve Fund Expenses for Reappraisal, Technology and Public Safety Capital Items	<u>1,154,880</u>
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Non-Major Funds

Capital Projects Funds:

Assigned for Capital Equipment Expenditures	<u>127,550</u>
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Total Assigned Fund Balances	\$ <u>2,439,103</u>
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TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2017 consisted of the following:

Governmental Activities:

Inventories Restricted for Highway Use by Statute	\$ 47,044
Restricted for Community Development by Grant Agreements	4,474
Restricted for Grant Expenses by Grant Agreements	14,583
Restricted for Law Enforcement by Grant Agreements	124,989
Restricted for Recreation Acquisition/Development by Impact Fees	283,745
Restricted for Burnham Library by Donations - Non-Expendable Portion	2,000
Restricted for Burnham Library by Donations - Expendable Portion	20,119
Restricted for Cemetery by Trust Agreements - Non-Expendable Portion	164,571
Restricted for Cemetery by Trust Agreements - Expendable Portion	98,186
Restricted for Expenses of Voter-Approved Capital Projects within the Town and Voter-Approved Intermunicipal Financial Support by Charter	<u>1,096,223</u>
Total Governmental Activities	<u>\$1,855,934</u>

The designated net position of the Town as of June 30, 2017 consisted of the following:

Business-type Activities:

Wastewater Fund:

Designated for South Burlington Plant Debt Service	\$ 922,431
Designated for Wastewater Fund Expenditures	<u>752,870</u>

Total Wastewater Fund 1,675,301

Recreation Program Fund:

Designated for Recreation Program Fund Expenses	<u>296,437</u>
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Police Dispatch Fund:

Designated for Police Dispatch Expenses	<u>78,054</u>
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Total Business-type Activities \$2,049,792

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

V. OTHER INFORMATION

A. PENSION PLAN

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. During the year ended June 30, 2017, the retirement system consisted of 441 participating employers.

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

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

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

Pension Liability, Pension Expense and Deferred Outflows of Resources

As of June 30, 2016, the measurement date selected by the State of Vermont, VMERS was funded at 80.95% and had a plan fiduciary net position of \$547,015,114 and a total pension liability of \$675,711,281 resulting in a net position liability of \$128,696,167. As of June 30, 2017, the Town's proportionate share of this was 2.2541% resulting in a net pension liability of \$2,900,916. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. As of June 30, 2016, the Town's proportion of 2.2541% was an increase of 0.0137 from its proportion measured as of June 30, 2015.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

For the year ended June 30, 2017, the Town recognized pension expense of \$836,418.

As of June 30, 2017, the Town reported deferred outflows of resources from the following sources:

		<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$	59,593
Changes in assumptions		465,878
Difference between projected and actual investment earnings on pension assets		940,616
Changes in proportion and differences between employer contributions and proportionate share of contributions		143,277
Town's required employer contributions made subsequent to the measurement date		<u>372,020</u>
	\$	<u><u>1,981,384</u></u>

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$372,020 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>		
2018	\$	441,792
2019		441,792
2020		563,488
2021		<u>162,292</u>
Total		<u><u>\$1,609,364</u></u>

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Service Retirement Allowance:

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

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

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

Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

Amount – Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three (3) minor children (or children up to age 23 if enrolled in full time studies) of a disabled Group D member.

Death Benefit:

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

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

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

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

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

Significant Actuarial Assumptions and Methods

The actuarial assumptions regarding the incidence of mortality, terminations, retirements and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

Interest Rate: 7.95% per annum.

Salary increases: 5% per year.

Deaths: Groups B and C – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue collar and 40% White collar adjustment. Group D – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 100% Blue Collar adjustment. The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

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

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

Actuarial Cost Method: Projected benefit cost method. The unfunded accrued liability is amortized in installments increasing 5% per year.

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

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

TOWN OF COLCHESTER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

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

Long-term Expected Rate of Return:

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

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

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

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

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

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$4,815,810	\$2,900,916	\$1,297,586

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Additional Information

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

Defined Contribution Plan

The Town offers a 401(a) pension plan to all full time employees, except police officers who were hired prior to January 1, 2013. The plan provides for 100% vesting after five (5) years of service. This plan qualifies, according to the Internal Revenue Service, as a defined contribution pension plan for governmental organizations exempt from income taxes. The Town contributes 8.5% of each non-union employee's base pay and 7% of each union employee's base pay. Both union and non-union employees contribute 1% of their base pay. The International City/County Management Association administers the Plan. Total covered payroll was \$964,076. Pension expense for the year ended June 30, 2017 was \$76,593.

Deferred Compensation Plan

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

B. CONTINGENT LIABILITIES

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

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

TOWN OF COLCHESTER, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017

C. RISK MANAGEMENT

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

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

D. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are collected three (3) times per year. During the tax year ended June 30, 2017 taxes became due and payable on August 15, 2016, November 15, 2016 and March 15, 2017. 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 2017 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	.5440	.5440
Education	<u>1.4113</u>	<u>1.5805</u>
Total	<u>1.9553</u>	<u>2.1245</u>

E. LOCAL OPTION SALES TAX

In the fiscal year ending June 30, 2017, the Town had revenue of \$1,482,495 in local option sales tax in the Debt Service Fund. The Town paid out \$643,135 in voter approved capital project debt service for the Bellowood neighborhood drainage project, the Bayside Hazlett Property, the LED street light lease-purchase and the Blakely Road Town Hall Building and Police Station improvements. The fund balance of the Debt Service Fund (which is a subcomponent of the Non-Major Governmental Funds as reflected in Exhibit D) is \$1,096,223.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 2017, the Library contributed another \$7,190 to the Foundation. The balance of the Endowment Fund at June 30, 2017 is \$100,944.

G. LAND LEASE

In August, 1994, the Town of Colchester entered into a land lease agreement with Arborvitae Medical Office Partners, LLC. The Town will lease land which is adjacent to the Town's offices to Arborvitae Medical Office Partners, LLC. for thirty (30) years. The Town will receive lease payments from Arborvitae Medical Office Partners, LLC for thirty (30) years. The agreement provided for the construction of a building which is rented to a medical center. Arborvitae Medical Office Partners, LLC. collects these rent payments. At the end of the thirty (30) year agreement, the building will become property of the Town. The Town will then begin to receive the rental payments from the medical center. A purchase price option is included in the lease whereby the Town can purchase the building. The current purchase price is \$788,522.

Future land lease revenue is as follows:

2018	\$ 27,061
2019	27,806
2020	28,570
2021	29,356
2022	30,163
Thereafter	<u>62,838</u>
	<u>\$205,794</u>

H. COMMITMENTS

The Town of Colchester's voters have approved borrowing up to \$1,225,000 from the State of Vermont Special Environmental Revolving Fund to be used for low interest septic system improvement loans for Colchester residents and the Housing Foundation, Inc. As of June 30, 2017, the Town borrowed \$831,864 and has a balance owed of \$634,535.

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:			
PROPERTY TAXES	\$ 10,035,834	\$ 10,047,330	\$ 11,496
VETERAN'S TAX EXEMPTION	(21,000)	(28,884)	(7,884)
INTEREST ON DELINQUENT TAXES	50,000	51,947	1,947
PENALTIES ON DELINQUENT TAXES	63,000	73,718	10,718
LIQUOR LICENSES	4,100	4,350	250
LICENSES - TOWN	4,500	4,485	(15)
DEPARTMENT OF MOTOR VEHICLES	850	804	(46)
MARRIAGE LICENSES	1,200	917	(283)
DOG LICENSES	9,000	10,772	1,772
GRANT ADMINISTRATION INCOME	0	39,095	39,095
PAYMENT IN LIEU OF TAXES	168,000	281,598	113,598
CURRENT USE HOLD HARMLESS	26,000	32,240	6,240
VLCT INSURANCE DISTRIBUTIONS	9,000	9,758	758
INVESTMENT INCOME	20,000	25,006	5,006
LAND RENT	26,337	26,337	0
WASTEWATER ADMINISTRATION CHARGES	102,606	102,606	0
TRANSFER FROM CAPITAL PROJECTS FUND	82,742	82,989	247
MISCELLANEOUS	12,000	19,568	7,568
SUPPORT PAYMENTS	50,250	52,494	2,244
POLICE	3,000	1,528	(1,472)
POLICE ORDINANCE FEES	2,500	4,250	1,750
POLICE SPECIAL DETAIL CHARGES	0	44,036	44,036
AMBULANCE	376,649	397,710	21,061
TECHNICAL RESCUE	0	867	867
RECORDING FEES	120,000	128,737	8,737
ACCESSORY APARTMENT/SEASONAL CONVERSION	500	1,400	900
BUILDING/ZONING PERMITS	235,218	299,490	64,272
SEPTIC PERMITS	1,200	1,600	400
DRB LEGAL NOTICES	1,600	1,900	300
DRB/BLA APPLICATIONS	20,500	21,200	700
EXCAVATION W/ROW	12,600	7,511	(5,089)
CERTIFICATES OF OCCUPANCY	18,000	25,450	7,450
GIS INCOME	350	184	(166)
STATE WASTEWATER PERMITS	33,440	39,605	6,165
ORDINANCE AND MAP COPIES	400	176	(224)
CERTIFIED COPIES OF VITAL RECORDS	5,000	6,084	1,084
COPIES AND MAPS	17,000	17,303	303
USE OF VAULT	3,000	2,769	(231)
PASSPORTS	18,000	29,565	11,565
PASSPORT PHOTOS	7,500	11,897	4,397
ROAD MISCELLANEOUS	2,500	2,957	457
DOG CONTROL	1,500	1,630	130
GREEN MOUNTAIN PASSPORTS	200	285	85
RECREATION	17,500	20,185	2,685
DISTRICT COURT FINES	27,000	14,014	(12,986)
PLANNING AND ZONING FINES	1,000	1,245	245
GRANT INCOME	5,000	0	(5,000)
LIBRARY GRANT INCOME	4,650	0	(4,650)
ACT 68 REIMBURSEMENT	54,000	59,060	5,060
ACT 60 REIMBURSEMENT	6,900	6,907	7
ANNUAL SCHOOL PAYMENT	23,433	24,489	1,056
ANNUAL SCHOOL PAYMENT - MAINTENANCE	18,540	18,540	0
STATE AID TO HIGHWAYS	196,369	196,337	(32)
MARINE ENFORCEMENT	22,000	21,844	(156)
DONATIONS	0	636	636
TOTAL REVENUES	<u>11,901,468</u>	<u>12,248,521</u>	<u>347,053</u>

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
EXPENDITURES:			
SELECTBOARD:			
SALARIES	\$ 6,500	\$ 6,500	\$ 0
EMPLOYER TAXES & BENEFITS	497	497	0
TOWN MEETING	750	0	750
TOWN REPORT	1,581	680	901
PRINTING & BINDING	2,000	0	2,000
MISCELLANEOUS	500	0	500
CONTINGENCY	66,000	0	66,000
TRANSFER TO ACCRUED LEAVE TIME FUND	100,000	100,000	0
TRANSFER TO POLICE DISPATCH FUND	0	150,000	(150,000)
TRANSFER TO CAPITAL PROJECTS FUND	82,742	122,742	(40,000)
TOTAL SELECTBOARD	260,570	380,419	(119,849)
CIVIL BOARD:			
SALARIES	13,200	13,959	(759)
OTHER SALARIES	10,000	5,078	4,922
EMPLOYER TAXES & BENEFITS	11,429	10,600	829
POSTAGE	2,500	940	1,560
MACHINERY & EQUIPMENT	600	0	600
MISCELLANEOUS	7,500	3,408	4,092
TOTAL CIVIL BOARD	45,229	33,985	11,244
MANAGER:			
SALARIES	333,720	341,698	(7,978)
EMPLOYER TAXES & BENEFITS	119,108	118,699	409
PERSONNEL DEVELOPMENT	5,000	4,228	772
EMPLOYEE & VOLUNTEER APPRECIATION	2,500	526	1,974
DUES & PUBLICATIONS	4,000	4,321	(321)
PROFESSIONAL SERVICES	9,000	17,766	(8,766)
LEGAL	19,000	36,548	(17,548)
LEGAL - UNION NEGOTIATIONS	0	138	(138)
LEGAL - HUMAN RESOURCES	8,500	1,479	7,021
TELEPHONE	869	0	869
COMMUNICATIONS	2,200	1,416	784
RECRUITING	0	744	(744)
FLAG REPLACEMENT	500	0	500
PUBLIC HEARING ADVERTISING	4,000	6,212	(2,212)
OFFICE SUPPLIES	8,000	7,700	300
OPERATING SUPPLIES	1,000	215	785
POSTAGE	3,500	282	3,218
MILEAGE REIMBURSEMENT	5,000	9,313	(4,313)
MISCELLANEOUS	22,000	19,482	2,518
EMERGENCY MANAGEMENT	0	122	(122)
GREEN UP VERMONT	500	48	452
TOTAL MANAGER	548,397	570,937	(22,540)
COMMUNITY DEVELOPMENT:			
SALARIES	67,701	68,884	(1,183)
EMPLOYER TAXES & BENEFITS	34,889	27,503	7,386
PERSONNEL DEVELOPMENT	2,000	2,457	(457)
DUES & PUBLICATIONS	1,250	965	285
TELEPHONE	90	0	90
VEHICLE MAINTENANCE & TRANSPORTATION	1,000	378	622
MARKETING & COMMUNICATION	19,400	17,369	2,031
OPERATING SUPPLIES	300	0	300
MILEAGE REIMBURSEMENT	0	1,246	(1,246)
MISCELLANEOUS	160	81	79
TOTAL COMMUNITY DEVELOPMENT	126,790	118,883	7,907

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
FINANCE:			
SALARIES	\$ 209,257	\$ 214,320	\$ (5,063)
EMPLOYER TAXES & BENEFITS	95,334	91,212	4,122
PERSONNEL DEVELOPMENT	2,500	1,110	1,390
DUES & PUBLICATIONS	425	0	425
PROFESSIONAL SERVICES	40,000	29,105	10,895
TELEPHONE	500	0	500
OFFICE SUPPLIES	2,800	1,995	805
POSTAGE	1,900	1,454	446
COMPUTERS	23,500	21,954	1,546
MISCELLANEOUS	200	1,114	(914)
TOTAL FINANCE	376,416	362,264	14,152
ASSESSOR:			
SALARIES	88,105	92,547	(4,442)
LISTERS	500	244	256
EMPLOYER TAXES & BENEFITS	47,147	46,756	391
PERSONNEL DEVELOPMENT	2,400	135	2,265
DUES & PUBLICATIONS	3,400	6,103	(2,703)
PROFESSIONAL SERVICES	23,000	18,186	4,814
LEGAL	7,500	7,168	332
REAPPRAISAL	15,000	17,600	(2,600)
TELEPHONE	500	0	500
OPERATING SUPPLIES	1,300	962	338
POSTAGE	800	1,014	(214)
GASOLINE	2,400	190	2,210
COMPUTERS	1,500	649	851
VEHICLE MAINTENANCE	167	420	(253)
TOTAL ASSESSOR	193,719	191,974	1,745
TOWN CLERK/TREASURER:			
SALARIES	222,887	234,438	(11,551)
EMPLOYER TAXES & BENEFITS	109,376	109,419	(43)
PERSONNEL DEVELOPMENT	3,000	1,090	1,910
DUES & PUBLICATIONS	500	674	(174)
LEGAL	5,000	7,044	(2,044)
TELEPHONE	600	0	600
OFFICE SUPPLIES	1,500	0	1,500
OPERATING SUPPLIES	12,000	10,436	1,564
POSTAGE	7,250	8,124	(874)
MACHINERY & EQUIPMENT	500	0	500
COMPUTERS	750	0	750
MISCELLANEOUS	500	545	(45)
TOTAL TOWN CLERK/TREASURER	363,863	371,770	(7,907)
PLANNING/ZONING:			
SALARIES	353,926	354,136	(210)
SALARIES - PLANNING COMMISSION/ZONING BOARD	3,600	3,744	(144)
EMPLOYER TAXES & BENEFITS	159,454	156,554	2,900
PERSONNEL DEVELOPMENT	7,875	8,615	(740)
DUES & PUBLICATIONS	6,100	6,050	50
PROFESSIONAL SERVICES	22,500	18,780	3,720
LEGAL	27,000	26,143	857
TELEPHONE	553	0	553
COMMUNICATIONS	900	692	208
ADVERTISING	500	0	500
ADVERTISING - PUBLIC MEETINGS	2,200	2,055	145
PRINTING & BINDING	600	562	38
OPERATING SUPPLIES	4,000	3,223	777
POSTAGE	1,800	1,590	210
GASOLINE	1,025	781	244
MILEAGE REIMBURSEMENT	1,000	710	290
COMPUTERS	16,500	6,671	9,829
VEHICLE MAINTENANCE	1,200	268	932
GIS	500	650	(150)
TOTAL PLANNING/ZONING	611,233	591,224	20,009

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TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
INFORMATION TECHNOLOGY:			
SALARIES	\$ 103,781	\$ 105,012	\$ (1,231)
EMPLOYER TAXES & BENEFITS	28,825	27,402	1,423
PERSONNEL DEVELOPMENT	4,000	0	4,000
PROFESSIONAL SERVICES	7,500	850	6,650
INTERNET PROVIDER	500	2,066	(1,566)
TELEPHONE	300	150	150
COMMUNICATIONS	850	826	24
REPAIR/MAINT - EQUIPMENT	4,000	217	3,783
OPERATING SUPPLIES	100	30	70
MILEAGE REIMBURSEMENT	100	9	91
MACHINERY & EQUIPMENT	5,000	4,466	534
SOFTWARE	0	7,645	(7,645)
MISCELLANEOUS	4,000	0	4,000
TOTAL INFORMATION TECHNOLOGY	158,956	148,673	10,283
POLICE ENFORCEMENT:			
SALARIES	2,165,256	2,104,380	60,876
EMPLOYER TAXES & BENEFITS	1,030,644	997,063	33,581
PERSONNEL DEVELOPMENT	4,000	2,583	1,417
DUES & PUBLICATIONS	2,500	1,859	641
TRAINING	20,400	24,967	(4,567)
UNIFORMS AND EQUIP	40,000	51,282	(11,282)
LEGAL	500	3,184	(2,684)
UTILITIES	23,000	21,435	1,565
TELEPHONE	9,000	5,947	3,053
COMMUNICATIONS	35,000	40,857	(5,857)
PUBLIC SAFETY COMMUNICATIONS	19,000	44,920	(25,920)
NEW VEHICLE/EQUIPMENT	0	18,361	(18,361)
VEHICLE MAINTENANCE	37,850	26,057	11,793
BUILDING MAINTENANCE	24,000	37,152	(13,152)
OFFICE SUPPLIES	8,500	9,738	(1,238)
PHOTO AND FINGERPRINT	6,700	6,644	56
POSTAGE	1,100	496	604
GASOLINE	79,000	46,223	32,777
COMPUTERS	2,500	3,813	(1,313)
MISCELLANEOUS	16,000	22,296	(6,296)
BOATING SAFETY GRANT EXPENSES	9,500	7,891	1,609
SPECIAL PROGRAMS	3,000	4,433	(1,433)
TOTAL POLICE ENFORCEMENT	3,537,450	3,481,581	55,869
FIRE DEPARTMENTS:			
COLCHESTER CENTER FIRE CO	489,200	489,200	0
MALLETTS BAY FIRE DEPARTMENT	389,400	389,400	0
TOTAL FIRE DEPARTMENTS	878,600	878,600	0
RESCUE:			
SALARIES	334,564	349,667	(15,103)
EMPLOYER TAXES & BENEFITS	155,530	144,001	11,529
TRAINING	8,500	6,323	2,177
UNIFORMS	3,500	4,771	(1,271)
HEALTH & SAFETY	500	0	500
ANNUAL AMBULANCE ASSESSMENT	0	12,470	(12,470)
UTILITIES	13,250	13,120	130
TELEPHONE	700	0	700
COMMUNICATIONS	2,000	2,155	(155)
JANITORIAL SERVICES	1,800	1,107	693
VEHICLE MAINT	4,500	8,157	(3,657)
REPAIR/MAINTENANCE - EQUIPMENT	3,500	3,983	(483)
BUILDING MAINTENANCE	5,500	7,911	(2,411)
COMMUNICATIONS R&M	400	303	97

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
RESCUE/(CONT'D):			
OFFICE SUPPLIES	\$ 1,400	\$ 1,144	\$ 256
OPERATING SUPPLIES	17,000	17,942	(942)
POSTAGE	75	29	46
GASOLINE	5,500	3,863	1,637
MACHINERY & EQUIPMENT	1,000	428	572
COMPUTERS	1,500	0	1,500
MISCELLANEOUS	5,000	7,006	(2,006)
AMBULANCE PERSONNEL DONATIONS	1,000	3,251	(2,251)
SPECIAL PROGRAMS	300	203	97
TOTAL RESCUE	<u>567,019</u>	<u>587,834</u>	<u>(20,815)</u>
TECHNICAL RESCUE:			
SALARIES	9,000	7,350	1,650
EMPLOYER TAXES & BENEFITS	2,475	2,848	(373)
TRAINING	4,000	200	3,800
UNIFORMS	2,500	2,160	340
HEALTH & SAFETY	1,400	266	1,134
UTILITIES	150	115	35
COMMUNICATIONS	2,900	3,117	(217)
VEHICLE MAINTENANCE	1,500	3,511	(2,011)
EQUIPMENT R&M	2,000	2,212	(212)
BUILDING MAINTENANCE	1,000	1,874	(874)
COMMUNICATIONS R&M	250	48	202
OPERATING SUPPLIES	300	313	(13)
GASOLINE	2,665	1,788	877
MACHINERY & EQUIPMENT	4,000	1,873	2,127
TOTAL TECHNICAL RESCUE	<u>34,140</u>	<u>27,675</u>	<u>6,465</u>
TRANSFER TO POLICE DISPATCH FUND:	<u>396,800</u>	<u>396,800</u>	<u>0</u>
PUBLIC WORKS - ADMINISTRATION:			
SALARIES	370,444	402,369	(31,925)
EMPLOYER TAXES & BENEFITS	171,895	171,770	125
PERSONNEL DEVELOPMENT	3,500	837	2,663
DUES & PUBLICATIONS	1,000	1,408	(408)
PROFESSIONAL SERVICES	32,700	21,699	11,001
LEGAL	1,000	2,943	(1,943)
TELEPHONE	700	0	700
COMMUNICATIONS	2,130	1,917	213
VEHICLE MAINTENANCE & TRANSPORTATION	167	146	21
ADVERTISING	0	121	(121)
RECRUITMENT	0	2,105	(2,105)
OFFICE SUPPLIES	950	1,732	(782)
OPERATING SUPPLIES	400	286	114
POSTAGE	650	485	165
GASOLINE	200	116	84
MILEAGE REIMBURSEMENT	4,500	4,619	(119)
COMPUTERS	4,300	4,235	65
MISCELLANEOUS	0	779	(779)
TOTAL PUBLIC WORKS - ADMINISTRATION	<u>594,536</u>	<u>617,567</u>	<u>(23,031)</u>
HIGHWAY DEPARTMENT:			
SALARIES	454,726	436,994	17,732
EMPLOYER TAXES & BENEFITS	237,473	243,793	(6,320)
UNIFORMS	6,643	5,791	852
COMMERCIAL DRIVERS LICENSE	150	257	(107)
STREET LIGHTS	60,000	69,308	(9,308)
TRAFFIC SIGNALS	8,670	15,772	(7,102)
COMMUNICATIONS	998	288	710
STREET LIGHT MAINTENANCE	5,000	1,334	3,666
TREE MAINTENANCE	5,000	5,385	(385)

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TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
HIGHWAY DEPARTMENT/(CONTD):			
TIRES AND TUBES	\$ 8,500	\$ 8,516	\$ (16)
STRIPING	28,701	21,503	7,198
REPAIR PARTS & EQUIPMENT	31,540	28,719	2,821
BRIDGES	250	0	250
ROLLER / TRAILER	150	175	(25)
PAINT TRAILER	100	0	100
HIRED EQUIPMENT - WINTER	500	450	50
HIRED EQUIPMENT - SUMMER	500	1,000	(500)
OPERATING SUPPLIES	4,000	4,066	(66)
EQUIPMENT SUPPLIES	1,750	636	1,114
SMALL TOOLS & EQUIPMENT	750	776	(26)
CHLORIDE	9,320	7,498	1,822
GRAVEL	17,181	20,015	(2,834)
ASPHALT REPAIR	5,500	7,270	(1,770)
SIGNS	7,000	7,199	(199)
WINTER SAND	18,531	30,945	(12,414)
WINTER SALT	123,718	150,868	(27,150)
GASOLINE	69,021	36,421	32,600
MARBLE ISLAND ROAD REPAIR	0	17,389	(17,389)
MISCELLANEOUS	0	107	(107)
	<u>1,105,672</u>	<u>1,122,475</u>	<u>(16,803)</u>
TOTAL HIGHWAY DEPARTMENT			
MAINTENANCE FACILITY:			
SALARIES	204,048	184,417	19,631
EMPLOYER TAXES & BENEFITS	85,853	93,197	(7,344)
TRAINING	975	975	0
UNIFORMS	2,832	3,039	(207)
VEHICLE INSPECTION FEES	0	49	(49)
UTILITIES	17,400	15,820	1,580
TELEPHONE	800	0	800
REPAIRS AND MAINTENANCE	11,000	12,016	(1,016)
VEHICLE MAINTENANCE	300	302	(2)
OFFICE SUPPLIES	150	100	50
OPERATING SUPPLIES	3,775	3,618	157
EQUIPMENT SUPPLIES	14,000	15,018	(1,018)
WELDING SUPPLIES	1,000	995	5
GASOLINE	700	755	(55)
MACHINERY & EQUIPMENT	3,000	6,676	(3,676)
COMPUTERS	200	135	65
MISCELLANEOUS	0	19	(19)
	<u>346,033</u>	<u>337,131</u>	<u>8,902</u>
TOTAL MAINTENANCE FACILITY			
STORMWATER:			
SALARIES	90,428	94,692	(4,264)
EMPLOYER TAXES & BENEFITS	50,430	45,484	4,946
UNIFORMS	1,865	2,256	(391)
LEGAL	0	660	(660)
CATCH BASINS	4,250	3,718	532
SWEEPER	2,500	402	2,098
SWEEPER - 2007 STERLING	2,500	6,536	(4,036)
WATER FOR SWEEPER	788	81	707
STORMWATER PUMPS	935	855	80
FLOW MONITORING	8,484	9,232	(748)
STORMWATER PERMITTING	20,400	15,026	5,374
TREATMENT STRUCTURES	2,000	1,673	327
SMALL TOOLS & EQUIPMENT	300	267	33
CULVERTS	5,000	1,302	3,698
GASOLINE	5,421	2,562	2,859
MISCELLANEOUS	0	2,824	(2,824)
PUBLIC EDUCATION/OUTREACH	5,000	5,784	(784)
WATER QUALITY TESTING	5,727	5,745	(18)
	<u>206,028</u>	<u>199,099</u>	<u>6,929</u>
TOTAL STORMWATER			

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
BUILDINGS:			
SALARIES	\$ 52,603	\$ 51,938	\$ 665
EMPLOYER TAXES & BENEFITS	23,897	22,301	1,596
UTILITIES - TOWN HALL	31,000	36,254	(5,254)
UTILITIES - MEETING HOUSE	7,400	7,207	193
UTILITIES - HISTORICAL SOCIETY	2,400	2,020	380
COMMUNICATIONS	600	528	72
CLEANING TOWN HALL	10,691	13,058	(2,367)
VEHICLE MAINTENANCE	550	1,706	(1,156)
MAINTENANCE-TOWN HALL	15,900	21,850	(5,950)
MAINTENANCE - MEETING HOUSE	10,000	8,445	1,555
MAINTENANCE - HISTORICAL SOCIETY	1,000	130	870
TRACTOR	500	0	500
EQUIPMENT - RENTALS/LEASES	17,000	12,195	4,805
OPERATING SUPPLIES	3,640	5,261	(1,621)
GASOLINE	1,148	1,070	78
MILEAGE REIMBURSEMENT	50	0	50
MISCELLANEOUS	500	401	99
TRANSFER TO RESERVE FUND	0	2,416	(2,416)
TOTAL BUILDINGS	178,879	186,780	(7,901)
HEALTH SERVICES:			
VISITING NURSE ASSOCIATION	36,000	36,000	0
ANIMAL CONTROL CONTRACT	17,750	16,334	1,416
ANIMAL CONTROL FEES	4,100	3,531	569
TOTAL HEALTH SERVICES	57,850	55,865	1,985
PARKS:			
SALARIES	190,918	168,855	22,063
EMPLOYER TAXES & BENEFITS	74,624	54,985	19,639
PERSONNEL DEVELOPMENT	750	0	750
CONTRACTUAL SERVICES	12,000	29,260	(17,260)
UTILITIES - PARKS	28,575	24,532	4,043
TELEPHONE	1,200	2,112	(912)
COMMUNICATIONS	325	0	325
REPAIRS AND MAINTENANCE	16,500	24,531	(8,031)
VEHICLE MAINTENANCE	3,500	3,191	309
REPAIR/MAINTENANCE - EQUIPMENT	5,000	5,484	(484)
RENTAL EQUIPMENT	1,000	0	1,000
OPERATING SUPPLIES	15,000	15,650	(650)
GRASS SEED & BARK MULCH	5,500	4,919	581
FERTILIZER	11,000	9,412	1,588
GASOLINE	13,000	8,737	4,263
MACHINERY & EQUIPMENT	9,000	15,535	(6,535)
TOTAL PARKS	387,892	367,203	20,689
RECREATION:			
SALARIES	128,639	132,830	(4,191)
EMPLOYER TAXES & BENEFITS	47,651	50,877	(3,226)
PERSONNEL DEVELOPMENT	5,000	2,930	2,070
DUES & PUBLICATIONS	1,200	120	1,080
LEGAL	500	240	260
UTILITIES - COMMUNITY CENTER	3,000	3,397	(397)
TELEPHONE	1,200	0	1,200
COMMUNICATIONS	300	177	123
VEHICLE MAINTENANCE & TRANSPORTATION	200	66	134
MAINTENANCE - COMMUNITY CENTER	3,000	2,223	777
PRINTING AND BINDING	2,000	1,423	577
OFFICE SUPPLIES	1,850	2,034	(184)
OPERATING SUPPLIES	1,400	1,405	(5)
POSTAGE	1,200	1,085	115
MILEAGE REIMBURSEMENT	4,800	5,030	(230)
COMPUTERS	4,500	5,193	(693)
SPECIAL PROGRAMS	4,500	5,680	(1,180)
FAIR DAY	8,500	8,500	0
TRANSFER TO RECREATION ACQUISITION AND DEVELOPMENT FUND	5,000	5,000	0
TOTAL RECREATION	224,440	228,210	(3,770)

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TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
LIBRARY:			
SALARIES	\$ 376,630	\$ 374,324	\$ 2,306
EMPLOYER TAXES & BENEFITS	162,653	161,553	1,100
PERSONNEL DEVELOPMENT	3,500	1,662	1,838
DUES & PUBLICATIONS	690	703	(13)
PROGRAMMING	2,000	1,949	51
UTILITIES	14,000	14,456	(456)
TELEPHONE	2,800	2,010	790
COMMUNICATION ACCESS - LIBRARY	2,500	1,537	963
JANITORIAL SERVICES	11,000	10,957	43
GENERAL MAINTENANCE	12,000	10,177	1,823
BUILDING MAINTENANCE	6,000	1,022	4,978
RECRUITMENT	100	0	100
PRINTING/PUBLICITY	2,500	1,837	663
OPERATING SUPPLIES	5,700	3,923	1,777
POSTAGE	4,200	2,649	1,551
MILEAGE REIMBURSEMENT	1,500	1,508	(8)
BOOKS - ADULT	17,750	14,710	3,040
BOOKS - JUVENILE	14,500	14,410	90
PERIODICALS	2,750	2,638	112
AUDIO/VISUAL MATERIALS	5,000	4,105	895
COMPUTERS	4,400	3,931	469
ELECTRONIC RESOURCES	5,000	6,534	(1,534)
TOTAL LIBRARY	657,173	636,595	20,578
CEMETERY:			
REPAIRS AND MAINTENANCE	19,875	10,384	9,491
MISCELLANEOUS	500	2,332	(1,832)
INSURANCE - PACIF/CL/BOND/E&O	183	189	(6)
TOTAL CEMETERY	20,558	12,905	7,653
INTERGOVERNMENTAL EXPENDITURES:			
CCTA	67,319	67,319	0
CHAMBER OF COMMERCE	1,500	1,300	200
VT COUNCIL ON WORLD AFFAIRS	500	500	0
GBIC	6,000	6,000	0
CHITTENDEN COUNTY REGIONAL PLANNING	25,083	25,083	0
WINOOSKI VALLEY PARK DISTRICT	43,543	43,543	0
VLCT	20,200	19,724	476
HANDICAP TRANSPORTATION	14,000	16,837	(2,837)
COUNTY TAX	93,871	99,098	(5,227)
LOCAL MOTION	2,500	2,500	0
CONSERVATION COMMISSION	2,500	2,500	0
TOTAL INTERGOVERNMENTAL EXPENDITURES	277,016	284,404	(7,388)
TOTAL EXPENDITURES	12,155,259	12,190,853	(35,594)
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>(253,791)</u>	57,668	\$ <u>311,459</u>
ADJUSTMENTS TO RECONCILE FROM THE BUDGETARY BASIS OF ACCOUNTING TO THE MODIFIED ACCRUAL BASIS OF ACCOUNTING:			
ACCRUED LEAVE TIME FUND TRANSFER IN		<u>100,000</u>	
NET CHANGE IN FUND BALANCE		157,668	
FUND BALANCE - JULY 1, 2016		<u>2,380,527</u>	
FUND BALANCE - JUNE 30, 2017		<u>\$ 2,538,195</u>	

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

TOWN OF COLCHESTER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2017

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

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The actuarial assumptions regarding the incidence of mortality, terminations, retirements, and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

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

TOWN OF COLCHESTER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2017

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

Notes to Schedule

Valuation Date: June 30, 2016

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

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Debt Service Fund	Total
<u>ASSETS</u>					
Cash	\$ 255,514	\$ 0	\$ 220,015	\$ 0	\$ 475,529
Investments	0	0	20,134	0	20,134
Receivables	0	0	175	397,704	397,879
Notes Receivable (Net of Allowance for Uncollectibles)	491,831	0	0	0	491,831
Due from Other Funds	141,496	418,794	44,775	698,519	1,303,584
Total Assets	<u>\$ 888,841</u>	<u>\$ 418,794</u>	<u>\$ 285,099</u>	<u>\$ 1,096,223</u>	<u>\$ 2,688,957</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 80	\$ 7,499	\$ 223	\$ 0	\$ 7,802
Accrued Payroll and Benefits Payable	51	0	0	0	51
Unearned Revenue	112,223	0	0	0	112,223
Total Liabilities	<u>112,354</u>	<u>7,499</u>	<u>223</u>	<u>0</u>	<u>120,076</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Notes Receivable	491,831	0	0	0	491,831
Total Deferred Inflows of Resources	<u>491,831</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>491,831</u>
<u>FUND BALANCES</u>					
Nonspendable	0	0	166,571	0	166,571
Restricted	284,656	283,745	118,305	1,096,223	1,782,929
Assigned	0	127,550	0	0	127,550
Total Fund Balances	<u>284,656</u>	<u>411,295</u>	<u>284,876</u>	<u>1,096,223</u>	<u>2,077,050</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 888,841</u>	<u>\$ 418,794</u>	<u>\$ 285,099</u>	<u>\$ 1,096,223</u>	<u>\$ 2,688,957</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Debt Service Fund	Total
Revenues:					
Property Taxes	\$ 0	\$ 394,248	\$ 0	\$ 0	\$ 394,248
Local Option Sales Tax	0	0	0	1,482,495	1,482,495
Intergovernmental	543,280	0	0	0	543,280
Charges for Services	0	0	11,033	0	11,033
Permits, Licenses and Fees	0	69,825	0	0	69,825
Loan Repayments	91,411	0	0	0	91,411
Loan Interest Income	11,668	0	0	0	11,668
Investment Income	524	1,201	65	0	1,790
Donations	0	5,000	30,029	0	35,029
Other	0	3,347	575	0	3,922
Total Revenues	646,883	473,621	41,702	1,482,495	2,644,701
Expenditures:					
General Government	11,905	14,059	7,898	0	33,862
Public Safety	16,202	5,320	0	0	21,522
Public Works	0	10,874	0	0	10,874
Culture and Recreation	6,210	5,774	10,816	0	22,800
Community Development	543,542	0	0	0	543,542
Capital Outlay:					
General Government	0	9,736	21,851	0	31,587
Public Safety	12,500	282,441	0	0	294,941
Public Works	0	121,225	0	0	121,225
Debt Service:					
Principal	79,410	0	0	467,804	547,214
Interest	14,279	0	0	175,331	189,610
Total Expenditures	684,048	449,429	40,565	643,135	1,817,177
Excess/(Deficiency) of Revenues Over Expenditures	(37,165)	24,192	1,137	839,360	827,524
Other Financing Sources:					
Proceeds from Sale of Vehicles	0	26,242	0	0	26,242
Transfers In	0	5,000	0	0	5,000
Total Other Financing Sources	0	31,242	0	0	31,242
Net Change in Fund Balances	(37,165)	55,434	1,137	839,360	858,766
Fund Balances - July 1, 2016	321,821	355,861	283,739	256,863	1,218,284
Fund Balances - June 30, 2017	\$ 284,656	\$ 411,295	\$ 284,876	\$ 1,096,223	\$ 2,077,050

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Revolving Loan Fund	Community Development Fund	Grant Fund	Police Special Revenue Fund	Total
<u>ASSETS</u>					
Cash	\$ 130,525	\$ 0	\$ 0	\$ 124,989	\$ 255,514
Notes Receivable (Net of Allowance for Uncollectibles)	119,538	372,293	0	0	491,831
Due from Other Funds	<u>77,230</u>	<u>43,288</u>	<u>20,978</u>	<u>0</u>	<u>141,496</u>
Total Assets	<u>\$ 327,293</u>	<u>\$ 415,581</u>	<u>\$ 20,978</u>	<u>\$ 124,989</u>	<u>\$ 888,841</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 80	\$ 0	\$ 80
Accrued Payroll and Benefits Payable	0	0	51	0	51
Unearned Revenue	<u>105,959</u>	<u>0</u>	<u>6,264</u>	<u>0</u>	<u>112,223</u>
Total Liabilities	<u>105,959</u>	<u>0</u>	<u>6,395</u>	<u>0</u>	<u>112,354</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Notes Receivable	<u>119,538</u>	<u>372,293</u>	<u>0</u>	<u>0</u>	<u>491,831</u>
Total Deferred Inflows of Resources	<u>119,538</u>	<u>372,293</u>	<u>0</u>	<u>0</u>	<u>491,831</u>
<u>FUND BALANCES</u>					
Restricted	<u>101,796</u>	<u>43,288</u>	<u>14,583</u>	<u>124,989</u>	<u>284,656</u>
Total Fund Balances	<u>101,796</u>	<u>43,288</u>	<u>14,583</u>	<u>124,989</u>	<u>284,656</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 327,293</u>	<u>\$ 415,581</u>	<u>\$ 20,978</u>	<u>\$ 124,989</u>	<u>\$ 888,841</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Revolving Loan Fund	Community Development Fund	Grant Fund	Police Special Revenue Fund	Total
Revenues:					
Intergovernmental	\$ 11,905	\$ 500,000	\$ 31,375	\$ 0	\$ 543,280
Loan Repayments	25,975	65,436	0	0	91,411
Loan Interest Income	3,711	7,957	0	0	11,668
Investment Income	<u>221</u>	<u>1</u>	<u>62</u>	<u>240</u>	<u>524</u>
Total Revenues	<u>41,812</u>	<u>573,394</u>	<u>31,437</u>	<u>240</u>	<u>646,883</u>
Expenditures:					
General Government	11,905	0	0	0	11,905
Public Safety	0	0	16,202	0	16,202
Culture and Recreation	0	0	6,210	0	6,210
Community Development	0	543,542	0	0	543,542
Capital Outlay:					
Public Safety	0	0	12,500	0	12,500
Debt Service:					
Principal	15,517	63,893	0	0	79,410
Interest	<u>4,779</u>	<u>9,500</u>	<u>0</u>	<u>0</u>	<u>14,279</u>
Total Expenditures	<u>32,201</u>	<u>616,935</u>	<u>34,912</u>	<u>0</u>	<u>684,048</u>
Net Change in Fund Balances	9,611	(43,541)	(3,475)	240	(37,165)
Fund Balances - July 1, 2016	<u>92,185</u>	<u>86,829</u>	<u>18,058</u>	<u>124,749</u>	<u>321,821</u>
Fund Balances - June 30, 2017	<u>\$ 101,796</u>	<u>\$ 43,288</u>	<u>\$ 14,583</u>	<u>\$ 124,989</u>	<u>\$ 284,656</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2017

	Recreation Acquisition and Development Fund	Capital Equipment Fund	Emma's Way Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Due from Other Funds	\$ <u>288,744</u>	\$ <u>130,050</u>	\$ <u>0</u>	\$ <u>418,794</u>
Total Assets	\$ <u><u>288,744</u></u>	\$ <u><u>130,050</u></u>	\$ <u><u>0</u></u>	\$ <u><u>418,794</u></u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ <u>4,999</u>	\$ <u>2,500</u>	\$ <u>0</u>	\$ <u>7,499</u>
Total Liabilities	<u>4,999</u>	<u>2,500</u>	<u>0</u>	<u>7,499</u>
Fund Balances:				
Restricted	283,745	0	0	283,745
Assigned	<u>0</u>	<u>127,550</u>	<u>0</u>	<u>127,550</u>
Total Fund Balances	<u>283,745</u>	<u>127,550</u>	<u>0</u>	<u>411,295</u>
Total Liabilities and Fund Balances	\$ <u><u>288,744</u></u>	\$ <u><u>130,050</u></u>	\$ <u><u>0</u></u>	\$ <u><u>418,794</u></u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Recreation Acquisition and Development Fund	Capital Equipment Fund	Emma's Way Fund	Total
Revenues:				
Property Taxes	\$ 0	\$ 394,248	\$ 0	\$ 394,248
Permits, Licenses and Fees	69,825	0	0	69,825
Investment Income	828	373	0	1,201
Donations	0	5,000	0	5,000
Other	0	3,347	0	3,347
Total Revenues	<u>70,653</u>	<u>402,968</u>	<u>0</u>	<u>473,621</u>
Expenditures:				
General Government	0	14,059	0	14,059
Public Safety	0	5,320	0	5,320
Public Works	0	2,423	8,451	10,874
Culture and Recreation	4,999	775	0	5,774
Capital Outlay:				
General Government	0	9,736	0	9,736
Public Safety	0	282,441	0	282,441
Public Works	0	121,225	0	121,225
Total Expenditures	<u>4,999</u>	<u>435,979</u>	<u>8,451</u>	<u>449,429</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>65,654</u>	<u>(33,011)</u>	<u>(8,451)</u>	<u>24,192</u>
Other Financing Sources:				
Proceeds from Sale of Vehicles	0	26,242	0	26,242
Transfers In	5,000	0	0	5,000
Total Other Financing Sources	<u>5,000</u>	<u>26,242</u>	<u>0</u>	<u>31,242</u>
Net Change in Fund Balances	70,654	(6,769)	(8,451)	55,434
Fund Balances - July 1, 2016	<u>213,091</u>	<u>134,319</u>	<u>8,451</u>	<u>355,861</u>
Fund Balances - June 30, 2017	<u>\$ 283,745</u>	<u>\$ 127,550</u>	<u>\$ 0</u>	<u>\$ 411,295</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Burnham Memorial Library Fund	Cemetery Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Charges for Services	\$ 5,183	\$ 5,850	\$ 11,033
Investment Income	0	65	65
Donations	8,178	21,851	30,029
Other	<u>575</u>	<u>0</u>	<u>575</u>
 Total Revenues	 <u>13,936</u>	 <u>27,766</u>	 <u>41,702</u>
Expenditures:			
General Government	0	7,898	7,898
Culture and Recreation	10,816	0	10,816
Capital Outlay:			
General Government	<u>0</u>	<u>21,851</u>	<u>21,851</u>
 Total Expenditures	 <u>10,816</u>	 <u>29,749</u>	 <u>40,565</u>
 Net Change in Fund Balances	 3,120	 (1,983)	 1,137
 Fund Balances - July 1, 2016	 <u>18,999</u>	 <u>264,740</u>	 <u>283,739</u>
 Fund Balances - June 30, 2017	 <u>\$ 22,119</u>	 <u>\$ 262,757</u>	 <u>\$ 284,876</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass through to Subrecipients	Total Federal Expenditures
<u>Institute of Museum and Library Services</u>				
Passed through the Vermont Agency of Administration Department of Libraries State Library Program	45.310	01130-COURIER-LSTA16.1.13	\$ 0	\$ 180
State Library Program	45.310	01130-COURIER-2.12	0	143
State Library Program	45.310	01130-ARSL2016.01	<u>0</u>	<u>1,400</u>
Total Institute of Museum and Library Services			<u>0</u>	<u>1,723</u>
<u>U.S. Department of Homeland Security</u>				
Passed through State of Vermont Department of Public Safety				
Boating Safety Financial Assistance	97.012	02140-11797F-203	0	13,456
Boating Safety Financial Assistance	97.012	02140-11796F-203	0	5,508
Emergency Management Performance Grant	97.042	02140-31022C-028	0	12,500
Disaster Grant - Public Assistance	97.067	02140-76152-1609	<u>0</u>	<u>8,341</u>
Total U.S. Department of Homeland Security			<u>0</u>	<u>39,805</u>
<u>U.S. Department of Transportation</u>				
Passed through State of Vermont Agency of Transportation				
Highway Planning and Construction	20.205	08126-CA0413	0	12,453
Highway Planning and Construction	20.205	08126-CA0473	0	54,282
Highway Planning and Construction	20.205	08126-CA0474	0	73,368
Highway Planning and Construction	20.205	08126-CA0341	0	84,229
Highway Planning and Construction	20.205	08126-CA0340	0	245,902
State and Community Highway Safety	20.600	08100-GR0915	<u>0</u>	<u>7,861</u>
Total U.S. Department of Transportation			<u>0</u>	<u>478,095</u>

See Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Grantor Pass-Through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Pass through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through State of Vermont				
Agency of Commerce and Community Development				
Community Development Block Grant	14.228	07110-IG 2014-00008	\$ <u>500,000</u>	\$ <u>500,000</u>
Total U.S. Department of Housing and Urban Development			<u>500,000</u>	<u>500,000</u>
Total			\$ <u><u>500,000</u></u>	\$ <u><u>1,019,623</u></u>

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town of Colchester, Vermont under programs of the federal government for year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Colchester, Vermont it is not intended to and does not present the financial position, changes in net assets or cash flows.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Colchester, Vermont has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Sullivan, Powers & Co., P.C.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Vermont, as of and for the year ended June 30, 2017, 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, 2018.

Internal Control Over Financial Reporting

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

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

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

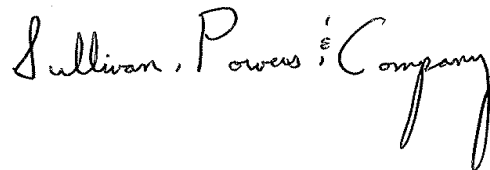
Compliance and Other Matters

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

Purpose of this Report

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

February 8, 2018
Montpelier, Vermont
VT Lic. #92-000180



Sullivan, Powers & Co., P.C.

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Town of Colchester, Vermont compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) "Compliance Supplement" that could have a direct and material effect on the Town of Colchester, Vermont's major federal program for the year ended June 30, 2017. The Town of Colchester, Vermont's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Deficiencies in Internal Control.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town of Colchester, Vermont's major federal program based on our audit of the types of compliance requirements referred to previously.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and Title 2 U.S. "Code of Federal Regulations" Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards" (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to previously that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Colchester, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Town of Colchester, Vermont's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Colchester, Vermont complied, in all material respects, with the types of compliance requirements referred to previously that could have a direct and material effect on its major federal program for the Year ended June 30, 2017.

Report on Internal Control Over Compliance

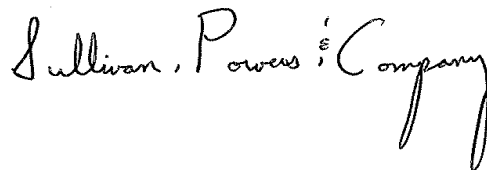
The management of the Town of Colchester, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the Town of Colchester, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Colchester, Vermont's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

February 8, 2018
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF COLCHESTER, VERMONT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017

A single audit was not required in the prior year.

TOWN OF COLCHESTER, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2017

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued:
Unmodified.

Internal Control Over Financial Reporting:
Material Weaknesses identified:
None noted
Significant Deficiencies identified not considered to be material weaknesses:
None noted.

Noncompliance material to financial statements:
None noted.

Federal Awards

Internal Control Over Major Programs:
Material Weaknesses identified:
None noted
Significant Deficiencies identified not considered to be material weaknesses:
None noted.

There are no audit findings that are required to be reported in accordance with 2 CFR 200.516(a).

Major Programs:

<u>CFDA #</u>	<u>Program</u>	<u>Federal Agency</u>
14.228	Community Development Block Grant	U.S. Department of Housing and Urban Development

The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.

The auditee did not qualify as a low risk auditee.