

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

JUNE 30, 2020

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 AUDIT REPORT
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Independent Auditor's Report

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

Report on the 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, 2020, 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, 2020, 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 17, 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

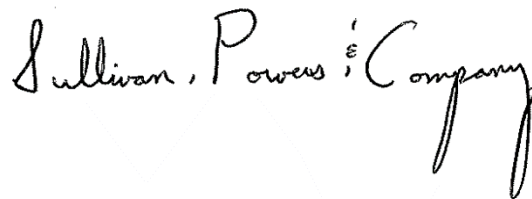
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Colchester, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 opinions on the financial statement that collectively comprise the Town of Colchester, Vermont's basic financial statements. 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 January 27, 2021 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.

January 27, 2021
Montpelier, Vermont
VT Lic. #92-000180

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

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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, 2020. 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 \$45,512,922. Of this amount, \$3,465,418 is unrestricted net position. Unrestricted net position may be used by the various funds of the Town to meet its ongoing obligations to its citizens and creditors, a significant portion of which may not be transferable between different funds. Included in the unrestricted net position are amounts that voters and management have assigned for particular purposes, such as reserves for expenditures in subsequent years and wastewater capacity rights (funding of South Burlington's Sewer plant upgrade). Additionally, there is \$5,481,461 in resources that are subject to external (non-town) restrictions on how they may be used.

- GASB Statement No. 68 "Financial Reporting for Pension Plans" requires the Town to report its proportionate share of the net pension liability and related deferred outflows and inflows of resources. The Vermont Municipal Employees' Retirement System (VMERS) pension liability was determined by an actuarial valuation as of 6/30/19, considering employee contributions, Town contributions, expected payments to pensioners, expected rate of return on investments, and the current value of all investments one year prior to this audit period. The fiscal year ending June 30, 2020 ended with net deferred outflows of resources of \$1,207,150. This is due to one or more of the following: a change to the difference between projected and actual earnings on pension plan investments, a change between expected and actual experience, changes in assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions and the Town's required employer contributions made subsequent to the measurement date. This results in a combined employer and employee net pension liability of \$3,769,193. In FY19, the VMERS reporting year in which we rely for our FY20 financials, the fiduciary net position as a percentage of total pension liability was 80.35%. In FY18 which was paired with FY19 financials, it was 82.6%. In FY17 which was paired with FY18 financials, it was 83.64%. In FY 16, which was paired with our FY17 financials, it was 80.95%. Based on changing financial conditions, the above mentioned net deferred outflow, both employer and employee liabilities will change annually based on the actual market value of investments in the year prior to the audit. As this metric is defined by the current value of investments, and whereby liabilities are paid out over time, this approach is conservative, in terms of estimating on the higher end of potential employee and employer liabilities and percent funded.

Fund Financial Statements (refer to Exhibit C, F and Footnote 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 Project Funds – includes Capital Transportation Plan, Capital Grant funds, Parks Capital Plan, and Recreation Acquisition and Development Impact Fees

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

- 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 Revolving Loan, Community Development, Grant, Police Special Revenue, Cemetery, Recreation Acquisition and Development, and Capital Equipment Funds.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$9,270,711, an increase of \$1,909,487 in comparison with the prior year.
- The Debt Service Fund contains Local Option Tax Revenues. FY20 Local Option Tax revenues exceed payments made in FY20 causing the Governmental Funds restricted fund balance to increase to \$5,567,772, a \$1,214,579 increase over FY19.
- General Fund fund balance increased \$295,635 in FY20. This increase was due to several items including: actual ambulance revenue, building & zoning permit revenue, and recording fee revenue collections being higher than budgeted. Employee furloughs and unfilled open positions due to COVID19 starting in late April 2020 contributed to salary savings. Unplanned planning and zoning revenues and legal expenditures related to the Mongeon seawall and Canyon Estates property influenced the FY20 actuals. In addition, the Selectboard authorized year end transfers from the General Fund for future capital projects in the amount of \$385,533.
- Wastewater Fund Net Position decreased \$592,347 in FY20. The Breezy Acres Improvement Fund made its final loan payment in FY20 and the remaining assets were transferred to the Wastewater fund increasing the fund's assets. An increase in Accumulated Depreciation in addition to an increase in Accrued Interest payable, due to timing of loan payments, was primarily responsible for the decrease in net position.
- Wastewater Fund's annual payment to South Burlington was made in FY21, resulting in no change to the Due to South Burlington-Capacity Rights Liability from the prior year. There will be no payment in the Spring of FY21 as agreed upon with South Burlington in connection to suspending Bond Payments related to Clean Water State Revolving Program to offer relief to borrowers. Annual payments will resume in FY22 and are due through fiscal year 2034.

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.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Government-Wide Financial Statements

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

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 four major governmental funds; the General Fund, Capital Projects Fund, Reserve Fund, and the Debt Service Fund. In addition to this, the Town maintains a number of Special Revenue Funds, Capital Project Funds, and a Permanent Fund, which do not qualify as major funds. These funds are consolidated into the column title Non-Major Governmental Funds. Combining financial statements containing more detailed information on these funds may be found on Schedules 4 through 9.

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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 four enterprise funds; the Wastewater Fund, the Recreation Program Fund, the Police Dispatch Fund, and the Stormwater Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town has no internal service funds at this time.

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

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

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

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

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

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Summary Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current & Other Assets	11,268,908	9,859,944	3,469,653	3,216,924	14,738,561	13,076,868
Capital Assets	35,745,461	34,919,839	13,546,060	14,252,397	49,291,521	49,172,236
Total Assets	47,014,369	44,779,783	17,015,713	17,469,321	64,030,082	62,249,104
Deferred Outflow s of Resources	1,178,190	1,270,104	123,707	155,858	1,301,897	1,425,962
Long-Term Liabilities Outstanding	8,319,764	8,156,276	9,771,578	9,966,370	18,091,342	18,122,646
Other Liabilities	1,011,151	1,393,751	611,548	563,403	1,622,699	1,957,154
Total Liabilities	9,330,915	9,550,027	10,383,126	10,529,773	19,714,041	20,079,800
Deferred Inflow s of Resources	96,015	86,287	9,001	9,768	105,016	96,055
Net Position:						
Net Invested in Capital Assets	32,006,574	30,720,888	4,559,469	5,265,806	36,566,043	35,986,694
Restricted	5,481,461	4,271,449	0	0	5,481,461	4,271,449
Unrestricted	1,277,594	1,421,236	2,187,824	1,819,832	3,465,418	3,241,068
Total Net Position	38,765,629	36,413,573	6,747,293	7,085,638	45,512,922	43,499,211

Net Position states a government's financial status in a required standard format that may be compared over time and among similar governments. At the end of the fiscal year, the Town's assets exceeded liabilities and deferred inflows of resources by \$45,512,922.

The largest portion of the Town's assets (80%) 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.

\$5,481,461 of the Town's net position is subject to external (non-town) restrictions on how they may be used. The remaining \$3,465,418 (unrestricted net position) may be used to meet the government's ongoing financial obligations to its citizens and creditors, a significant portion of which may not be transferable between different funds. Included in the unrestricted net position are amounts that voters and management have assigned for particular purposes, such as reserves for expenditures in subsequent years and wastewater capacity rights (funding of South Burlington's Sewer plant upgrade).

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental activities

Governmental activities increased the Town's net position by \$2,352,056 for the fiscal year ended June 30, 2020. The key element of the change was \$1,697,377 in Local Option Tax revenue that was collected during the fiscal year. These funds are used to pay existing debt payments with remaining funds going to restricted fund balance.

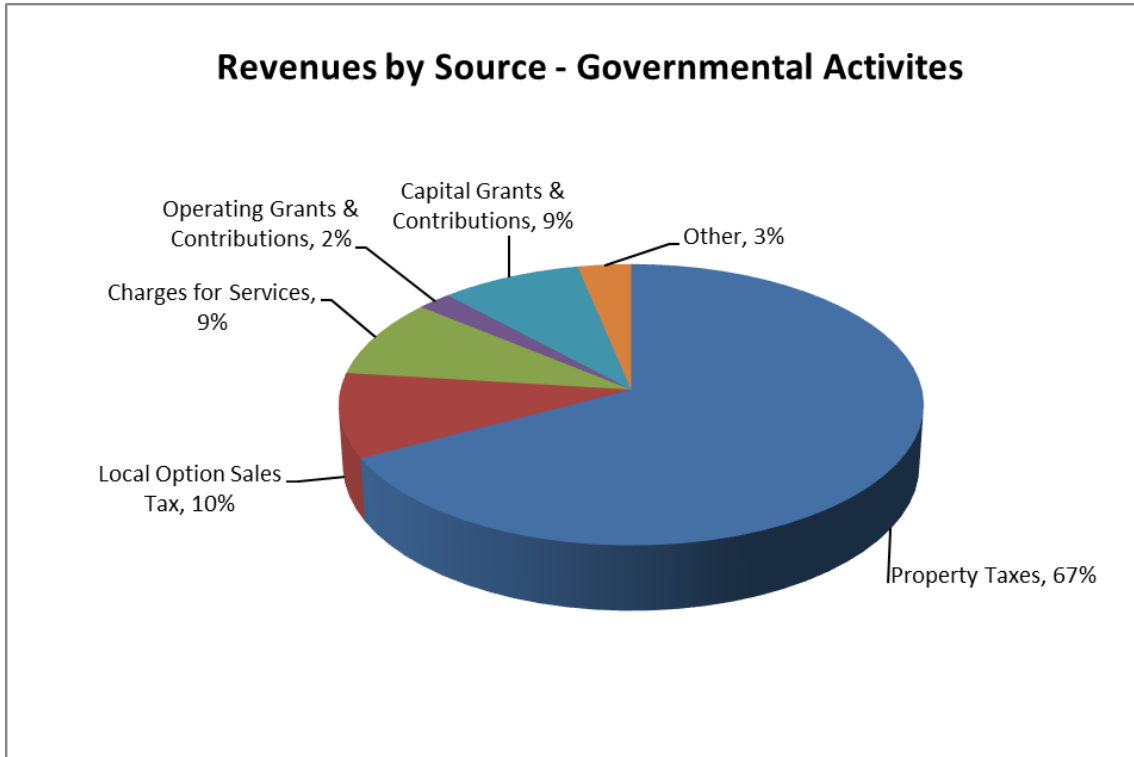
Public Safety remains the largest expense at 42% of total Governmental Activity expenses. This percentage remains consistent from FY19 figures. General Government follows with 23% and Public Works with 22% of total Governmental Activity expenses.

Summary of the Statement of Activities

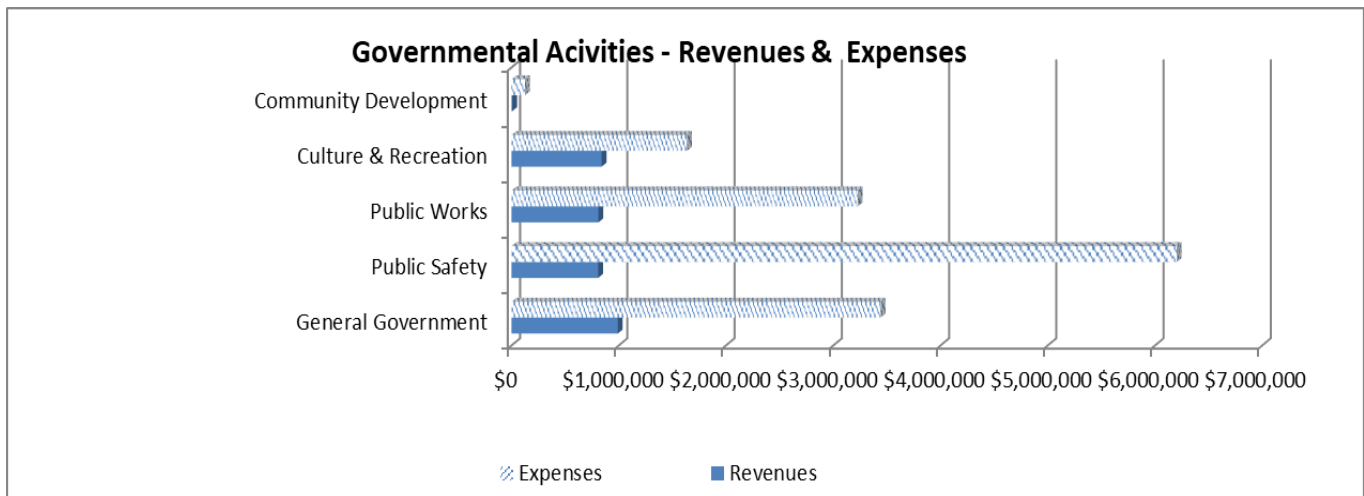
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$1,574,460	\$1,292,350	\$2,836,064	\$3,230,909	\$4,410,524	\$4,523,259
Operating Grants & Contributions	369,658	639,619	71,723	41,870	\$441,381	\$681,489
Capital Grants & Contributions	1,512,380	1,067,340	12,106	24,703	\$1,524,486	\$1,092,043
General Revenues:						
Property Taxes	11,736,515	11,456,248	0	0	\$11,736,515	\$11,456,248
Other	2,444,258	2,487,352	66,839	90,388	\$2,511,097	\$2,577,740
Total Revenues	<u>17,637,271</u>	<u>16,942,909</u>	<u>2,986,732</u>	<u>3,387,870</u>	<u>20,624,003</u>	<u>20,330,779</u>
Expenses:						
General Government	3,441,719	3,241,084	0	0	3,441,719	3,241,084
Public Safety	6,203,150	6,189,865	0	0	6,203,150	6,189,865
Public Works	3,227,689	3,279,287	0	0	3,227,689	3,279,287
Community Development	125,725	136,461	0	0	125,725	136,461
Culture & Recreation	1,636,053	1,820,031	924,875	1,047,791	2,560,928	2,867,822
Interest on Long-Term Debt	149,797	159,916	0	0	149,797	159,916
Stormwater	0	0	691,575	692,190	691,575	692,190
Police Dispatch	0	0	493,169	621,220	493,169	621,220
Wastewater	0	0	1,716,540	1,793,636	1,716,540	1,793,636
Total Expenses	<u>14,784,133</u>	<u>14,826,644</u>	<u>3,826,159</u>	<u>4,154,837</u>	<u>18,610,292</u>	<u>18,981,481</u>
Increase/(Decrease) in Net Position Before Transfer	2,853,138	2,116,265	(839,427)	(766,967)	2,013,711	1,349,298
Transfers	(501,082)	(409,000)	501,082	409,000	0	0
Change in Net Position	2,352,056	1,707,265	(338,345)	(357,967)	2,013,711	1,349,298
Beginning Net Position	36,413,573	34,706,308	7,085,638	7,443,605	43,499,211	42,149,913
Ending Net Position	<u>\$38,765,629</u>	<u>\$36,413,573</u>	<u>\$6,747,293</u>	<u>\$7,085,638</u>	<u>\$45,512,922</u>	<u>\$43,499,211</u>

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The majority of revenue for governmental activities comes from property taxes; 67% of total revenue or \$11,736,515. This percentage is down 1% from FY19 and 4% from FY18 due to increases in Capital Grants and Contributions and Charges for Services. Local Option Sales are the second largest category of revenue at 10% of total revenue or \$1,697,377. These revenues are restricted for use for voter approved debt or capital payments. Charges for services was the third largest category of revenue at 9% of total revenue or \$1,574,460. The following graph shows the distribution of governmental revenues by source.



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



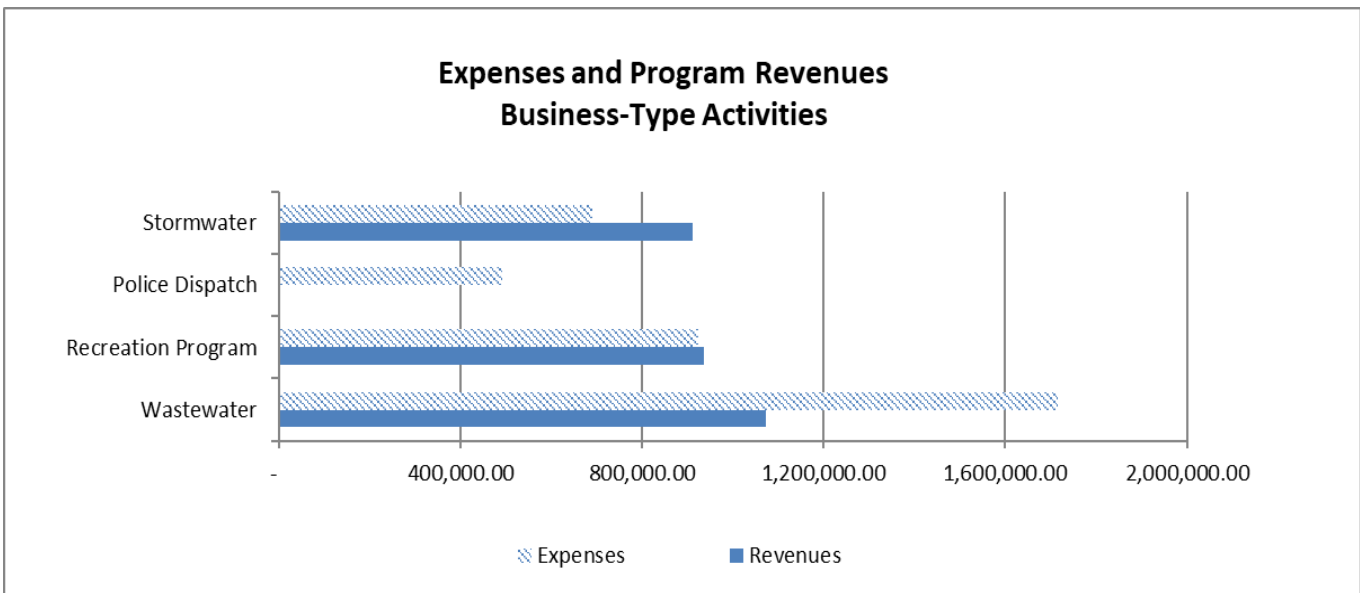
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Business-type activities (Police Dispatch, Wastewater, Recreation Program and Stormwater Funds):

Business-type activities decreased the Town's net position by \$338,345 during the current fiscal year through planned expenses. Key elements of this change are as follows:

- Wastewater Fund was \$643,832 short of covering their expenses 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 which will help avoid rate related spikes over 10% related to the capacity rights.
- Police Dispatch Fund was \$493,169 short of covering their expenses with charges for services. \$438,582 of dispatch expenses were funded by a planned transfer from the General Fund. The Dispatch fund ended the fiscal year with a positive net position of \$122,424. This fund has purposefully been built up to help cover costs of concluding the Town's dispatch operations and for covering some of the net new expenses of moving to regional dispatch.
- Recreation Program Fund covered their costs with \$11,184 in revenue to contribute toward Business-type activities net position. The fund has a positive net position of \$326,231 at the end of FY20.
- Stormwater Fund program revenues covered their expenses and contributed \$219,551 toward the business-type fund net position. Stormwater's FY20 net position increased to \$4,124,328.

Business-type activities are accounted for in the same manner that businesses account for operations. It is necessary that revenues (operating and non-operating) plus retained earnings meet or exceed expenses to continue operating. The graph below titled Expenses and Program Revenues Business-Type Activities demonstrates that during the current fiscal year expenses exceeded revenues for the Police Dispatch Fund by \$493,169, the Wastewater Fund by \$643,832. However, the Stormwater Fund covered their expenditures with \$219,551 remaining and Recreation Program Fund with \$11,184 remaining. The excess Stormwater revenues were budgeted to be carried forward for future capital needs within the Stormwater Fund.



TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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 General Fund fund balance was \$3,006,611. This amount includes \$36,989 in non-spendable inventory and prepaid expenses as well as \$994,814 in assigned or committed fund balance totaling \$1,031,803. This leaves an unassigned fund balance net of non-spendable items of \$1,974,808. This remaining amount has significant restrictions on expenditure in the Town Charter. The assigned or committed fund balances are for the following uses:
 - \$353,814 - Committed to offset leave time expenses exceeding budget
 - \$441,000 - Assigned to reduce property taxes in fiscal year 2021
 - \$200,000 - Assigned to reduce property taxes in fiscal year 2022

The Town's unassigned General Fund fund balance of \$1,974,808 on June 30, 2020 was 14.7% of total General Fund operating expenses as defined by the Selectboard's Fund Balance Policy. This is \$267,110 less than the suggested two months operating costs.

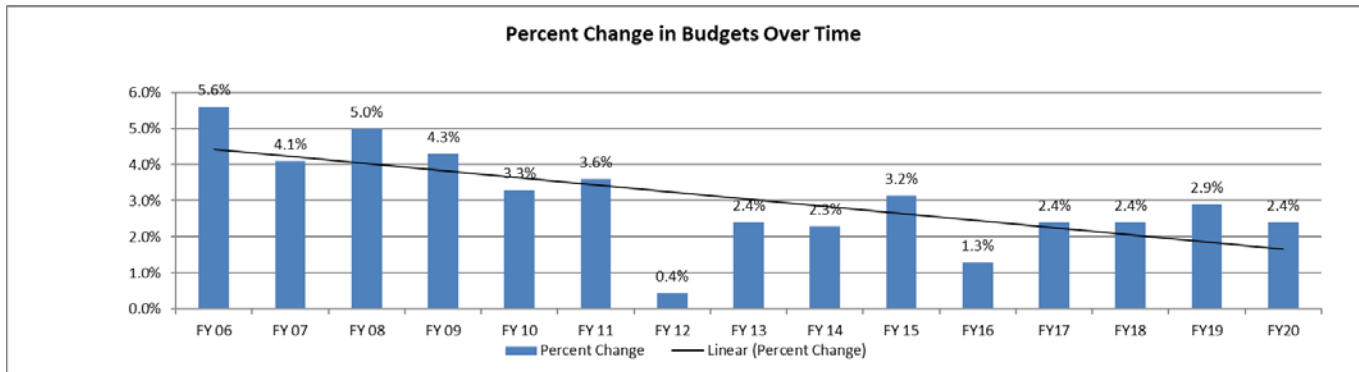
In addition to the General Fund, the Town maintains other funds including the Capital Project Funds maintained to provide infrastructure improvements in the Town, funds for grants received by the Town and funds for special revenues received by the Town.

The Town operates a Septic Loan Fund that provided financial assistance for the upgrade of failing on-site septic systems. The Town has outstanding loans to 12 individuals or families as of June 30, 2020. The Town is no longer making loans from this Fund as the State has set up an equivalent program.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS:

The Town's FY 2020 General Fund budget totaling \$13,129,419 increased 2.4% over FY 19. The budget increase between FY 18 and FY 19 was 2.9%. The graph on the next page shows the percent change in General Fund budget for the last 15 years.



Actual revenues in the General Fund of \$13,229,304 were more than budgeted while actual General Fund expenditures of \$12,933,669 were lower than budgeted. This resulted in a surplus of \$295,635. The FY20 General Fund budget contained \$266,000 in revenue from fund balance to offset a budgeted deficit. Due to the ending balance surplus, no fund balance was used in FY20 to offset the budget.

Some of the key factors contributing to this outcome include:

Revenue Variances

- Ambulance Service Revenues exceeded the budget by \$51,166 due to the volume of calls.
- Building & Zoning Permit revenues were \$19,824 over budget due to building and development in town.
- Recording fee revenue was \$82,981 over budget due to favorable interest rates and refinancing.
- Planning & Zoning Fines were \$73,847 over budget primarily due to court rulings on Mongeon seawall.
- Due to COVID19 and changes in operations in late FY20, passports and passport photos ended the year \$13,540 under budget.
- Recreation Fees were \$7,739 under budget due largely to the COVID19 impact in the spring months.

Expenditure Variances

- The Selectboard approved \$385,333 in unbudgeted transfers for future capital projects.
- Due to the uncertainty of COVID19, the Town furloughed employees and kept open positions unfilled, keeping minimal staffing from late April through fiscal year end. Due to various positional savings throughout the year and these furloughs, General Fund salaries finished the year under budget by \$316,463. In addition, budgeted seasonal Parks staff were not hired, causing seasonal salaries to be \$39,277 under budget.
- The Selectboard did not spend contingency funding of \$66,000.
- Workers Compensation was \$66,052 under budget.

TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

- Unbudgeted 3rd Party Consultant Fees were \$89,877 due to spending associated with demolishing and making safe the vacant Canyon Estates property. The building became vacant after a structure fire which left it uninhabitable and the owner deserted the property. The Town is optimistic that some of these fees and back taxes will be recovered in future years through a Tax Sale.
- Due to a decrease in fuel pricing during FY20, the Town's Gasoline line item was \$35,604 under budget.
- Due to timing and contractor schedules, line striping that had been budgeted in FY19 was done in FY20 causing FY20 to be \$38,602 over budget.
- \$26,250 was budgeted for daytime fire coverage as a match to a grant. The Town was not awarded the grant that would have allowed for daytime fire coverage and the budgeted expense was not used.

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, 2020, totaled \$49,291,521 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles. The Town's capital assets included in the financial reports do not include the value of infrastructure assets (generally roads, bridges and the sewer system) put into operation prior to July 1, 2003, as allowed by GASB 34. All other capital assets are included and the department of Public Works maintains detailed and ongoing inventory of the condition of roads and bridges and monitors the sewer system through various methods.

<u>Summary Capital Assets (net of depreciation)</u>						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	2,104,936	2,104,936	132,568	132,568	2,237,504	2,237,504
Construction in Progress	3,293,527	1,777,337	46,751	68,390	3,340,278	1,845,727
Land Improvements	1,421,223	1,492,801	0	0	1,421,223	1,492,801
Buildings & Improvements	7,537,744	7,686,119	0	0	7,537,744	7,686,119
Equipment & Furniture	748,707	884,123	0	0	748,707	884,123
Vehicles	2,306,794	1,906,419	79,671	68,796	2,386,465	1,975,215
Infrastructure	18,332,530	19,068,104	3,145,491	3,104,290	21,478,021	22,172,394
Plant & Equipment	0	0	2,251,989	2,381,871	2,251,989	2,381,871
Capacity Rights	0	0	7,889,590	8,496,482	7,889,590	8,496,482
Total	35,745,461	34,919,839	13,546,060	14,252,397	49,291,521	49,172,236

TOWN OF COLCHESTER, VERMONT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2020

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

- Significant equipment increases include a Parks Cargo Trailer for moving equipment among town parks (\$6,695), Public Works V-Plow and components (\$6,694), a 2019 61” John Deere mower (\$8,883), a 2019 48” Stand on John Deere Mower (\$6,582).
- Increases in vehicles include three 2019 Dodge Durangos (\$122,315 combined cost), a 2019 Chevrolet Tahoe (\$57,807), two 2019 Dodge Ram 3500 (\$103,070 combined cost), a 2019 Ford F350 (\$30,773), a 2019 Trackless Sidewalk Tractor (\$170,632), a Police Patrol Boat and Trailer (\$229,487), and for Technical Rescue, a 2017 Zodiac Boat (\$9,500), and a 2015 Zodiac Boat (\$8,800).
- FY19 road paving work added \$226,345 to infrastructure.
- The Rescue building underwent renovations to include new LED lighting, relocation of bedrooms, two windows and new kitchen cabinets and countertops. The renovation added \$41,582 to building improvements.

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

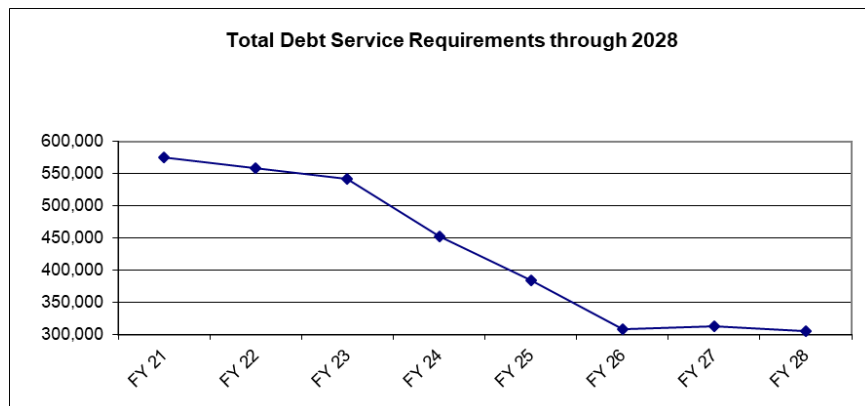
- Vehicle deletions include a Pontiac Vibe, Ford F350 Rescue truck, three Chevy Tahoes, and two Chevy Silverado.
- Equipment deletions include Parks play structure, two 61” Bobcat Mowers, a Cannon Scanner and additional small computer equipment.
- \$1,001,863 in Roadway paving was removed from Infrastructure due to their age and replacement.

Debt Administration

There were no new borrowings in FY20 for Governmental or the Business-type Activities.

Summary of Outstanding Debt						
	Governmental Activities		Business-Type Debt		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$3,389,541	\$3,883,452	\$0	\$0	\$3,389,541	\$3,883,452
Special Assessment Debt with Government Commitment	0	0	330,000	555,000	\$330,000	\$555,000
Capital Leases Payable	825,323	875,746	0	0	\$825,323	\$875,746
Due to South Burlington-Capacity	0	0	8,986,591	8,986,591	\$8,986,591	\$8,986,591
Total	\$4,214,864	\$4,759,198	\$9,316,591	\$9,541,591	\$13,531,455	\$14,300,789

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



TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

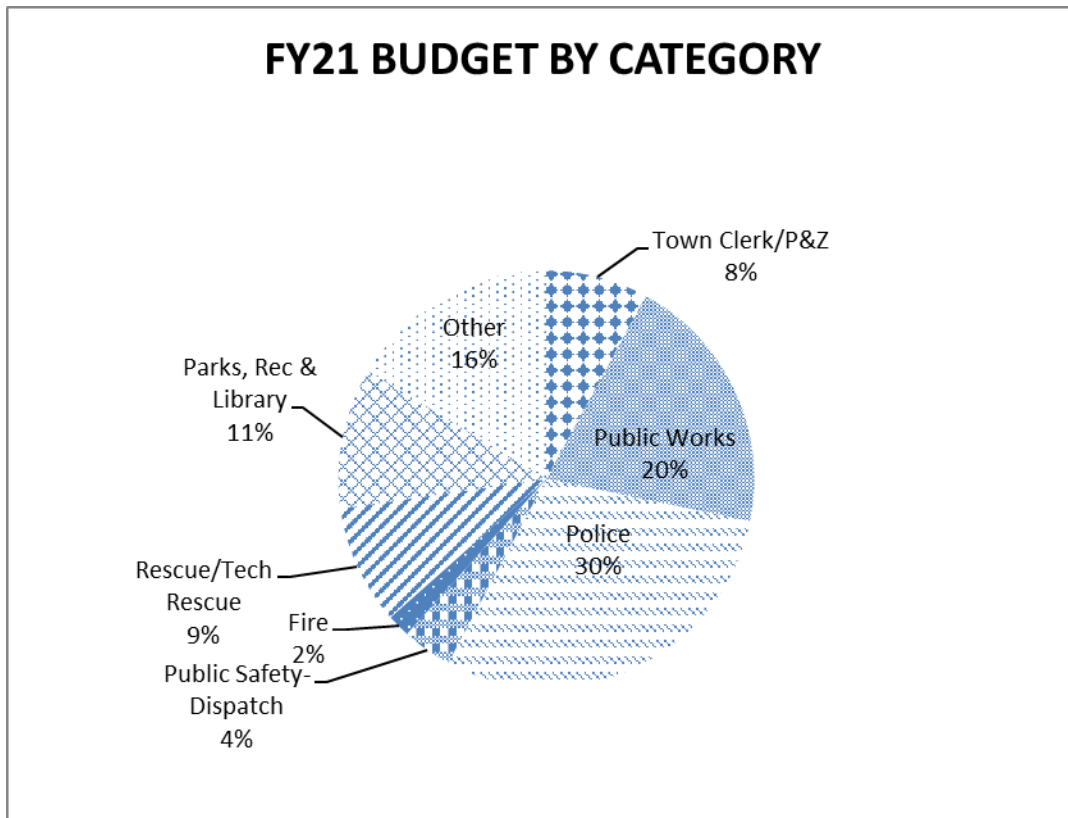
Economic Factors and Next Year's Budgets and Rates

- The Colchester Grand List is made up of primarily residential properties. For FY20, 75.75% of property tax revenues come from residential properties.
- The Municipal Grand List value for the Town was \$21,684,000 as of the beginning of FY20. This was a 1.23% increase over the prior fiscal year. Since 1970 the Town of Colchester's Grand List has grown from \$169,278 to \$21,684,000.
- The Town has slow but steady growth in housing. Population is growing slightly and much slower than housing. This housing growth increases revenues but also adds service needs.
- Due to uncertainty during the COVID19 pandemic, revenues and tax collections are being closely monitored. To date tax collections do not deviate from prior years although revenues for fee based recreation programs are down substantially.

Next Year's (FY 21) Budget

- The Town of Colchester approved a General Fund budget for FY21 in the amount of \$13,136,638. This represents an increase of .05% over the previous year.
- The municipal tax rate increased by .98% to \$0.5483.
- In FY 15 through 21, approximately 45% of the budget is for public safety services.
- Public Works represents about 20.3% of the General Fund budget in FY21.
- Parks, Recreation and the Library represent about 10.9% of the General Fund budget in FY21.

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



TOWN OF COLCHESTER, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Future Budgetary Issues

In fiscal years 2021 and beyond, the Town will face pressures of increased service and infrastructure needs requiring increased capital and operating expenditures for:

- Transportation improvements such as the Bayside intersection and most other improvements, as our capital transportation plan has capacity for maintaining what we have but not improvements.
- Emergency management which has historically been budgeted at a few hours per month and which is now consuming far more than a full time employee equivalent from a part time employee and the Town Manager.
- Staffing to address fiscal recovery through grants with many strings; continued closer coordination of town services, employee and community safety; and maintenance of increased levels of public information due to the unprecedented level of changes in town services.
- Park and recreation improvements at the Bayside/Hazlett property.
- 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 such as community justice.
- Police and Rescue resources to meet demands of new development and growing community expectations, including new needs such as community social workers.

REQUESTS FOR INFORMATION

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

TOWN OF COLCHESTER, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 11,568,096	\$ 0	\$ 11,568,096
Investments	491,034	0	491,034
Receivables (Net of Allowance for Uncollectibles)	1,512,254	876,974	2,389,228
Notes Receivable (Net of Allowance for Uncollectibles)	246,162	0	246,162
Internal Balances	(2,585,627)	2,585,627	0
Prepaid Expenses	496	0	496
Inventory	36,493	7,052	43,545
Capital Assets:			
Land	2,104,936	132,568	2,237,504
Construction in Progress	3,293,527	46,751	3,340,278
Other Capital Assets (Net of Accumulated Depreciation)	30,346,998	13,366,741	43,713,739
Total Assets	<u>47,014,369</u>	<u>17,015,713</u>	<u>64,030,082</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>1,178,190</u>	<u>123,707</u>	<u>1,301,897</u>
Total Deferred Outflows of Resources	<u>1,178,190</u>	<u>123,707</u>	<u>1,301,897</u>
LIABILITIES			
Accounts Payable	548,358	115,889	664,247
Accrued Payroll and Benefits Payable	282,554	57,557	340,111
Unearned Revenue	105,400	216,250	321,650
Due to Others	40,231	0	40,231
Accrued Interest Payable	34,608	221,852	256,460
Noncurrent Liabilities:			
Due within One Year	579,765	802,578	1,382,343
Due in More than One Year	7,739,999	8,969,000	16,708,999
Total Liabilities	<u>9,330,915</u>	<u>10,383,126</u>	<u>19,714,041</u>
DEFERRED INFLOWS OF RESOURCES			
Prepaid Property Taxes	10,269	0	10,269
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>85,746</u>	<u>9,001</u>	<u>94,747</u>
Total Deferred Inflows of Resources	<u>96,015</u>	<u>9,001</u>	<u>105,016</u>
NET POSITION			
Net Investment in Capital Assets	32,006,574	4,559,469	36,566,043
Restricted:			
Non-Expendable:			
Culture and Recreation	2,000	0	2,000
Expendable:			
Public Safety	128,781	0	128,781
Culture and Recreation	294,440	0	294,440
Cemetery	256,085	0	256,085
Capital Projects	4,734,452	0	4,734,452
Other	65,703	0	65,703
Unrestricted	<u>1,277,594</u>	<u>2,187,824</u>	<u>3,465,418</u>
Total Net Position	<u>\$ 38,765,629</u>	<u>\$ 6,747,293</u>	<u>\$ 45,512,922</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, 2020

	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	\$ 3,441,719	\$ 914,830	\$ 75,923	\$ 0	\$ (2,450,966)	\$ 0	\$ (2,450,966)
Public Safety	6,203,150	611,763	82,002	114,731	(5,394,654)	0	(5,394,654)
Public Works	3,227,689	26,830	206,889	576,178	(2,417,792)	0	(2,417,792)
Culture and Recreation	1,636,053	14,328	4,844	821,471	(795,410)	0	(795,410)
Community Development	125,725	6,709	0	0	(119,016)	0	(119,016)
Interest on Long-term Debt	149,797	0	0	0	(149,797)	0	(149,797)
Total Governmental Activities	<u>14,784,133</u>	<u>1,574,460</u>	<u>369,658</u>	<u>1,512,380</u>	<u>(11,327,635)</u>	<u>0</u>	<u>(11,327,635)</u>
Business-type Activities:							
Wastewater	1,716,540	1,072,708	0	0	0	(643,832)	(643,832)
Recreation Program	924,875	907,392	28,667	0	0	11,184	11,184
Stormwater	691,575	855,964	43,056	12,106	0	219,551	219,551
Police Dispatch	493,169	0	0	0	0	(493,169)	(493,169)
Total Business-type Activities	<u>3,826,159</u>	<u>2,836,064</u>	<u>71,723</u>	<u>12,106</u>	<u>0</u>	<u>(906,266)</u>	<u>(906,266)</u>
Total Primary Government	<u>\$ 18,610,292</u>	<u>\$ 4,410,524</u>	<u>\$ 441,381</u>	<u>\$ 1,524,486</u>	<u>(11,327,635)</u>	<u>(906,266)</u>	<u>(12,233,901)</u>
General Revenues:							
Property Taxes					11,736,515	0	11,736,515
Penalties and Interest on Delinquent Taxes					156,284	0	156,284
Local Option Sales Tax					1,697,377	0	1,697,377
General State Grants					368,794	0	368,794
Impact Fees					71,540	0	71,540
Unrestricted Investment Earnings					106,297	66,839	173,136
Gain on Sale of Vehicles					16,157	0	16,157
Other Revenues					27,809	0	27,809
Transfers:					(501,082)	501,082	0
Total General Revenues and Transfers					<u>13,679,691</u>	<u>567,921</u>	<u>14,247,612</u>
Change in Net Position					2,352,056	(338,345)	2,013,711
Net Position - July 1, 2019					<u>36,413,573</u>	<u>7,085,638</u>	<u>43,499,211</u>
Net Position - June 30, 2020					<u>\$ 38,765,629</u>	<u>\$ 6,747,293</u>	<u>\$ 45,512,922</u>

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

TOWN OF COLCHESTER, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Capital Projects Fund	Reserve Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 11,262,720	\$ 0	\$ 0	\$ 0	\$ 305,376	\$ 11,568,096
Investments	349,613	0	0	0	141,421	491,034
Receivables (Net of Allowance for Uncollectibles)	494,999	562,134	0	419,710	35,411	1,512,254
Notes Receivable (Net of Allowance for Uncollectibles)	0	0	0	0	246,162	246,162
Due from Other Funds	0	0	1,246,898	4,314,742	863,526	6,425,166
Prepaid Expenses	496	0	0	0	0	496
Inventory	36,493	0	0	0	0	36,493
Total Assets	\$ 12,144,321	\$ 562,134	\$ 1,246,898	\$ 4,734,452	\$ 1,591,896	\$ 20,279,701
LIABILITIES						
Accounts Payable	\$ 227,243	\$ 201,884	\$ 2,914	\$ 0	\$ 116,317	\$ 548,358
Accrued Payroll and Benefits Payable	282,054	500	0	0	0	282,554
Due to Other Funds	8,329,634	648,353	0	0	32,806	9,010,793
Unearned Revenue	0	0	0	0	105,400	105,400
Due to Others	40,231	0	0	0	0	40,231
Total Liabilities	8,879,162	850,737	2,914	0	254,523	9,987,336
DEFERRED INFLOWS OF RESOURCES						
Prepaid Property Taxes	10,269	0	0	0	0	10,269
Unavailable Property Taxes, Penalties and Interest	160,390	0	0	0	0	160,390
Unavailable Ambulance Fees	81,186	0	0	0	0	81,186
Unavailable Grants	6,703	481,533	0	0	35,411	523,647
Unavailable Notes Receivable	0	0	0	0	246,162	246,162
Total Deferred Inflows of Resources	258,548	481,533	0	0	281,573	1,021,654
FUND BALANCES						
Nonspendable	36,989	0	0	0	2,000	38,989
Restricted	0	0	0	4,734,452	833,320	5,567,772
Committed	353,814	0	0	0	0	353,814
Assigned	641,000	0	1,243,984	0	246,882	2,131,866
Unassigned/(Deficit)	1,974,808	(770,136)	0	0	(26,402)	1,178,270
Total Fund Balances	3,006,611	(770,136)	1,243,984	4,734,452	1,055,800	9,270,711
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,144,321	\$ 562,134	\$ 1,246,898	\$ 4,734,452	\$ 1,591,896	
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.						35,745,461
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.						1,011,385
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.						(8,354,372)
Deferred Outflows and Inflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.						1,092,444
Net Position of Governmental Activities						<u>\$ 38,765,629</u>

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

TOWN OF COLCHESTER, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Capital Projects Fund	Reserve Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 10,657,528	\$ 607,152	\$ 79,250	\$ 0	\$ 396,817	\$ 11,740,747
Penalties and Interest on Delinquent Taxes	156,284	0	0	0	0	156,284
Local Option Sales Tax	0	0	0	1,697,377	0	1,697,377
Intergovernmental	738,129	1,455,864	174,273	0	14,269	2,382,535
Charges for Services	889,644	0	0	0	6,081	895,725
Permits, Licenses and Fees	644,775	0	75,418	0	71,540	791,733
Fines and Forfeits	79,955	0	0	0	0	79,955
Loan Repayments	0	0	0	0	84,447	84,447
Loan Interest Income	0	0	0	0	6,709	6,709
Investment Income	46,425	2,021	11,038	37,873	8,940	106,297
Donations	0	15,980	2,005	0	3,454	21,439
Other	16,564	0	7,000	0	4,481	28,045
Total Revenues	13,229,304	2,081,017	348,984	1,735,250	596,738	17,991,293
Expenditures:						
General Government	3,031,809	9,283	108,879	0	28,029	3,178,000
Public Safety	5,344,971	0	1,134	0	69,143	5,415,248
Public Works	2,269,245	86,497	0	0	0	2,355,742
Culture and Recreation	1,222,715	42,217	0	0	12,772	1,277,704
Community Development	118,370	0	0	0	0	118,370
Capital Outlay:						
General Government	0	0	20,000	0	6,582	26,582
Public Safety	6,194	0	247,762	0	118,854	372,810
Public Works	24,782	830,664	0	0	223,676	1,079,122
Culture and Recreation	0	1,039,975	0	0	45,148	1,085,123
Debt Service:						
Principal	50,423	0	0	409,641	84,270	544,334
Interest	33,745	0	0	108,203	9,419	151,367
Total Expenditures	12,102,254	2,008,636	377,775	517,844	597,893	15,604,402
Excess/(Deficiency) of Revenues Over Expenditures	<u>1,127,050</u>	<u>72,381</u>	<u>(28,791)</u>	<u>1,217,406</u>	<u>(1,155)</u>	<u>2,386,891</u>
Other Financing Sources/(Uses):						
Proceeds from Sale of Vehicles	0	0	0	0	23,678	23,678
Transfers In	0	15,048	2,500	0	327,833	345,381
Transfers Out	<u>(831,415)</u>	<u>0</u>	<u>(15,048)</u>	<u>0</u>	<u>0</u>	<u>(846,463)</u>
Total Other Financing Sources/(Uses)	<u>(831,415)</u>	<u>15,048</u>	<u>(12,548)</u>	<u>0</u>	<u>351,511</u>	<u>(477,404)</u>
Net Change in Fund Balances	295,635	87,429	(41,339)	1,217,406	350,356	1,909,487
Fund Balances/(Deficit) - July 1, 2019	<u>2,710,976</u>	<u>(857,565)</u>	<u>1,285,323</u>	<u>3,517,046</u>	<u>705,444</u>	<u>7,361,224</u>
Fund Balances/(Deficit) - June 30, 2020	<u>\$ 3,006,611</u>	<u>\$ (770,136)</u>	<u>\$ 1,243,984</u>	<u>\$ 4,734,452</u>	<u>\$ 1,055,800</u>	<u>\$ 9,270,711</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, 2020

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$	1,909,487
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$2,563,637) is allocated over their estimated useful lives and reported as depreciation expense (\$1,719,284). This is the amount by which capital outlays exceeded depreciation in the current period.		844,353
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.		(18,731)
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 (\$544,334) 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.		544,334
The issuance of loans receivable (\$-0-) consumes current financial resources of governmental funds, while the repayment of the principal of loans receivable (\$84,447) 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.		(84,447)
Governmental funds report employer pension contributions as expenditures (\$384,532). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$1,120,020) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(735,488)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(38,631)
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.		(68,821)
		<hr style="width: 100%;"/>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>2,352,056</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, 2020

	Major Funds			Non-Major Fund	Total
	Wastewater Fund	Recreation Program Fund	Stormwater Fund	Police Dispatch Fund	
ASSETS					
Current Assets:					
Receivables (Net of Allowance for Uncollectibles)	\$ 354,205	\$ 0	\$ 192,769	\$ 0	\$ 546,974
Special Assessment Receivable - Current Portion	240,000	0	0	0	240,000
Due from Other Funds	832,789	724,483	746,668	281,687	2,585,627
Inventory	7,052	0	0	0	7,052
Total Current Assets	1,434,046	724,483	939,437	281,687	3,379,653
Noncurrent Assets:					
Special Assessment Receivable - Noncurrent Portion	90,000	0	0	0	90,000
Capital Assets:					
Land	132,568	0	0	0	132,568
Construction in Progress	0	0	46,751	0	46,751
Plant and Equipment	6,499,191	0	0	0	6,499,191
Vehicles	0	0	229,721	0	229,721
Infrastructure	0	0	4,405,359	0	4,405,359
Capacity Rights	12,137,834	0	0	0	12,137,834
Less: Accumulated Depreciation and Amortization	(8,495,446)	0	(1,409,918)	0	(9,905,364)
Total Noncurrent Assets	10,364,147	0	3,271,913	0	13,636,060
Total Assets	11,798,193	724,483	4,211,350	281,687	17,015,713
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	39,326	27,085	57,296	123,707
Total Deferred Outflows of Resources	0	39,326	27,085	57,296	123,707
LIABILITIES					
Current Liabilities:					
Accounts Payable	85,259	18,661	11,602	367	115,889
Accrued Payroll and Benefits Payable	181	38,490	2,123	16,763	57,557
Unearned Revenue	0	216,250	0	0	216,250
Accrued Interest Payable	221,852	0	0	0	221,852
Special Assessment Debt with Governmental Commitment - Current Portion	240,000	0	0	0	240,000
Due to South Burlington - Capacity Rights - Current Portion	562,578	0	0	0	562,578
Total Current Liabilities	1,109,870	273,401	13,725	17,130	1,414,126
Noncurrent Liabilities:					
Compensated Absences Payable	0	47,486	20,012	29,416	96,914
Net Pension Liability	0	113,830	78,399	165,844	358,073
Special Assessment Debt with Governmental Commitment - Noncurrent Portion	90,000	0	0	0	90,000
Due to South Burlington - Capacity Rights - Noncurrent Portion	8,424,013	0	0	0	8,424,013
Total Noncurrent Liabilities	8,514,013	161,316	98,411	195,260	8,969,000
Total Liabilities	9,623,883	434,717	112,136	212,390	10,383,126
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	2,861	1,971	4,169	9,001
Total Deferred Inflows of Resources	0	2,861	1,971	4,169	9,001
NET POSITION					
Net Investment in Capital Assets	1,287,556	0	3,271,913	0	4,559,469
Unrestricted	886,754	326,231	852,415	122,424	2,187,824
Total Net Position	\$ 2,174,310	\$ 326,231	\$ 4,124,328	\$ 122,424	\$ 6,747,293

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, 2020

	Major Funds			Non-Major Fund	Total
	Wastewater Fund	Recreation Program Fund	Stormwater Fund	Police Dispatch Fund	
Operating Revenues:					
Charges for Services	\$ 1,062,933	\$ 907,392	\$ 841,521	\$ 0	\$ 2,811,846
Interest and Penalties	9,775	0	14,443	0	24,218
Stormwater Utility Grant Income	0	0	25,000	0	25,000
Recreation Programs Grant Income	0	28,667	0	0	28,667
Total Operating Revenues	1,072,708	936,059	880,964	0	2,889,731
Operating Expenses:					
Salaries and Benefits	10,215	730,034	251,057	481,362	1,472,668
Administration Costs	134,275	0	112,826	0	247,101
General Expenses	13,518	58,142	23,819	11,807	107,286
Program Expenses	0	136,699	0	0	136,699
Sewage Treatment	570,249	0	0	0	570,249
Chemicals	40,798	0	0	0	40,798
Permits and Testing	0	0	31,764	0	31,764
Repairs and Maintenance	20,855	0	75,768	0	96,623
Machinery and Equipment	9,640	0	8,400	0	18,040
Utilities	53,180	0	2,978	0	56,158
Depreciation and Amortization	736,774	0	162,393	0	899,167
Total Operating Expenses	1,589,504	924,875	669,005	493,169	3,676,553
Operating Income/(Loss)	(516,796)	11,184	211,959	(493,169)	(786,822)
Non-Operating Revenues/(Expenses):					
Phosphorus Control Grant Income	0	0	18,056	0	18,056
Phosphorus Control Grant Expense	0	0	(22,570)	0	(22,570)
Interest Income on Special Assessment Debt Service	44,424	0	0	0	44,424
Investment Income	7,061	6,328	6,554	2,472	22,415
Interest Expense	(127,036)	0	0	0	(127,036)
Total Non-Operating Revenues/(Expenses)	(75,551)	6,328	2,040	2,472	(64,711)
Net Income/(Loss) Before Capital Contributions and Transfers	(592,347)	17,512	213,999	(490,697)	(851,533)
Capital Contributions and Transfers					
Capital Contributions	0	0	12,106	0	12,106
Transfers In	0	0	62,500	438,582	501,082
Total Capital Contributions and Transfers	0	0	74,606	438,582	513,188
Change in Net Position	(592,347)	17,512	288,605	(52,115)	(338,345)
Net Position - July 1, 2019	2,766,657	308,719	3,835,723	174,539	7,085,638
Net Position - June 30, 2020	<u>\$ 2,174,310</u>	<u>\$ 326,231</u>	<u>\$ 4,124,328</u>	<u>\$ 122,424</u>	<u>\$ 6,747,293</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, 2020

	Major Funds			Non-Major Fund	Total
	Wastewater Fund	Recreation Program Fund	Stormwater Fund	Police Dispatch Fund	
Cash Flows From Operating Activities:					
Receipts from Customers and Users	\$ 1,048,571	\$ 814,795	\$ 779,752	\$ 0	\$ 2,643,118
Receipts from Operating Grants	0	28,667	25,000	0	53,667
Payments for Goods and Services	(739,246)	(192,060)	(152,324)	(16,165)	(1,099,795)
Payments for Interfund Services	(134,275)	0	(112,826)	0	(247,101)
Payments for Wages and Benefits	(10,170)	(723,895)	(232,079)	(437,970)	(1,404,114)
Net Cash Provided/(Used) by Operating Activities	<u>164,880</u>	<u>(72,493)</u>	<u>307,523</u>	<u>(454,135)</u>	<u>(54,225)</u>
Cash Flows From Noncapital Financing Activities:					
Phosphorus Control Grant Income	0	0	7,371	0	7,371
Phosphorus Control Grant Expense	0	0	(19,714)	0	(19,714)
(Increase)/Decrease in Due from Other Funds	(330,707)	66,165	(195,286)	13,081	(446,747)
Transfers Received from Other Funds	0	0	62,500	438,582	501,082
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(330,707)</u>	<u>66,165</u>	<u>(145,129)</u>	<u>451,663</u>	<u>41,992</u>
Cash Flows From Capital and Related Financing Activities:					
Special Assessments Received	225,000	0	0	0	225,000
Proceeds from Capital Grants	0	0	23,882	0	23,882
Acquisition and Construction of Capital Assets	0	0	(192,830)	0	(192,830)
Principal Paid on General Obligation Bonds Payable	(181,489)	0	0	0	(181,489)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>43,511</u>	<u>0</u>	<u>(168,948)</u>	<u>0</u>	<u>(125,437)</u>
Cash Flows From Investing Activities:					
Receipt of Interest and Dividends	51,485	6,328	6,554	2,472	66,839
Net Decrease in Investments	(70,831)	0	0	0	(70,831)
Net Cash Provided by Investing Activities	<u>122,316</u>	<u>6,328</u>	<u>6,554</u>	<u>2,472</u>	<u>137,670</u>
Net Increase in Cash	0	0	0	0	0
Cash - July 1, 2019	0	0	0	0	0
Cash - June 30, 2020	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:					
Operating Income/(Loss)	\$ (516,796)	\$ 11,184	\$ 211,959	\$ (493,169)	\$ (786,822)
Depreciation and Amortization	736,774	0	162,393	0	899,167
(Increase)/Decrease in Accounts Receivable	(24,137)	0	(76,212)	0	(100,349)
(Increase)/Decrease in Inventory	(2,555)	0	0	0	(2,555)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	0	19,994	294	11,863	32,151
Increase/(Decrease) in Accounts Payable	(28,451)	2,781	(9,595)	(4,358)	(39,623)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	45	2,841	(2,730)	6,806	6,962
Increase/(Decrease) in Unearned Revenue	0	(92,597)	0	0	(92,597)
Increase/(Decrease) in Compensated Absences Payable	0	(124)	2,550	10,074	12,500
Increase/(Decrease) in Net Pension Liability	0	(15,715)	18,609	14,814	17,708
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	0	(857)	255	(165)	(767)
Net Cash Provided/(Used) by Operating Activities	<u>\$ 164,880</u>	<u>\$ (72,493)</u>	<u>\$ 307,523</u>	<u>\$ (454,135)</u>	<u>\$ (54,225)</u>

The Town received a forgiveness of debt as a result of the refinancing of two loans in the Wastewater Fund in the amount of \$43,511 from the Vermont Municipal Bond Bank.

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

TOWN OF COLCHESTER, VERMONT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2020

	<u>Agency Fund</u> Developer Escrow <u>Fund</u>
 <u>ASSETS</u>	
Cash	\$ <u>121,151</u>
Total Assets	<u>121,151</u>
 <u>LIABILITIES</u>	
Due to Others	<u>121,151</u>
Total Liabilities	<u>121,151</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, 2020

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, stormwater improvements and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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

The Town reports on the following major enterprise funds:

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

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

Stormwater Fund – This fund accounts for the stormwater activities of the Town.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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 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.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

2. Investments

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

3. Receivables

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

4. Internal Balances

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

5. Pensions

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

6. Inventories and Prepaid Expenses

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.

TOWN OF COLCHESTER, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

7. Deferred Outflows/Inflows of Resources

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

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

8. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

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

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

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

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

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

9. Compensated Absences

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

As of June 30, 2020, the governmental activities had \$693,780 in total compensated absences liability. The General Fund fund balance contains \$353,814 of committed fund balance as approved by the voters to fund a portion of this liability. Because this funding is not available for any other purpose and can only be un-committed through the annual voter approved budget process, it is tracked in a separate fund, the Accrued Leave Time Fund, for expenditures exceeding budget. The unfunded leave time liability as of June 30, 2020 is \$339,966. Management and the Selectboard are taking significant efforts through policies which reduce leave accumulation and additional funding to reduce this liability further in future years.

The compensated absences liability affiliated with the Enterprise Funds (the Recreation Program Fund, the Stormwater Fund and the 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.

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

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

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

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

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are approved at the annual Town Meeting in March. Budget changes within a department, which do not change the total expenditures, require approval of the Town Manager. Budget changes between departments, which do not change the total expenditures, require Selectboard approval. Voter approval is required before expenditures exceed 104% of the voter approved budget. The budget presented herein is for the Town’s “General Fund” only and does not include the Accrued Leave Time Fund activity that is included with the General Fund. There was no activity for the Accrued Leave Time Fund during the year.

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B. Budgeted Deficit

The Town budgeted a current year's deficiency of revenues over expenditures in the General Fund in the amount of \$266,000 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.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2020 consisted of the following:

Cash:	
Deposits with Financial Institutions	\$11,654,204
Deposits held by Investment Company	32,896
Cash on Hand	<u>2,147</u>
Total Cash	<u>11,689,247</u>
Investments:	
Certificates of Deposit	<u>491,034</u>
Total Cash and Investments	<u>\$12,180,281</u>

The Town has three (3) certificates of deposit at various banks ranging from \$112,862 to \$236,751 with interest rates ranging from 0.4% to 2.1%. All of the certificates of deposit mature by fiscal year 2022.

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 county-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit its exposure to custodial credit risk. The following table shows the custodial credit risk of the Town's cash and certificates of deposit.

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	Book Balance	Bank Balance
Insured by FDIC/SIPC	\$ 773,981	\$ 773,981
Uninsured, Collateralized by U.S. Government Agencies Securities Held by the Pledging Financial Institution's Agent	11,404,153	11,703,878
	\$ 12,178,134	\$ 12,477,859

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	\$11,654,204
Cash – Deposits held by Investment Company	32,896
Investments – Certificates of Deposit	491,034
Total	\$12,178,134

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

TOWN OF COLCHESTER, VERMONT
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B. Receivables

Receivables as of June 30, 2020, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	\$ 252,047	\$ 0	\$ 252,047
Penalties and Interest Receivable	64,950	0	64,950
Local Option Sales Tax Receivable	419,710	0	419,710
Ambulance Receivable	301,515	0	301,515
Grants Receivable	618,435	29,573	648,008
Accounts Receivable	28,187	0	28,187
Due from Other Entities	51,410	0	51,410
Billed Services	0	249,446	249,446
Unbilled Services	0	277,955	277,955
Special Assessment - Current Portion *	0	240,000	240,000
Special Assessment - Noncurrent Portion *	0	90,000	90,000
Allowance for Doubtful Accounts - Taxes	(79,000)	0	(79,000)
Allowance for Doubtful Accounts - Ambulance	(145,000)	0	(145,000)
Allowance for Doubtful Accounts - Stormwater	0	(10,000)	(10,000)
	<u>0</u>	<u>(10,000)</u>	<u>(10,000)</u>
 Total	 \$ <u>1,512,254</u>	 \$ <u>876,974</u>	 \$ <u>2,389,228</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.

C. Notes Receivable

Notes receivable as of June 30, 2020 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, 600 Dalton Drive (Cares), Champlain Housing Trust Corporation, Principal Payments Deferred until September, 2036, 0% Interest	65,778
Note Receivable, Brookside Partnership (Morehouse Drive/ Brookside Apartments, Champlain Housing Trust), Principal and Interest Payments Deferred until January, 2039, Interest at 4.46%	240,000
Note Receivable, Winchester Place Limited Partnership, Principal Payments Deferred until May, 2057, 0% Interest	543,477

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Note Receivable, Housing Foundation, Inc., Principal and Administrative Fee Payments of \$6,116 Due Monthly, 2% Administrative Fee, Due November, 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. \$ 168,570

Notes Receivable, Eleven (11) 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. 77,592

Total Notes Receivable 1,585,417

Plus: Accrued Interest on Notes Receivable 115,867

Less: Allowance for Doubtful Notes and
Accrued Interest Receivable (1,455,122)

Reported Value as of June 30, 2020 \$ 246,162

D. Capital Assets

Capital asset activity for the year ended June 30, 2020 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	<u>1,777,337</u>	<u>1,778,487</u>	<u>262,297</u>	<u>3,293,527</u>
Total Capital Assets, Not Being Depreciated	<u>3,882,273</u>	<u>1,778,487</u>	<u>262,297</u>	<u>5,398,463</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,524,302	0	0	2,524,302
Buildings and Building Improvements	10,492,299	41,582	0	10,533,881
Equipment and Furniture	2,610,327	48,854	102,578	2,556,603
Vehicles	3,613,593	732,384	147,755	4,198,222
Infrastructure	<u>25,556,170</u>	<u>226,345</u>	<u>1,001,863</u>	<u>24,780,652</u>
Totals	<u>44,796,691</u>	<u>1,049,165</u>	<u>1,252,196</u>	<u>44,593,660</u>
Less Accumulated Depreciation for:				
Land Improvements	1,031,501	71,578	0	1,103,079
Buildings and Building Improvements	2,806,180	189,957	0	2,996,137
Equipment and Furniture	1,726,204	177,062	95,370	1,807,896
Vehicles	1,707,174	318,768	134,514	1,891,428
Infrastructure	<u>6,488,066</u>	<u>961,919</u>	<u>1,001,863</u>	<u>6,448,122</u>
Totals	<u>13,759,125</u>	<u>1,719,284</u>	<u>1,231,747</u>	<u>14,246,662</u>
Total Capital Assets, Being Depreciated	<u>31,037,566</u>	<u>(670,119)</u>	<u>20,449</u>	<u>30,346,998</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,919,839</u>	<u>\$ 1,108,368</u>	<u>\$ 282,746</u>	<u>\$ 35,745,461</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 132,568	\$ 0	\$ 0	\$ 132,568
Construction in Progress	68,390	15,872	37,511	46,751
Total Capital Assets, Not Being Depreciated	200,958	15,872	37,511	179,319
Capital Assets, Being Depreciated:				
Plant and Equipment:				
10 Years	7,807	0	0	7,807
15 Years	51,811	0	0	51,811
25 Years	1,206,654	0	0	1,206,654
30 Years	221,037	0	0	221,037
40 Years	323,679	0	0	323,679
50 Years	4,688,203	0	0	4,688,203
Vehicles	208,494	21,227	0	229,721
Infrastructure	4,212,117	193,242	0	4,405,359
Capacity Rights - Wastewater Treatment	12,137,834	0	0	12,137,834
Totals	23,057,636	214,469	0	23,272,105
Less Accumulated Depreciation for:				
Plant and Equipment	4,117,320	129,882	0	4,247,202
Vehicles	139,698	10,352	0	150,050
Infrastructure	1,107,827	152,041	0	1,259,868
Capacity Rights - Wastewater Treatment	3,641,352	606,892	0	4,248,244
Totals	9,006,197	899,167	0	9,905,364
Total Capital Assets, Being Depreciated	14,051,439	(684,698)	0	13,366,741
Business-type Activities Capital Assets, Net	\$ 14,252,397	\$ (668,826)	\$ 37,511	\$ 13,546,060

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 110,219	Wastewater	\$ 736,774
Public Safety	345,963	Stormwater	162,393
Public Works	988,258		
Culture and Recreation	274,844		
 Total Depreciation Expense - Governmental Activities	 \$ 1,719,284	 Total Depreciation Expense - Business-type Activities	 \$ 899,167

TOWN OF COLCHESTER, VERMONT
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E. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2020 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 8,329,634
Capital Projects Fund	0	648,353
Reserve Fund	1,246,898	0
Debt Service Fund	4,314,742	0
Non-Major Governmental Funds	863,526	32,806
Wastewater Fund	832,789	0
Recreation Program Fund	724,483	0
Stormwater Fund	746,668	0
Police Dispatch Fund	281,687	0
Total	\$ 9,010,793	\$ 9,010,793

Interfund transfers during the year ended June 30, 2020 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Reserve Fund	\$ 2,500	Appropriation
General Fund	Recreation Acquisition and Development Fund	5,000	Appropriation
General Fund	Capital Equipment Fund	150,000	Additional Funding for Rescue Vehicle Replacement
General Fund	Fire Capital Equipment Fund	172,833	Initial Funding for Fire Equipment Purchases
General Fund	Stormwater Fund	62,500	
General Fund	Police Dispatch Fund	20,000	Appropriation - Leave Time
General Fund	Police Dispatch Fund	418,582	Appropriation
Reserve Fund	Capital Projects Fund	15,048	Additional Funding for Pickleball Project
Total		\$ 846,463	

F. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$441,932 from the difference between the expected and actual experience, \$232,329 from the difference between the projected and actual investment earnings, \$113,886 from changes in assumptions and \$5,511 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 \$384,532 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$1,178,190.

Deferred outflows of resources in the business-type activities consists of \$46,404 from the difference between the expected and actual experience, \$24,394 from the difference between the projected and actual investment earnings, \$11,958 from changes in assumptions and \$579 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 \$40,372 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the business-type activities is \$123,707.

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Deferred outflows of resources in the Recreation Program Fund consists of \$14,739 from the difference between the expected and actual experience, \$7,748 from the difference between the projected and actual investment earnings, \$3,798 from changes in assumptions and \$184 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$12,857 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Recreation Program Fund is \$39,326.

Deferred outflows of resources in the Stormwater Fund consists of \$10,150 from the difference between the expected and actual experience, \$5,336 from the difference between the projected and actual investment earnings, \$2,616 from changes in assumptions and \$126 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 \$8,857 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Stormwater Fund is \$27,085.

Deferred outflows of resources in the Police Dispatch Fund consists of \$21,515 from the difference between the expected and actual experience, \$11,310 from the difference between the projected and actual investment earnings, \$5,544 from changes in assumptions and \$269 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 \$18,658 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Police Dispatch Fund is \$57,296.

G. Unearned Revenue

Unearned revenue in the Non-Major Governmental Funds consists of \$105,400 of grant revenue received in advance.

Unearned revenue in the Recreation Program Fund consists of \$164,916 of recreation fees and \$51,334 of grant revenue received in advance. Total unearned revenue in the Recreation Program Fund is \$216,250.

H. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$29,484 from the difference between the expected and actual experience and \$56,262 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). It also includes \$10,269 of prepaid property taxes. Total deferred inflows of resources in the governmental activities is \$96,015.

Deferred inflows of resources in the business-type activities consists of \$3,096 from the difference between the expected and actual experience and \$5,905 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). Total deferred inflows of resources in the business-type activities is \$9,001.

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Deferred inflows of resources in the General Fund consists of \$160,390 of delinquent property taxes, penalties and interest on those taxes and \$81,186 of ambulance fees and \$6,703 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 \$10,269 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$258,548.

Deferred inflows of resources in the Capital Projects Fund consist of \$481,533 of grant revenue not collected within sixty (60) days after year-end as this would not be available to liquidate current liabilities.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$35,411 of grant revenue not collected within sixty (60) days after year-end and \$246,162 of notes receivable as these would not be available to liquidate current liabilities. Total deferred inflows of resources in the Non-Major Governmental Funds is \$281,573.

Deferred inflows of resources in the Recreation Program Fund consists of \$984 from the difference between the expected and actual experience and \$1,877 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). Total deferred inflows of resources in the Recreation Program Fund is \$2,861.

Deferred inflows of resources in the Stormwater Fund consists of \$678 from the difference between the expected and actual experience and \$1,293 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). Total deferred inflows of resources in the Stormwater Fund is \$1,971.

Deferred inflows of resources in the Police Dispatch Fund consists of \$1,434 from the difference between the expected and actual experience and \$2,735 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). Total deferred inflows of resources in the Police Dispatch Fund is \$4,169.

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.

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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 public works projects and to fund septic system improvement loan programs.

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

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

Long-term liabilities outstanding as of June 30, 2020 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Bellwood Drainage Project, Principal Payments of \$49,641 Payable on December 1 Annually, 0% Interest, Due December, 2023	\$ 248,205	\$ 0	\$ 49,641	\$ 198,564
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Administrative Fee Payments of \$9,174 Payable on April 1 Annually, 2% Administrative Fee, Due April, 2027	67,200	0	7,828	59,372
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Administrative Fee Payments of \$4,941 Payable on July 1 Annually, 2% Administrative Fee, Due July, 2028	40,332	0	4,135	36,197

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Septic System Improvement Loan Program, Principal and Administrative Fee Payments of \$6,181 Payable on August 1 Annually, 2% Administrative Fee, Due August, 2034	\$ 83,924	\$ 0	\$ 4,503	\$ 79,421
Bond Payable, Vermont Municipal Bond Bank, Municipal Building, Principal Payments of \$305,000 Payable on November 1 Annually, Interest Ranging from 3.865% to 4.715% Payable May 1 and November 1, Due November, 2027	2,745,000	0	305,000	2,440,000
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	330,000	0	55,000	275,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, Windemere Park Septic System Improvements, Principal and Administrative Fee Payments of \$73,393 Payable on June 1 Annually, 2% Administrative Fee, Due June, 2023	279,461	0	67,804	211,657
Bond Payable, State of Vermont Special Environmental Revolving Fund, Malletts Bay Sewer Study, Authorized to \$250,000 but Eligible for \$125,000 Forgiveness, Principal Payments of \$25,000 Payable on October 1 Annually Beginning October 1, 2023, 0% Interest, Due October, 2027. The Town has Recognized \$89,330 of Principal Forgiveness in the Prior Year	89,330	0	0	89,330
Capital Lease Payable, Municipal Leasing Consultants, LLC, Solar Array, Principal and Interest Payments of \$43,213 Payable on October 15 Annually, Interest at 4.27%, Due October, 2032	452,136	0	27,768	424,368

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Lease Payable, Municipal Leasing Consultants, LLC, Solar Array, Principal and Interest Payments of \$40,955 Payable on January 31 Annually, Interest at 4.32%, Due January, 2033	\$ <u>423,610</u>	\$ <u>0</u>	\$ <u>22,655</u>	\$ <u>400,955</u>
Total Governmental Activities	\$ <u>4,759,198</u>	\$ <u>0</u>	\$ <u>544,334</u>	\$ <u>4,214,864</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 \$145,000 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	\$300,000	\$ 0	\$145,000	\$155,000
Bond Payable, Vermont Municipal Bond Bank, Sewer System Expansion, Principal Payments Ranging from \$80,000 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	<u>255,000</u>	<u>0</u>	<u>80,000</u>	<u>175,000</u>
Total Business-type Activities	\$ <u>555,000</u>	\$ <u>0</u>	\$ <u>225,000</u>	\$ <u>330,000</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 3,883,452	\$ 0	\$ 493,911	\$ 3,389,541	\$ 495,597
Capital Leases Payable	875,746	0	50,423	825,323	84,168
Compensated Absences Payable	623,389	70,391	0	693,780	0
Net Pension Liability	<u>2,773,689</u>	<u>637,431</u>	<u>0</u>	<u>3,411,120</u>	<u>0</u>
Total Governmental Activities					
Long-term Liabilities	\$ <u>8,156,276</u>	\$ <u>707,822</u>	\$ <u>544,334</u>	\$ <u>8,319,764</u>	\$ <u>579,765</u>

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	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
Special Assessment Debt with Governmental Commitment	\$ 555,000	\$ 0	\$ 225,000	\$ 330,000	\$ 240,000
Due to South Burlington - Capacity Rights	8,986,591	0	0	8,986,591	562,578
Compensated Absences Payable	84,414	12,500	0	96,914	0
Net Pension Liability	340,365	17,708	0	358,073	0
Total Business-type Activities Long-term Liabilities	<u>\$ 9,966,370</u>	<u>\$ 30,208</u>	<u>\$ 225,000</u>	<u>\$ 9,771,578</u>	<u>\$ 802,578</u>

The Town has an agreement with the City of South Burlington, Vermont that assisted with the upgrade of South Burlington's wastewater treatment facility. This agreement provides wastewater treatment capacity rights to the Town of Colchester. The City of South Burlington has issued twenty year bonds from the State of Vermont Special Environmental Revolving Fund to provide the additional funding for this project and will bill the Town of Colchester for its proportionate share of the project costs. The Town of Colchester plans to pay for these improvements from a combination of cash reserves, grants and rate adjustments. The annual debt service to the Town will require annual payments of \$742,310, which began in April, 2014, for twenty (20) years which includes interest at 2%, however, the Town made the April, 2020 payment in August, 2020 and agreed with the City of South Burlington to not make the April, 2021 payment. Accordingly, the loan will be re-amortized and the remaining payments will be increased to approximately \$796,571 annually. The final payment year remains unchanged. 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, 2020 was \$8,986,591.

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
2021	\$ 495,597	\$ 100,404	\$ 84,168	\$ 240,000	\$ (108,403)
2022	497,316	81,478	84,168	90,000	(49,611)
2023	499,070	62,531	84,168	0	0
2024	452,465	45,679	84,168	0	0
2025	403,180	26,000	84,168	0	0
2026-2030	1,012,779	16,708	420,840	0	0
2031-2035	29,134	1,772	252,504	0	0
Total	3,389,541	334,572	1,094,184	330,000	(158,014)
Less: Imputed Interest	0	0	(268,861)	0	0
Total	<u>\$ 3,389,541</u>	<u>\$ 334,572</u>	<u>\$ 825,323</u>	<u>\$ 330,000</u>	<u>\$ (158,014)</u>

The Town refinanced the Sewer System Expansion bonds. The savings are being applied to principal and interest payments.

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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 less than thirteen percent (13%) of the prior year's General Fund operating expenditures. The unassigned fund balance is \$1,974,808 which is 15% of the 2020 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	\$ 496
Nonspendable Inventories	<u>36,493</u>
Total General Fund	<u>36,989</u>

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Non-Major Funds

Permanent Funds:

Nonspendable Burnham Memorial Library Fund Principal	<u>\$ 2,000</u>
Total Nonspendable Fund Balances	<u>\$38,989</u>

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

Major Funds

Debt Service Fund:

Restricted for Debt Service of Voter-Approved Capital Projects within the Town and Voter-Approved Intermunicipal Financial Support by Charter	<u>\$4,734,452</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Revolving Loans by Grant Agreements (Source of Revenue is Grant Revenue)	90,726
Restricted for Community Development by Grant Agreements (Source of Revenue is Grant Revenue)	43,288
Restricted for Police Expenses by Grant Agreement (Source of Revenue is Grant Revenue)	128,781
Restricted for Cemetery Expenses by Statute (Source of Revenue is Sale of Lots)	<u>256,085</u>
Total Special Revenue Funds	<u>518,880</u>

Capital Projects Funds:

Restricted for Recreation Acquisition and Development Expenditures by Impact Fees (Source of Revenue is Impact Fees)	264,365
Restricted for Severance Corners Gazebo Expenditures by Donations (Source of Revenue is Donations)	<u>20,000</u>
Total Capital Projects Funds	<u>284,365</u>

Permanent Funds:

Burnham Memorial Library Expenses by Trust Agreement – Expendable Portion (Source of Revenue is Donations)	<u>30,075</u>
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Total Non-Major Funds	<u>833,320</u>
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Total Restricted Fund Balances	<u>\$5,567,772</u>
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TOWN OF COLCHESTER, VERMONT
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The fund balance in the following fund is committed as follows:

Major Fund

General Fund:		
Committed for Accrued Leave Time Payments by the Voters		<u>\$353,814</u>
Total Committed Fund Balance		<u>\$353,814</u>

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

Major Funds

General Fund:		
Assigned to Reduce Property Taxes in Fiscal Year 2021	\$ 441,000	
Assigned to Reduce Property Taxes in Fiscal Year 2022	<u>200,000</u>	
Total General Fund		<u>641,000</u>

Reserve Fund:		
Assigned for Reserve Fund Expenses for Reappraisal, Technology and Public Safety Capital Items		<u>1,243,984</u>

Non-Major Funds

Capital Projects Funds:		
Assigned for Capital Equipment Expenditures	74,049	
Assigned for Fire Capital Equipment Expenditures	<u>172,833</u>	
Total Non-Major Funds		<u>246,882</u>
Total Assigned Fund Balances		<u>\$2,131,866</u>

The unassigned deficit of \$770,136 in the Capital Projects Fund will be funded with the collection of grant receivables and future property tax revenues.

The unassigned deficit of \$26,402 in the Grant Fund will be funded with the collection of grant receivables.

TOWN OF COLCHESTER, VERMONT
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K. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2020 consisted of the following:

Governmental Activities:

Inventories Restricted for Highway Use by Statute	\$ 36,493
Restricted for Expenses of Voter-Approved Capital Projects within the Town and Voter-Approved Intermunicipal Financial Support by Charter	4,734,452
Restricted for Community Development by Grant Agreements	201
Restricted for Grant Expenses by Grant Agreements	9,009
Restricted for Law Enforcement by Grant Agreements	128,781
Restricted for Cemetery by Statute	256,085
Restricted for Recreation Acquisition/Development by Impact Fees	264,365
Restricted for Severance Corners Gazebo Expenditures by Donations	20,000
Restricted for Burnham Library by Donations - Non-Expendable Portion	2,000
Restricted for Burnham Library by Donations - Expendable Portion	<u>30,075</u>
 Total Governmental Activities	 <u>\$5,481,461</u>

The designated net position of the Town as of June 30, 2020 consisted of the following:

Business-type Activities:

Wastewater Fund:	
Designated for South Burlington Plant Debt Service	\$ <u>536,754</u>
 Total Business-type Activities	 \$ <u>536,754</u>

V. OTHER INFORMATION

A. Pension Plan

Defined Benefit Plans

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. As of June 30, 2019, the measurement date selected by the State of Vermont, the retirement system consisted of 379 participating employers.

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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, Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2019, the measurement date selected by the State of Vermont, VMERS was funded at 80.35% and had a plan fiduciary net position of \$709,465,831 and a total pension liability of \$882,957,638 resulting in a net position liability of \$173,491,807. As of June 30, 2020, the Town's proportionate share of this was 2.1725% resulting in a net pension liability of \$3,769,193. The net pension liability was measured as of June 30, 2019, 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. The Town's proportion of 2.1725% was a decrease of 0.0412 from its proportion measured as of the prior year.

For the year ended June 30, 2020, the Town recognized pension expense of \$1,209,483.

As of June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 488,336	\$ 32,580
Difference between projected and actual investment earnings on pension assets	256,723	0
Changes in assumptions	125,844	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,090	62,167
Town's required employer contributions made subsequent to the measurement date	<u>424,904</u>	<u>0</u>
	<u>\$ 1,301,897</u>	<u>\$ 94,747</u>

TOWN OF COLCHESTER, VERMONT
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The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$424,904 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2021	\$319,983
2022	163,555
2023	181,152
2024	<u>117,556</u>
Total	<u>\$782,246</u>

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

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

Service Retirement Allowance:

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

Amount – Group A – 1.4% of AFC times service. Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. Group D – 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

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

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Early Retirement Allowance:

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

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

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

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

Death Benefit:

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

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

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

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

Member Contributions – Group A – 2.75%. Group B – 5.125%. Group C – 10.25%. Group D – 11.60%.

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Employer Contributions – Group A – 4.25%. Group B – 5.75%. Group C – 7.50%. Group D – 10.10%.

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

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation.

Salary increases: 5% per year.

Mortality:

Death in Active Service: Groups A, B and C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Employee and 40% Healthy Employee with generational projection using scale SSA-2017. Group D – 100% of RP-2006 Blue Collar Mortality Table with generational projection using scale SSA-2017.

Healthy Post-Retirement: Groups A, B and C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Annuitant and 40% Healthy Annuitant with generational projection using scale SSA-2017. Group D – 100% of RP-2006 Blue Collar Annuitant Table with generational projections using scale SSA-2017.

Disabled Post-Retirement: All Groups – RP-2006 Disabled Mortality Table with generational projection using scale SSA-2017.

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

Cost-of-Living Adjustments: 1.15% for Group A members and 1.30% for Groups B, C and D members. The January 1, 2019 and January 1, 2020 COLAs are 1.30% and 0.80%, respectively, for all groups.

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

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

Inflation: 2.50%

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Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	29%	6.90%
US Equity – Large Cap	4%	5.94%
US Equity – Small/Mid Cap	3%	6.72%
Non-US Equity – Large Cap	5%	6.81%
Non-US Equity – Small Cap	2%	7.31%
Emerging Markets Debt	4%	4.26%
Core Bond	14%	1.79%
Non-Core Bonds	6%	3.22%
Short Quality Credit	5%	1.81%
Private Credit	5%	6.00%
US TIPS	3%	1.45%
Core Real Estate	5%	4.26%
Non-Core Real Estate	3%	5.76%
Private Equity	10%	10.81%
Infrastructure/Farmland	2%	4.89%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%):

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$6,180,909	\$3,769,193	\$1,772,738

TOWN OF COLCHESTER, VERMONT
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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 \$673,301. Pension expense for the year ended June 30, 2020 was \$53,840.

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.

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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, 2020, taxes became due and payable on August 15, 2019, November 15, 2019 and March 15, 2020. 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 2020 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Town	0.5429	0.5429
Education	<u>1.5486</u>	<u>1.7426</u>
Total	<u>2.0915</u>	<u>2.2855</u>

E. Local Option Sales Tax

In the fiscal year ending June 30, 2020, the Town had revenue of \$1,697,377 in local option sales tax in the Debt Service Fund. The Town paid out \$517,844 in voter approved capital project debt service for the Bellwood neighborhood drainage project, the Bayside Hazlett Property and the Blakely Road Town Hall Building and Police Station improvements. The fund balance of the Debt Service Fund is \$4,734,452.

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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 2020, the Library contributed another \$3,161 to the Foundation. The balance of the Endowment Fund at June 30, 2020 is \$121,925.

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 \$565,432.

Future land lease revenue is as follows:

2021	\$ 29,356
2022	30,163
2023	30,993
2024	<u>31,845</u>
	<u>\$122,357</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, 2020, the Town borrowed \$831,864 and has a balance owed of \$386,647.

I. Subsequent Events

Subsequent to year-end, the Town consolidated the Colchester Fire Districts #2 and #3's fire departments into a single Town-wide fire department. All of the assets and responsibility for fire services were transferred to the Town.

Subsequent to year end, the Town entered into a capital lease with Capital One Public Funding, LLC for \$397,931 with interest at 2.75% for eleven (11) years to purchase a fire truck.

TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
REVENUES:			
PROPERTY TAXES	\$ 10,689,804	\$ 10,685,309	\$ (4,495)
VETERAN'S TAX EXEMPTION	(25,000)	(27,781)	(2,781)
INTEREST ON DELINQUENT TAXES	35,000	56,427	21,427
PENALTIES ON DELINQUENT TAXES	55,000	99,857	44,857
RECORDING FEES	125,000	207,981	82,981
CLERK FEES	88,200	66,713	(21,487)
STATE AID TO HIGHWAYS	196,705	202,572	5,867
MISCELLANEOUS PUBLIC WORKS REVENUE	29,900	31,147	1,247
BUILDING/ZONING PERMITS	250,000	269,824	19,824
PLANNING AND ZONING FEES	89,950	168,762	78,812
MISCELLANEOUS POLICE REVENUE	74,500	73,267	(1,233)
MISCELLANEOUS RESCUE REVENUE	0	14,106	14,106
MISCELLANEOUS RECREATION REVENUE	19,000	11,261	(7,739)
AMBULANCE	490,025	541,191	51,166
TRANSFER FROM WASTEWATER FUND	134,275	134,275	0
TRANSFER FROM STORMWATER FUND	112,826	112,826	0
GENERAL REVENUE	186,429	245,739	59,310
833 BLAKELY LEASE REVENUE	28,570	28,570	0
PILOT & CURRENT USE	283,235	307,258	24,023
TOTAL REVENUES	12,863,419	13,229,304	365,885
EXPENDITURES:			
SELECTBOARD:			
SALARIES & WAGES	7,500	6,897	603
EMPLOYER TAXES & BENEFITS	574	528	46
SERVICES & UTILITIES	67,500	0	67,500
TOTAL SELECTBOARD	75,574	7,425	68,149
TRANSFER TO POLICE DISPATCH FUND - LEAVE TIME:	20,000	20,000	0
CIVIL BOARD:			
SALARIES & WAGES	22,634	16,036	6,598
EMPLOYER TAXES & BENEFITS	10,406	10,656	(250)
SERVICES & UTILITIES	1,000	534	466
EQUIPMENT	600	4,802	(4,202)
MISCELLANEOUS	4,000	662	3,338
TOTAL CIVIL BOARD	38,640	32,690	5,950
MANAGER:			
SALARIES & WAGES	424,332	358,495	65,837
EMPLOYER TAXES & BENEFITS	133,696	120,838	12,858
SERVICES & UTILITIES	86,600	129,905	(43,305)
SUPPLIES & PARTS	11,600	6,749	4,851
MISCELLANEOUS	20,000	32,253	(12,253)
TOTAL MANAGER	676,228	648,240	27,988
ECONOMIC DEVELOPMENT:			
SALARIES & WAGES	77,101	76,192	909
EMPLOYER TAXES & BENEFITS	36,493	34,510	1,983
SERVICES & UTILITIES	20,250	7,668	12,582
SUPPLIES & PARTS	300	0	300
TOTAL ECONOMIC DEVELOPMENT	134,144	118,370	15,774

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TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
FINANCE:			
SALARIES & WAGES	\$ 241,689	\$ 236,327	\$ 5,362
EMPLOYER TAXES & BENEFITS	103,356	88,065	15,291
SERVICES & UTILITIES	64,350	71,412	(7,062)
SUPPLIES & PARTS	3,000	3,347	(347)
TOTAL FINANCE	<u>412,395</u>	<u>399,151</u>	<u>13,244</u>
ASSESSOR:			
SALARIES & WAGES	106,272	111,513	(5,241)
EMPLOYER TAXES & BENEFITS	52,310	45,644	6,666
SERVICES & UTILITIES	63,420	35,780	27,640
SUPPLIES & PARTS	500	181	319
TOTAL ASSESSOR	<u>222,502</u>	<u>193,118</u>	<u>29,384</u>
TOWN CLERK/TREASURER:			
SALARIES & WAGES	217,758	204,042	13,716
EMPLOYER TAXES & BENEFITS	100,726	89,176	11,550
SERVICES & UTILITIES	19,950	13,417	6,533
SUPPLIES & PARTS	13,500	11,371	2,129
MISCELLANEOUS	600	873	(273)
TOTAL TOWN CLERK/TREASURER	<u>352,534</u>	<u>318,879</u>	<u>33,655</u>
PLANNING/ZONING:			
SALARIES & WAGES	378,558	378,342	216
EMPLOYER TAXES & BENEFITS	163,076	151,119	11,957
SERVICES & UTILITIES	92,635	185,275	(92,640)
SUPPLIES & PARTS	3,500	2,151	1,349
TOTAL PLANNING/ZONING	<u>637,769</u>	<u>716,887</u>	<u>(79,118)</u>
INFORMATION TECHNOLOGY:			
SALARIES & WAGES	106,381	114,231	(7,850)
EMPLOYER TAXES & BENEFITS	25,574	37,272	(11,698)
SERVICES & UTILITIES	17,650	21,270	(3,620)
EQUIPMENT	5,000	7,351	(2,351)
TOTAL INFORMATION TECHNOLOGY	<u>154,605</u>	<u>180,124</u>	<u>(25,519)</u>
POLICE ENFORCEMENT:			
SALARIES & WAGES	2,373,721	2,223,685	150,036
EMPLOYER TAXES & BENEFITS	1,146,428	1,007,398	139,030
SERVICES & UTILITIES	274,200	246,670	27,530
EQUIPMENT	45,000	93,663	(48,663)
SUPPLIES & PARTS	10,000	8,310	1,690
MISCELLANEOUS	52,000	75,310	(23,310)
TOTAL POLICE ENFORCEMENT	<u>3,901,349</u>	<u>3,655,036</u>	<u>246,313</u>
TRANSFER TO POLICE DISPATCH FUND:	<u>418,582</u>	<u>418,582</u>	<u>0</u>

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TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
FIRE:			
FIRE RADIO TOWER LEASE	\$ 6,851	\$ 9,008	\$ (2,157)
DAYTIME COVERAGE PILOT	63,000	0	63,000
FIRE PREVENTION & SUPPRESSION	939,800	763,780	176,020
SALARIES & WAGES	0	51,323	(51,323)
EMPLOYER TAXES & BENEFITS	0	14,414	(14,414)
SERVICES & UTILITIES	0	41,877	(41,877)
EQUIPMENT	0	3,674	(3,674)
SUPPLIES & PARTS	0	259	(259)
MISCELLANEOUS	0	10,486	(10,486)
CAPITAL AND TRANSFERS	0	172,833	(172,833)
TOTAL FIRE	<u>1,009,651</u>	<u>1,067,654</u>	<u>(58,003)</u>
RESCUE:			
SALARIES & WAGES	401,754	459,354	(57,600)
EMPLOYER TAXES & BENEFITS	176,602	175,189	1,413
SERVICES & UTILITIES	74,525	96,312	(21,787)
SUPPLIES & PARTS	19,400	47,371	(27,971)
MISCELLANEOUS	8,000	11,732	(3,732)
TRANSFER TO CAPITAL EQUIPMENT FUND	0	150,000	(150,000)
TOTAL RESCUE	<u>680,281</u>	<u>939,958</u>	<u>(259,677)</u>
TECHNICAL RESCUE:			
SALARIES & WAGES	9,000	9,000	0
EMPLOYER TAXES & BENEFITS	2,135	1,959	176
SERVICES & UTILITIES	21,510	15,940	5,570
EQUIPMENT	4,000	4,255	(255)
SUPPLIES & PARTS	300	1,238	(938)
TOTAL TECHNICAL RESCUE	<u>36,945</u>	<u>32,392</u>	<u>4,553</u>
PUBLIC WORKS - ADMINISTRATION:			
SALARIES & WAGES	405,435	399,690	5,745
EMPLOYER TAXES & BENEFITS	139,369	119,558	19,811
SERVICES & UTILITIES	52,100	35,315	16,785
SUPPLIES & PARTS	1,450	901	549
TOTAL PUBLIC WORKS - ADMINISTRATION	<u>598,354</u>	<u>555,464</u>	<u>42,890</u>
HIGHWAY DEPARTMENT:			
SALARIES & WAGES	563,714	485,831	77,883
EMPLOYER TAXES & BENEFITS	300,658	276,226	24,432
SERVICES & UTILITIES	138,386	179,306	(40,920)
SUPPLIES & PARTS	303,135	324,520	(21,385)
MISCELLANEOUS	0	1,752	(1,752)
TOTAL HIGHWAY DEPARTMENT	<u>1,305,893</u>	<u>1,267,635</u>	<u>38,258</u>

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TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
MAINTENANCE FACILITY:			
SALARIES & WAGES	\$ 181,231	\$ 181,159	\$ 72
EMPLOYER TAXES & BENEFITS	106,281	97,575	8,706
SERVICES & UTILITIES	36,080	42,915	(6,835)
EQUIPMENT	3,000	2,897	103
SUPPLIES & PARTS	22,925	23,628	(703)
TOTAL MAINTENANCE FACILITY	349,517	348,174	1,343
STORMWATER - SERVICES & UTILITIES:	132,645	132,012	633
TRANSFER TO STORMWATER FUND:	0	62,500	(62,500)
BUILDINGS:			
SALARIES & WAGES	44,175	48,393	(4,218)
EMPLOYER TAXES & BENEFITS	21,589	17,371	4,218
SERVICES & UTILITIES	96,150	111,967	(15,817)
SUPPLIES & PARTS	5,000	2,116	2,884
MISCELLANEOUS	700	0	700
TOTAL BUILDINGS	167,614	179,847	(12,233)
HEALTH SERVICES:			
VISITING NURSE ASSOCIATION	36,000	36,000	0
STEPS TO END DOMESTIC VIOLENCE	500	0	500
ANIMAL CONTROL CONTRACT	19,152	18,983	169
ANIMAL CONTROL FEES	6,300	4,112	2,188
TOTAL HEALTH SERVICES	61,952	59,095	2,857
PARKS:			
SALARIES & WAGES	218,790	181,544	37,246
EMPLOYER TAXES & BENEFITS	79,002	60,311	18,691
SERVICES & UTILITIES	108,900	119,581	(10,681)
EQUIPMENT	10,000	7,565	2,435
SUPPLIES & PARTS	17,000	12,193	4,807
MISCELLANEOUS	0	9,625	(9,625)
TOTAL PARKS	433,692	390,819	42,873
RECREATION:			
SALARIES & WAGES	140,550	130,915	9,635
EMPLOYER TAXES & BENEFITS	47,657	50,866	(3,209)
SERVICES & UTILITIES	47,200	46,596	604
SUPPLIES & PARTS	3,500	2,796	704
TOTAL RECREATION	238,907	231,173	7,734
LIBRARY:			
SALARIES & WAGES	406,786	367,446	39,340
EMPLOYER TAXES & BENEFITS	208,520	162,654	45,866
SERVICES & UTILITIES	128,400	100,164	28,236
SUPPLIES & PARTS	5,200	5,622	(422)
MISCELLANEOUS	0	979	(979)
TOTAL LIBRARY	748,906	636,865	112,041

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TOWN OF COLCHESTER, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance Favorable/ (Unfavorable)
INTERGOVERNMENTAL EXPENDITURES:			
CHAMBER OF COMMERCE	\$ 1,500	\$ 1,420	\$ 80
VT COUNCIL ON WORLD AFFAIRS	500	500	0
GBIC	6,000	6,000	0
CHITTENDEN COUNTY REGIONAL PLANNING	26,202	26,202	0
WINOOSKI VALLEY PARK DISTRICT	47,672	47,672	0
VLCT	21,551	21,500	51
CCTA & GMT ADA	76,411	89,462	(13,051)
SPECIAL SERVICES TRANSPORTATION AGENCY	28,500	21,013	7,487
LOCAL MOTION	2,500	2,500	0
COUNTY TAX	107,404	102,810	4,594
CONSERVATION COMMISSION	2,500	2,500	0
TOTAL INTERGOVERNMENTAL EXPENDITURES	<u>320,740</u>	<u>321,579</u>	<u>(839)</u>
TOTAL EXPENDITURES	<u>13,129,419</u>	<u>12,933,669</u>	<u>195,750</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (266,000)</u>	295,635	<u>\$ 561,635</u>
FUND BALANCE - JULY 1, 2019		<u>2,710,976</u>	
FUND BALANCE - JUNE 30, 2020		<u>\$ 3,006,611</u>	

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TOWN OF COLCHESTER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2020

	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 173,491,807	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	2.1725%	2.2137%	2.2780%	2.2541%	2.2404%	1.9500%
Town's Proportionate Share of the Net Pension Liability	\$ 3,769,193	\$ 3,114,054	\$ 2,759,940	\$ 2,900,916	\$ 1,727,252	\$ 177,972
Town's Covered Employee Payroll	\$ 5,975,822	\$ 5,976,336	\$ 5,650,565	\$ 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	63.0741%	52.1064%	48.8436%	53.5931%	34.7365%	3.8972%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: None.

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

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TOWN OF COLCHESTER, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 424,904	\$ 417,422	\$ 387,735	\$ 372,020	\$ 342,586	\$ 313,173
Contributions in Relation to the Actuarially Determined Contributions	<u>424,904</u>	<u>417,422</u>	<u>387,735</u>	<u>372,020</u>	<u>342,586</u>	<u>313,173</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 5,975,822	\$ 5,976,336	\$ 5,650,565	\$ 5,412,857	\$ 4,972,437	\$ 4,566,655
Contributions as a Percentage of Town's Covered Employee Payroll	7.110%	6.985%	6.862%	6.873%	6.890%	6.858%

Notes to Schedule

Valuation Date: June 30, 2019

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

TOWN OF COLCHESTER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Burnham Memorial Library Fund	Total
<u>ASSETS</u>				
Cash	\$ 268,363	\$ 0	\$ 37,013	\$ 305,376
Investments	141,421	0	0	141,421
Receivables	35,411	0	0	35,411
Notes Receivable (Net of Allowance for Uncollectibles)	246,162	0	0	246,162
Due from Other Funds	<u>294,296</u>	<u>569,230</u>	<u>0</u>	<u>863,526</u>
Total Assets	<u>\$ 985,653</u>	<u>\$ 569,230</u>	<u>\$ 37,013</u>	<u>\$ 1,591,896</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 78,334	\$ 37,983	\$ 0	\$ 116,317
Due to Other Funds	27,868	0	4,938	32,806
Unearned Revenue	<u>105,400</u>	<u>0</u>	<u>0</u>	<u>105,400</u>
Total Liabilities	<u>211,602</u>	<u>37,983</u>	<u>4,938</u>	<u>254,523</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	35,411	0	0	35,411
Unavailable Notes Receivable	<u>246,162</u>	<u>0</u>	<u>0</u>	<u>246,162</u>
Total Deferred Inflows of Resources	<u>281,573</u>	<u>0</u>	<u>0</u>	<u>281,573</u>
<u>FUND BALANCES</u>				
Nonspendable	0	0	2,000	2,000
Restricted	518,880	284,365	30,075	833,320
Assigned	0	246,882	0	246,882
Unassigned/(Deficit)	<u>(26,402)</u>	<u>0</u>	<u>0</u>	<u>(26,402)</u>
Total Fund Balances	<u>492,478</u>	<u>531,247</u>	<u>32,075</u>	<u>1,055,800</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 985,653</u>	<u>\$ 569,230</u>	<u>\$ 37,013</u>	<u>\$ 1,591,896</u>

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TOWN OF COLCHESTER, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Burnham Memorial Library Fund	Total
Revenues:				
Property Taxes	\$ 0	\$ 396,817	\$ 0	\$ 396,817
Intergovernmental	9,269	5,000	0	14,269
Charges for Services	3,250	0	2,831	6,081
Permits, Licenses and Fees	0	71,540	0	71,540
Loan Repayments	84,447	0	0	84,447
Loan Interest Income	6,709	0	0	6,709
Investment Income	5,697	3,243	0	8,940
Donations	0	0	3,454	3,454
Other	0	4,245	236	4,481
Total Revenues	109,372	480,845	6,521	596,738
Expenditures:				
General Government	4,581	23,448	0	28,029
Public Safety	55,155	13,988	0	69,143
Culture and Recreation	3,161	1,494	8,117	12,772
Capital Outlay:				
General Government	6,582	0	0	6,582
Public Safety	0	118,854	0	118,854
Public Works	0	223,676	0	223,676
Culture and Recreation	0	45,148	0	45,148
Debt Service:				
Principal	84,270	0	0	84,270
Interest	9,419	0	0	9,419
Total Expenditures	163,168	426,608	8,117	597,893
Excess/(Deficiency) of Revenues Over Expenditures	(53,796)	54,237	(1,596)	(1,155)
Other Financing Sources:				
Proceeds from Sale of Vehicles	0	23,678	0	23,678
Transfers In	0	327,833	0	327,833
Total Other Financing Sources	0	351,511	0	351,511
Net Change in Fund Balances	(53,796)	405,748	(1,596)	350,356
Fund Balances - July 1, 2019	546,274	125,499	33,671	705,444
Fund Balances - June 30, 2020	\$ 492,478	\$ 531,247	\$ 32,075	\$ 1,055,800

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TOWN OF COLCHESTER, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2020

	Revolving Loan Fund	Community Development Fund	Grant Fund	Police Special Revenue Fund	Cemetery Fund	Total
<u>ASSETS</u>						
Cash	\$ 101,779	\$ 0	\$ 0	\$ 133,688	\$ 32,896	\$ 268,363
Investments	0	0	0	0	141,421	141,421
Receivables	0	0	35,411	0	0	35,411
Notes Receivable (Net of Allowance for Uncollectibles)	77,592	168,570	0	0	0	246,162
Due from Other Funds	<u>95,847</u>	<u>116,681</u>	<u>0</u>	<u>0</u>	<u>81,768</u>	<u>294,296</u>
Total Assets	<u>\$ 275,218</u>	<u>\$ 285,251</u>	<u>\$ 35,411</u>	<u>\$ 133,688</u>	<u>\$ 256,085</u>	<u>\$ 985,653</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 4,941	\$ 73,393	\$ 0	\$ 0	\$ 0	\$ 78,334
Due to Other Funds	0	0	22,961	4,907	0	27,868
Unearned Revenue	<u>101,959</u>	<u>0</u>	<u>3,441</u>	<u>0</u>	<u>0</u>	<u>105,400</u>
Total Liabilities	<u>106,900</u>	<u>73,393</u>	<u>26,402</u>	<u>4,907</u>	<u>0</u>	<u>211,602</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Grants	0	0	35,411	0	0	35,411
Unavailable Notes Receivable	<u>77,592</u>	<u>168,570</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>246,162</u>
Total Deferred Inflows of Resources	<u>77,592</u>	<u>168,570</u>	<u>35,411</u>	<u>0</u>	<u>0</u>	<u>281,573</u>
<u>FUND BALANCES/(DEFICIT)</u>						
Restricted	90,726	43,288	0	128,781	256,085	518,880
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>(26,402)</u>	<u>0</u>	<u>0</u>	<u>(26,402)</u>
Total Fund Balances/(Deficit)	<u>90,726</u>	<u>43,288</u>	<u>(26,402)</u>	<u>128,781</u>	<u>256,085</u>	<u>492,478</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 275,218</u>	<u>\$ 285,251</u>	<u>\$ 35,411</u>	<u>\$ 133,688</u>	<u>\$ 256,085</u>	<u>\$ 985,653</u>

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, 2020

	Revolving Loan Fund	Community Development Fund	Grant Fund	Police Special Revenue Fund	Cemetery Fund	Total
Revenues:						
Intergovernmental	\$ 0	\$ 0	\$ 8,656	\$ 613	\$ 0	\$ 9,269
Charges for Services	0	0	0	0	3,250	3,250
Loan Repayments	15,178	69,269	0	0	0	84,447
Loan Interest Income	2,585	4,124	0	0	0	6,709
Investment Income	0	0	79	241	5,377	5,697
Total Revenues	<u>17,763</u>	<u>73,393</u>	<u>8,735</u>	<u>854</u>	<u>8,627</u>	<u>109,372</u>
Expenditures:						
General Government	6	0	0	0	4,575	4,581
Public Safety	0	0	35,411	19,744	0	55,155
Culture and Recreation	0	0	3,161	0	0	3,161
Capital Outlay:						
General Government	0	0	0	0	6,582	6,582
Debt Service:						
Principal	16,466	67,804	0	0	0	84,270
Interest	3,830	5,589	0	0	0	9,419
Total Expenditures	<u>20,302</u>	<u>73,393</u>	<u>38,572</u>	<u>19,744</u>	<u>11,157</u>	<u>163,168</u>
Net Change in Fund Balances	(2,539)	0	(29,837)	(18,890)	(2,530)	(53,796)
Fund Balances - July 1, 2019	<u>93,265</u>	<u>43,288</u>	<u>3,435</u>	<u>147,671</u>	<u>258,615</u>	<u>546,274</u>
Fund Balances/(Deficit) - June 30, 2020	<u>\$ 90,726</u>	<u>\$ 43,288</u>	<u>\$ (26,402)</u>	<u>\$ 128,781</u>	<u>\$ 256,085</u>	<u>\$ 492,478</u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2020

	Recreation Acquisition and Development Fund	Capital Equipment Fund	Fire Capital Equipment Fund	Total
<u>ASSETS</u>				
Due from Other Funds	\$ <u>302,348</u>	\$ <u>94,049</u>	\$ <u>172,833</u>	\$ <u>569,230</u>
Total Assets	\$ <u><u>302,348</u></u>	\$ <u><u>94,049</u></u>	\$ <u><u>172,833</u></u>	\$ <u><u>569,230</u></u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ <u>37,983</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>37,983</u>
Total Liabilities	<u>37,983</u>	<u>0</u>	<u>0</u>	<u>37,983</u>
Fund Balances:				
Restricted	264,365	20,000	0	284,365
Assigned	<u>0</u>	<u>74,049</u>	<u>172,833</u>	<u>246,882</u>
Total Fund Balances	<u>264,365</u>	<u>94,049</u>	<u>172,833</u>	<u>531,247</u>
Total Liabilities and Fund Balances	\$ <u><u>302,348</u></u>	\$ <u><u>94,049</u></u>	\$ <u><u>172,833</u></u>	\$ <u><u>569,230</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, 2020

	Recreation Acquisition and Development Fund	Capital Equipment Fund	Fire Capital Equipment Fund	Total
Revenues:				
Property Taxes	\$ 0	\$ 396,817	\$ 0	\$ 396,817
Intergovernmental	0	5,000	0	5,000
Permits, Licenses and Fees	71,540	0	0	71,540
Investment Income	2,654	589	0	3,243
Other	0	4,245	0	4,245
	<u>74,194</u>	<u>406,651</u>	<u>0</u>	<u>480,845</u>
Total Revenues				
Expenditures:				
General Government	0	23,448	0	23,448
Public Safety	0	13,988	0	13,988
Culture and Recreation	0	1,494	0	1,494
Capital Outlay:				
Public Safety	0	118,854	0	118,854
Public Works	0	223,676	0	223,676
Culture and Recreation	37,983	7,165	0	45,148
	<u>37,983</u>	<u>388,625</u>	<u>0</u>	<u>426,608</u>
Total Expenditures				
Excess of Revenues Over Expenditures	<u>36,211</u>	<u>18,026</u>	<u>0</u>	<u>54,237</u>
Other Financing Sources:				
Proceeds from Sale of Vehicles	0	23,678	0	23,678
Transfers In	5,000	150,000	172,833	327,833
	<u>5,000</u>	<u>173,678</u>	<u>172,833</u>	<u>351,511</u>
Total Other Financing Sources				
Net Change in Fund Balances	41,211	191,704	172,833	405,748
Fund Balances/(Deficit) - July 1, 2019	<u>223,154</u>	<u>(97,655)</u>	<u>0</u>	<u>125,499</u>
Fund Balances - June 30, 2020	<u>\$ 264,365</u>	<u>\$ 94,049</u>	<u>\$ 172,833</u>	<u>\$ 531,247</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, 2020

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-LSTA19.1.15	\$ 0	\$ 390
Total Institute of Museum and Library Services			<u>0</u>	<u>390</u>
<u>U.S. Department of Homeland Security</u>				
Passed through State of Vermont Department of Public Safety				
Boating Safety Financial Assistance	97.012	02140-11799F-203	0	129,720
Boating Safety Financial Assistance	97.012	02140-11820F-203	0	10,628
Disaster Grants - Public Assistance	97.036	02140-84356-004	0	443
Disaster Grants - Public Assistance	97.036	02140-84380-002	0	645,396
Homeland Security Grant Program	97.067	02140-7H19152-104	<u>0</u>	<u>35,411</u>
Total U.S. Department of Homeland Security			<u>0</u>	<u>821,598</u>
<u>U.S. Department of Transportation</u>				
Passed through State of Vermont Agency of Transportation				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	08100-CA0341	0	162,150
Highway Planning and Construction	20.205	08126-CA0473	0	296,395
Highway Planning and Construction	20.205	08126-CA0474	0	30,036
Highway Planning and Construction	20.205	08126-CA0524	0	18,056
Highway Planning and Construction	20.205	08126-CA0540	<u>0</u>	<u>12,106</u>
Total Highway Planning and Construction Cluster			<u>0</u>	<u>518,743</u>
Highway Safety Cluster:				
State and Community Highway Safety	20.600	GR1391	0	11,478
Minimum Penalties for Repeat Offenders for DWI	20.608	GR1391	0	2,136
National Priority Safety Programs	20.616	GR1388	<u>0</u>	<u>4,712</u>
Total Highway Safety Cluster			<u>0</u>	<u>18,326</u>
Total U.S. Department of Transportation			<u>0</u>	<u>537,069</u>

See Accompanying Independent Auditor's Report.

TOWN OF COLCHESTER, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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>U.S. Environmental Protection Agency</u>				
Passed through the State of Vermont Department of Environmental Conservation				
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	06140-RF1-226	\$ 0	\$ 750
Total U.S. Environmental Protection Agency			0	750
<u>U.S. Department of Justice</u>				
Direct Federal Program				
Equitable Sharing Program	16.922	N/A	0	19,744
Total U.S. Department of Justice			0	19,744
<u>U.S. Department of Health and Human Services</u>				
Direct Federal Program				
COVID-19 - Coronavirus Aid Relief, and Economic Security Act (CARES Act) Provider Relief Fund Cluster:				
Coronavirus Aid Relief, and Economic Security Act (CARES Act) Provider Relief Fund	93.498		0	14,106
Total U.S. Department of Health and Human Services			0	14,106
Total			\$ 0	\$ 1,393,657

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, 2020. 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 the Town of Colchester, Vermont, it is not intended to and does not present the financial position, changes in net position or cash flows.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis 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.

See Accompanying Independent Auditor's Report.

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
781 Blakely Road
Colchester, Vermont 05446

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colchester, Vermont, as of and for the year ended June 30, 2020, 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 January 27, 2021.

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

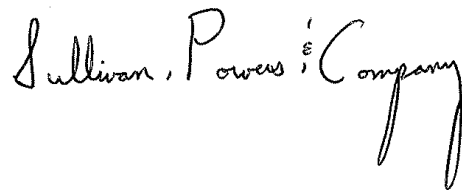
As part of obtaining reasonable assurance about whether the Town of Colchester, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a 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".

However, we noted a certain other matter that we reported to the management of the Town of Colchester, Vermont in a separate letter dated January 27, 2021.

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.

January 27, 2021
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
781 Blakely Road
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, 2020. 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, 2020.

Report on Internal Control Over Compliance

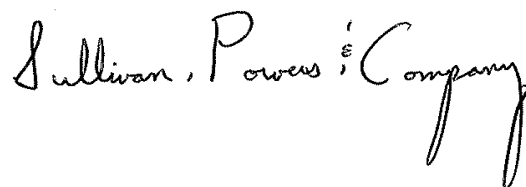
The management of the Town of Colchester, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to previously. In planning and performing our audit of compliance, we considered the Town of Colchester, Vermont's 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.

January 27, 2021
Montpelier, Vermont
VT Lic. #92-000180



TOWN OF COLCHESTER, VERMONT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND
DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2020

There were no prior year findings.

TOWN OF COLCHESTER, VERMONT
SCHEDULE OF FINDINGS AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2020

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.

Type of auditor's report issued on compliance for major programs:
Unmodified.

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>
97.036	Disaster Grants - Public Assistance	U.S. Department of Homeland Security

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.