

Final Official Statement Dated October 1, 2020

REFUNDING ISSUE: Book-Entry-Only

RATINGS: See "Ratings" herein.

In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum taxes, the Notes are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code; interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendix B "Opinion of Bond Counsel and Tax Status" herein.)



Town of Colchester, Connecticut **\$2,845,000** **General Obligation Bond Anticipation Notes** **(Bank Qualified)**

Dated: October 15, 2020

Rate: 1.000%

Due: October 14, 2021

Yield: 0.300%

CUSIP:¹ 192792SK6

The Notes will be issued in book-entry-only form and will bear interest at such rate or rates per annum as are specified by the successful bidder or bidders in accordance with the Notice of Sale, dated September 23, 2020. The Notes, when issued, will be registered in the name of Cede & Co., as Noteowner and nominee for DTC, New York, New York. See "Book-Entry-Only Transfer System" herein.

The Notes are not subject to redemption prior to maturity.

The Notes will be general obligations of the Town of Colchester, Connecticut (the "Town") and the Town will pledge its full faith and credit to pay the principal of and the interest on the Notes when due. See "Security and Remedies" herein.

The Registrar, Transfer Agent, Paying Agent, and Certifying Agent for the Notes will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.

The Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Notes in book-entry-only form will be made to DTC in New York, New York on or about October 15, 2020.

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¹ Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Notes. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Notes or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Notes.

No dealer, broker, salesman or other person has been authorized by the Town of Colchester, Connecticut (the “Town”) to give any information or to make any representations, other than those contained in this Official Statement; and if given or made, such other information or representation must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Notes and may not be reproduced or used in whole or in part for any other purpose. The information estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Notes shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

Set forth in Appendix A – “2019 Financial Statements Excerpted from the Town’s Comprehensive Annual Financial Report” hereto is a copy of the report of the independent auditors for the Town with respect to the financial statements of the Town included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Bond Counsel is not passing on and does not assume any responsibility for the accuracy or completeness of the statements made in this Official Statement, (other than matters expressly set forth as its opinion in Appendix B "Opinion of Bond Counsel and Tax Status" herein), and makes no representation that it has independently verified the same.

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Note Issue Summary

The information in this Note Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.

Date of Sale:	Thursday, October 1, 2020 at 11:30 A.M. (Eastern Time).
Location of Sale:	Office of Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460.
Issuer:	Town of Colchester, Connecticut (the "Town").
Issue:	\$2,845,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	Date of Delivery
Principal Due:	At maturity: October 14, 2021
Interest Due:	At maturity: October 14, 2021
Purpose:	The Notes are being issued to temporarily finance improvements to the Town's William J. Johnston Middle School Project.
Redemption:	The Notes are <u>NOT</u> subject to redemption prior to maturity.
Security:	The Notes will be general obligations of the Town of Colchester, Connecticut, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
Credit Rating:	No application has been made for a rating on the Notes. The Town's long-term outstanding rating is "AA+" from S&P Global Ratings ("S&P").
Note Insurance:	The Town does not expect to purchase a credit enhancement facility.
Basis of Award:	Lowest Net Interest Cost (NIC), as of the dated date.
Tax Exemption:	See Appendix B - "Opinion of Bond Counsel and Tax Status".
Bank Qualification:	The Notes <u>shall be</u> designated by the Town as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Notes.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, timely notices of certain events with respect to the Notes pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement.
Registrar, Transfer Agent, Certifying Agent, and Paying Agent:	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, LLC of Milford, Connecticut. Barry Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut. Email: bbernabe@muniadvisors.com Telephone: (203) 283-1110.
Legal Opinion:	Day Pitney LLP, of Hartford, Connecticut.
Delivery and Payment:	It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about October 15, 2020. Delivery of the Notes will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Town should be directed to Ms. N. Maggie Cosgrove, Chief Financial Officer, 127 Norwich Avenue, Suite 203, Colchester, Connecticut 06415, Telephone: (860) 537-7229.

I. Note Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Colchester, Connecticut (the “Town”), in connection with the issuance and sale of \$2,845,000 General Obligation Bond Anticipation Notes (the “Notes”) of the Town.

The Notes are being offered for sale at public bidding. A Notice of Sale dated September 23, 2020 has been furnished to prospective bidders. Reference is made to the Notice of Sale, which is included as Appendix D for the terms and conditions of the bidding.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. All quotations from and summaries and explanations of provisions of Statutes, Charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

U.S. Bank National Association will certify and act as Registrar, Transfer Agent, Paying Agent, and Certifying Agent for the Notes.

The presentation of information in this Official Statement is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town.

The Town deems this Official Statement to be “final” for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment.

Global Health Emergency Risk

CONSIDERATION FOR NOTEHOLDERS

In making an investment decision with respect to Notes, investors should consider carefully the information in this Official Statement and, in addition to those investment characteristics of fixed-rate municipal debt obligations, consider the following:

The COVID-19 Outbreak

The outbreak of COVID-19, a respiratory virus caused by a new strain of coronavirus, has been declared a Public Health Emergency of International Concern by the World Health Organization. On March 13, 2020, the President of the United States declared a national emergency as a result of the COVID-19 outbreak. The U.S. Centers for Disease Control and Prevention (CDC) has warned that some areas in the United States are experiencing community spread of COVID-19 and that widespread transmission of COVID-19 in the United States is likely to continue. The outbreak of the virus has affected travel, commerce and financial markets globally, and is widely expected to affect economic growth worldwide.

There can be no assurances that the ongoing impact of COVID-19 will not materially affect local, state, national, and global activity; increase public health emergency response costs; and materially adversely impact the financial condition of the Town. As the situation evolves, states, municipalities, businesses and individuals appear to have altered behaviors in manners that are having negative effects on global, national, state and local economies. The financial, stock and bond markets in the United States and globally have seen significant volatility attributed to COVID-19.

State and Local Efforts to Mitigate the Ongoing Impact of COVID-19

On March 10, 2020, the Connecticut Governor declared a state of emergency throughout the State of Connecticut as a result of the COVID-19 outbreak. State agencies have been directed to use all resources necessary to prepare for and respond to the outbreak. Initially, the Governor cancelled all public-school classes for all students, restricted social and recreational gatherings, suspended activity at the State Capitol and legislative office building, suspended non-exigent operations of the judicial branch, limited restaurants to take-out and delivery only, required all businesses and not-for-profit entities in the State to employ, to the maximum extent possible, any telecommuting or work from home procedures that they can safely employ and required closure of all non-essential businesses and not-for-profit entities. Additionally, by executive order, the Governor instituted a 60-day residential rent moratorium and extended the date for adoptions of municipal budgets which fell on or before May 15, 2020 by up to 30 days. The Governor has ordered a phased re-opening of the state, and various activities are in various stages of resumption.

On April 1, 2020, the Connecticut Governor issued Executive Order No. 7S, which, among other things, calls for Connecticut municipalities, including the Town of Colchester, to offer to eligible taxpayers impacted by COVID-19 one or both of the following tax relief programs: a three (3) month Deferment Program and a three (3) month Low Interest Rate Program. Both programs are applicable to amounts payable or delinquent during the period from March 10, 2020 to and including July 1, 2020 and apply to taxes on real property, personal property or motor vehicles, and water, sewer and electric rates, charges and assessments. The Deferment Program provides for a three (3) month deferment from the time the amount becomes due and payable. However, financial institutions and mortgage servicers that hold property tax payments in escrow are required to continue to remit property taxes to the Town according to the regular timetable, so long as the borrower remains current on its mortgage or is in a mortgage forbearance or deferment program. The Low Interest Rate Program provides for a three percent (3%) cap on the interest rate due on the principal amount of delinquent payments. The low interest period runs for three (3) months from the date the payment is due and payable. With respect to payments delinquent on or prior to March 10, 2020, interest shall be capped at three percent (3%) for three (3) months from April 1, 2020. Following the three (3) month period, the interest rate may return to that previously established. Executive Order No. 7S required municipalities to select and implement one or both of the tax relief programs, and to notify the Secretary of the Office of Policy and Management no later than April 25, 2020, in which program or programs it is electing to participate.

At a meeting held on April 21st, 2020, the Colchester Board of Selectmen elected to participate in the low interest rate and three-month deferment program. The low-interest rate program lowered the interest rate on delinquent taxes during the period from April 1st through June 30th to 3% annually or 0.25% monthly. The lowered interest rate program also applied to the period from July 1st through October 2nd on the taxes due July 1st, 2020. Under the three-month deferment program eligible taxpayers, businesses, nonprofits, and residents could apply for a three month deferment on any taxes on real property, personal property or motor vehicles, sewer and waste charges and assessments from the time such taxes first became due and payable during the period beginning April 1, 2020 to and including July 1, 2020. Eligible taxpayers, businesses, nonprofits, and residents are defined as those that attest to or document to the Town that they have been significantly adversely affected by the COVID-19 pandemic.

Landlords were eligible for the three month deferment program only if Commensurate Forbearance was offered to their tenants; in accordance with OPM guidance, "Commensurate Forbearance", for purposes of this program, means either a) a deferral of 25% of rent (approximating the property tax portion of rent) for three (3) months after its due date; b) a deferral of one month's rent to be paid over the three (3) month period, or c) forbearance substantially similar to (a) or (b) as determined by the tax collector. Documentation includes, but is not limited to, proof that some tenants or lessees have received forbearance or that the landlord has actively communicated with tenants or lessees to offer forbearance.

The three-month deferment program did not apply to financial institutions, escrow agents, banks, or mortgage service agents. These parties were required to remit escrow payments to the Town for property Taxes irrespective of the Town's election of the three-month deferment program.

On April 10, 2020, the Governor issued Executive Order 7X ("Order 7X") requiring landlords to grant 60-day rent extensions to residential tenants for April (automatically) and May (by request due to loss of income). Landlords can satisfy the commensurate forbearance and income decline requirements for tax and other relief under Order 7S for residential properties simply by complying with Order 7X, and for the Deferment Program by confirming they will do so in an e-mail to the tax collector.

The potential long-term impact of the COVID-19 pandemic on the Town cannot be predicted at this time, the continued efforts to mitigate the spread of the outbreak and any prolonged effects on the national, State and local economy could have a materially adverse effect on the Town's finances. On March 16, 2020, the Town declared a local state of emergency. This declaration allowed the First Selectman to exercise emergency powers as needed to help the community and better position the Town to access emergency federal aid. All Town buildings were closed to the public and employees were directed to work from home whenever possible. However, the Town continued to provide all basic and essential services. The Town also began conducting board and commission meetings remotely. On June 8th, 2020 the Town brought employees back to work at Town buildings and opened to the public on a "by an appointment only basis". On June 22nd, coinciding with the mailing out of tax bills, the Tax Office was opened to the public on a walk-in basis.

While the COVID-19 pandemic poses potential risk at any time, the outbreak did not have a materially adverse effect on the Town for Fiscal Year 2019-20. The Town's finances and financial plans remain stable and the Town collected 99.5% of budgeted revenues as of June 30, 2020, including the collection of 99.0%, of budgeted property taxes. As of September 1st, 2020, the Town has not experienced any negative impact as a result of either the low interest rate or three-month deferment program called for by Executive Order No. 7S. The Town had received 43 deferment applications requesting to defer \$109,000 in taxes, sewer and water charges. The tax collection rate as of the end of August was 55.95% which is in line with prior years' collection rates. Based on tax collections through August 31, 2020, the Town has adequate available, unencumbered General Fund balance sufficient to meet interim cash flow needs.

Government Response to COVID-19's Impact on the Economy

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that provides in excess of \$2 trillion of relief to industries and entities throughout the country, including state and local governments. Under the CARES Act, \$150 billion will be appropriated to states and other units of government for activities that are directly related to COVID-19; the amount paid to each state will be based on population with a minimum payment of \$1.25 billion. In addition, the CARES Act will provide \$454 billion to the Federal Reserve to purchase business, state or municipal securities in order to provide a level of liquidity to the municipal market. Other financial relief affecting states and local governments includes \$30.9 billion for education, \$10 billion for airports, \$25 billion for transit providers, and \$17 billion for housing, including \$5 billion for Community Development Block Grants for COVID-19 related services.

On March 28, 2020, President Trump approved the Connecticut Governor's request for a disaster declaration for the State of Connecticut. Under the declaration, it is expected that federal funding will be made available to state, tribal and eligible local governments and certain private nonprofit organizations for emergency protective measures, including direct federal assistance, for all areas of Connecticut impacted by COVID-19. The impacted agencies and towns will be reimbursed for 75 percent of the costs associated with their response and emergency protective measures.

The extent to which COVID-19 impacts the Town's operations and its financial condition will depend on future developments, which are uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others.

Municipal Advisor

Phoenix Advisors, LLC, of Milford, Connecticut serves as Municipal Advisor to the Town with respect to the issuance of the Notes (the "Municipal Advisor"). The information in this Official Statement has been prepared by the Town of Colchester, with the help of the Municipal Advisor. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Description of the Notes

The Notes will be dated October 15, 2020 and will be due and payable as to both principal and interest at maturity, October 14, 2021. The Notes will bear interest calculated on the basis of twelve 30-day months and a 360-day year at such rate or rates per annum as are specified by the successful bidder or bidders. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$5,000 or any multiple thereof, with transfers of ownership effected on the records of DTC, and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry-Only Transfer System”. The Notes are not subject to redemption prior to maturity.

U.S. Bank National Association, 225 Asylum Street, Goodwin Square, Hartford, Connecticut 06103 will act as Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Notes. The legal opinion for the Notes will be rendered by Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. See Appendix B “Opinion of Bond Counsel and Tax Status”.

Authorization and Purpose

The Notes are issued pursuant to Title 7 of the General Statutes of the State of Connecticut, as amended, and to a vote taken at referendum on June 16, 2015.

Use of Proceeds

The Notes are being issued to provide financing for the following project:

Project	Amount Authorized	Maturing Notes Due: 10/15/2020	This Issue Notes Due: 10/14/2021
WJJ Middle School Project.....	\$ 48,860,000	\$ 2,845,000	\$ 2,845,000
Total.....	\$ 48,860,000	\$ 2,845,000	\$ 2,845,000

School Projects

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996.

Debt service reimbursement will continue under the prior reimbursement program for all projects approved prior to July 1, 1996. Under the old program, a municipality issues bonds for the entire amount of the school construction project and the State of Connecticut reimburses the Town for principal and interest costs for eligible school construction projects over the life of outstanding school bonds and subsequent bond issues necessary to completely fund the approved school project.

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during project construction. The State grant will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for its share of project costs.

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Book-Entry-Only Transfer System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered Notes registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each interest rate of the Notes, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has S&P Global Ratings highest rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and Interest on, and redemption premium, if any, with respect to the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Notes held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Town or its Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

DTC Practices

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Notes will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Replacement Securities

In the event that: (a) DTC determines not to continue to act as securities depository for the Notes, and the Town fails to identify another qualified securities depository for the Notes to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will issue a fully-registered Note certificate directly to the Beneficial Owner. A Beneficial Owner of the Notes, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Notes.

Security and Remedies

The Notes will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Notes when due. Unless paid from other sources, the Notes are payable from general property tax revenues. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of the tax revenue which the Town would have received except for the limitation under certain of the statutes upon its power to tax dwelling houses of qualified elderly persons of low income.

Payment of the Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Notes.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Notes or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation bonds and notes and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have power in appropriate proceedings to order a payment of a judgment on such debt from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

THE TOWN HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.

Qualification for Financial Institutions

The Notes shall be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

Availability of Continuing Disclosure Information

The Town will enter into a Continuing Disclosure Agreement with respect to the Notes, substantially in the form included in Appendix C to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of the Securities and Exchange Commission Rule 15c2-12 timely notice of the occurrence of certain events with respect to the Notes not in excess of ten business days after the occurrence of such events. The winning bidders' obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement.

The Town of Colchester prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management. The Town provides, and will continue to provide, to Moody's Investors Service and S&P Global Ratings ongoing disclosure in the form of the annual financial report, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

Pursuant to the Rule, the Town has previously undertaken in continuing disclosure agreements entered into for the benefit of the holders of certain of its general obligation bonds and notes to provide certain annual financial information, operating data, and event notices. In the past five years, the Town has not failed to comply in any material respect with its undertakings under such agreements.

Ratings

No application has been made for a rating on the Notes. The Town received an outstanding long-term rating of “AA+” from S&P Global Ratings on the General Obligation Bonds, Issue of 2019 dated October 16, 2019. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of the rating may have an effect on the market price of the Town’s bonds and notes.

Note Insurance

The Town does not expect to purchase a credit enhancement facility for the Notes.

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SECTION II – THE ISSUER



Description of the Town

The Town was incorporated in 1698 and covers an area of 49.1 square miles, located approximately 25 miles southeast of Hartford, Connecticut, the State capital. The Town is intersected by Connecticut Route 2, which connects with Interstate 91 in Hartford and Interstate 95 in North Stonington. Colchester is bordered on the north by the towns of Marlborough and Hebron, on the south by East Haddam and Salem, on the east by Lebanon, and on the west by East Hampton. Easy access to interstate highways, abundance of undeveloped land, affordable housing stock, and availability of public water and sewers, as well as its pleasant rural setting have attracted growth to the Town. About 89% of Colchester is zoned for residential purposes. Colchester's population has more than doubled since the 1980 Census. The Town's population was estimated to be 15,936 by the Connecticut Department of Public Health as of July 1, 2018.

Description of Government

The Town has a Town meeting form of government, with a Board of Selectmen consisting of five elected members serving concurrent two-year terms and a Board of Finance consisting of six elected members serving overlapping six-year terms. Powers and privileges are conferred and granted to the Town by the Connecticut General Statutes, as amended. The Town has a Charter which was most recently amended in November 2017. Legislative power is vested with the Board of Selectmen and the Town Meeting. The annual budget, all supplemental appropriations equal to or exceeding 3% of the budget to which the transfer is being made (either the Board of Selectmen budget, excluding debt service and capital expenditures, or the Board of Education budget), and all bond and note authorizations are submitted to a referendum vote.

The First Selectman is the Chief Executive Officer of the Town and is a full voting and participating member of the Board of Selectmen. The First Selectman is responsible for the direction and activities of all Town departments except the Board of Education and all appointed boards. In 2001, the Town approved the position of Chief Financial Officer who is directly responsible to the Boards of Selectmen and Education for the administration of the financial operation for the Town and Board of Education.

The Board of Finance is responsible for presenting to the Town voters the budgets for all Town Departments and the Combined Budget and has all of the powers and performs all of the duties conferred or imposed upon Boards of Finance by the General Statutes. The Board of Finance has the authority to approve supplemental appropriations from, and transfers within, the Board of Selectmen Budget as recommended by the Board of Selectmen, subject to the further approval of the Town Meeting, if so required. The Board of Finance establishes the mill rate, as set forth in the General Statutes.

The Board of Education is responsible for maintaining all public elementary and secondary schools in the Town, and implements the educational interests of the State, as defined in the General Statutes, and has all of the powers and performs all of the duties conferred or imposed upon boards of education by the General Statutes. The Superintendent of Schools is directly responsible to the Board of Education for the supervision and administration of the educational system for the Town.

The Sewer and Water Commission has jurisdiction over all property of the Town used for sewage disposal and water supply for the Town and operates on an enterprise fund basis. The Director of Public Works prepares a budget and recommends rates to the Commission and Board of Selectmen, acting as the Water Pollution Control Authority for the Town, for their approval.

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ORGANIZATIONAL CHART



Principal Municipal Officials

Office	Name	Manner of Selection	Length of Service
First Selectman	Mary Bylone	Elected/2 years	1 year
Selectman	Rosemary Coyle	Elected/2 years	9 years
Selectman	Taras W. Rudko	Elected/2 years	1 year
Selectman	Denise Q. Mizla	Elected/2 years	7 years
Selectman	Denise Turner	Elected/2 years	1 year
Town Clerk	Gayle Furman	Elected/4 years	5 years
Town Treasurer	Jennifer Pulse	Elected/2 years	1 year
Chief Financial Officer	N. Maggie Cosgrove	Appointed	15 years
Town Planner	Matthew Bordeaux	Appointed	1 year
Tax Collector	Michele Wyatt	Elected/4 years	5 years
Superintendent of Schools.....	Jeffrey E. Burt	Appointed	2 years

Source: Town of Colchester

Summary of Municipal Services

The Town provides a broad range of services including public safety, Town roads, solid waste disposal, youth and social services, parks and recreation, planning and zoning, police and fire protection, education, and water and sewer services. Town departments include Finance, Public Works, and Planning and Zoning. Municipal services are funded through the Town's General Fund with the exception of the sewer and water services that are funded by the Sewer and Water Commission on an Enterprise Fund basis through service charges, connection fees or a combination thereof.

Public Works – The Public Works Department is responsible for the maintenance of Town roads, public buildings, and sidewalks, and sewer and water facilities.

Public Safety – Police protection is provided by the Connecticut State Police, Troop K, Colchester, the Resident State Trooper Sergeant acting as the operational supervisor, the Colchester Administrative Sergeant and ten full-time Colchester police officers. The Resident State Trooper supervisor is responsible for the investigation and reporting of criminal activity, motor vehicle accidents, domestic disputes, and other incidents. Police officers are used to respond to and investigate all calls for police service to include, but not limited to, the following: accidents, domestic disputes, burglaries, criminal mischief complaints, alarms, and provide coverage at community events. All police officers have either completed or are enrolled in the required classes as mandated by the State of Connecticut Police Officer Standards and Training Council.

Fire protection is provided by the Fire Department consisting of volunteer fire officers and permanent salaried officers. All dispatching is done through Quinebaug Valley Emergency Communications (QVEC) located in Killingly, CT.

Ambulance service is provided by the Town through the Fire Department. Paramedic services are provided by Middlesex Hospital.

Solid Waste – Curbside collection of refuse and garbage may be privately contracted by businesses and residents. Private contractors haul and dispose of collected refuse and garbage at their expense at a facility of their choice. The Town owns and operates a transfer station in Colchester accepting household waste, recyclables, e-waste, waste oil, demolition debris, automobile batteries, bulky waste, brush, leaves, and tires generated within the Town. The Town charges a fee of \$3.00 per 25-30 gallon bag to cover the cost of transportation and disposal of solid waste at the volume reduction processing facility in Windham, CT. Recyclables, waste oil, scrap metal, e-waste, automobile batteries, mattresses and leaves are disposed of by residents at no charge at the transfer station. Cost of transportation and disposal of recyclables at recycling facilities are covered by revenue paid to the Town by recycling facilities, product stewardship vendor recovery programs, or through taxation. Bulky waste, demolition debris, brush, and tires are disposed of by residents for a fee based on a schedule established by the Town.

The Town has closed its landfill site and is in full compliance with Federal and State laws and regulations regarding post-closure monitoring.

Sewer/Water – Developed properties are served by either public water and sanitary sewer or on-site septic systems and wells. Approximately 27 miles of public water lines and 35 miles of sanitary sewer system lines serve an approximately two-square-mile land area located in the center of Town that includes most of the Town’s commercial and industrial uses, higher density residential users, and public uses such as the Town Hall, schools, and the Public Safety Complex.

A joint sewer treatment facility, located in the Town of East Hampton, is operated under an intermunicipal agreement with the Town of East Hampton. The Towns of Hebron, Lebanon and Marlborough also are served by the waste water treatment plant. Approximately 1,986 Town units are connected to the public sewer system, which serves nearly 33% of the Town’s population. The Town’s public water system, consisting of five wells, an air stripper tower, three water storage tanks, water filtration facility, and distribution system, serves 2,096 units and nearly 35% of the Town’s population.

Services to Senior Citizens – It is the mission of the Colchester Senior Services Department to support older adults by providing programs and services designed to promote their independence, health, wellness and overall quality of life and is a community resource dedicated to engaging, enriching and empowering the lives of seniors. The Senior Center provides special services to senior citizens, gearing its activities to the healthy senior as well as the frail person needing supportive services to remain at home. Activities include crafts, health education, meals, exercise, volunteer development, and special-interest groups. The Center continues to assure independence of the older person and tries to enhance the quality of one’s life.

Municipal Recreation Facilities – Public Works (Grounds Maintenance Division) maintains over 360 acres, including the Colchester Recreation Complex, along with additional parks, cemeteries, playgrounds, ballfields, tennis courts, basketball courts, natural areas and all school grounds. Thousands of children and adults participate in hundreds of programs, activities and events offered by the Recreation Department each year, from sports and after school programs to concerts and other special events.

Public Library – The Cragin Memorial Library is a 20,000-square-foot, up-to-date facility, expanded in 2002. Visitors average 366 per day, and circulation in fiscal year 2018–19 was 141,950 items. In addition to books, ebooks, audiobooks, periodicals, CDs and DVDs, the library provides a fiber optic internet connection, public computers, free Wi-Fi, educational and cultural programs for all ages, and meeting rooms for community groups. In fiscal year 2018-19, the library offered 688 programs which were attended by 14,313 people, the meeting rooms were used 582 times by a total of 5,022 people, and library staff answered 8,475 reference questions.

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Educational System

The Colchester school system services grades pre-kindergarten through twelve and is governed by the local Board of Education. Colchester has a seven-member Board of Education elected to four-year staggered terms. The primary function of the Board is to establish policy. Some of the areas for which such policies are set include curriculum, budget requests submission, ensuring funds for education as appropriated by the Town are properly expended, implementation of State and Federal laws, and planning for facilities needed by the system, including construction and renovation. The Town has two elementary schools, one middle school, and one high school. Enrollment in the system as of October 1, 2019, was 2,317, with an operating capacity of 3,290.

School Enrollments

Historical¹					
School Year	Grades Pre K-2	Grades 3-5	Grades 6-8	Grades 9-12	Total
2010-2011	698	688	705	987	3,078
2011-2012	680	654	700	983	3,017
2012-2013	612	630	701	937	2,880
2013-2014	551	614	668	900	2,733
2014-2015	542	585	625	886	2,638
2015-2016	570	531	600	850	2,551
2016-2017	503	498	605	820	2,426
2017-2018	543	513	571	811	2,438
2018-2019	533	482	520	776	2,311
2019-2020	554	456	517	790	2,317
Projected					
2020-2021	557	458	507	755	2,277
2021-2022	606	433	495	703	2,237
2022-2023	625	460	462	694	2,241
2023-2024	644	454	464	662	2,224

Source: Town of Colchester, Board of Education

¹ Includes Special Education students.

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School Facilities

School	Grades	Date of Construction (Additions, Remodeling)	Number of Classrooms	10/1/2019 Enrollment	Rated Capacity
Colchester Elementary School	PreK-2	2006	58	554	833
Jack Jackter Intermediate School	3-5	1966, 1976, 2005	61	456	850
William J. Johnston Middle School ..	6-8	1954, 1966, 1982, 1989, 2018	52	517	607
Bacon Academy High School	9-12	1993	79	790	1,000
Total.....			250	2,317	3,290

Source: Town of Colchester, Board of Education

Municipal Employees

	2020	2019	2018	2017	2016
General Government.....	99	98	98	98	99
Board of Education.....	409	412	417	420	421
Total.....	508	510	515	518	520

Source: Finance Office, Town of Colchester. General Government figures include WPCA employees.

Municipal Employees Bargaining Organizations

Employees	Bargaining Groups	Full-Time Positions Covered	Current Contract Expiration Date
Teachers	Colchester Federation of Teachers, Local 1827		
	American Federation of Teachers, AFT-CT, AFL-CIO	230.67	06/30/2023
Custodians	Local 1303-77, Council #4, AFL-CIO	33.25	06/30/2022
Central Office (non-certified)	Local 818, Council #4, AFSCME, AFL-CIO	4.00	06/30/2022
Nurses	United Professional and Service Employees Union, Local 1222	4.50	06/30/2023
Education (Para's and Caf. Workers) ..	Colchester Federation of Education Personnel, Local 3279, AFT-CT, AFL-CIO	94.75	06/30/2021
Education (Office Professionals)	Local 1303-450, Council #4, AFSCME, AFL-CIO (Office Professionals)	17.00	06/30/2021
School Administrators	Colchester Association of School Administrators	12.00	06/30/2021
Public Works	Municipal Employees Union Independent, Local 506, SEIU, AFL-CIO, CLC	23.00	06/30/2021
Town Clerical Workers	Local 1303-254, Council #4, AFSCME/AFL-CIO	18.00	06/30/2021
Library	Local 1303-448, Council #4, AFSCME/AFL-CIO	5.00	06/30/2023
Fire/Ambulance	Colchester Firefighters Union, UPPFA, IAFF, Local 3831	8.00	06/30/2021
Town Administrators	Municipal Employees Union Independent, Local 506, SEIU, AFL-CIO, CLC	11.00	06/30/2021
Police	Colchester Police Local 2693T, AFSCME, Council #15	11.00	06/30/2024
Total Positions.....		472.17	

Source: Town of Colchester, Finance Department.

General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In the light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

SECTION III – DEMOGRAPHIC AND ECONOMIC DATA SECTION

Current Economic Information

Colchester continues to focus on economic development and redevelopment of the Town Center by capitalizing on its location at the crossroads of multiple state routes of regional significance. While single-family residential growth continues in the rural periphery, several projects underway will add a diversity of housing options at its core. These improvements, along with complementary public improvements, advance the Town's goal of making the Town Center an attractive destination to live, work, and play.

The Town's largest permitted residential development, White Oak Farm, will continue single-family development through the next five (5) years. The rate of single-family residential construction here and across town has picked up pace, particularly as semi-rural communities with convenient access to goods and services become desirable to families and aging populations from New York and New Jersey in response to the pandemic. Four Seasons, a 10-building, 100-unit multi-family development has fully occupied its first three (3) buildings and has a wait-list. Two additional multi-family projects that will add approximately 200 more one and two-bedroom multi-family units to the Town Center and Suburban Use Districts have been discussed with town staff and the Colchester Planning and Zoning Commission.

The Town has been notified it will receive a grant to fund a \$600,000 pedestrian improvement project on Lebanon Avenue, improving pedestrian mobility for residents of the recently completed North Woods of Colchester active adult community, Four Seasons and other apartment and condominium developments on this corridor. Additional public investment in the Town Center includes approximately \$900,000 community connectivity grant for improvements at the historic Town Green and the renovation of Halls Hill Road and sidewalks. Combined, these improvements further the Town's plan to increase activity in the Town Center.

Colchester's Tax Incentive Program provides an attractive abatement for businesses seeking to relocate or expand existing operations in Town. Small manufacturing and light industrial uses have been a particular target of the community. The Town is in the process of completing a multi-year tax abatement for NCT Friction Welding Inc, adding to the high-tech manufacturing companies located at Upton Road, Colchester's industrial hub.

Several other projects are underway, with some nearing completion, and others moving through the permitting phase. GH Trailers, a commercial trailer dealership, is anticipated to open in September 2020 with great visibility from State highway Route 2. InCord, a material handling equipment supplier, recently completed a large addition and Alpha Q Inc also has plans to expand at the site of their current manufacturing facility, both located on Upton Road. Some smaller scale developments include a complete renovation of a gas station/convenience store and a new mini self-storage facility, both proposed on Old Hartford Road. Also of note, Harry's Restaurant, a top regional destination, is celebrating its 100th anniversary and still thriving, despite the pandemic.

The Planning and Zoning Commission is working with Town staff to ease some of the standards for commercial activity in the Town Center and Westchester Village Districts. Occupation of a few vacant or under-utilized buildings and lots being the intent of this work. Several regulation amendments and procedural improvements in the Planning and Zoning Department will continue to improve the Town's business-friendly reputation.

Colchester's business community suffered only a few losses as a result of the pandemic, showing resilience and sustainability on several levels. Accommodations of the Governor's executive orders to extend permitting time tables and allow businesses to utilize outdoor spaces to keep patrons safe and appropriately spaced were implemented by town staff promptly and without unnecessary hurdles. Several local restaurants utilized these opportunities and were quick to reopen.

Income Distribution

	Town of Colchester		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	35	0.8%	26,021	2.9%
\$10,000 to \$14,999.....	58	1.4	16,472	1.8
\$15,000 to \$24,999.....	122	2.9	38,804	4.3
\$25,000 to \$34,999.....	196	4.6	50,215	5.6
\$35,000 to \$49,999.....	247	5.8	80,042	9.0
\$50,000 to \$74,999.....	514	12.1	127,676	14.3
\$75,000 to \$99,999.....	576	13.5	118,848	13.3
\$100,000 to \$149,999.....	1,310	30.8	186,154	20.8
\$150,000 to \$199,999.....	604	14.2	105,285	11.8
\$200,000 or more.....	596	14.0	143,423	16.1
Total.....	4,258	100.0%	892,940	100.0%

Source: U.S. Census Bureau, 2014-2018 American Community Survey

Educational Attainment

Years of School Completed – Age 25 and Over

	Town of Colchester		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	116	1.0%	101,068	4.5%
9th to 12th grade, no diploma.....	382	2.9	134,758	6.5
High School graduate (includes equivalency).....	2,776	27.3	670,519	27.9
Some college, no degree.....	2,309	18.7	416,267	17.6
Associate degree.....	1,015	10.0	190,869	7.3
Bachelor’s degree.....	2,832	22.3	538,924	20.3
Graduate or professional degree.....	1,571	17.8	426,303	15.8
Total.....	11,001	100.0%	2,478,708	100.0%
Percent high school graduate or higher.....		95.5%		90.5%
Percent bachelor’s degree or higher.....		40.0%		38.9%

Source: U.S. Census Bureau, 2014-2018 American Community Survey

Major Employers As of September 2020

Employer	Type of Business	Approximate Number of Employees
Town of Colchester	Municipal Government	508
S&S Worldwide	Arts & Crafts Manufacturing	355
Stop & Shop	Supermarket	150 ¹
Genesis Health Care	Nursing Home	129 ¹
Alpha Q	Aerospace Manufacturing	101
Incord	Manufacturing	112
Apple Rehab	Convalescent/Nursing Home	85
Connecticut State Police	Law Enforcement	70 ¹
Noels	Supermarket	40

¹ As of Fiscal Year 2020.

Source: Town of Colchester, Planning Department.

Labor Force Data

Period	Town of Colchester		Percentage Unemployed		
	Employed	Unemployed	Town of Colchester	Hartford Labor Market	State of Connecticut
	August 2020	8,742	553	5.9	8.0
Annual Average					
2019	9,248	294	3.1	3.8	3.7
2018	9,166	320	3.4	4.1	4.1
2017	9,124	356	3.8	4.8	4.7
2016	9,018	397	4.2	5.3	5.3
2015	9,031	422	4.4	5.6	5.6
2014	8,601	534	5.9	6.6	6.7
2013	8,355	602	6.7	7.9	7.8
2012	8,539	666	7.2	8.4	8.3
2011	8,366	711	7.8	8.8	8.9
2010	8,350	725	8.3	9.4	9.3

Source: Department of Labor, State of Connecticut

Industry Classification

Sector	Town of Colchester		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing/hunting, & mining	109	1.3%	7,195	0.4%
Construction	509	5.9	107,331	5.9
Manufacturing	934	10.8	190,995	10.5
Wholesale trade	308	3.6	44,714	2.5
Retail trade	766	8.8	191,939	10.6
Transportation and warehousing, and utilities	371	4.3	72,806	4.0
Information	138	1.6	41,839	2.3
Finance, insurance, real estate, rental & leasing	972	11.2	164,607	9.1
Professional, scientific, management, administrative, and waste mgmt services	843	9.7	207,632	11.5
Education, health and social services	2,278	26.3	479,677	26.5
Arts, entertainment, recreation, accommodation and food services	639	7.4	150,852	8.3
Other services (except public administration)	365	4.2	83,686	4.6
Public Administration	428	4.9	67,172	3.7
Total Labor Force, Employed	8,660	100.0%	1,810,445	100.0%

Source: U.S. Census Bureau, 2014-2018 American Community Survey

Building Permits

<i>Fiscal Year</i> <i>Ending 6/30</i>	<i>Residential</i>		<i>Comm./Industrial</i>		<i>Total</i>	
	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>
2020	755	\$ 14,836,769	71	\$ 9,868,138	826	\$ 24,704,907
2019	791	16,501,246	34	375,766	825	16,877,012
2018	709	10,068,562	58	1,985,910	767	12,054,472
2017	696	15,331,857	75	22,487,823	771	37,819,680
2016	658	13,164,328	71	2,680,005	729	15,844,333
2015	593	9,816,619	75	2,817,577	668	12,634,196
2014	552	9,368,282	49	2,142,166	601	11,510,448
2013	584	9,755,275	47	3,595,433	631	13,350,708
2012	622	7,680,466	58	2,111,745	680	9,792,211
2011	554	9,057,441	29	1,960,399	583	11,017,840

Source: Town of Colchester, Planning & Code Administration Department

Age Distribution of Housing

<i>Year Built</i>	<i>Town of Colchester</i>		<i>State of Connecticut</i>	
	<i>Units</i>	<i>Percent</i>	<i>Units</i>	<i>Percent</i>
2010 or Later	208	3.2%	29,432	1.9%
2000 to 2009	826	12.8	103,632	6.9
1990 to 1999	1,565	24.2	115,459	7.6
1980 to 1989	1,306	20.2	191,306	12.6
1960 to 1979	1,475	22.8	407,659	27.0
1940 to 1959	611	9.5	327,022	21.6
1939 or earlier	473	7.3	337,795	22.3
Total.....	6,464	100.0%	1,512,305	100.0%
Percent Owner Occupied....		76.0%		66.3%

Source: U.S. Census Bureau, 2014-2018 American Community Survey

Housing Units by Type of Structure

<i>Housing Units</i>	<i>Town of Colchester</i>		<i>State of Connecticut</i>	
	<i>Units</i>	<i>Percent</i>	<i>Units</i>	<i>Percent</i>
1-unit, detached.....	4,934	76.3%	892,608	59.0%
1-unit, attached.....	228	3.5	80,684	5.3
2 units.....	371	5.7	123,908	8.2
3 or 4 units.....	264	4.1	130,948	8.7
5 to 9 units.....	426	6.6	84,021	5.6
10 to 19 units.....	75	1.2	57,153	3.8
20 or more units.....	57	0.9	130,872	8.7
Mobile home.....	91	1.4	11,734	0.8
Boat, RV, van, etc.....	18	0.3	377	0.0
Total Inventory.....	6,464	100.0%	1,512,305	100.0%

Source: U.S. Census Bureau, 2014-2018 American Community Survey

Owner-Occupied Housing Units

Specified Owner Occupied Units	Town of Colchester		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	57	1.3%	21,254	2.3%
\$50,000 to \$99,999.....	53	1.2	29,211	3.2
\$100,000 to \$149,999.....	153	3.4	81,446	9.0
\$150,000 to \$199,999.....	759	16.7	139,715	15.4
\$200,000 to \$299,999.....	2,020	44.5	245,801	27.1
\$300,000 to \$499,999.....	1,411	31.1	240,706	26.5
\$500,000 to \$999,999.....	65	1.4	106,993	11.8
\$1,000,000 or more.....	23	0.5	42,008	4.6
Total.....	4,541	100.0%	907,134	100.0%
Median (dollars).....	\$ 253,300		\$ 272,700	

Source: U.S. Census Bureau, 2014-2018 American Community Survey

Land Use Summary

Land Use Category	Number of Acres	Percent
Residential	14,774	46.9%
Commercial	1,319	4.2%
Industrial	150	0.5%
Institutional / Utility	1,405	4.5%
Mixed Use	254	0.8%
Transportation	2,020	6.4%
Total Developed.....	19,922	63.3%
Open Space	6,267	19.9%
Agricultural / Undeveloped	5,293	16.8%
Total	31,482	100.0%

Source: Town Planner

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SECTION IV – TAX BASE DATA

Comparative Assessed Valuations Taxable Grand List

Grand List As Of 10/1	Residential Real Property (%)	Commercial & Industrial Real Property (%)	Land (%)	Personal Property (%)	Motor Vehicles (%)	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List	Percent Growth
2019	73.6	9.1	2.0	4.5	10.8	\$ 1,248,239,530	\$ 8,139,898	\$ 1,240,099,632	1.39%
2018	73.9	9.0	2.1	4.5	10.5	1,231,657,900	8,591,012	1,223,066,888	0.80%
2017	73.9	9.1	2.2	4.3	10.5	1,221,708,920	8,394,185	1,213,314,735	0.97%
2016 ¹	73.7	9.4	2.2	4.2	10.5	1,209,445,140	7,740,711	1,201,704,429	-1.18%
2015	75.6	8.3	2.5	3.7	9.9	1,224,948,480	8,938,270	1,216,010,210	1.18%
2014	75.8	8.3	2.5	3.5	9.9	1,209,675,944	7,802,079	1,201,873,865	0.51%
2013	75.4	8.2	3.0	3.6	9.8	1,203,567,058	7,751,883	1,195,815,175	0.39%
2012	75.1	8.2	2.9	4.0	9.8	1,197,750,009	6,577,745	1,191,172,264	1.25%
2011 ¹	75.4	8.3	3.0	3.4	9.9	1,183,353,950	6,833,510	1,176,520,440	-9.31%
2010	78.1	7.9	2.8	2.8	8.4	1,305,269,861	7,971,987	1,297,297,874	1.72%
2009	78.1	7.9	3.1	2.7	8.2	1,283,291,579	7,930,076	1,275,361,503	0.56%

¹ Revaluation.

Source: Town of Colchester, Assessor's Office.

Major Taxpayers

Name of Taxpayer	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List ¹
Connecticut Light & Power	Utility	\$ 20,851,780	1.68%
Country Place of Colchester LTD Partners ..	Housing Development	9,904,570	0.80%
SS1 Colchester LLC	Grocery Store	8,337,700	0.67%
Alpha Q Inc.	Manufacturing	5,612,180	0.45%
S & S Worldwide	Manufacturing/Distribution	5,035,360	0.41%
City of Norwich	Utility	4,835,900	0.39%
CV Colchester I LLC	Apartments	4,070,000	0.33%
Sharr Realty LLC	Commercial Leasing	3,804,300	0.31%
Genesis Health Ventures of Bloomfield	Convalescent Home	3,570,000	0.29%
GND Too of Colchester LLC	Elderly Housing	3,547,000	0.29%
Total.....		\$ 69,568,790	5.61%

¹ Net Taxable Grand List October 1, 2019 of \$1,240,099,632.

Source: Town of Colchester, Assessor's Office

Property Tax Levies and Collections

Grand List as of 10/1	Fiscal Year Ended 6/30	Net Taxable Grand List	Tax Rate (in Mills)	Adjusted Tax Levy	Percent of	Percent of	Percent of
					Annual Levy Collected at End of Fiscal Year	Annual Levy Uncollected at End of Fiscal Year	Annual Levy Uncollected as of 6/30/20
2019	2021 ^{1,3}	\$ 1,240,099,632	32.84	\$ 40,483,667	<i>IN COLLECTION</i>		
2018	2020 ¹	1,223,066,888	32.84	40,643,427	98.9%	1.1%	1.1%
2017	2019	1,213,314,735	32.28	39,552,832	98.9%	1.1%	0.4%
2016 ²	2018	1,201,704,429	32.37	39,244,661	98.9%	1.1%	0.2%
2015	2017	1,216,010,210	30.91	38,112,512	99.0%	1.0%	0.1%
2014	2016	1,201,873,865	30.76	37,393,155	98.8%	1.2%	0.1%
2013	2015	1,195,815,175	30.57	36,891,618	98.5%	1.5%	0.1%
2012	2014	1,191,172,264	30.28	36,156,049	98.4%	1.6%	0.1%
2011 ²	2013	1,176,520,440	28.80	34,157,365	98.4%	1.6%	0.1%
2010	2012	1,297,297,874	25.85	33,774,921	98.4%	1.6%	0.1%

¹ Subject to audit.

² Revaluation.

³ Adjusted tax levy is as of 8/31/20. Does not include MV Supplement.

Source: Town of Colchester, Tax Collector

Property Taxes Receivable

Fiscal Year Ended 6/30	Current Year		Total
	Current Year	Total	
2020 ¹	\$ 460,933	\$ 1,064,752	
2019	442,294	1,025,511	
2018	432,178	1,038,206	
2017	369,269	1,041,001	
2016	445,936	1,152,256	
2015	558,424	1,473,941	

¹ Subject to audit.

Tax Levy

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real property taxes are generally payable in two equal installments on July 1 and January 1 following the levy date and personal property and motor vehicle taxes are payable in one installment on July 1 following the levy date, although a 30-day grace period is provided. Motor vehicle supplemental bills are payable on January 1. A modest estimate for outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills.

Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State statutes.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as a deferred revenue.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes, which are deemed to be uncollectible.

SECTION V – DEBT SECTION

**Outstanding Bonded Debt
Pro Forma
As of October 15, 2020**

Date	Purpose	Interest Rate %	Original Issue	Amount Outstanding	Fiscal Year of Maturity
06/03/2010	General Purpose	2.25-5.00	\$ 3,535,900	\$ 175,000	2021
06/03/2010	School	2.25-5.00	3,059,100	215,000	2021
03/01/2012	School - Refunding	2.00-4.00	8,339,800	3,260,000	2025
10/17/2018	School	3.00-5.00	12,000,000	11,650,000	2046
10/16/2019	School	2.50-5.00	7,040,000	7,040,000	2046
Total.....			\$ 33,974,800	\$ 22,340,000	

**Outstanding Short-term Debt
Pro Forma
As of October 15, 2020**

Project	Amount Authorized	Maturing Notes Due: 10/15/2020	This Issue Notes Due: 10/14/2021
WJJ Middle School Project.....	\$ 48,860,000	\$ 2,845,000	\$ 2,845,000
Total.....	\$ 48,860,000	\$ 2,845,000	\$ 2,845,000

Drinking Water State Revolving Fund Program

The Town is a participant in the State of Connecticut’s Drinking Water State Revolving Fund Program (General Statutes Sections 22a-475 et seq., as amended), which provides financial assistance to the Town through loans at a rate of 2.12% per annum.

Loans to each municipality are made pursuant to a Project Loan Agreement. Each municipality is obligated to repay only that amount that it draws down for the payment of project costs (Interim Funding Obligation). Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the project’s scheduled completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each loan is 20 years from the scheduled completion date. Principal and interest payments are payable 1) in equal monthly installments commencing one month after the scheduled completion date, or 2) in a single annual installment representing 1/20 of total principal not later than one year from the project’s scheduled completion date specified in the Loan Agreement, and thereafter in monthly installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

**Self-Supporting Debt (Water Enterprise)
Pro Forma
As of October 15, 2020**

Date	Purpose	Interest Rate %	Original Issue	Amount Outstanding	Fiscal Year of Maturity
07/31/2009	Drinking Water Fund	2.12	\$ 2,496,990	\$ 1,094,625	2029
Total.....			\$ 2,496,990	\$ 1,094,625	

Note: The table above excludes capital leases.

**Overlapping/Underlying Debt
Pro Forma
As of October 15, 2020**

The Town does not have any overlapping or underlying debt.

**Bonded Debt Maturity Schedule ¹
Pro Forma
As of October 15, 2020**

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Debt Service	Total Principal	Cumulative Principal Retired
2021 ²	\$ 1,200,000	\$ 824,184	\$ 2,024,184	\$ 1,200,000	5.4%
2022	1,495,000	760,109	2,255,109	1,495,000	12.1%
2023	1,190,000	702,984	1,892,984	1,190,000	17.4%
2024	1,180,000	659,164	1,839,164	1,180,000	22.7%
2025	1,170,000	615,289	1,785,289	1,170,000	27.9%
2026	780,000	567,619	1,347,619	780,000	31.4%
2027	780,000	531,119	1,311,119	780,000	34.9%
2028	780,000	497,119	1,277,119	780,000	38.4%
2029	780,000	463,119	1,243,119	780,000	41.9%
2030	780,000	431,619	1,211,619	780,000	45.4%
2031	780,000	402,619	1,182,619	780,000	48.9%
2032	780,000	373,306	1,153,306	780,000	52.4%
2033	780,000	345,081	1,125,081	780,000	55.8%
2034	780,000	317,944	1,097,944	780,000	59.3%
2035	780,000	290,181	1,070,181	780,000	62.8%
2036	780,000	262,106	1,042,106	780,000	66.3%
2037	780,000	235,119	1,015,119	780,000	69.8%
2038	780,000	209,219	989,219	780,000	73.3%
2039	780,000	183,006	963,006	780,000	76.8%
2040	780,000	156,481	936,481	780,000	80.3%
2041	780,000	130,656	910,656	780,000	83.8%
2042	725,000	106,500	831,500	725,000	87.0%
2043	725,000	83,313	808,313	725,000	90.3%
2044	725,000	59,953	784,953	725,000	93.5%
2045	725,000	36,141	761,141	725,000	96.8%
2046	725,000	12,047	737,047	725,000	100.0%
Total	\$ 22,340,000	\$ 9,255,997	\$ 31,595,997	\$ 22,340,000	

¹ Excludes Drinking Water Fund and capital leases.

² Excludes \$350,000 of principal paid for during the period of July 1, 2020 through October 15, 2020.

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**Self-Supporting Debt (Water Enterprise)
Pro Forma
As of October 15, 2020**

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Debt Service	Total Principal	Cumulative Principal Retired
2021 ¹	\$ 97,120	\$ 16,720	\$ 113,840	\$ 97,120	8.9%
2022	131,916	19,870	151,786	131,916	20.9%
2023	134,740	17,046	151,786	134,740	33.2%
2024	137,625	14,162	151,787	137,625	45.8%
2025	140,571	11,216	151,787	140,571	58.6%
2026	143,580	8,206	151,786	143,580	71.8%
2027	146,654	5,133	151,787	146,654	85.2%
2028	149,793	1,993	151,786	149,793	98.8%
2029	12,626	22	12,648	12,626	100.0%
Total	\$ 1,094,625	\$ 94,368	\$ 1,188,993	\$ 1,094,625	

¹ Excludes \$32,032 of principal and \$5,915 of interest paid for during the period of July 1, 2020 through October 15, 2020.

**THE TOWN OF COLCHESTER HAS NEVER DEFAULTED IN THE PAYMENT OF ITS
DEBT OBLIGATIONS EITHER AS TO PRINCIPAL OR INTEREST**

**Current Debt Statement
Pro Forma
As of October 15, 2020**

Long-Term Debt Outstanding:

General Purpose.....	\$ 175,000
Schools	22,165,000
Sewers.....	-
Total Long-Term Debt.....	22,340,000

Short-Term Debt:

Outstanding Bond Anticipation Notes (This Issue Due: 10/14/21)	2,845,000
Direct Debt.....	25,185,000
Overlapping/Underlying Debt.....	-
Overall Debt.....	25,185,000
Less: School Construction Grants (As of 6/30/20) ¹	-
Overall Net Debt.....	\$ 25,185,000

¹ Represents actual school building grants receivable for previously issued school bonds under the pre-1996 State reimbursement program.

Note: The table above excludes capital leases and self-supporting debt.

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**Current Debt Ratios
Pro Forma
As of October 15, 2020**

Population (2018) ¹	15,927
Net Taxable Grand List (10/1/19)	\$ 1,240,099,632
Estimated Full Value (70%).....	\$ 1,771,570,903
Equalized Net Taxable Grand List (10/1/18) ²	\$ 1,829,126,260
Income per Capita (2018) ¹	\$ 44,990

	Total Long Term Debt	Direct Debt	Overall Net Debt
	\$22,340,000	\$25,185,000	\$25,185,000
Per Capita	\$1,402.65	\$1,581.28	\$1,581.28
Ratio to Net Taxable Grand List	1.80%	2.03%	2.03%
Ratio to Estimated Full Value	1.26%	1.42%	1.42%
Ratio to Equalized Net Taxable Grand List	1.22%	1.38%	1.38%
Debt per Capita to Money Income per Capita 2018	3.12%	3.51%	3.51%

¹ U.S. Department of Commerce, Bureau of Census. American Community Survey 2014-2018.

² State of Connecticut, Office of Policy Management.

Capital Leases

As of June 30, 2020, the Town has \$1,637,491 of outstanding leases with final maturity in Fiscal Year 2025.

Authority to Incur Debt

The Town has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town Charter. The issuance of bonds and notes is approved at a referendum by the voters of the Town.

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third year and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years from their initial borrowing date, except for sewer notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the sewer notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15th of the total amount of the notes issued by funds derived from certain sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Past Pension Purposes:	3.00 times annual receipts from taxation

“Annual receipts from taxation” (the “base”) are defined as total tax collections including interest and penalties, late payment of taxes and state payments for revenue losses under Connecticut General Statutes Section 12-129d and 7-528. In no case shall total indebtedness exceed seven times the base.

The Connecticut General Statutes also provide for exclusion from the debt limit calculation debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, gas, electricity, electric demand response, conservation and load management, distributed generation and renewable energy projects; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; for the construction and operation of a municipal community antenna television system and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or for which allocation has been approved by the State Bond Commission or from a contract with the state, state agencies or another municipality providing for the reimbursement of costs but only to the extent such indebtedness can be paid from such proceeds; (v) issued for certain water pollution control projects; and (vi) upon placement in an escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient to provide for the payment when due of principal of and interest on such bond, note or other evidence of indebtedness.

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**Statement of Statutory Debt Limitation ¹
Pro Forma
As of October 15, 2020**

Total Tax Collections (including interest and lien fees) for the year ended June 30, 2020 (unaudited)	\$ 40,866,932
Reimbursement for Revenue Loss On:	
Tax relief for elderly for the year ended June 30, 2020 (unaudited)	-
BASE FOR DEBT LIMITATION COMPUTATION	<u>\$ 40,866,932</u>

Debt Limitation:	General Purposes	Schools	Sewers	Urban Renewal	Unfunded Past Pension
2 1/4 times base.....	\$ 91,950,597	-	-	-	-
4 1/2 times base.....	-	\$ 183,901,194	-	-	-
3 3/4 times base.....	-	-	\$ 153,250,995	-	-
3 1/4 times base.....	-	-	-	\$ 132,817,529	-
3 times base.....	-	-	-	-	\$ 122,600,796
Total Debt Limitation	<u>\$ 91,950,597</u>	<u>\$ 183,901,194</u>	<u>\$ 153,250,995</u>	<u>\$ 132,817,529</u>	<u>\$ 122,600,796</u>
Less Indebtedness:					
Bonds Outstanding	175,000	22,165,000	-	-	-
Notes (This Issue).....	-	2,845,000	-	-	-
Underlying Debt.....	-	-	-	-	-
Authorized But Unissued Debt.....	-	5,719,547	-	-	-
Total Indebtedness	<u>175,000</u>	<u>30,729,547</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: School Grants Receivable	-	(4,567,398)	-	-	-
Net Debt for Calculation of Debt Limit..	<u>175,000</u>	<u>26,162,149</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of					
Outstanding And Authorized Debt	<u>\$ 91,775,597</u>	<u>\$ 157,739,045</u>	<u>\$ 153,250,995</u>	<u>\$ 132,817,529</u>	<u>\$ 122,600,796</u>

*Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$286,068,524.

¹ Does not reflect drinking water debt excluded by statutes or capital leases.

**Authorized but Unissued Debt
Pro Forma
As of October 15, 2020**

Project	Amount Authorized	Grants Received/ Paid-down	Bonds Issued	Maturing Notes Due: 10/15/2020	This Issue Notes Due: 10/14/2021	Authorized but Unissued Debt
WJJ Middle School Project....	\$ 48,860,000	\$ 21,280,741	\$ 19,040,000	\$ 2,845,000	\$ 2,845,000	\$ 5,694,259
Bacon Academy Portables.....	850,000	399,712	425,000	-	-	25,288
Total	<u>\$ 49,710,000</u>	<u>\$ 21,680,453</u>	<u>\$ 19,465,000</u>	<u>\$ 2,845,000</u>	<u>\$ 2,845,000</u>	<u>\$ 5,719,547</u>

Ratios of Net Long-Term Debt to Valuation, Population, and Income

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Overall Long-Term Debt	Ratio of Direct Overall Debt to Assessed Value	Ratio of Direct Overall Debt to Estimated Full Value	Population ¹	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income ²
2020 ³	\$ 1,223,066,888	\$ 1,747,238,411	\$ 22,690,000	1.86%	1.30%	15,927	\$ 1,424.62	3.17%
2019	1,213,314,735	1,733,306,764	17,140,000	1.41%	0.99%	15,927	1,076.16	2.39%
2018	1,201,704,429	1,716,720,613	6,635,000	0.55%	0.39%	15,927	416.59	0.93%
2017	1,216,010,210	1,737,157,443	8,160,000	0.67%	0.47%	15,927	512.34	1.14%
2016	1,201,873,865	1,716,962,664	9,675,000	0.80%	0.56%	15,927	607.46	1.35%

¹ U.S. Bureau of Census, American Community Survey (2018)

² Bureau of Census, American Community Survey (2018), Money Income Per Capita: \$44,990.

³ Subject to Audit.

Five-year Debt Statement Summary

Long-Term Debt	2020	2019	2018	2017	2016
Bonds.....	\$ 22,690,000	\$ 17,140,000	\$ 6,635,000	\$ 8,160,000	\$ 9,675,000
Short-Term Debt					
Bond Anticipation Notes...	2,845,000	8,850,000	20,850,000	9,550,000	-
Totals.....	\$ 25,535,000	\$ 25,990,000	\$ 27,485,000	\$ 17,710,000	\$ 9,675,000

Source: Town of Colchester Financial Reports 2016-2019. 2020 from Finance Department.

Comparison of Annual Debt Service to General Fund Expenditures and Transfers Out

Fiscal Year Ended 6/30	Gross Debt Service	Total General Fund Expenditures¹	Ration of Net Debt Service to General Fund Expenditures (%)
2020 ^{2,3}	\$ 2,241,234	\$ 64,605,660	3.5%
2019 ³	1,935,789	58,481,452	3.3%
2018	1,791,665	61,402,643	2.9%
2017	1,842,265	61,623,465	3.0%
2016	1,901,465	57,933,173	3.3%
2015	1,972,865	57,608,506	3.4%

¹ Includes transfers out.

² Subject to audit.

³ Includes interest payments on bond issues paid from Debt Service Fund.

Source: Town of Colchester Financial Reports 2015-2019. Finance Department provided 2020.

Five-year Capital Improvement Program

Use of Funds	Fiscal Year					Total
	2021	2022	2023	2024	2025	
Facilities & Grounds	\$ 881,500	\$ 1,030,750	\$ 1,239,750	\$ 1,282,750	\$ 1,242,750	\$ 5,677,500
Equipment	53,000	63,747	43,000	43,000	48,000	250,747
Vehicles	399,000	320,000	355,000	305,000	225,000	1,604,000
Vehicles - Approved Leasing ..	95,612	134,310	134,310	121,410	82,712	568,354
Funding for Reserves	529,325	578,325	595,025	595,025	595,025	2,892,725
Total.....	\$ 1,958,437	\$ 2,127,132	\$ 2,367,085	\$ 2,347,185	\$ 2,193,487	\$ 10,993,326
Sources of Funds						
Local Sources	\$ 1,432,325	\$ 1,597,822	\$ 1,737,775	\$ 1,860,775	\$ 1,745,775	\$ 8,374,472
State/Federal Grants	335,000	230,000	320,000	200,000	200,000	1,285,000
Capital Lease	95,612	134,310	134,310	121,410	82,712	568,354
Reserve Funds	95,500	165,000	175,000	165,000	165,000	765,500
Total.....	\$ 1,958,437	\$ 2,127,132	\$ 2,367,085	\$ 2,347,185	\$ 2,193,487	\$ 10,993,326

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SECTION VI – FINANCIAL SECTION

Fiscal Year

The Town's fiscal year begins July 1 and ends June 30.

Summary of Accounting Principles

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB issued Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.” The statement established a new reporting model for governments that is substantially different from prior reporting standards. The government-wide financial statements report information on all of the non-fiduciary activities of the Town. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The Town has established separate funds for governmental functions under General Fund, Special Revenue Funds, and Capital Projects Funds in addition to an Internal Service Fund – Medical Insurance Fund – for self-insured medical services for the Town and Board of Education employees. The Town’s accounting records for Governmental Funds follow the modified accrual basis of accounting; that is, revenues are recognized in the accounting period in which they become both measurable and available to finance operations of the fiscal period. The major source of revenue that is recognized under the modified accrual basis are funds received from the State of Connecticut and the Federal government. Expenditures are recognized in the accounting period in which the fund liability is incurred. The accrual basis of accounting is used for Proprietary and Fiduciary Funds. Revenues are recognized when earned and expenses are recognized when incurred. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

See “Notes to Financial Statements” in Appendix A herein for more information.

Budget Procedure

The Chief Financial Officer compiles preliminary estimates from all departments and agencies, except for the Board of Education, for the annual budget for presentation by the First Selectman to the Board of Selectmen and Board of Finance. The Board of Education submits its estimates directly to the Board of Finance. The basis of budgeting is the modified accrual basis except for encumbrances. Additionally, the Town does not budget for payments made by the State of Connecticut on behalf of Colchester teachers to the State Teachers’ Retirement Fund.

The Board of Finance may make revisions to the Selectmen’s and Education budget estimates. The Board of Selectmen convenes a Town Meeting (the “Annual Budget Meeting”) for the purpose of considering the annual Combined Budget. Prior to the Annual Budget Meeting, the Board of Finance shall hold at least two Public Hearings for the purpose of presenting the Combined Budget to interested Town Voters for their comments and suggestions. The Annual Budget Meeting is automatically continued to the Annual Budget Referendum, at which the budgets of the Board of Selectmen and the Board of Education as recommended by the Annual Budget Meeting, shall be presented to the Town Voters for final approval or disapproval.

The legal budget of the Town is a departmental budget. The First Selectman and Chief Financial Officer have authority to approve all transfers from salary or benefit line items within a Town Department budget. Following recommendation by the Board of Selectmen, the Board of Finance has authority to approve the transfer of funds between previously adopted Town Department budgets. The Board of Finance has the authority to approve supplemental appropriations in an amount that is less than 2.0% of the budget to which the supplemental appropriation is being made (either the Board of Selectmen budget, excluding debt service and capital expenditures, or the Board of Education budget). The Board of Selectmen shall call a Town meeting to consider the approval of any supplemental appropriation in an amount that is equal to or exceeds 2% and less than 3% of the budget to which the supplemental appropriation is being made (either the Board of Selectmen budget, excluding debt service and capital expenditures, or the Board of Education budget). No such Town meeting shall be called unless the Board of Finance has recommended such supplemental appropriation. The Board of Selectmen shall call a Special Budget Referendum for approval of any supplemental appropriation in an amount that is equal to or exceeds 3% of the budget to which the transfer is being made (either the

Board of Selectmen budget, excluding debt service and capital expenditures, or the Board of Education budget). No such referendum shall be called unless the Board of Finance recommends such supplemental appropriation. These requirements do not pertain to appropriations of grant monies or matching funds received by the Town.

General Fund unencumbered appropriations lapse at year-end.

The Town does not adopt budgets for all Special Revenue Funds. Budgets are utilized to account for specific grant programs and are established in accordance with the requirements of the grantor agencies. Legal authorization for expenditures of the capital project funds is provided by the related bond ordinance. Capital appropriations do not lapse until completion of the applicable projects.

Due to the Covid-19 pandemic, all FY 2020-2021 budget meetings and public hearings were held virtually using Zoom, and the budgets were adopted by the Board of Finance on June 15, 2020 in accordance with Executive Orders issued by the Governor of the State of Connecticut.

Property Tax - Assessment Practices

The Town of Colchester had a general property revaluation effective October 1, 2016. Under Section 12-62 of the Connecticut General Statutes, the Town must do a revaluation every five years based on generally accepted mass appraisal methods and a revaluation by physical inspection no later than ten years from the preceding physical inspection. Prior to the completion of each revaluation, the Assessor shall conduct a field review.

The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last general revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Each year a Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. Upon issuance of a certification of completion, a physical inspection is conducted and a new fair market value is determined with the aid of schedules developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties and estimate changes to existing income streams.

All personal property (furniture, fixtures, equipment, machinery, supplies, non-registered motor vehicles, and leased equipment) is revalued annually. Random audits are conducted periodically.

Motor vehicle registration lists are furnished to the Town by the State Department of Motor Vehicles. The Office of Policy and Management has determined that the average retail values represented by the National Automobile Dealers Association pricing guides must be utilized in preparation of the grand lists. These values are applied uniformly and equitably to all vehicles in the Town; a myriad of exemptions are then applied to qualifying applicants. The same process is applied to the Supplemental Motor Vehicle list, which represents new or replacement vehicles which were registered after the October 1 assessment date, but before the following July 1. Bills for this supplemental list are issued the following January, eighteen months after the grand list date.

The Assessor's Office is also responsible for the administration of several property exemption and payment-in-lieu-of-taxes programs which include, but are not limited to, the following: special veterans programs; elderly tax relief for homeowners and renters; farm, forest and open space; blind and disabled taxpayers; manufacturing exemptions; and State-owned property reimbursement programs.

Motor Vehicle Property Tax Cap: Connecticut General Statutes Section 12-71e creates a cap on the local property tax mill rate for motor vehicles. For the assessment year October 1, 2018 (the fiscal year ending June 30, 2020), and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 45 mills. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town or city in which such district or borough is located would result in a combined motor vehicle mill rate in excess of these mill rate caps. The Town's mill rate for motor vehicles for the fiscal year ended June 30, 2021 is 32.84 mills.

For the fiscal year ending June 30, 2020, and each fiscal year thereafter, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 45 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 45 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year October 1, 2013, and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 45 mills.

Audit

The Town, pursuant to local ordinance and provisions of the Connecticut General Statutes, is required to undergo an annual audit by an independent public accountant. The auditor is required to conduct the audit under the guidelines outlined by the State of Connecticut, Office of Policy and Management, which also receives a copy of the audit report. For the fiscal year ended June 30, 2019, the financial statements of the various funds of the Town were audited by RSM US LLP, Certified Public Accountants. The audit for the fiscal year ended June 30, 2020 is currently in process.

Pension Plans

The Town does not maintain a pension plan for municipal or Board of Education employees except faculty and professional personnel, and certain police personnel. Effective July 1, 2005, the Town established a contributory defined benefit plan (the “Police Plan”) for full-time police officers, which is administered by the Town. Police officers are eligible to participate in the Police Plan and are required to contribute 12.5% of their weekly pay to the Police Plan. The Town is required to contribute 12.5% of pay on behalf of each participant and the amounts necessary to provide the defined plan benefits. The Town contributed \$145,500 in the June 30, 2020 fiscal year and has included \$150,442 in the fiscal year 2020-21 budget for such purpose. As of July 1, 2018, the latest actuarial valuation date for the plan, the funded ratio was 86.5%.

Board of Education faculty and professional personnel participate in a contributory defined benefit plan (the “Board of Education Plan”) established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers’ Retirement Board. Certain part-time and all full-time certified teachers are eligible to participate in the Board of Education Plan and are required to contribute 7.25% of their annual earnings to the Board of Education Plan. The Town does not and is not legally responsible to contribute to the Board of Education Plan. (See Appendix A – “2019 Financial Statements, Notes to Financial Statements” herein.)

Schedule of Employer Contributions

	<u>2020¹</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 147,856	\$ 149,560	\$ 145,300	\$ 123,370	\$ 119,514
Contributions in Relation to the					
Actuarially Determined Contribution	145,500	148,899	142,578	121,754	105,755
Contribution Deficiency (excess)	2,356	661	2,722	1,616	13,759
Covered Employee Payroll	\$ 732,871	\$ 705,453	\$ 693,575	\$ 665,300	\$ 743,711
Contributions as a Percentage of					
Covered Employee Payroll	19.85%	21.11%	20.56%	18.30%	14.22%

¹ Subject to audit.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the Town as of June 30, 2020, calculated using the discount rate of 7.0%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Net Pension Liability	\$ 1,268,846	\$ 619,132	\$ 100,710

Schedule of Net Pension Liability

	2020 ¹	2019	2018	2017	2016
Total Pension Liability	\$ 3,604,741	\$ 3,217,801	\$ 2,914,428	\$ 2,535,890	\$ 2,187,320
Plan Fiduciary Net Position	2,985,609	2,735,839	2,373,914	2,029,506	1,655,492
Net Pension Liability (Asset)	619,132	481,962	540,514	506,384	531,828
Plan Fiduciary Net Position as a % of Total Pension Liability	82.82%	85.02%	81.45%	80.03%	75.69%
Covered Payroll	\$ 732,871	\$ 705,453	\$ 693,575	\$ 665,300	\$ 743,711
Net Pension Liability as a % of Covered Payroll	84.48%	68.32%	77.93%	76.11%	71.51%

¹ Subject to audit.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2019.....	\$ 3,217,801	\$ 2,735,839	\$ 481,962
Changes for the Year			
Service Cost.....	192,980	-	192,980
Interest.....	237,240	-	237,240
Change of Assumptions.....	-	-	-
Differences Between Expected and Actual Experience.....	-	-	-
Contributions - Employer.....	-	145,500	(145,500)
Contributions - Member.....	-	82,692	(82,692)
Net Investment Income (Including Investment Expenses).....	-	65,083	(65,083)
Benefit Payments, Including Refunds of Employee Contributions.....	(43,280)	(43,280)	-
Administrative Expense.....	-	(225)	225
Net Changes.....	386,940	249,770	137,170
Balance at June 30, 2020.....	\$ 3,604,741	\$ 2,985,609	\$ 619,132

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Other Post-Employment Benefits

The Town has a policy of providing 40–50% of certain health care benefits to retired employees should the employees have retired under a normal retirement or with disability. The Town recognizes the cost of these benefits in the year when the employee services are received and recognizes the liability accumulated from prior years. As of July 1, 2017, the latest actuarial valuation date of the OPEB liability, the total OPEB liability at June 30, 2019 for the Town was \$6,808,744.

Schedule of Changes in the Town’s Total OPEB Liability

Total OPEB Liability:	2019
Service Cost.....	\$ 266,608
Interest on Total OPEB Liability.....	248,540
Effect of Plan Changes.....	-
Differences Between Expected and Actual Experience.....	-
Changes of Assumptions.....	244,148
Benefit Payments	(210,314)
Net Change in Total OPEB Liability.....	548,982
Total OPEB Liability, Beginning.....	<u>\$ 6,259,762</u>
Total OPEB Liability, Ending.....	<u>\$ 6,808,744</u>
Covered Payroll.....	\$ 21,277,152
Total OPEB Liability as a % of Covered Payroll.....	32.00%

Sensitivity of the net OPEB liability to changes in discount rate: The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Current	1% Increase
	2.50%	3.50%	4.50%
Total OPEB Liability	\$ 7,539,241	\$ 6,808,744	\$ 6,176,915

Sensitivity of the net OPEB liability to changes in the health care cost trend rates: The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 5,909,291	\$ 6,808,744	\$ 7,901,886

Compensated Absences

Employees are paid by prescribed formula for absence due to vacation or sickness. Accumulated vacation and sick pay earned by Town employees is reflected as a long-term liability in the government-wide financial statements. As of June 30, 2019, the estimated obligation for employee compensated absences which is not expected to be paid with current available resources was \$3,365,093. It is the Town’s policy to recognize vacation and sick leave costs at the time payments are made.

Investment Practices

The Town invests its public funds in accordance with Connecticut General Statutes Section 7-402. Deposits may be made in a “qualified public depository” as defined by Statute, or in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an “out-of state bank,” as defined by the Statutes, which is not a “qualified public depository.”

The Town and the Pension Trust Fund do not have a custodial credit risk policy for investment; however, it is their practice to follow statutes. The Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the STIF. The STIF investments are recorded at amortized cost. Other provisions of the Statutes cover specific municipal funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan.

Risk Management

The Town is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors and omissions, health of and/or injury to employees, natural disasters, and owners and contractors protective liability. The Town generally obtains commercial insurance for these risks, but has chosen to retain the risk for employee health and medical claims.

The Medical Self-Insurance Fund is funded by monthly contributions from all funds incurring payroll charges. Anthem Blue Cross/Blue Shield, administrator of the claims process, aids the Town in calculating “premium” rates per contract. Under the Town’s current policy, the Medical Self-Insurance Fund covers all employee claims up to \$125,000 per claim with a stop-loss policy of 125% of expected claims paid which was \$7,494,000 for the year ended June 30, 2019.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the past three years.

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Comparative Balance Sheets – General Fund

	<i>Estimated</i> 2019-20¹	<i>Actual</i> 2018-19	<i>Actual</i> 2017-18	<i>Actual</i> 2016-17	<i>Actual</i> 2015-16
Assets					
Cash and Cash Equivalents	\$ 9,984,024	\$ 9,760,959	\$ 9,358,763	\$ 8,685,763	\$ 8,455,874
Property Taxes	981,884	957,865	944,583	961,521	1,022,155
Intergovernmental	115,954	143,591	-	-	117,313
Accounts Receivable	284,097	28,818	18,469	14,970	26,115
Prepaid	3,688	-	983	3,600	1,000
Inventory	28,339	6,578	24,704	24,010	36,820
Total Assets	\$11,397,986	\$10,897,811	\$10,347,502	\$ 9,689,864	\$ 9,659,277
Liabilities					
Accounts Payable and Accrued Liabilities	1,129,832	1,189,536	1,008,901	1,654,162	2,010,553
Deferred Revenue	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Total Liabilities	\$ 1,129,832	\$ 1,189,536	\$ 1,008,901	\$ 1,654,162	\$ 2,010,553
Deferred Inflow of Resources					
Advance Tax Collections	59,552	98,028	62,897	22,233	41,324
Unavailable Resources - Other	881,095	725,463	868,761	840,669	936,344
Total Deferred Inflows of Resources	\$ 940,647	\$ 823,491	\$ 931,658	\$ 862,902	\$ 977,668
Fund Balances					
Nonspendable.....	6,578	6,578	25,687	27,610	37,820
Restricted.....	-	-	-	-	-
Committed.....	659,261	477,401	273,318	110,303	418,455
Assigned.....	954,816	585,619	1,238,154	612,254	502,848
Unassigned.....	7,706,852	7,815,186	6,869,784	6,422,633	5,711,933
Total Fund Balances	\$ 9,327,507	\$ 8,884,784	\$ 8,406,943	\$ 7,172,800	\$ 6,671,056
Total Liabilities, Deferred Inflows of Resources and Fund Balances (deficits)	\$11,397,986	\$10,897,811	\$10,347,502	\$ 9,689,864	\$ 9,659,277
Analysis of General Fund Balance					
Operating Revenues	\$65,043,381	\$58,959,293	\$62,636,786	\$62,116,969	\$58,880,023
Fund balance as a percent of					
operating revenues	14.34%	15.07%	13.42%	11.55%	11.33%
Unassigned fund balance as					
a percent of operating revenues	11.85%	13.26%	10.97%	10.34%	9.70%

¹ Subject to audit.

General Fund Revenues and Expenditures

The General Fund revenues, expenditures, and changes in fund balance for the fiscal years ended June 30, 2016 through 2019 have been derived from audited financial statements. The fiscal year 2019-20 estimated actual and fiscal year 2019-20 budget has been provided by the Town. The financial information presented herein is the responsibility of the Town of Colchester's management (Appendix A – "2019 Financial Statements" was taken from the Annual Financial Report of the Town of Colchester for the fiscal year ended June 30, 2019).

	<i>Adopted</i> Budget 2020-21¹	<i>Estimated</i> 2019-20²	Actual 2018-19	Actual 2017-18	Actual 2016-17	Actual 2015-16
Revenues:						
Property Taxes	\$ 41,410,675	\$ 40,759,158	\$ 40,028,244	\$ 39,539,056	\$ 38,500,512	\$ 37,712,051
Intergovernmental	12,928,874	21,951,012	16,585,701	21,032,544	21,992,787	19,575,213
Investment Income	196,200	269,520	348,258	272,088	88,500	61,139
Fees, Permits, and Sales	736,650	989,854	825,029	750,679	834,337	860,660
Charges for Services	506,000	486,907	641,192	594,493	566,429	550,432
Other	380,076	586,930	530,869	447,926	134,404	120,528
Total Revenues	56,158,475	65,043,381	58,959,293	62,636,786	62,116,969	58,880,023
Expenditures:						
General government	3,780,915	3,573,945	3,516,196	3,413,682	3,534,368	3,151,674
Public Safety	3,100,772	2,954,786	2,872,691	2,761,914	2,699,729	2,676,389
Public Works	3,686,622	3,329,127	3,447,196	3,153,130	3,312,050	3,133,633
Community & Human Services	1,691,056	1,595,753	1,534,894	1,491,049	1,534,864	1,480,902
Public Health and Welfare	-	-	-	-	-	-
Civic and Culture	-	-	-	-	-	-
Education	41,316,610	50,046,859	43,249,066	47,020,602	46,630,541	44,296,560
Debt Service	2,075,164	2,075,164	1,710,415	1,791,665	1,842,265	1,901,465
Capital Outlay	-	-	-	-	-	-
Total Expenditures	55,651,139	63,575,634	56,330,458	59,632,042	59,553,817	56,640,623
Revenues over (under) expenditures	507,336	1,467,747	2,628,835	3,004,744	2,563,152	2,239,400
Other Financing Sources Uses:						
Use of Fund Balance	314,000	-	-	-	-	-
Operating Transfers In	-	-	-	-	8,240	-
Operating Transfers (Out)	(821,336)	(1,025,023)	(2,150,994)	(1,770,601)	(2,069,648)	(1,292,550)
Total other Financing Sources (uses)	(507,336)	(1,025,023)	(2,150,994)	(1,770,601)	(2,061,408)	(1,292,550)
Revenues and other financing sources over (under) expenditures and other financing (uses)	-	442,724	477,841	1,234,143	501,744	946,850
Fund Balance, Beginning	9,327,508	8,884,784	8,406,943	7,172,800	6,671,056	5,724,206
Fund Balance, Ending	\$ 9,327,508	\$ 9,327,508	\$ 8,884,784	\$ 8,406,943	\$ 7,172,800	\$ 6,671,056

¹ Budgetary basis.

² Subject to audit.

Municipal Budget Expenditures Cap: Connecticut General Statutes Section 4-661 creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality's percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality's population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded. The 2019-2021 biennium budget legislation does not provide funding for the municipal revenues sharing grant in fiscal years ending June 30, 2020 and June 30, 2021, but provides that such funding will resume following July 1, 2021.

SECTION VII – ADDITIONAL INFORMATION

Litigation

Following consultation with the Town Attorney, and other attorneys providing legal services to the Town, Town officials advise that the Town of Colchester, Connecticut, its officers, employees, boards and commissions are named defendants in a number of lawsuits. With regard to these pending lawsuits, it is the Town officials' opinion that such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the Town which would materially adversely affect its financial position.

Documents Furnished At Delivery

The winning bidder(s) will be furnished the following documents when the Notes are delivered:

1. Signature and No Litigation Certificates stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Notes or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town, signed by the Selectmen, or the majority of them, and the Treasurer, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the bids were awarded for the Notes, the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Notes.
4. The approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut in substantially the form attached hereto as Appendix B.
5. An executed Continuing Disclosure Agreement for the Notes in substantially the form attached hereto as Appendix C.
6. The Town of Colchester has prepared an Official Statement for the Notes which is dated October 1, 2020. The Town deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(1), but it is subject to revision or amendment. The Town will make available to the winning bidder(s) of the Notes five (5) copies, of the final Official Statement at the Town's expense. The copies of the Official Statement will be made available to the winning bidder(s) at the office of the Town's Municipal Advisor no later than seven business days of the bid opening. If the Town's Municipal Advisor is provided with the necessary information from the winning bidder (s) by noon of the day following the bids on the Notes are received, the copies of the final Official Statement will include an additional cover page and other pages indicating the interest rates, yields or reoffering prices, the name of the winning bidder (s), the name of the insurer, if any, and any changes on the Notes. The winning bidder (s) shall arrange with the municipal advisor the method of delivery of the copies of the Official Statement to the winning bidder (s).

Concluding Statement

This Official Statement is submitted only in connection with the sale of the Notes by the Town of Colchester, Connecticut and may not be reproduced or used in whole or in part for any other purpose.

The following officials, in their capacity as officers of the Town, and in the name and on behalf of the Town, do hereby certify in connection with this issue that they have examined this Official Statement, and to the best of their knowledge and belief, the description and statements relating to the Town and its finances were true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

By /s/ *Mary Bylone*

Mary Bylone
First Selectman

By /s/ *Rosemary Coyle*

Rosemary Coyle
Selectman

By /s/ *Denise Turner*

Denise Turner
Selectman

By /s/ *Taras W. Rudko*

Taras W. Rudko
Selectman

By /s/ *Denise Q. Mizla*

Denise Q. Mizla
Selectman

By /s/ *Jennifer Pulse*

Jennifer Pulse
Treasurer

By /s/ *N. Maggie Cosgrove*

N. Maggie Cosgrove
Chief Financial Officer

Dated as of October 1, 2020

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Appendix A

2019 Financial Statements Excerpted from the Town's Annual Financial Report

The following includes the Basic Financial Statements of the Town of Colchester, Connecticut for the fiscal year ended June 30, 2019. The supplemental data that was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Barry J. Bernabe, Managing Director, Phoenix Advisors, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 283-1110.

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Independent Auditor's Report

To the Honorable First Selectman and
Members of the Board of Finance
Town of Colchester, Connecticut

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, Connecticut (the Town) as of and for the year ended June 30, 2019, and the related notes thereto which collectively comprise the Town'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 entity'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 entity'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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows 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 discussion and analysis, the pension and other post-employment benefit related schedules and the budgetary comparison information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining individual fund financial statements and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual fund financial statements and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town as of and for the year ended June 30, 2018 (not presented herein), and have issued our report thereon dated December 31, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2018 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 2018 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2018 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2018.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020 on our consideration of the Town'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

RSM US LLP

New Haven, Connecticut
January 31, 2020

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Town of Colchester, Connecticut
Management's Discussion and Analysis - Unaudited
June 30, 2019

As management of the Town of Colchester, Connecticut (the Town) we offer readers of the financial statements this overview and analysis of the financial performance of the Town for the fiscal year ended June 30, 2019. Please read it in conjunction with the Town's financial statements, which immediately follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$86,297,350 (net position). Total net position of Governmental Activities at fiscal year-end was \$81,039,901 and total net position for Business-Type Activities was \$5,257,449. Of the Town's total net position at June 30, 2019, \$9,583,689 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$367,462.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$8,884,784, an increase of \$477,841 from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2019, \$7,815,186 represents unassigned fund balance of the General Fund. Unassigned General Fund fund balance represents 14.19% of total General Fund budgetary expenditures and transfers out (\$55,088,144). The Town's governmental funds reported combined ending fund balances of \$14,189,755, an increase of \$720,260 from the prior fiscal year.
- The Town's total bonded debt had an increase of \$10,505,000 from the prior fiscal year as bonds were issued for the William J. Johnston Middle School Project.

Overview of the Financial Statements

This annual report consists of three parts: 1) management's discussion and analysis (this section), 2) the basic financial statements and 3) an additional section that presents combining statements for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services such as police, fire and parks were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities the government operates like business, such as the water system.
- Fiduciary funds statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

		Fund Financial Statements		
Type of Statements	Government-wide Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Town government (except fiduciary activities)	The activities of the Town that are not proprietary or fiduciary, such as police, fire and parks.	Activities the Town operates similar to businesses; the water system.	Instances in which the Town administers resources on behalf of someone else such as student activity funds.
<i>Required financial statements</i>	<ul style="list-style-type: none"> ➤ Statement of net position ➤ Statement of activities 	<ul style="list-style-type: none"> ➤ Balance sheet ➤ Statement of revenues, expenditures and changes in fund balances. 	<ul style="list-style-type: none"> ➤ Statement of net position. ➤ Statement of revenues, expenses, changes in fund net position. ➤ Statement of cash flows. 	<ul style="list-style-type: none"> ➤ Statement of fiduciary net position. ➤ Statement of changes in fiduciary net position.
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
<i>Type of asset and deferred outflow/liability and deferred inflow information</i>	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	All assets and liabilities, both financial and capital, and short-term and long-term.
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash are received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during year, regardless of when cash is received or paid.	All additions and deductions during the year regardless of when cash is received or paid.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information that they contain. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances. The statement of net position and the statement of activities present financial information on all of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, expenses and revenues regardless of actual collections or disbursements. The statements provide both long-term and short-term information about the Town's overall financial status.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's assets and deferred inflows of resources and liabilities and deferred outflows of resources.

- Over time, increases or decreases in the Town's net position can be an indicator of whether its financial health is improving or deteriorating, respectively.
- Other non-financial indicators need to be considered such as changes in the Town's property tax base, changes in school enrollment and the condition of the Town's infrastructure, i.e., roads, etc.

The statement of net position presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference reported as net position. The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal year, such as uncollected receivables for tax revenue and earned but unpaid expenses.

The government-wide financial statements for the Town are divided into two categories:

Governmental activities represent most of the Town's basic services such as fire and police protection, public works, community and human services, parks and recreation, education and general administration. Business-type activities represent charges for fees to customers to help cover the costs of certain services it provides. The Town's water operation is included here.

The government-wide financial statements (statement of net position and statement of activities) can be found on pages 15-16 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds and not the Town as a whole. Funds are a method of providing an accounting mechanism in order to provide accountability over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has three types of funds:

- **Governmental funds** include most of the Town's basic services which focus on how much cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. These statements provide a detailed short-term view that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the town's programs. The government-wide statement of activities provides a broader view of the governmental activities than the governmental fund focus. The statement of net position can be compared with the fund financial statements to better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.
- **Proprietary funds** are generally used for reporting services for which the Town charges a fee such as the water operations for the Town. They are reported in the same way as the government-wide statements. The Town has two types of proprietary funds. One is the enterprise fund and the other is the internal service fund.

- The enterprise fund is the same as the business-type activities. Although it provides the same type of information as the government-wide financial statements, it includes more detail and has additional information reported such as cash flows.
- The internal service fund is used to report activities that provide self-insured medical services funded by other Town programs or activities. The internal service fund transactions are included in the government-wide financial statements.
- **Fiduciary funds** are used to account for resources held 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 provide services to the Town's constituency. The Town has one agency fund for student activities and one pension trust fund. The accounting for fiduciary funds is much like that used for proprietary funds.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial status. The Town's combined assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$86,297,350 at the close of the recent fiscal year.

Net position of the Town's Governmental Activities increased approximately 0.36% to \$81,039,901. Total net position for Business-type Activities increased approximately 1.44% to \$5,257,449. The amount of \$76,713,661 (\$72,975,424 for Governmental Activities and \$3,738,237 for Business-type Activities) of combined net position at June 30, 2019, is restricted as to the purposes they can be used for or are invested in capital assets, net of related debt (buildings, roads, bridges, and so on). The remaining balance of \$9,583,689 (\$8,064,477 for Governmental Activities and \$1,519,212 for Business-type Activities) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

The most significant portion of the Town's net position (86.92%) reflects its net investment in capital assets (i.e., land, buildings, vehicles, machinery & equipment and infrastructure). The Town uses these capital assets to provide services to citizens. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves may not be used to liquidate these liabilities.

	June 30, 2019			June 30, 2018		
	Primary Government			Primary Government		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 23,392,723	\$ 1,537,233	\$ 24,929,956	\$ 29,908,157	\$ 1,474,972	\$ 31,383,129
Capital assets	101,311,327	5,100,077	106,411,404	95,510,984	5,105,456	100,616,440
Total assets	124,704,050	6,637,310	131,341,360	125,419,141	6,580,428	131,999,569
Deferred outflows of resources	486,470	-	486,470	319,585	-	319,585
Current liabilities	6,578,343	126,760	6,705,103	13,354,181	20,712	13,374,893
Long-term liabilities outstanding	37,163,402	1,253,101	38,416,503	31,337,101	1,376,896	32,713,997
Total liabilities	43,741,745	1,379,861	45,121,606	44,691,282	1,397,608	46,088,890
Deferred inflows of resources	408,874	-	408,874	300,376	-	300,376
Net position:						
Net investment in capital assets	71,273,605	3,738,237	75,011,842	70,925,735	3,728,560	74,654,295
Restricted	1,701,819	-	1,701,819	1,749,640	-	1,749,640
Unrestricted	8,064,477	1,519,212	9,583,689	8,071,693	1,454,260	9,525,953
Total net position	\$ 81,039,901	\$ 5,257,449	\$ 86,297,350	\$ 80,747,068	\$ 5,182,820	\$ 85,929,888

Change in Net Position. The Town's total net position increased by \$367,462 during the fiscal year, with net position of Governmental Activities increasing by \$292,833, and net position of Business-type Activities increasing by \$74,629.

	Year Ended June 30, 2019			Year Ended June 30, 2018		
	Primary Government			Primary Government		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues:						
Charges for Services	\$ 3,937,351	\$ 1,048,872	\$ 4,986,223	\$ 3,943,408	\$ 1,114,532	\$ 5,057,940
Operating Grants and Contributions	18,104,468	-	18,104,468	22,195,832	-	22,195,832
Capital Grants and Contributions	5,692,159	-	5,692,159	13,131,946	-	13,131,946
General Revenues:						
Property Tax	39,884,946	-	39,884,946	39,567,148	-	39,567,148
Grants not restricted to specific programs	246,475	-	246,475	287,048	-	287,048
Unrestricted investment earnings	367,717	14,965	382,682	437,614	8,091	445,705
Miscellaneous	107,016	-	107,016	111,218	-	111,218
Transfers	13,580	-	13,580	13,580	-	13,580
Total Revenues	68,353,712	1,063,837	69,417,549	79,687,794	1,122,623	80,810,417
Expenses						
General Government	3,652,112	-	3,652,112	3,531,523	-	3,531,523
Public Safety	3,387,101	-	3,387,101	3,478,855	-	3,478,855
Public Works	5,075,575	-	5,075,575	4,858,649	-	4,858,649
Community and Human Services	2,403,361	-	2,403,361	2,838,049	-	2,838,049
Education	52,672,630	-	52,672,630	52,096,191	-	52,096,191
Other	-	947,636	947,636	-	952,073	952,073
Interest on long-term debt	870,100	27,992	898,092	553,746	30,586	584,332
Transfers	-	13,580	13,580	-	13,580	13,580
Total Expenses	68,060,879	989,208	69,050,087	67,357,013	996,239	68,353,252
Change in Net Position	292,833	74,629	367,462	12,330,781	126,384	12,457,165
Net Position - Beginning	80,747,068	5,182,820	85,929,888	68,416,287	5,056,436	73,472,723
Net Position - Ending	\$ 81,039,901	\$ 5,257,449	\$ 86,297,350	\$ 80,747,068	\$ 5,182,820	\$ 85,929,888

Governmental Activities

Approximately 58.35% of the revenues were generated from property taxes, followed by 40.57% from program revenues, which include governmental revenues for Education, then 0.36% was derived from other unrestricted grants, 0.16% from miscellaneous revenues, 0.54% from unrestricted investment earnings including premium from the issuance of bond anticipation notes, and 0.02% from transfers.

Major revenue factors include:

- Decrease in School construction grant progress payments received for expenditures incurred on the William J. Johnston Middle School Project in FY 18/19 as compared to FY 17/18 as the main portion of the project was substantially completed during FY 18/19.
- Decrease in Small Cities Block grant for improvements to Senior housing managed by the Colchester Housing Authority as the project was completed in FY 18/19.
- Increased tax revenues resulting from a 1.2% increase in the grand list from the prior year and an increase in delinquent tax collections.
- Significant decrease in on-behalf payments made by the State of Connecticut (State) to the State Teachers' Retirement System for pensions and other postemployment benefits (OPEB).
- Increase in the Education Cost Sharing (ECS) grant received from the State.
- The mill rate for FY 18/19 was 32.28, a decrease of 0.09 mills from the prior fiscal year.
- The Town's current levy collected tax rate was 98.88%, a decrease of 0.02% from the previous year current levy collected tax rate of 98.90%.

For governmental activities, 77.39% of the Town's expenditures relate to education, 5.36% relate to general government, 4.98% relate to public safety, 7.46% relate to public works, 3.53% relate to community and human services, and the remaining 1.28% relate to interest payments on long-term debt.

Major expenditure factors include:

- Increase in general government, mainly due to an increase in health insurance and workers compensation claims.
- Decrease in public safety due to a decrease in Police Special Duty assignments.
- Increase in education resulting mainly from the following: technology and furniture, fixture and equipment costs associated with the William J. Johnston Middle School Project, offset by a decrease in on-behalf payments made by the State to the State Teachers' Retirement System for pensions and OPEB. In addition, during FY 17/18, there was a voluntary freeze on expenditures in the amount of \$825,000 to help offset the significant reduction in ECS grant funding received from the State.
- Increase in public works expenditures related to increased sewer operating and capital expenditures, including Joint Facilities. Increase in expenditures for road maintenance and improvements. In addition, during FY 17/18, there were unfilled positions in the Highway and Grounds Maintenance divisions due to the budget freeze imposed in response to the delayed adoption of the State budget and a significant reduction in State funding.
- Decrease in community and human services mainly due to expenditures incurred for improvements to Senior housing managed by the Colchester Housing Authority in FY 17/18. Improvements were funded by receipt of a Small Cities block grant. The project was substantially completed during FY 17/18.
- Increase in interest on long-term debt due to the issuance of bonds and bond anticipation notes to finance the William J. Johnston Middle School Project.

Business-Type Activities

Business-type activities increased the Town's net position by \$74,629. Key elements of this increase are:

- Establishment of water use fees sufficient to fund operating costs and depreciation, and provide funding for future capital needs, and an increase in operating expenses compared to the prior fiscal year.

Financial Analysis of the Town's Fund Financial Statements

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the Town's financial requirements. The unassigned fund balance can serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As the Town completed the year, its governmental funds reported combined fund balances of \$14,189,755, an increase from \$13,469,495 as of June 30, 2018. The Town experienced positive financial results in the Town's General Fund revenues as a result of conservative budgeting practices, and significant increases in investment earnings associated with increased interest rates and changes in investment strategy. Positive results from the expenditure budget were achieved through reductions in legal costs for labor, and code administration, and position vacancies in Highway, Youth & Social Services, and Senior Services. General obligation bonds were issued to finance the capital outlay expenditures for the William J. Johnston Middle School project. The Town also continued to increase funding in the Capital Reserve Fund for the future acquisition/replacement of Town vehicles and equipment.

The General Fund is the chief operating fund for the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,815,186, while total fund balance was \$8,884,784. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 14.19% of the total General Fund budgetary expenditures and transfers out.

At June 30, 2019, the Town's General Fund unassigned fund balance increased by \$945,402 from the previous year. On the revenue side, the Town received reductions in State grant revenues for Municipal Stabilization, and the Local Capital Improvement Program. These reductions were offset by an increase in the Education Cost Sharing grant, increased delinquent property tax collections, investment income, charges for ambulance services, building permit fees, and tuition received for out of district students attending the Colchester Public Schools. On the expenditure side, the Town achieved savings from vacant positions in Highway, Youth & Social Services, and Senior Services, along with reductions in legal costs associated with labor and land use matters. Unexpended funds from the Education budget are reflected in assigned fund balance as these funds will be available for appropriation to the Education Capital Reserve Fund for future capital and equipment needs.

The Capital Reserve Fund had an increase in fund balance of \$334,969 for a total fund balance of \$2,107,804 mainly due to the continued funding of future acquisition/replacement of Town vehicles and equipment.

Johnston Building Project Fund - During the fiscal year, the Town incurred expenditures of \$11,943,013 for demolition, construction and renovation costs. A total of \$5,031,238 was received from the State's School Construction progress payments as reimbursement for the State's share of the project costs incurred to date. The fund also recorded the issuance of \$7,040,000 in bond anticipation notes (permanently funded with bonds in October 2019) and has an additional amount of \$1,810,000 of bond anticipation notes outstanding at the end of the year. The deficit fund balance of \$2,827,199 will be funded through future State payments.

The Education Grants Fund had revenues and other financing sources of \$1,420,471 and expenditures of \$1,443,578 for the year ended June 30, 2019.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Fund at the end of the year amounted to \$1,519,212. The Water Fund experienced an increase in net position of \$74,629. The explanations concerning the finances of the Water Fund were addressed earlier in the discussion of the Town's Business-type activities.

General Fund Budgetary Highlights

Budget transfers were approved during the year from contingency for additional workers compensation premiums associated with the workers compensation payroll audit for FY 17/18, and for severance payouts associated with two unanticipated retirements from the Finance Department. A budget transfer from Human Resources to the Fire Department was approved as a result of the successful negotiation of the Fire union contract – funds were included within the Human Resources contract settlement line in the adopted budget for this purpose.

Appropriations from fund balance were approved during the year to fund the replacement of an ambulance in lieu of lease financing (\$163,015), to purchase property on Mill Street adjoining the Town Hall property (\$45,000), and to provide additional funding of the debt service costs for the William J. Johnston Middle School project (\$97,601 representing investment earnings from prior years associated with the project).

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business type activities as of June 30, 2019, amount to \$106,411,404 (net of accumulated depreciation). The net investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, sidewalks, roads, highways, bridges, water and sewer lines (infrastructure), and construction in process (William J. Johnston Middle School project, Paper Mill Road Bridge, and Halls Hill Road). The total increase in the Town of Colchester's net investment in capital assets for the current fiscal year was \$5,794,964 or approximately 5.76%.

Major capital assets during the current fiscal year included the following:

Governmental Activities

- Road and bridge improvements funded by General Fund appropriations and Town Aid Road grant funds.
- Replacement of a police cruiser, ambulance, and code administration pickup truck funded by General Fund appropriations and Vehicle Reserve funds. Replacement of a wheel loader and a dump truck with attachments funded by Town Aid Road grant funds. Replacement of Senior Center bus funded by a State grant and Vehicle Reserve funds.
- Purchase of property adjacent to Town Hall funded by General Fund appropriation.
- Renovations to Town Hall property and grounds, including carpeting, meeting room partitions, roofing, and parking lot funded by General Fund appropriations to Capital accounts.
- Replacement of oil heater/furnace at Fire Company #1, and replacement of boiler at Senior Center funded by Buildings and Grounds Reserve funds.
- Replacement of equipment at treatment plant and pump stations funded by Sewer Operating and Sewer Capital accounts.
- Compressor replacements, upgrades to air handling and boiler controls, carpet replacement, and re-sodding of football field at Bacon Academy, and replacement of the fire alarm control panel at Jack Jackter Intermediate School funded by Capital Reserve funds and Education budget.
- Acquisition of CNC milling machine for Tech Education at Bacon Academy funded by Education grant funds.
- Technology and furniture, fixtures and equipment including large musical instruments at William J. Johnston Middle School funded by the building project.

**Town of Colchester - Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,626,879	\$ 3,586,879	\$ -	\$ -	\$ 3,626,879	\$ 3,586,879
Land Improvements	501,487	529,112	2,730	2,940	504,217	532,052
Building & Improvements	72,563,507	49,067,304	3,502,658	3,428,430	76,066,165	52,495,734
Machinery & Equipment	5,524,481	5,232,979	150,635	179,282	5,675,116	5,412,261
Infrastructure	9,530,866	9,083,898	1,444,054	1,494,804	10,974,920	10,578,702
Construction in Process	9,564,107	28,010,812	-	-	9,564,107	28,010,812
Total	\$ 101,311,327	\$ 95,510,984	\$ 5,100,077	\$ 5,105,456	\$ 106,411,404	\$ 100,616,440

Additional information on the Town of Colchester's capital assets can be found in Note 6 of this report.

Debt. At year-end the Town of Colchester had \$24,180,000 in bonds and bond anticipation notes outstanding. All of the bonds are backed by the full faith and credit of the Town of Colchester.

Town of Colchester Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation						
Bonds (backed by the Town)	\$ 17,140,000	\$ 6,635,000	\$ -	\$ -	\$ 17,140,000	\$ 6,635,000
Bonds anticipation notes	7,040,000	12,000,000	-	-	7,040,000	12,000,000
	<u>24,180,000</u>	<u>18,635,000</u>	<u>-</u>	<u>-</u>	<u>24,180,000</u>	<u>18,635,000</u>
Clean Water Fund						
Loan	\$ -	\$ -	\$ 1,253,101	\$ 1,376,896	\$ 1,253,101	\$ 1,376,896

The Town issued bond anticipation notes (BANs) in October 2018 in the amount of \$8,850,000, with an interest rate of 3.0% of which \$7,040,000 is reported as long-term debt at June 30, 2019. The BANs matured in October 2019, at which time the Town issued \$7,040,000 in general obligation bonds and \$2,845,000 in bond anticipation notes. The bonds were issued with interest rates ranging from 2.5% to 5.0% with final maturity in FY 2045-2046. The BANs were issued with an interest rate of 2.0% and will mature on October 15, 2020.

Official statements for the bond and bond anticipation note issues are available on the Town's website, www.colchesterct.gov.

In September 2018, S&P Global Ratings issued a rating of AA+ on the Town's general obligation bond issue of \$12,000,000 and SP-1+ on the Town's bond anticipation note issue of \$8,850,000. The rating report indicated that the rating reflects S&P Global Ratings' opinion of the following factors for the Town: strong economy, strong management with good financial policies and practices, strong budgetary performance, and very strong budgetary flexibility with an available fund balance that is expected to improve in the near term from its fiscal 2017 level, very strong liquidity, and very strong debt and contingent liability profile.

In October 2019, S&P Global Ratings issued a rating of AA+ on the Town's general obligation bond issue of \$7,040,000 and SP-1+ on the Town's bond anticipation note issue of \$2,845,000. At the same time, S&P affirmed its ratings of AA+ and SP-1+ on the Town's existing long-term and short-term debt. S&P states in the credit summary "In our view, Colchester's strong financial operations evidenced by its continued positive general fund results and increases in available reserves over the past few years support the long-term ratings. Furthermore, we believe the town's strong management conditions and economy with manageable fixed costs also support its stable financial position." The rating report indicated that the rating reflects S&P Global Ratings' opinion of the following factors for the Town: strong economy, strong management with good financial policies and practices, strong budgetary performance, and strong budgetary flexibility with an available fund balance that is expected to improve in the near term from its fiscal 2018 level, very strong liquidity, and very strong debt and contingent liability profile.

Additional information on the Town of Colchester's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The Town's unemployment rate decreased to 3.1% as of June 2019, which remains less than the State's rate of 3.8% for the same time period. As of November 2019, the Town's unemployment rate had decreased to 2.9% and the State's unemployment rate decreased to 3.3%. In response to reductions in State funding, steps continue to be taken to closely monitor revenues and expenditures, implement energy cost-saving measures, participate in energy rebate programs, pursue grant opportunities, and review opportunities to share services between the Town and Schools as well as with surrounding Towns and School districts.

The grand list as of October 2018 reflected an increase of 0.8%. This followed several years of small increases in the taxable grand list of 0.6% as of October 2013, 0.6% as of October 2014, 1.15% as of October 2015, and 1.2% as of October 2017. The grand list of October 2016, which was a revaluation year, reflected a small decrease of 1.1%.

The Town continues to see residential growth with an apartment complex, along with multi-lot subdivisions either in process for approval, under construction, or completed or for sale. Additional commercial development has been approved or permitted, or is in the process for permitting. Existing businesses plan to expand their manufacturing, commercial or retail space, and existing but vacant commercial space is being redeveloped. In addition, Eversource is in Phase I of a project to expand natural gas pipelines to the Town. In October 2019, the Town approved a twenty year tax stabilization agreement with Bloom Energy as part of a project to construct a fuel cell power plant in Town that will connect to the natural gas pipeline.

The FY 2019-2020 final adopted budget of \$56,392,987 represents an increase of \$1,022,333 over the adopted budget for FY 2018-2019 of \$55,370,654. The adopted budget reflects an increase of 0.56 mils for a property tax mil rate of 32.84. The Town and Education budgets were adopted at a referendum vote on June 11, 2019. The budget reflects an estimated tax collection rate of 98.8%, along with projected decreases in State funding and estimated revenues for tuition from out of District students, and increases in estimated revenues from charges for ambulance services, building permit fees, and investment income.

The Town was presented with the Government Finance Officers Association Distinguished Budget Presentation Award for the adopted budget documents for the fiscal years 2012-2013, 2013-2014, 2014-2015, 2015-2016, 2016-2017, 2017-2018, 2018-2019 and FY2019-2020.

Requests for Information

This financial report is designed to provide a general overview of the Town of Colchester's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed in writing to the Chief Financial Officer, Town of Colchester, 127 Norwich Avenue, Suite 203, Colchester, CT 06415.

Basic Financial Statements

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Town of Colchester, Connecticut

**Statement of Net Position
June 30, 2019**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 20,587,200	\$ 1,096,103	\$ 21,683,303
Receivables (net of allowances for collection losses):			
Property taxes and interest	957,865	-	957,865
Assessments	284,951	-	284,951
Accounts receivable	91,039	371,669	462,708
Intergovernmental	1,459,082	-	1,459,082
Inventory	12,586	69,461	82,047
Capital assets, non-depreciable	13,190,986	-	13,190,986
Capital assets, net of accumulated depreciation	88,120,341	5,100,077	93,220,418
Total assets	124,704,050	6,637,310	131,341,360
Deferred outflows of resources:			
Charges on refundings	111,675	-	111,675
Pension-related items	163,200	-	163,200
OPEB-related items	211,595	-	211,595
Total deferred outflows of resources	486,470	-	486,470
Liabilities			
Accounts payable and accrued liabilities	4,261,042	126,760	4,387,802
Claims payable	481,000	-	481,000
Unearned revenues	26,301	-	26,301
Bond anticipation notes	1,810,000	-	1,810,000
Noncurrent liabilities:			
Due within one year	2,241,141	126,445	2,367,586
Due in more than one year	34,922,261	1,126,656	36,048,917
Total liabilities	43,741,745	1,379,861	45,121,606
Deferred inflows of resources:			
Advance tax collections	98,028	-	98,028
Pension-related items	199,560	-	199,560
OPEB-related items	111,286	-	111,286
Total deferred inflows of resources	408,874	-	408,874
Net position:			
Net investment in capital assets	71,273,605	3,738,237	75,011,842
Restricted	1,701,819	-	1,701,819
Unrestricted	8,064,477	1,519,212	9,583,689
Total net position	\$ 81,039,901	\$ 5,257,449	\$ 86,297,350

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ (3,652,112)	\$ 667,395	\$ 10,401	\$ -	\$ (2,974,316)	\$ -	\$ (2,974,316)
Public safety	(3,387,101)	751,052	33,175	-	(2,602,874)	-	(2,602,874)
Public works	(5,075,575)	1,083,215	45,044	572,788	(3,374,528)	-	(3,374,528)
Community and human services	(2,403,361)	358,410	302,851	88,133	(1,653,967)	-	(1,653,967)
Education	(52,672,630)	1,077,279	17,712,997	5,031,238	(28,851,116)	-	(28,851,116)
Interest on long-term debt	(870,100)	-	-	-	(870,100)	-	(870,100)
Total governmental activities	(68,060,879)	3,937,351	18,104,468	5,692,159	(40,326,901)	-	(40,326,901)
Business-type activities:							
Water	(975,628)	1,048,872	-	-	-	73,244	73,244
Total business-type activities	(975,628)	1,048,872	-	-	-	73,244	73,244
Total primary government	\$ (69,036,507)	\$ 4,986,223	\$ 18,104,468	\$ 5,692,159	(40,326,901)	73,244	(40,253,657)
General revenues:							
Property taxes					39,884,946	-	39,884,946
Grants and contributions not restricted to specific programs					246,475	-	246,475
Unrestricted investment earnings					367,717	14,965	382,682
Miscellaneous					107,016	-	107,016
Transfers					13,580	(13,580)	-
Total general revenues and transfers					40,619,734	1,385	40,621,119
Change in net position					292,833	74,629	367,462
Net position - beginning					80,747,068	5,182,820	85,929,888
Net position - ending					\$ 81,039,901	\$ 5,257,449	\$ 86,297,350

See notes to financial statements.

Town of Colchester, Connecticut

Balance Sheet - Governmental Funds
June 30, 2019

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Reserve Fund	Johnston Building Project Fund	Educational Grants Fund		
Assets						
Cash and cash equivalents	\$ 9,760,959	\$ 2,111,225	\$ 298,010	\$ -	\$ 6,096,815	\$ 18,267,009
Receivables (net of allowances for collection losses):						
Property taxes	957,865	-	-	-	-	957,865
Assessments and user charges	-	-	-	-	284,951	284,951
Intergovernmental	143,591	-	889,595	150,797	275,099	1,459,082
Accounts receivable	28,818	-	-	6,750	52,045	87,613
Inventory	6,578	-	-	-	6,008	12,586
Total assets	\$ 10,897,811	\$ 2,111,225	\$ 1,187,605	\$ 157,547	\$ 6,714,918	\$ 21,069,106
Liabilities						
Accounts payable and accrued liabilities	\$ 1,189,536	\$ 3,421	\$ 2,204,804	\$ 63,138	\$ 494,165	\$ 3,955,064
Unearned revenue	-	-	-	-	26,301	26,301
Bond anticipation notes payable	-	-	1,810,000	-	-	1,810,000
Total liabilities	1,189,536	3,421	4,014,804	63,138	520,466	5,791,365
Deferred inflows of resources:						
Advance tax collections	98,028	-	-	-	-	98,028
Unavailable resources-other	725,463	-	-	-	264,495	989,958
Total deferred inflows of resources	823,491	-	-	-	264,495	1,087,986
Fund balances (deficits):						
Nonspendable	6,578	-	-	-	6,008	12,586
Restricted	-	-	-	94,409	1,607,410	1,701,819
Committed	477,401	2,107,804	-	-	4,421,070	7,006,275
Assigned	585,619	-	-	-	-	585,619
Unassigned	7,815,186	-	(2,827,199)	-	(104,531)	4,883,456
Total fund balances (deficits)	8,884,784	2,107,804	(2,827,199)	94,409	5,929,957	14,189,755
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 10,897,811	\$ 2,111,225	\$ 1,187,605	\$ 157,547	\$ 6,714,918	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds.	101,311,327
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	989,958
Internal service funds are used by management to charge the costs of health insurance premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	1,842,117
Deferred charge on refunding	111,675
Deferred outflows of resources - pension and OPEB-related items	374,795
Deferred inflows of resources - pension and OPEB-related items	(310,846)
Accrued interest payable is not recorded in the funds	(305,478)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(37,163,402)

Net position of governmental activities

\$ 81,039,901

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) -
 Governmental Funds
 For the Year Ended June 30, 2019

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Capital Reserve Fund	Johnston Building Project Fund	Educational Grants Fund		
Revenues:						
Property taxes, interest & lien fees	\$ 40,028,244	\$ -	\$ -	\$ -	\$ -	\$ 40,028,244
Intergovernmental revenues	16,585,701	-	5,031,238	1,210,302	951,735	23,778,976
Revenues from use of money	348,258	-	-	-	19,184	367,442
Fees, permits and sales	825,029	-	-	-	397,865	1,222,894
Charges for services and assessments	641,192	-	-	106,590	1,516,128	2,263,910
Other	530,869	9,943	-	43,579	214,483	798,874
Total revenues	58,959,293	9,943	5,031,238	1,360,471	3,099,395	68,460,340
Expenditures:						
Current:						
General government	3,516,196	-	-	-	15,513	3,531,709
Public safety	2,872,691	-	-	-	200,361	3,073,052
Public works	3,447,196	-	-	-	1,335,273	4,782,469
Community and human services	1,534,894	-	-	-	589,264	2,124,158
Education	43,249,066	-	-	1,443,578	813,285	45,505,929
Debt service	1,710,415	-	-	-	973,641	2,684,056
Capital outlay	-	94,274	11,943,013	-	1,277,927	13,315,214
Total expenditures	56,330,458	94,274	11,943,013	1,443,578	5,205,264	75,016,587
Excess (deficiency) of revenues over expenditures	2,628,835	(84,331)	(6,911,775)	(83,107)	(2,105,869)	(6,556,247)
Other financing sources (uses):						
Transfers in	-	419,300	-	60,000	1,777,254	2,256,554
Transfers out	(2,150,994)	-	-	-	(91,980)	(2,242,974)
Proceeds from debt issuance	-	-	7,040,000	-	-	7,040,000
Premium bond anticipation notes	-	-	-	-	222,927	222,927
Total other financing sources (uses)	(2,150,994)	419,300	7,040,000	60,000	1,908,201	7,276,507
Net change in fund balances (deficits)	477,841	334,969	128,225	(23,107)	(197,668)	720,260
Fund balances (deficits), beginning	8,406,943	1,772,835	(2,955,424)	117,516	6,127,625	13,469,495
Fund balances (deficits), ending	\$ 8,884,784	\$ 2,107,804	\$ (2,827,199)	\$ 94,409	\$ 5,929,957	\$ 14,189,755

See notes to financial statements.

Town of Colchester, Connecticut

**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, 2019**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds	\$ 720,260
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	5,800,343
Net changes in deferred revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(120,483)
Change in deferred pension related items.	(98,241)
Change in deferred OPEB related items.	228,983
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(5,350,211)
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.	(612,074)
The net loss of certain activities of internal service funds is reported with governmental activities.	<u>(275,744)</u>
Change in net position of governmental activities	<u>\$ 292,833</u>

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Net Position - Proprietary Funds
June 30, 2019

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,096,103	\$ 2,320,191
Accounts receivable	371,669	3,426
Inventory	69,461	-
Total current assets	<u>1,537,233</u>	<u>2,323,617</u>
Capital assets, net of accumulated depreciation	<u>5,100,077</u>	<u>-</u>
Total assets	<u>6,637,310</u>	<u>2,323,617</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	126,760	500
Claims payable	-	481,000
Loan payable - current	126,445	-
Total current liabilities	<u>253,205</u>	<u>481,500</u>
Noncurrent liabilities:		
Loan payable	1,126,656	-
Total noncurrent liabilities	<u>1,126,656</u>	<u>-</u>
Total liabilities	<u>1,379,861</u>	<u>481,500</u>
Net position:		
Net investment in capital assets	3,738,237	-
Unrestricted	1,519,212	1,842,117
Total net position	<u>\$ 5,257,449</u>	<u>\$ 1,842,117</u>

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Revenues, Expenses and Changes in Fund Net Position -
 Proprietary Funds
 For the Year Ended June 30, 2019

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
Operating revenues:		
Water use fees and charges	\$ 1,048,872	\$ -
Premiums	-	7,529,573
Total operating revenues	<u>1,048,872</u>	<u>7,529,573</u>
Operating expenses:		
Claims/operating	730,878	6,581,848
Depreciation	216,758	-
Administration and premiums	-	1,223,744
Total operating expenses	<u>947,636</u>	<u>7,805,592</u>
Operating income (loss)	<u>101,236</u>	<u>(276,019)</u>
Nonoperating revenues (expenses):		
Interest income	14,965	275
Interest expense	(27,992)	-
Total nonoperating revenue (expenses)	<u>(13,027)</u>	<u>275</u>
Other financing uses:		
Transfers out	(13,580)	-
Total transfers out	<u>(13,580)</u>	<u>-</u>
Change in fund net position	74,629	(275,744)
Fund net position, beginning	<u>5,182,820</u>	<u>2,117,861</u>
Fund net position, ending	<u>\$ 5,257,449</u>	<u>\$ 1,842,117</u>

See notes to financial statements.

Town of Colchester, Connecticut

**Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2019**

	Major Fund Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund Medical Self- Insurance Fund
	Water Fund	
Cash flows from operating activities:		
Cash received from charges for services	\$ 1,026,970	\$ -
Cash received for premiums	-	7,529,573
Cash paid to vendors, premiums and claims	(629,272)	(7,830,247)
Net cash provided by (used in) operating activities	397,698	(300,674)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(211,379)	-
Interest paid	(41,572)	-
Principal payments of debt	(123,795)	-
Net cash used in capital and related financing activities	(376,746)	-
Cash flows from investing activities:		
Interest on cash and cash equivalents	14,965	275
Net increase (decrease) in cash and cash equivalents	35,917	(300,399)
Cash and cash equivalents:		
Beginning	1,060,186	2,620,590
Ending	\$ 1,096,103	\$ 2,320,191
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 101,236	\$ (276,019)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	216,758	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(21,902)	433
(Increase) decrease in inventories	(4,491)	-
(Increase) decrease in prepaid expenses	49	-
Increase (decrease) in accounts payable	106,048	500
Increase (decrease) in claims payable	-	(25,588)
Net cash provided by (used in) operating activities	\$ 397,698	\$ (300,674)

See notes to financial statements.

Town of Colchester, Connecticut

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2019

	Pension Trust Fund	Private Purpose Trust Fund	Agency Fund
Assets			
Cash and cash equivalents	\$ -	\$ 450	\$ 427,037
Investments	2,735,839	-	-
Total assets	2,735,839	450	427,037
Liabilities			
Amounts held for student activities and other	-	-	427,037
Total liabilities	-	-	427,037
Net position restricted for pension benefits and other purposes	\$ 2,735,839	\$ 450	\$ -

See notes to financial statements.

Town of Colchester, Connecticut

**Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2019**

	Pension Trust Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Employee	\$ 90,458	\$ -
Employer	148,899	-
Total contributions	239,357	-
Investment income:		
Net appreciation in fair value of investments	122,568	-
Investment income	122,568	-
Total additions	361,925	-
Change in net position	361,925	-
Net position - restricted for pension benefits and other purposes:		
Beginning of year	2,373,914	450
End of year	\$ 2,735,839	\$ 450

See notes to financial statements.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting entity: The Town of Colchester, Connecticut (the Town) was incorporated as a town in 1698. The Town operates under a Board of Selectmen (BOS), Board of Finance (BOF) and Town Meeting form of government and provides a full range of services including public safety, roads, sanitation, health, youth and social services, culture and recreation, education, planning, zoning, and general administrative services to its residents. The accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments.

GAAP requires that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board (GASB) Codification Section 2100 have been considered and there are no agencies or entities which should be presented with the Town.

Accounting standards adopted in the current year:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, was effective for the Town beginning with its year ending June 30, 2019. The objective of this Statement is to set guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The adoption of this Statement did not impact the Town's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was effective for the Town beginning with its year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statement related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The adoption of GASB Statement No. 88 did not impact the Town's financial position or results of operations.

Government-wide fund and financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year when levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other post-employment benefits (OPEB), pension, landfill closure costs, and claims and judgments, are recorded only when payment is due (matured).

Property taxes, when levied for, intergovernmental revenues when the eligibility requirements are met, licenses, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable only when cash is received by the Town.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service funds are charges to other Town funds for medical insurance premiums. Operating expenses for internal service funds include the cost of claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial transactions of the general government, except those accounted for in another fund.

The **Capital Reserve Fund** accounts for financial resources to be used for the acquisition of vehicles and equipment which are financed by General Fund appropriations and capital lease proceeds.

The **Johnston Building Project Fund** accounts for and reports financial resources to be used for the William J. Johnston construction and renovation project.

The **Educational Grants Fund** accounts for and reports financial resources to be used for the grants associated with education. This fund is reported as major for public interest purposes.

The Town reports the following major proprietary fund:

The **Water Fund** accounts for the operations of the water department.

Additionally, the Town reports the following fund types:

Governmental funds:

Special Revenue Funds: Used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for particular purposes other than debt services or capital projects.

Capital Projects Funds: Used to account for and report the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

The Debt Service Fund: Used for the accumulation of resources for, and payment of, capital lease debt, principal, interest and related costs.

Proprietary fund:

Internal Service Fund: Used to account for the Town and Board of Education's (BOE) medical self-insurance fund.

Fiduciary Funds:

Pension Trust Fund: Used to account for the accumulation of resources to be used for retirement benefits.

Private-purpose Trust Fund: Used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments.

Agency funds account for monies held as a custodian for outside groups and agencies.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Accounting estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Property taxes: Property taxes are assessed as of October 1, levied on the following July 1, and billed and generally due in two installments, July 1 and the following January 1. Liens are filed on June 1 following the due date.

Cash equivalents: The Town considers all highly liquid investments and those investments with a maturity of three months or less when purchased to be cash equivalents. The Connecticut State Treasurer's Short-Term Investment Fund (STIF) is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be in instruments authorized by Connecticut General Statutes (the Statutes) 3-27c through 3-27e. The cash portfolio adheres to GASB Statement No. 79, *Certain Investment Pools and Pool Participants*, which amends GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

Allowances for doubtful accounts: Accounts and notes receivable, including property taxes receivable, are reported net of allowance for doubtful accounts of \$784,183. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's ability to pay.

Investments: Investments are stated at fair value.

Fair value: The Town uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Town's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The three categories within the hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

Level 3: Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

See Note 3 for additional information regarding fair value.

Inventories: Inventories are stated at the lower of cost or market determined on the first-in, first-out basis.

Capital assets: Capital assets, which include property, buildings, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Buildings	40-50
Building improvements	20
Distribution and collection systems	50-100
Public domain infrastructure	50
System infrastructure	30
Machinery and equipment	5-20

In the governmental fund financial statements, capital outlay (assets) is reported as expenditures and no depreciation expense is recorded.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated absences: Town and BOE employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for amounts expected to be paid (matured), for example, as a result of employee resignations and retirements. The General Fund is typically used to liquidate the liability.

Long-term obligations: In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable as reported include bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received and principal payments, are reported as debt service expenditures.

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pension and OPEB in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner.

In addition to liabilities, the statement of net 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 or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance tax collections in the government-wide statement of net position and in the governmental fund balance sheet. Advance tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes, interest on property taxes, and long-term loans. The Town reports deferred inflows related to pension and OPEB in the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during which the amounts become available. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner.

Net pension liability: The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Total OPEB liability: The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total OPEB liability). The Town has accumulated no assets to fund the OPEB liability and therefore does not have a fiduciary fund to pay OPEB benefits. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. The Town reports the total OPEB liability in the statement of net position.

Fund equity and net position: In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net investment in capital assets: This category groups all capital assets, including infrastructure, into one component of net position, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position: These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Unrestricted net position: This category represents the net position of the Town, which is not restricted for any project or other purpose.

In the fund financial statements, the Town reported the following governmental fund balances:

Nonspendable fund balance: These amounts cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balance: These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Committed fund balance: This represents amounts constrained, prior to year-end, for a specific purpose by a government using its highest level of decision-making authority (BOF / BOS) in the form of a resolution/ordinance. Once adopted, the limitation imposed by the resolution/ordinance remains in place until similar action is taken to remove or revise the limitation.

Assigned fund balance: Amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts. The Chief Financial Officer has been delegated the authority to assign fund balances.

Unassigned fund balance: The residual amount not allocated to any other fund balance category in the General Fund and any residual deficit balance of any other governmental funds.

When both restricted and unrestricted amounts are available for use, it is the Town's practice to use restricted resources first. Additionally, the Town would first use committed, then assigned, and lastly unassigned.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position: The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds, and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ 17,140,000
BAN payable	7,040,000
Premium on bonds	278,756
Capital lease obligation	1,973,847
Landfill closure costs	75,000
Compensated absences	3,365,093
Net pension liability	481,962
Total OPEB liability	<u>6,808,744</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$ 37,163,402</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities: The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds, and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 11,616,942
Depreciation expense	(4,072,256)
Loss on capital assets	<u>(1,744,343)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 5,800,343</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Principal repayments	\$ 1,813,620
BAN proceeds	(7,040,000)
Net amortization of premiums and deferred losses	(123,831)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (5,350,211)</u>

Another element of that reconciliation states that “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.” The details of this difference are as follows:

Compensated absences	\$ (37,884)
Landfill closure	15,000
Accrued interest	(98,760)
Net pension liability	58,552
Total OPEB liability	<u>(548,982)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (612,074)</u>

Note 3. Cash, Cash Equivalents and Investments

Deposits: The Town has a policy that deposits can include demand and savings accounts and certificates of deposit with Connecticut banks. The Town’s custodial credit risk policy follows the State of Connecticut (State) requirements that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank’s risk based capital ratio.

Investments: The Town and the Pension Trust Fund do not have a custodial credit risk policy for investment; however, it is their practice to follow statutes. The Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the STIF. The STIF investments are recorded at amortized cost. Other provisions of the Statutes cover specific municipal funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

Interest rate risk: The Town and the Pension Trust Fund do not have a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, its practice is to structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, or pension payments, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Concentrations: The Town, including the Pension Trust Fund, does not have a policy that limits the amounts invested in any one issuer. However, its practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

Custodial credit risk:

Deposits: This is the risk that, in the event of 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. As of June 30, 2019, approximately \$11,487,000 of the Town's bank balance of approximately \$14,153,000 was uninsured and uncollateralized.

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town has no investments subject to this risk.

Cash, cash equivalents and investments of the Town consist of the following at June 30, 2019:

Cash and cash equivalents:	
Deposits with financial institutions	\$ 14,191,875
STIF	7,918,915
Total cash and cash equivalents	<u>22,110,790</u>
Investments:	
Pension trust funds:	
Equity mutual funds	2,735,839
Total cash, cash equivalents, and investments	<u>\$ 24,846,629</u>

Cash, cash equivalents and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	<u>\$ 21,683,303</u>
Fiduciary funds:	
Cash and cash equivalents	427,487
Investments	<u>2,735,839</u>
Total cash, cash equivalents, and investments	<u>\$ 24,846,629</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

Interest rate risk: This 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 has no investments subject to interest rate risk.

Credit risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Presented below is the minimum rating as required for each debt type investment.

	Standard & Poor's	Pooled Income Fund
STIF	AAAm	\$ 7,918,915
		<u>\$ 7,918,915</u>

Fair value: The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Plan has the following recurring fair value measurements as of June 30, 2019:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
Investments by fair value level:			
Equity mutual funds	\$ 2,735,839	\$ 2,735,839	\$ -
Total investments by fair value level	<u>\$ 2,735,839</u>	<u>\$ 2,735,839</u>	<u>\$ -</u>

Note 4. Unearned Revenue/Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue and deferred inflows reported in the governmental funds and governmental activities were as follows:

	Deferred Inflows	Unearned Revenue
General fund:		
Advance tax collections	\$ 98,028	\$ -
Taxes and accrued interest on delinquent property taxes	725,463	-
Nonmajor funds:		
Assessments receivable	212,450	-
Grants and other	52,045	26,301
Total	<u>\$ 1,087,986</u>	<u>\$ 26,301</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 5. Interfund Transfers

Interfund transfers during the year ended June 30, 2019 were as follows:

	Transfers In	Transfers Out
General fund	\$ -	\$ 2,150,994
Capital reserve fund	419,300	-
Educational grants fund	60,000	-
Water fund	-	13,580
Nonmajor governmental funds	1,777,254	91,980
Total	<u>\$ 2,256,554</u>	<u>\$ 2,256,554</u>

Transfers are used to account for financing by the General Fund of programs accounted for in other funds in accordance with budgetary authorizations. Transfers from the General Fund to nonmajor governmental funds were primarily annual contributions related to vehicle and equipment replacements, and capital lease debt service payments.

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,586,879	\$ 40,000	\$ -	\$ 3,626,879
Construction in process	28,010,812	9,207,058	(27,653,763)	9,564,107
Total capital assets, not being depreciated	<u>31,597,691</u>	<u>9,247,058</u>	<u>(27,653,763)</u>	<u>13,190,986</u>
Capital assets, being depreciated:				
Improvements other than buildings	2,142,482	28,787	-	2,171,269
Buildings	89,787,901	27,620,373	(5,261,251)	112,147,023
Machinery and equipment	18,054,240	1,404,367	(1,029,646)	18,428,961
Infrastructure	39,694,400	970,120	-	40,664,520
Total capital assets being depreciated	<u>149,679,023</u>	<u>30,023,647</u>	<u>(6,290,897)</u>	<u>173,411,773</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,613,370	56,412	-	1,669,782
Buildings	40,720,597	2,380,163	(3,517,244)	39,583,516
Machinery and equipment	12,821,261	1,112,529	(1,029,310)	12,904,480
Infrastructure	30,610,502	523,152	-	31,133,654
Total accumulated depreciation	<u>85,765,730</u>	<u>4,072,256</u>	<u>(4,546,554)</u>	<u>85,291,432</u>
Total capital assets, being depreciated, net	<u>63,913,293</u>	<u>25,951,391</u>	<u>(1,744,343)</u>	<u>88,120,341</u>
Governmental activities capital assets, net	<u>\$ 95,510,984</u>	<u>\$ 35,198,449</u>	<u>\$ (29,398,106)</u>	<u>\$ 101,311,327</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 6. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, being depreciated:				
Buildings	\$ 5,541,301	\$ 211,379	\$ -	\$ 5,752,680
Machinery and equipment	419,286	-	-	419,286
Improvements other than buildings	25,591	-	-	25,591
Infrastructure	3,232,929	-	-	3,232,929
Total capital assets, being depreciated	<u>9,219,107</u>	<u>211,379</u>	<u>-</u>	<u>9,430,486</u>
Less accumulated depreciation for:				
Buildings	2,112,871	137,151	-	2,250,022
Machinery and equipment	240,004	28,647	-	268,651
Improvements other than buildings	22,651	210	-	22,861
Infrastructure	1,738,125	50,750	-	1,788,875
Total accumulated depreciation	<u>4,113,651</u>	<u>216,758</u>	<u>-</u>	<u>4,330,409</u>
Total capital assets, being depreciated, net	<u>5,105,456</u>	<u>(5,379)</u>	<u>-</u>	<u>5,100,077</u>
Business-type activities capital assets, net	<u>\$ 5,105,456</u>	<u>\$ (5,379)</u>	<u>\$ -</u>	<u>\$ 5,100,077</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 91,233
Public works	1,113,746
Public safety	232,204
Community and human services	236,477
Education	2,398,596
Total depreciation expense – governmental activities	<u>\$ 4,072,256</u>
Business-type activities:	
Water fund	<u>\$ 216,758</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations, Bond Anticipation Notes and Subsequent Event

Bond anticipation notes and subsequent event: The Town had \$8,850,000 of bond anticipation notes outstanding as of June 30, 2019. The bond anticipation notes bear interest at 3.0% and a yield of 2.0% and matured on October 16, 2019. Bond anticipation notes were issued for the William J. Johnston Middle School Project.

Bond anticipation note transactions for the year ended June 30, 2019, were as follows:

Outstanding, July 1, 2018	\$ 20,850,000
Borrowings	8,850,000
Repayments	(20,850,000)
Outstanding, June 30, 2019	<u>\$ 8,850,000</u>
Reported as:	
Long-term debt - governmental	<u>\$ 7,040,000</u>
Short-term debt - governmental	<u>\$ 1,810,000</u>

Subsequent event: On October 16, 2019, the Town issued new BAN's in the amount of \$2,845,000 with an interest rate of 2.00% due on October 15, 2020. In addition, on October 16, 2019, the Town issued \$7,040,000 of General Obligation Bonds with interest rates ranging from 2.50%-5.00%. \$7,040,000 of the outstanding BAN's are considered long-term in the financial statements.

Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 6,635,000	\$ 12,000,000	\$ (1,495,000)	\$ 17,140,000	\$ 1,490,000
Bond anticipation note proceeds	12,000,000	7,040,000	(12,000,000)	7,040,000	-
Bond premium	192,149	222,927	(136,320)	278,756	53,217
Capital lease obligation	2,292,467	-	(318,620)	1,973,847	324,498
Landfill post-closure monitoring	90,000	-	(15,000)	75,000	15,000
Compensated absences	3,327,209	37,884	-	3,365,093	358,426
Net pension liability	540,514	-	(58,552)	481,962	-
Total OPEB liability	6,259,762	548,982	-	6,808,744	-
Governmental activity long-term liabilities	<u>\$ 31,337,101</u>	<u>\$ 19,849,793</u>	<u>\$ (14,023,492)</u>	<u>\$ 37,163,402</u>	<u>\$ 2,241,141</u>
Business-type Activities					
Clean Water Fund (CWF) loans	\$ 1,376,896	\$ -	\$ (123,795)	\$ 1,253,101	\$ 126,445
Business-type long-term liabilities	<u>\$ 1,376,896</u>	<u>\$ -</u>	<u>\$ (123,795)</u>	<u>\$ 1,253,101</u>	<u>\$ 126,445</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations, Bond Anticipation Notes and Subsequent Event (Continued)

All bonds are general obligations of the Town and are secured by the taxing authority powers of the Town. General obligation bonds outstanding as of June 30, 2019 consisted of the following:

	<u>Outstanding Amount</u>
General obligation bonds payable:	
\$8,400,000 refunding bond, issue of 2012 due 2025, annual principal payments range from \$320,000 to \$850,000 plus interest due semi-annually at 2.0% to 4.0%	\$ 4,080,000
\$6,595,000 bond, issue of 2010 due 2021, annual principal payments range from \$390,000 to \$720,000 plus interest due semi-annually at 2.25% to 5.0%	1,060,000
\$12,000,000 bond, issue of 2018 due 2046, annual principal payments range from \$350,000 to \$500,000 plus interest due semi-annually at 3.0% to 5.0%	<u>12,000,000</u>
Total general obligation bonds payable	<u><u>\$ 17,140,000</u></u>

The following is a summary as of June 30, 2019, of the future principal and interest requirements for the Town's general obligation bonds, excluding bond anticipation notes:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,490,000	\$ 612,978	\$ 2,102,978
2021	1,550,000	546,128	2,096,128
2022	1,150,000	490,678	1,640,678
2023	910,000	449,177	1,359,177
2024	900,000	419,357	1,319,357
2025-2029	2,890,000	1,685,232	4,575,232
2030-2034	2,500,000	1,225,938	3,725,938
2035-2039	2,500,000	815,000	3,315,000
2040-2044	2,350,000	376,281	2,726,281
2045-2046	900,000	33,750	933,750
	<u>\$ 17,140,000</u>	<u>\$ 6,654,519</u>	<u>\$ 23,794,519</u>

Capital leases: The Town owns various vehicles and equipment with a carrying value of \$1,829,540 which were acquired under capital lease arrangements. The Town is required under these agreements to make the following annual lease payments:

2020	\$ 360,225
2021	360,225
2022	360,225
2023	360,225
2024	347,326
2025	<u>308,628</u>
Total payments	2,096,854
Less interest	(123,007)
Present value of minimum payments	<u><u>\$ 1,973,847</u></u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations, Bond Anticipation Notes and Subsequent Event (Continued)

The Town received CWF loans that are recorded as a loan payable in the Water Fund. The balance at June 30, 2019 is \$1,253,101. These loans accrue interest at 2.12%. The following is a summary as of June 30, 2019, of the future principal and interest payments on these loans:

	Principal	Interest	Total
2020	\$ 126,445	\$ 25,342	\$ 151,787
2021	129,151	22,635	151,786
2022	131,916	19,870	151,786
2023	134,740	17,046	151,786
2024	137,624	14,162	151,786
2025-2029	593,225	26,570	619,795
	<u>\$ 1,253,101</u>	<u>\$ 125,625</u>	<u>\$ 1,378,726</u>

Debt limitation: The Town's statement of debt limitation under Connecticut General Statutes, Section 7-434(b) as of June 30, 2019 is as follows:

Total tax collections (including interest and lien fees) for the year ended June 30, 2018	\$ 39,484,008
Reimbursement for revenue loss	
Tax relief for elderly	-
Base	<u>\$ 39,484,008</u>

Town of Colchester, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations, Bond Anticipation Notes and Subsequent Event (Continued)

The Statutes provides that total authorized debt of the Town shall not exceed seven times the above base cash receipts of \$39,484,008 or \$276,388,056 nor shall the total authorized particular purpose debt exceed the individual debt limitations reflected in the table below:

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 88,839,018	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	177,678,036	-	-	-
3-3/4 times base	-	-	148,065,030	-	-
3-1/4 times base	-	-	-	128,323,026	-
3 times base	-	-	-	-	118,452,024
Total debt limitation	88,839,018	177,678,036	148,065,030	128,323,026	118,452,024
Debt as defined by statute:					
Bonds payable ⁽¹⁾	510,000	16,630,000	-	-	-
Bond anticipation notes	-	8,850,000	-	-	-
Authorized and unissued	-	6,754,547	-	-	-
Total indebtedness	510,000	32,234,547	-	-	-
Estimated school construction grant progress payments	-	(4,567,398)	-	-	-
Debt limitation in excess of outstanding and authorized debt	\$ 88,329,018	\$ 150,010,887	\$ 148,065,030	\$ 128,323,026	\$ 118,452,024

(1) Clean Water Fund financing totaling \$1,253,101 are excluded from this calculation pursuant to the Statutes.

Bonds authorized but unissued: Total authorized but unissued debt at June 30, 2019 consists of the following:

Schools	<u><u>\$ 6,754,547</u></u>
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Note 8. Contingencies

Lawsuits: The Town is currently involved in several litigation matters. In the opinion of the Town's management, the final settlement of these matters will not have a material adverse effect on the financial condition of the Town.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans

Police Department Defined Benefit Plan: The Town contributes to a defined benefit pension plan - the Town of Colchester Police Department Retirement Plan (the Plan), a single employer plan, effective July 1, 2005. The Plan is presented in the accompanying financial statements as a pension trust fund. A stand-alone report is not available for this plan.

Plan administration: The general administration and management of the Plan and the responsibility for carrying out the provision of the Plan shall be placed with the Colchester Retirement Board (Board). Members of the Board are appointed by the BOS consisting of the following: representative of BOS, representative of BOF, Town Treasurer, and two members who shall be electors of the Town who possess relevant experience in government finance or retirement systems. The Chief Financial Officer shall be a nonvoting, ex officio member.

1. Classes of Employees Covered

At July 1, 2018, Plan membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>9</u>
Total members	<u><u>9</u></u>

2. Benefit Provisions

a. Benefit Provisions

The Town contributes to the Plan, a single employer Public Employee Retirement System (PERS) established and administered by the Town to provide pension benefits for its police employees. The responsibility for holding and investment of plan assets lies with the trustee appointed by the Retirement Board. The trustees shall be the bank or Trust company having the power to act as trustee in the State. The current trustee is Voya Financial. The PERS is considered part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. Employees are eligible to participate on the date the employee commences making employee contributions.

The retirement benefit is calculated at 2.5% of Final Average Salary during the highest 3 plan years of active employment multiplied by years of service, with a maximum pension of 60% of Final Average Salary. Years of service is computed in whole years. Participants are 100% vested after 10 years of service.

If an employee leaves covered employment or dies before 10 years of service, accumulated employee contributions are refunded with retirement income being forfeited. Benefits and contributions are established by the Town and may be amended only by the Town. The latest actuarial valuation reflects no material changes in funding method or assumptions.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

b. Funding Policy

Employees are required to contribute 12.5% of their weekly pay and the employer picks up mandatory contributions of 12.5% of pay on behalf of each participant. The Town is required to contribute the remaining amounts necessary to finance the coverage for its employees.

Investments:

Investment policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following was the adopted allocation policy as of June 30, 2019.

Asset Class	Target Allocation %
Cash	4.0%
Equities	64.0%
Fixed Income	32.0%
Total	100.0%

Rate of return: For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability of the Town: The components of the net pension liability of the Town at June 30, 2019 were as follows:

Net Pension Liability	June 30, 2019
Total pension liability	\$ 3,217,801
Plan fiduciary net position	2,735,839
Net pension liability	\$ 481,962
Plan fiduciary net position as a percentage of total pension liability	85.02%
Covered payroll	\$ 705,453
Net pension liability as % of covered payroll	68.32%

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.60%
- Salary Increases: 2.60% plus Service Merit Scale
- Investment Return: 7.0%, compounded annually, net of investment expenses
- Actuarial Cost Method: Entry Age Normal Cost Method (level percentage salary)
- Asset Valuation Method: Fair Value
- Amortization Method: Level Dollar
- Remaining Amortization Period: 11 Years, Closed

Mortality rates were based on the RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2018.

The total pension liability was determined by an actuarial valuation as of July 1, 2018, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date June 30, 2019. There have been no significant changes between the valuation date and the fiscal year-end.

Discount rate: The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Assumed 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 are developed. Best estimates of the real rates of returns for each major asset class are included in the pension plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2018, and the final investment return assumption, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Weighting
Cash	0.00%	0.00%
Equities	5.25%	3.36%
Fixed Income	2.00%	0.64%
		<hr/>
		4.00%
Long-term inflation expectation		2.60%
Long-term expected nominal return		<hr/>
		6.60%

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

Net pension liability of the Town: The components of the net pension liability of the Town at June 30, 2019 were as follows:

	Changes in the Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 2,914,428	\$ 2,373,914	\$ 540,514
Changes for the year:			
Service cost	196,330	-	196,330
Interest	217,753	-	217,753
Differences between expected and actual experience	(62,034)	-	(62,034)
Changes of assumptions	(48,676)	-	(48,676)
Contributions - employer	-	148,899	(148,899)
Contributions - member	-	90,458	(90,458)
Net investment income (including investment expenses)	-	122,568	(122,568)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	-	-
Net changes	303,373	361,925	(58,552)
Balances at June 30, 2019	\$ 3,217,801	\$ 2,735,839	\$ 481,962

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the Town, calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 6.00% lower or 8.00% higher than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability	\$ 1,071,394	\$ 481,962	\$ 12,338

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

For the year ended June 30, 2019, the Town of Colchester recognized pension expense of \$188,588. As of June 30, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ (155,309)
Changes of assumptions	89,151	(44,251)
Net difference between projected and actual earnings on pension plan investments	74,049	-
Total	<u>\$ 163,200</u>	<u>\$ (199,560)</u>

Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:		
2020		\$ 24,280
2021		(387)
2022		6,641
2023		(645)
2024		(11,040)
Thereafter		(55,209)
		<u>\$ (36,360)</u>

Connecticut State Teachers' Retirement System:

Plan description: Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple- employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board (TRB). The TRB issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit provisions: The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in the State.

Normal retirement: Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early retirement: Employees are eligible after 25 years of credited service including 20 years of State service, or age 55 with 20 years of credited service including 15 years of State service with reduced benefit amounts.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

Disability retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

Contributions: Per the Statutes Section 10-1832 (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State are approved, amended and certified by the State TRB and appropriated by the General Assembly.

Employer (school districts): School District employers are not required to make contributions to the plan.

The statutes require the State to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees: Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

Effective January 1, 2018, the required contribution increased to 7% of pensionable salary

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2019, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>59,480,808</u>
	<u><u>\$ 59,480,808</u></u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2019, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2019, the Town recognized pension expense and revenue of \$6,675,670 for on-behalf amounts for the benefits provided by the State.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%
Salary increase:	3.25-6.50%, including inflation
Investment rate of return:	8.00%, net of pension plan investment expense, including inflation

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increased rates (5% for females and 8% for males) over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	21.0%	5.8%
Developed non- U.S. equities	18.0%	6.6%
Emerging markets (non- U.S.)	9.0%	8.3%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Core fixed income	7.0%	1.3%
High yield bonds	5.0%	3.9%
Emerging market bonds	5.0%	3.7%
Inflation linked bonds	3.0%	1.0%
Cash	6.0%	0.4%
	<u>100.0%</u>	

Town of Colchester, Connecticut

Notes to Financial Statements

Note 9. Pension Plans (Continued)

Discount rate: The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at rates equal to the difference between actuarial determined contributions rates and the member rates. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

The total pension liability was determined by an actuarial valuation as of July 1, 2018, and then was projected forward to the measurement date June 30, 2019.

Sensitivity of the proportionate share of the net pension liability (NPL) to changes in the discount rate: The Town's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

Other information: Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

Defined contribution retirement savings plan: Town employees are eligible to participate in a defined contribution retirement savings plan administered by the Town. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employer contributions are based on union contracts. Employees may make additional contributions subject to IRS regulations. The plan is not reported as a fiduciary fund by the Town as it does not meet the reporting criterion.

All Town employees who are regularly scheduled to work at least 35 hours per week, must participate in a Section 401(a) defined contribution plan. Employees who are regularly scheduled to work at least 30 hours per week are eligible to participate in the plan. Police Officers hired after 1/1/2012 are not eligible to participate in the Plan and must participate in the 401(a) plan. The contribution from both the Town and employees ranges from 6% to 8% of base pay (not including overtime, longevity, etc.) for full-time employees and from 3% to 5.5% for part-time employees, as defined by union contracts or the Town personnel policy for non-union personnel. Employees may be eligible to participate at the end of their probationary period as set forth in union contracts and the personnel policy. Employees that are eligible to participate in the Town's plan are subject to a 5 year vesting period for the employer contribution. All full-time and part-time Town employees have the option of contributing to the Town's Section 457 plan. The Town does not make matching contributions to the 457 plan.

BOE employees participate in a Section 457 plan. This plan covers all regular full-time employees except teachers and administrators covered by the Connecticut Teachers' Retirement System. As defined by union contracts and non-union employee salary and benefit agreements, the Board will make contributions ranging from 3% to 7% of base pay. BOE employees may also participate on a voluntary basis in a 403(b) plan. With the exception of the Superintendent of Schools and the members of the School Administrators union, the BOE does not make contributions to the employees' 403(b) plan.

The Town's total contributions to both plans for the years ended June 30, 2019 and 2018 was \$531,665 and \$507,903, respectively.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits

In addition to providing pension benefits, the Town provides 40% to 50% of certain health care benefits for retired employees. Substantially all of the Town's employees may become eligible for those benefits, if they retire under a normal retirement or with disability.

Plan administration: The general administration and management of the Town of Colchester OPEB plan and the responsibility for carrying out the provisions of the plan shall be placed with the BOS. The plan does not issue separate financial statements.

Plan description: The Town provides post-employment benefits for certain employees for current and future health and life insurance benefit expenses. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was as of July 1, 2017.

Funding policy: The contribution requirements of plan members and the Town are also negotiated with the various unions representing the employees.

Membership in the plan consisted of the following at July 1, 2017, the date of the last actuarial valuation.

Inactive plan members or beneficiaries currently receiving benefits	26
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	335
Total members	<u>361</u>

The information presented was determined as part of the actuarial valuation as of July 1, 2017. Additional information as of the last actuarial valuations follows:

Valuation Date:	July 1, 2017
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.75%
Medical trend rate	5.80% - 4.70% over 65 years
Remaining Amortization Period	30 Years - decreasing

Actuarial Assumptions:	
Discount rate	3.50%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table Adjusted and projected forward.

Total OPEB liability of the Town: The Town's total OPEB liability of \$6,808,744 was measured as of June 30, 2019, as determined by an actuarial valuation as of July 1, 2017, which was projected forward to June 30, 2019. The Town has not accumulated any assets in a fiduciary trust for payment of benefits.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

Total OPEB liability of the Town: The total OPEB liability as of June 30, 2019 is as follows:

	<u>Total OPEB Liability</u>
Total OPEB liability at June 30, 2019	\$ 6,808,744
Covered payroll	\$ 21,277,152
Total OPEB liability as a % of covered payroll	32.00%

Sensitivity of the net OPEB liability to changes in discount rate: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB liability	\$ 7,539,241	\$ 6,808,744	\$ 6,176,915

Sensitivity of the net OPEB liability to changes in the health care cost trend rates: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

	1% Decrease 4.80% decreasing to 3.70%	Current 5.80% decreasing to 4.70%	1% Increase 6.80% decreasing to 5.70%
Total OPEB liability	\$ 5,909,291	\$ 6,808,744	\$ 7,901,886

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

The Town reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 211,595	\$ (111,286)
Total	<u>\$ 211,595</u>	<u>\$ (111,286)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30:		
2020		\$ 15,165
2021		15,165
2022		15,165
2023		15,165
2024		15,165
Thereafter		24,484
		<u>\$ 100,309</u>

Other Post-Employment Benefit - Connecticut State Teachers' Retirement Plan

Plan description: Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers' Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost sharing multiple-employer defined benefit other post-employment benefit plan administered by the TRB, if they choose to be covered.

Chapter 167a Section 10-183 (t) of the Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

Benefit provisions: There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits). There are three choices for coverage under the CTRB Sponsored Medicare Supplemental Plans. The choices and 2018 calendar year premiums charged for each choice are shown in the table below:

• Medicare Supplement with Prescriptions	\$ 92
• Medicare Supplement with Prescriptions and Dental	136
• Medicare Supplement with Prescriptions, Dental, Vision & Hearing	141

Those participants electing vision, hearing, and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the Plan for these benefits.

Survivor health care coverage: Survivors of former employees or retirees remain eligible to participate in the Plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB - Sponsored Medicare Supplemental Plans, as long as they do not remarry.

Eligibility: Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Plan.

Credited service: One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, State employment, or wartime military service may be purchased prior to retirement, if the Member pays one-half the cost.

Normal retirement: Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.

Early retirement: 25 years of Credited Service including 20 years of Connecticut service, or age 55 with 20 years of Credited Service including 15 years of Connecticut service.

Proratable retirement: Age 60 with 10 years of credited service

Disability retirement: Five years of Credited Service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.

Termination of employment: 10 or more years of Credited Service.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

Contributions:

State of Connecticut

Per Statutes Section 10-183t, contribution requirements of active employees and the State are approved, amended and certified by the TRB and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

Employees

Each member is required to contribute 1.25% of their pensionable salary up to \$500,000. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB: At June 30, 2019, the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the Town was as follows:

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	11,890,600
	<u>\$ 11,890,600</u>

The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2019, the Town has no proportionate share of the net OPEB liability.

For the year ended June 30, 2019, the Town recognized OPEB expense and (revenue) of (\$3,950,050) for on-behalf amounts for the benefits provided by the State.

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Health care costs trend rate	5.95% decreasing to 4.75% by 2025
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2019

Town of Colchester, Connecticut

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) over age 80. For disabled retirees, the RPH-2014 Disabled Mortality Table projected to 2020 using the BB improvement scale.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the GASB 74 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.04%).

Discount rate: The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination.

Sensitivity of the net OPEB liability to changes in the health care cost trend rate and the discount rate: The Town's proportionate share of the net OPEB liability is \$-0- and, therefore, the change in the health care cost trend rate or the discount rate would only impact the amount recorded by the State.

Other information: Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan. Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 11. Risk Management

The Town is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors and omissions, health of and/or injury to employees, natural disasters, and owners and contractors protective liability. The Town generally obtains commercial insurance for these risks, but has chosen to retain the risk for employee health and medical claims.

The Medical Self-Insurance Fund is funded by monthly contributions from all funds incurring payroll charges. Anthem Blue Cross/Blue Shield, administrator of the claims process, aids the Town in calculating "premium" rates per contract. Under the Town's current policy, the Medical Self-Insurance Fund covers all employee claims up to \$125,000 per claim with an aggregate stop loss of 125% of expected claims paid which was approximately \$7,494,000 for the year ended June 30, 2019.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency, and amount of payouts and other economic and social factors.

Changes in the balance of claim liabilities are as follows:

	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30,
2018-2019	\$ 506,588	\$ 6,581,848	\$ 6,607,436	\$ 481,000
2017-2018	\$ 559,432	\$ 6,615,057	\$ 6,667,901	\$ 506,588

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Coverage has not been materially reduced, nor have settled claims exceeded coverage in any of the past three years.

Note 12. Landfill Post-closure Care Cost

The Town's municipal solid waste landfill stopped accepting waste in 1994. State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the site for 30 years after closure. The remaining post-closure costs are estimated to be \$75,000 (\$15,000 per year for five years). Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The responsibility for post-closure monitoring will remain with the Town.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 13. Fund Balances (Deficits)

The details for the Town's fund balances (deficits) are the following:

	General Fund	Capital Reserve Fund	Johnston Building Project Fund	Educational Grants Fund	Nonmajor Governmental Funds
Fund balances (deficits):					
Non-spendable:					
Inventory	\$ 6,578	\$ -	\$ -	\$ -	\$ 6,008
	<u>6,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,008</u>
Restricted:					
General government	-	-	-	-	87,287
Education	-	-	-	94,409	-
Community and human services	-	-	-	-	661,085
Public safety	-	-	-	-	15,077
Capital outlay	-	-	-	-	843,961
	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,409</u>	<u>1,607,410</u>
Committed:					
Debt service	-	-	-	-	463,150
Capital outlay	-	2,107,804	-	-	3,430,851
Education	367,098	-	-	-	112,382
Public safety	-	-	-	-	67,136
Public works	110,303	-	-	-	347,551
	<u>477,401</u>	<u>2,107,804</u>	<u>-</u>	<u>-</u>	<u>4,421,070</u>
Assigned:					
Debt service	52,908	-	-	-	-
Public safety	12,630	-	-	-	-
Education	520,081	-	-	-	-
	<u>585,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned (deficit)	<u>7,815,186</u>	<u>-</u>	<u>(2,827,199)</u>	<u>-</u>	<u>(104,531)</u>
Total fund balances (deficits)	<u>\$ 8,884,784</u>	<u>\$ 2,107,804</u>	<u>\$ (2,827,199)</u>	<u>\$ 94,409</u>	<u>\$ 5,929,957</u>

Fund deficits: The following funds had fund deficits as of June 30, 2019:

Johnston Building Project	\$ 2,827,199
Animal Control Fund	980
School Cafeteria Fund	20,512
Miscellaneous Grants	77,031

The fund deficits are expected to be repaid with future revenues or transfers.

Town of Colchester, Connecticut

Notes to Financial Statements

Note 14. GASB Statements

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations. The impact of the following accounting pronouncements are currently being assessed by the Town as to the impact to the financial statements.

GASB Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Town is aware of this Statement and will assess its impact to ensure timely implementation.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, which should result in the recognition and reporting of leased assets and the liability associated with subsequent lease payments, which have historically been classified as operating leases of the current reporting period only. The new Statement requires a Lessee to recognize a lease liability and an intangible right-to-use lease asset, with the lessor required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*. In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Town is not an issuer of conduit debt, therefore this Statement will have no effect on its financial statements.

**Required Supplementary
Information - unaudited**

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Town of Colchester, Connecticut

**Required Supplementary Information - unaudited
Schedule of Employer Contributions – Pension Trust
Last Ten Fiscal Years**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 149,560	\$ 145,300	\$ 123,370	\$ 119,514	\$ 106,914	\$ 101,215	\$ 82,202	\$ 74,068	\$ 93,178	\$ 77,704
Contributions in relation to the actuarially determined contribution	148,899	142,578	121,754	105,755	100,616	105,624	88,321	101,034	86,428	80,798
Contribution deficiency (excess)	\$ 661	\$ 2,722	\$ 1,616	\$ 13,759	\$ 6,298	\$ (4,409)	\$ (6,119)	\$ (26,966)	\$ 6,750	\$ (3,094)
Covered payroll	\$ 705,453	\$ 693,575	\$ 665,300	\$ 743,711	\$ 694,695	\$ 662,403	\$ 633,878	\$ 571,675	\$ 421,643	\$ 550,743
Contributions as a percentage of covered payroll	21.11%	20.56%	18.30%	14.22%	14.48%	15.95%	13.93%	17.67%	20.50%	14.67%

Notes to Schedule:

Valuation Date July 1, 2018
Measurement Date June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Actuarial Cost Method (level percentage of salary)
Amortization method	Level dollar Amount
Amortization period	11 Years remaining- Closed
Asset valuation method	Fair value
Inflation	2.60%
Salary increases	2.60%
Investment rate of return	7.00%

Town of Colchester, Connecticut

**Required Supplementary Information - unaudited
Schedule of Investment Returns - Pension Trust
Last Six Fiscal Years**

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment income	4.94%	5.33%	9.56%	-0.37%	1.93%	14.47%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Town of Colchester, Connecticut

**Required Supplementary Information - unaudited
Schedule of Changes in the Town's Net Pension Liability and Related Ratios
Last Six Fiscal Years**

	2019	2018	2017	2016	2015	2014
Changes in Net Pension Liability						
Total pension liability:						
Service cost	\$ 196,330	\$ 187,875	\$ 183,453	\$ 175,553	\$ 167,993	\$ 178,216
Interest on total pension liability	217,753	190,663	177,808	152,603	130,517	106,587
Differences between expected and actual experience	(62,034)	-	(128,587)	-	-	234,034
Changes of assumptions	(48,676)	-	115,896	-	-	(356,174)
Benefit payments, including refunds of member contributions	-	-	-	-	(23,169)	-
Net change in total pension liability	303,373	378,538	348,570	328,156	275,341	162,663
Total pension liability, beginning	2,914,428	2,535,890	2,187,320	1,859,164	1,583,823	1,421,160
Total pension liability, ending (a)	3,217,801	2,914,428	2,535,890	2,187,320	1,859,164	1,583,823
Fiduciary net position:						
Employer contributions	148,899	142,578	121,754	105,755	100,616	105,624
Member contributions	90,458	88,107	85,202	82,346	81,805	86,864
Investment income net of investment expenses	122,568	113,723	167,058	(5,796)	26,378	149,423
Benefit payments	-	-	-	-	(23,169)	-
Net change in plan fiduciary net position	361,925	344,408	374,014	182,305	185,630	341,911
Fiduciary net position, beginning	2,373,914	2,029,506	1,655,492	1,473,187	1,287,557	945,646
Fiduciary net position, ending (b)	2,735,839	2,373,914	2,029,506	1,655,492	1,473,187	1,287,557
Net pension liability, ending = (a) - (b)	\$ 481,962	\$ 540,514	\$ 506,384	\$ 531,828	\$ 385,977	\$ 296,266
Fiduciary net position as a % of total pension liability	85.02%	81.45%	80.03%	75.69%	79.24%	81.29%
Covered payroll	\$ 705,453	\$ 693,575	\$ 665,300	\$ 743,711	\$ 694,695	\$ 662,403
Net pension liability as a % of covered payroll	68.32%	77.93%	76.11%	71.51%	55.56%	44.73%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Town of Colchester, Connecticut

**Schedule of the Town's Proportionate Share of the Net Pension Liability -
Teachers' Retirement System
Required Supplementary Information - unaudited
Last Five Fiscal Years**

	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	\$59,480,808	\$63,053,688	\$66,522,123	\$53,087,310	\$49,068,579
Total	\$59,480,808	\$63,053,688	\$66,522,123	\$53,087,310	\$49,068,579
Town's employee payroll	\$19,526,792	\$19,985,771	\$19,263,402	\$19,732,839	\$17,695,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0%	0%	0%	0%	0%
System fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%	61.56%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Notes to Schedule:

Changes in benefit terms	Beginning January 1, 2018, member contribution increased from 6% to 7% of salary.
Changes of assumptions	During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015.
	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Single equivalent amortization period	17.6 years
Asset valuation method	4-year smoothed market
Investment rate of return	8.0%, net of investment related expense

Town of Colchester, Connecticut

**Required Supplementary Information - unaudited
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios
Last Two Fiscal Years**

	2019	2018
Changes in Total OPEB Liability		
Total OPEB liability:		
Service cost	\$ 266,608	\$ 284,046
Interest on total pension liability	248,540	225,136
Changes of assumptions	244,148	(146,062)
Benefit payments, including refunds of member contributions	(210,314)	(214,186)
Net change in total OPEB liability	548,982	148,934
Total OPEB liability, beginning	6,259,762	6,110,828
Total OPEB liability, ending (a)	\$ 6,808,744	\$ 6,259,762
Covered payroll	\$ 21,277,152	\$ 21,277,152
Total OPEB Liability as a % of covered payroll	32.00%	29.42%

*There are no assets that are being accumulated in a Trust that meets the criteria in GASB No. 75 to pay benefits.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Notes to Schedule:

Valuation Date July 1, 2017
Measurement Date June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Actuarial Cost Method (level percentage of salary)
Amortization method	Level dollar Amount
Amortization period	20 Years- Open
Asset valuation method	Expected actuarial value plus/minus 20% of the difference between market value
Inflation	2.75%
Medical Trend Rate	5.80% - 4.70% over 65 years
Salary increases	Graded based on Service for Teachers and Administrators; 3.50% for all Others
Discount rate	3.50%

Town of Colchester, Connecticut

**Schedule of the Town's Proportionate Share of the Net OPEB Liability -
Teachers' Retirement Board Retiree Health Insurance Plan
Required Supplementary Information - unaudited
Last Two Fiscal Years**

	2019	2018
Town's proportion of the net OPEB liability	0.0%	0.0%
Town's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>\$ 11,890,600</u>	<u>\$ 16,229,300</u>
Total	<u>\$ 11,890,600</u>	<u>\$ 16,229,300</u>
Town's covered payroll	<u>\$ 18,416,837</u>	<u>\$ 19,985,771</u>
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>0%</u>	<u>0%</u>
System fiduciary net position as a percentage of the total OPEB liability	<u>1.49%</u>	<u>1.79%</u>

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for those years for which information is available.

Town of Colchester, Connecticut

**Schedule of the Town's Proportionate Share of the Net OPEB Liability -
Teachers' Retirement Board Retiree Health Insurance Plan
Required Supplementary Information - unaudited
Last Two Fiscal Years**

Notes to Schedule:

Changes in benefit terms The Plan was amended by the Board, effective July 1, 2018, during the January 11, 2018 meeting. The Board action added the Anthem Medicare Advantage Plan to the available options under the Plan, changed the "base plan" to the Medicare Advantage Plan for the purposes of determining retiree subsidies and/or cost sharing amount(s), and introduced a two year waiting period for re-enrollment in a System sponsored healthcare plan for those who cancel their coverage or choose not to enroll in a healthcare coverage option on or after the effective date. These changes were communicated to retired members during the months leading up to a special open enrollment period that preceded the July 1, 2018 implementation date.

Changes of assumptions The expected rate of return on assets was changed from 2.75% to 3.00% to reflect the anticipated return on cash and other high quality short term fixed income investments.

Based on the procedure described in GASB 75, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2018 was updated to equal the Municipal Bond Index Rate as of June 30, 2018. The System selected the 3.87% discount rate used to measure the TOL as of the June 30, 2018 measurement date.

Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on July 1, 2018.

The assumed age related annual percentage increases in expected annual per capita healthcare claim costs were updated to better reflect the expected differences between the Medicare Supplement and Medicare Advantage Plan amounts as part of the plan change that became effective on July 1, 2018.

Long-term healthcare cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods.

The percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a System-sponsored healthcare plan option in the future, was updated to better reflect anticipated plan experience.

The participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options, as well as the portion who are expected to migrate to the Medicare Advantage Plan over the next several years, were updated to better reflect anticipated plan experience after the plan change that became effective on July 1, 2018.

The post-disablement mortality table was updated to extend the period of projected mortality improvements from 2017 to 2020. This change was made to better reflect anticipated post-disablement plan experience.

The percentages of deferred vested members who will become ineligible for future healthcare benefits because they are expected to withdraw their contributions from the System was updated to better reflect anticipated plan experience.

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period	30 years, open
Asset valuation method	Market value of assets
Investment rate of return	3.00%, net of investment related expense including price inflation

Note: This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

Town of Colchester, Connecticut

**Statement of Revenues and Expenditures - Budgetary Basis -
Budget and Actual - General Fund
Required Supplementary Information - unaudited
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
Revenues:				
Property taxes, interest and lien fees	\$ 39,973,198	\$ 39,973,198	\$ 40,028,244	\$ 55,046
Intergovernmental revenues	13,529,416	13,529,416	13,607,293	77,877
Revenues from the use of money	144,000	148,620	348,258	199,638
Charges for services	534,600	534,600	641,192	106,592
Licenses, permits and fees	688,090	688,090	825,029	136,939
Other revenues	501,350	501,350	538,758	37,408
Total revenues	55,370,654	55,375,274	55,988,774	613,500
Expenditures:				
General government	3,645,457	3,644,554	3,495,149	149,405
Public works	3,548,359	3,548,359	3,388,047	160,312
Public safety	2,925,531	2,931,054	2,885,321	45,733
Community and human services	1,614,698	1,614,698	1,559,447	55,251
Education	40,549,344	40,549,344	40,367,299	182,045
Debt service	1,710,415	1,710,415	1,710,415	-
Total expenditures	53,993,804	53,998,424	53,405,678	592,746
Excess (deficiency) of revenues over expenditures	1,376,850	1,376,850	2,583,096	1,206,246
Other financing uses:				
Transfers out	(1,376,850)	(1,682,466)	(1,682,466)	-
Total other financing uses	(1,376,850)	(1,682,466)	(1,682,466)	-
Revenues over (under) expenditures and other financing uses	\$ -	\$ (305,616)	\$ 900,630	\$ 1,206,246

See note to the required supplementary information.

Town of Colchester, Connecticut

Note to Required Supplementary Information - unaudited

Note 1. Budgets and Budgetary Accounting

The Town's general budget policies are as follows:

General Fund: The Chief Financial Officer compiles preliminary budgets for all departments and agencies, with the exception of the Board of Education, for presentation by the First Selectman to the Board of Selectmen and the Board of Finance. The Board of Education submits its budget directly to the Board of Finance.

The Board of Finance may make revisions to the Selectmen's and Education budget estimates, holds one or more public hearings and presents the combined budget to the Annual Town Meeting which then goes to an automatic referendum.

The legal level of budgetary control is at the department level.

Subject to certain restrictions, additional appropriations may be approved by the Board of Finance upon recommendations of the Board of Selectmen.

Classification of certain revenues and expenditures under accounting principles generally accepted in the United States of America (GAAP) differ from classifications used for budgetary purposes.

A reconciliation of General Fund revenues as presented in accordance with GAAP and revenues and other sources presented on the budgetary basis is as follows:

Revenues and transfers, budgetary basis	\$ 55,988,774
Prior year encumbrances cancelled	(7,889)
Excess cost revenue net against expenditures	252,788
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement and Health System	2,725,620
Revenues and transfers, GAAP basis	<u>\$ 58,959,293</u>

Town of Colchester, Connecticut

Note to Required Supplementary Information - unaudited

Note 1. Budgets and Budgetary Accounting (Continued)

A reconciliation of expenditures of the General Fund presented in accordance with GAAP and expenditures and other uses and encumbrances presented on the budgetary basis is as follows:

Expenditures, transfers and encumbrances budgetary basis	\$ 55,088,144
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement and Health System	2,725,620
Excess cost revenue net against expenditures	252,788
Encumbrances	
June 30, 2018	517,840
June 30, 2019	(102,940)
Expenditures and transfers, GAAP basis	<u>\$ 58,481,452</u>

Special Revenue Funds: The Town does not have legally adopted annual budgets for its special revenue funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets are non-lapsing and may comprise more than one fiscal year.

Capital Project Funds: Legal authorization for expenditures of the capital project funds is provided by the related bond ordinances. Capital appropriations do not lapse until completion of the applicable projects.

Appendix B

Opinion of Bond Counsel and Tax Status

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APPENDIX B - OPINION OF BOND COUNSEL AND TAX STATUS

The following information has been prepared by Bond Counsel in connection with this note issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.

BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the successful bidder when the Notes are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Notes. The opinion will be dated and given on and will speak only as of the date of original delivery of the Notes to the successful bidder.

The opinion of Day Pitney LLP with respect to the Notes will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Colchester
Colchester, Connecticut

We have represented the Town of Colchester, Connecticut as Bond Counsel in connection with the issuance by the Town of \$2,845,000 Bond Anticipation Notes, dated as of October 15, 2020.

We have examined a record of proceedings authorizing the Notes, and based on our examination, we are of the opinion that the Town of Colchester is authorized to issue the Notes; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Notes have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Notes; the Notes will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Notes against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Notes is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Notes have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Notes will be excluded from gross income for Federal income tax purposes. The representations and agreements also provide that the Notes are designated or deemed designated as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on such representations and agreements and on the record of proceedings authorizing the Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (2) the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax; and (3) the Notes are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on the record of proceedings authorizing the Notes, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

Interest Excluded From Gross Income. The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Notes is excluded from the gross income of the owners thereof for federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Notes. Failure to comply with any of these requirements may cause the interest on the Notes to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Notes will enter into a Tax Compliance Agreement in connection with the delivery of the Notes, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Notes will be excluded from the gross income of the owners thereof for federal income tax purposes.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes are not "private activity bonds" so that interest on the Notes will not be treated as a preference item for individuals.

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes will be "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Additional Federal Income Tax Matters. Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity ("qualified stated interest"), or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity ("original issue discount"). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters,

placement agents or wholesalers). Until the IRS provides further guidance with respect to short-term debt obligations, taxpayers holding such obligations may treat the stated interest payable at maturity either as qualified stated interest or as included in the stated redemption price at maturity of the obligation. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Prospective purchasers of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of the Notes and the treatment elected.

In addition to the matters addressed above, prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations, such as the Notes, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Notes may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Notes, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Notes is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Notes and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Notes held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

ORIGINAL ISSUE PREMIUM.

The initial public offering price of certain of the Notes may be greater than the amount payable on the Notes at maturity. The excess of the initial public offering price at which a substantial amount of such Notes are sold over the amount payable thereon at maturity constitutes original issue premium. No representation is made by the Town regarding the prices at which a substantial amount of the Notes ultimately will be sold to the public. An owner who purchases a note with original issue premium must amortize such original issue premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the note for federal income tax purposes. Owners of Notes having original issue premium, and especially any owner who is not an original owner of a note who bought the note at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such notes.

GENERAL.

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Notes will not have an effect on the federal tax status or the market price of the Notes or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Notes, and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly,

reduce the benefit of the exclusion of the interest on the Notes or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Notes are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Notes. Prospective owners of the Notes, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Notes, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

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Appendix C

Form of Continuing Disclosure Agreement

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APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR NOTES

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Notes to be executed by the Town substantially in the following form, to provide, or cause to be provided, notice of the occurrence of certain events with respect to the Notes:

Continuing Disclosure Agreement For Notes

This Continuing Disclosure Agreement for Notes ("Agreement") is made as of October 15, 2020 by the Town of Colchester, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$2,845,000 Bond Anticipation Notes, dated as of October 15, 2020 of the Issuer (the "Notes"), for the benefit of the beneficial owners from time to time of the Notes.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Notice of Certain Events.

The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the notes, or other material events affecting the tax status of the Notes;
- (g) modifications to rights of holders of the Notes, if material;
- (h) Note calls, if material, and tender offers;
- (i) Note defeasances;

- (j) release, substitution, or sale of property securing repayment of the Notes, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Issuer, any of which reflect financial difficulties.

Events (d) and (e). The Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes, unless the Issuer applies for or participates in obtaining the enhancement.

Event (f). Event (f) is relevant only to the extent interest on the Notes is excluded from gross income for federal income tax purposes.

Event (h). The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if (A) the terms, dates and amounts of redemption are set forth in detail in the Final Official Statement, (B) the sole matter to be determined is which of the Notes will be redeemed in the case of a partial redemption, (C) notice of redemption is given to the holders of the Note to be redeemed as required under the terms of the Notes, and (D) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced due to prior optional redemptions or Note purchases.

Events (o) and (p). The term “financial obligation” is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with MSRB pursuant to the Rule.

Section 3. Use of Agents.

Notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

Section 4. Termination.

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Notes, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Notes within the meaning of the Rule.

Section 5. Enforcement.

The Issuer acknowledges that the undertakings set forth in Section 2 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding five business days with respect to the undertakings set forth in Section 2 of this Agreement) from the time the Issuer's Chief Financial Officer, or a successor, receives written notice from any beneficial owner of the Notes of such failure. The present address of the Chief Financial Officer is Town Hall, 127 Norwich Avenue, Colchester, Connecticut 06415.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Notes shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Notes.

Section 6. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Section 2 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such information, data or additional notices from time to time as it deems appropriate in connection with the Notes. If the Issuer elects to provide any such information, data or additional notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further information, data or additional notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Notes, and (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository.

[Remainder of page intentionally left blank]

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF COLCHESTER

By: _____
Mary Bylone
First Selectman

By: _____
Rosemary Coyle
Selectman

By: _____
Denise Q. Mizla
Selectman

By: _____
Taras W. Rudko
Selectman

By: _____
Denise M. Turner
Selectman

By: _____
Jennifer Pulse
Treasurer

By: _____
N. Maggie Cosgrove
Chief Financial Officer

Appendix D

Notice of Sale

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NOTICE OF SALE
\$2,845,000
Town of Colchester, Connecticut
Bond Anticipation Notes
(BOOK-ENTRY)

TELEPHONE and ELECTRONIC BIDS via PARITY® will be received by the Town of Colchester, Connecticut (the "Town") at the office of Phoenix Advisors, LLC, Milford, Connecticut until **11:30 A.M. Eastern Time on THURSDAY,**

OCTOBER 1, 2020

for the purchase of \$2,845,000 Bond Anticipation Notes of the Town of Colchester, dated October 15, 2020, maturing on October 14, 2021 (the "Notes").

The Town will designate the Notes as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

The Notes will be payable with interest at maturity. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are not subject to redemption prior to maturity.

The Notes will be general obligations of the Town payable from ad valorem taxes levied on all taxable property in the Town without limitation as to rate or amount except classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

DTC Book-Entry. The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The purchaser, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC to Participants of DTC will be the responsibility of DTC; principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered certificates. Any such replacement Notes, will provide that principal of and interest on the Notes will be payable to the registered owner upon presentation and surrender of the Notes at the principal office of the Paying Agent, or of its successors as paying agent for the Notes.

Option For No Book Entry. A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Town as the Certifying Agent, Registrar and Paying Agent for the Notes if it is a bank or trust company authorized to act in such capacity

pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in non-book-entry form, or to be designated as Certifying Agent, Registrar and Paying Agent for such Notes, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form, or to designate the successful bidder as Certifying Agent, Registrar and Paying Agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in such manner or with such designation is not in its best interests. If the Notes are issued in non-book-entry form, the successful bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Town any costs or expenses of any re-registration or transfer of Notes from time to time, including any costs of counsel or of converting the Notes to book-entry only form, or for any costs or expenses of services as Certifying Agent, Registrar and Paying Agent for the Notes if the successful bidder is so designated.

Proposals. Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal, and may, at the option of the bidder, include a premium. For the purpose of the bidding process, the time as maintained on PARITY® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest rate to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Telephone Proposals Bidding Procedure. Telephone bids for the purchase of the Notes will be received on behalf of the Town by a representative of Phoenix Advisors, LLC, the Town's municipal advisor (the "Municipal Advisor") at (203) 283-1110 only until 11:30 A.M. on Thursday, October 1, 2020.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Notes must be submitted through the facilities of PARITY®. Any prospective bidder must be a subscriber of I-Deal's Bidcomp competitive bidding system. Further information about PARITY®, including any fee charged, may be obtained from PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021, email notice: parity@i-deal.com). The Town neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of PARITY® is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Town. By submitting a bid for the Notes via PARITY®, the bidder represents and warrants to the Town that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Town will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Notes on the terms described in this Notice. **The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, the use of such facilities being the sole risk of the prospective bidder.**

Disclaimer - Each PARITY® prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY® for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY® shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town nor PARITY® shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY®. The Town is using PARITY® as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Notes. The Town is not bound by any advice and determination of PARITY® to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via PARITY® are the sole responsibility of the bidders; and the Town is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone PARITY® at (212) 849-5021. If any provision of this Notice of Sale shall conflict with information provided by PARITY®, this Notice of Sale shall control.

All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale.

Basis of Award. As between proposals which comply with this Notice, the Notes will be sold to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest rate, which will be determined for each interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest rate, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified or, if the same principal amount of Notes is specified in such proposals, to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid at such rate, carried to four places.

The Town reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Notes in accordance with the provisions of this Notice of Sale.

Certifying and Paying Agent. Unless the successful bidder on the Notes is designated as the Certifying Agent, Registrar and Paying Agent for the Notes as provided in "Option For No Book Entry" above, the Notes will be authenticated by U.S. Bank National Association, Hartford, Connecticut, which will also act as Registrar and Paying Agent.

Delivery. At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, substantially in the form set out in Appendix B to the Official Statement; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this Note issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Notes. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

Establishment of Issue Price. The winning bidder shall assist the Town in establishing the issue price of the Notes and shall execute and deliver to the Town at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications, substantially in the applicable form set out in the Appendix hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder and Bond Counsel. All actions to be taken by the Town under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Town by the Town's Municipal Advisor identified herein and any notice or report to be provided to the Town may be provided to the Town's Municipal Advisor.

By submitting a bid for the Notes, a bidder, other than a bidder purchasing the Notes for its own account and not with a view to distribution or resale to the Public, represents that it has an established industry reputation for underwriting new issuances of municipal obligations.

If the winning bidder has purchased the Notes for its own account and not with a view to distribution or resale to the Public, then, whether or not the Competitive Sale Requirements, as herein defined, were met, the certificate will recite such facts and identify the price or prices at which the purchase of the Notes was made.

The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the “Competitive Sale Requirements”) because:

1. the Town shall disseminate this Notice of Sale to potential Underwriters in a manner that is reasonably designed to reach potential Underwriters;
2. all bidders shall have an equal opportunity to bid;
3. the Town may receive bids from at least three Underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
4. the Town anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

In the event that the Competitive Sale Requirements are not satisfied, the Town shall so advise the winning bidder. The Town shall treat the first price at which 10% of a maturity of the Notes (the “10% Test”) is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the Town if any maturity of the Notes satisfies the 10% Test as of the date and time of the award of the Notes. The Town will not require bidders to comply with the “Hold-The-Offering-Price Rule”, as described in Treasury Regulations Section 1.148-1(f)(2)(ii), and therefore does not intend to use the initial offering price to the Public as of the Sale Date of any maturity of the Notes as the issue price of that maturity. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Notes, the winning bidder agrees to promptly report to the Town the prices at which the unsold Notes of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the earlier to occur of the satisfaction of the 10% Test as to the Notes of that maturity or the sale of all Notes of that maturity.

By submitting a bid, each bidder confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a Related Party to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

1. “Public” means any person other than an Underwriter or a Related Party,

2. “Underwriter” means (A) any person that agrees pursuant to a written contract with the Town (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public),
3. a purchaser of any of the Notes is a “Related Party” to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
4. “Sale Date” means the date that the Notes are awarded by the Town to the winning bidder.

Bond Counsel Opinion. The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not “private activity bonds” and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax; and the Notes are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code; and (3) that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Municipal Advisor. The Town of Colchester has retained Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460, to serve as its municipal advisor (the “Municipal Advisor”) in connection with the issuance of the Notes. The Municipal Advisor has not independently verified any of the information contained in the Notice of Sale and its appendices and makes no guarantee as to their completeness or accuracy.

Official Statement. The Town of Colchester has prepared a preliminary Official Statement for the Note issue which is dated September 23, 2020. The Town deems such preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1) but it is subject to revision or amendment. The Town will make available to each winning bidder 5 copies of the Official Statement as prepared by the Town at the Town's expense. The copies of the Official Statement will be made available to the winning bidder(s) at the office of the Town's Municipal Advisor by the delivery of the Notes or by the seventh business day after the day bids on the Notes are received if earlier. If the Town's Municipal Advisor is provided with the necessary information from the winning bidder(s) by noon of the day following the day bids on the Notes are received, the copies of the Official Statement will include an additional or revised cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, the name of the insurer, if any, on the Notes and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement. The Town will enter into a Continuing Disclosure Agreement with respect to the Notes, substantially in the form attached as Appendix C to the Official Statement (the "Continuing Disclosure

Agreement for Notes"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, timely notice of the occurrence of certain events with respect to the Notes. The winning bidder's obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement for Notes.

CUSIP Numbers. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the Municipal Advisor to apply for CUSIP numbers for the Notes. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Global Services charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Delivery Date and Payment. The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on October 15, 2020.

More Information. For more information regarding this issue and the Town reference is made to Official Statement. Copies of the Official Statement may be obtained from Mr. Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460 (telephone: (203) 283-1110) or from Ms. N. Maggie Cosgrove, Chief Financial Officer, Town of Colchester, Town Hall, 127 Norwich Avenue, Colchester, Connecticut 06415 (telephone: (860) 537-7229).

MARY BYLONE,
First Selectman

ROSEMARY COYLE,
Selectman

DENISE Q. MIZLA,
Selectman

TARAS W. RUDKO,
Selectman

DENISE M. TURNER,
Selectman

JENNIFER PULSE,
Treasurer

N. MAGGIE COSGROVE,
Chief Financial Officer

September 23, 2020

**APPENDIX TO NOTICE OF SALE
FORM OF ISSUE PRICE CERTIFICATE**

Competitive Sale Requirements Satisfied

**TOWN OF COLCHESTER, CONNECTICUT
\$2,845,000 BOND ANTICIPATION NOTES, DATED OCTOBER 15, 2020**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Notes").

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by Underwriter Short Name are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Notes used by Underwriter Short Name in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by Underwriter Short Name to purchase the Notes.

(b) Underwriter Short Name was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by Underwriter Short Name constituted a firm offer to purchase the Notes.

2. ***Defined Terms.***

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is October 1, 2020.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

(e) *Issuer* means the Town of Colchester, Connecticut.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the

Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Name of the Underwriter

By: _____

Name: _____

Dated: __/__/2020

Attachments:

**SCHEDULE A
EXPECTED OFFERING PRICES**

**SCHEDULE B
COPY OF UNDERWRITER'S BID**

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Competitive Sale Requirements Not Satisfied - 10% Test Applied

**TOWN OF COLCHESTER, CONNECTICUT
\$2,845,000 BOND ANTICIPATION NOTES, DATED OCTOBER 15, 2020**

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of *Name of the Underwriter* ("*Underwriter Short Name*"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Notes").

1. ***Sale of the Notes.*** As of the date of this certificate, for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) "*Issuer*" means the Town of Colchester, Connecticut.

(b) "*Maturity*" means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "*Public*" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "*Underwriter*" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents *Underwriter Short Name's* interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

Name of the Underwriter

By: _____
Name: _____

Dated: __/__/2020

Attachment:

**SCHEDULE A
SALE PRICES**

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