

Final Official Statement Dated September 30, 2021

NEW MONEY ISSUE: Book-Entry-Only

RATINGS: See "Ratings" herein.

In the opinion of Bond Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the Town with certain representations and covenants relating to the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax under the Code. In the opinion of Bond Counsel, 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 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. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. (See "Tax Matters" herein.)



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

Dated: October 14, 2021

Due: October 13, 2022

CUSIP:¹ 192792SL4

Rate: 2.000%

Yield: 0.200%

PIPER | SANDLER

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 22, 2021. 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, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.

The Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Pullman & Comley, LLC, 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 14, 2021.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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 – “2020 Financial Statements Excerpted from the Town’s 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 "Form of Opinion of Bond Counsel" herein), and makes no representation that it has independently verified the same.

This Official Statement may include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Without limiting the foregoing, the words “may,” “believe,” “could,” “might,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate,” “contemplate,” “continue,” “target,” “goal” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Official Statement are based on information available to the Town up to the date as of which such statements are to be made, or otherwise up to, and including, the date of this document, and the Town assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof or after the date of any report containing such forward-looking statement, as applicable. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including, but not limited to (i) the effect of and from, future municipal, state and federal budgetary matters, including state and federal grants and other forms of financial aid to the Town; (ii) federal tax policy, including the deductibility of state and local taxes for federal tax purposes; (iii) macroeconomic economic and business developments, both for the country as a whole and particularly affecting the Town; (iv) financial services industry developments; (v) litigation or arbitration; (vi) climate and weather related developments, natural disasters and other acts of God; (vii) factors used in estimating future obligations of the Town; (viii) the effects of epidemics and pandemics, including economic effects; and (ix) other factors contained in this Official Statement.

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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, September 30, 2021 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 13, 2022
Interest Due:	At maturity: October 13, 2022
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, 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 - "Form of Opinion of Bond Counsel".
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, CityPlace I, 185 Asylum Street, 27 th Floor, 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:	Pullman & Comley, LLC, 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 14, 2021. 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 22, 2021 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 was 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 outbreak of the virus has affected travel, commerce and financial markets globally. There can be no assurances that the continuing prevalence 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.

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

On March 10, 2020, Governor Lamont declared a state of emergency throughout the State of Connecticut (the “State”) and took and continues to take steps designed to mitigate the spread and impacts of COVID-19. Public-schools began to operate remotely immediately following the outbreak and continued remotely through the 2019/2020 school year. For the 2020/2021 school year, schools were permitted to reopen and school districts were given the discretion to choose in-person learning, virtual learning or a hybrid model. For the 2021/2022 year, the Town’s public schools have returned to full time, in-person learning.

Connecticut’s COVID-19 vaccination plan commenced on December 14, 2020. The State is currently making vaccinations available to all individuals aged 12 and over, and reports that it is preparing to make booster shots available in accordance with CDC guidelines.

The Governor regularly reviews conditions and, accordingly, expands or reduces restrictions. In response to the Spring 2021 decline in the number of positive COVID-19 cases and hospitalizations, effective May 19, 2021, all capacity restrictions related to establishments and social/recreational gatherings were eliminated. Given the increase in positive COVID-19 cases since July 2021, face-covering requirements remain in effect at this time for unvaccinated individuals. Businesses and state and local government offices have the option to require masks be worn by everyone in their establishments. Effective August 5, 2021, municipal leaders have the option of requiring that masks be worn by everyone, regardless of vaccination status, in indoor public places within their respective towns and cities. A declaration of a State of Emergency was issued by the First Selectman effective August 30, 2021 at noon, stating that the wearing of masks or cloth face coverings that are compliant with CDC guidelines is required in any indoor public spaces, meaning spaces to which any member of the public has access, except when eating or drinking. Also effective August 30, 2021 at noon, regardless of vaccination status, the wearing of masks or cloth face coverings that are compliant with CDC guidelines is required in any private indoor business, and in any places of employment, where social distancing is impractical, unlikely, or difficult to maintain, within the Town of Colchester, except when eating or drinking. Those with relevant medical conditions rendering them unable to wear masks and face coverings; children under the age of 2; while eating or drinking; and for people who are alone in an office setting or are separated by a partition from other people, are exempt from this order. This state of emergency shall remain in effect until October 29, 2021, unless terminated sooner or extended.

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.

COVID-19 Outbreak – Municipal Tax Relief Programs

On April 1, 2020, in response to the COVID-19 emergency, Governor Lamont issued Executive Order No. 7S (“Order 7S”), as amended by Executive Order No. 7W on April 9, 2020 (“Order 7W”), which created two short-term tax relief programs and required all towns, cities, and boroughs as well as their water pollution control authorities to adopt either or both of them by a vote of the legislative body. One program defers tax payments and benefit assessments by three months for taxpayers based on a showing of need, while the other program reduces the interest chargeable on overdue tax and assessment payments for all taxpayers in the municipality for three months.

All municipalities were directed to notify the Secretary of the Office of Policy and Management (“OPM”) no later than April 25, 2020 which program or programs it intended to elect. On April 21, 2020, the Town adopted the “Deferment Program” for eligible taxpayers and landlords and the Low Interest Program. The “Deferment Program” delays by three months payments due on any unescrowed taxes on real estate, motor vehicles, and personal property as well as unescrowed municipal utility charges (the “Taxes and Charges”) if taxpayers, businesses, nonprofits and residents demonstrate significant economic impact caused by COVID-19 and/or demonstrate that they are assisting people who are experiencing significant economic impact caused by COVID-19. 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.

On December 16, 2020, the Governor issued Executive Order 9R (“Order 9R”), which applied the two tax relief programs to tax deadlines for Taxes and Charges that become due and payable on January 1, 2021. As of December 17, 2020, the Town was deemed to have adopted both the Deferment Program and Low Interest Program. The Deferment Program deferred any Taxes and Charges that were due on January 1, 2021 through and to April 1, 2021 without penalty. The Low Interest Rate Program offered a 3 per cent per annum from the time when taxes became due on January 1st until the same is paid through and including March 31st.

For Fiscal Year 2021, the Town did not experience a material negative financial impact as a result of the Deferment Program and Low Interest Program. As of June 30th, 2021, the Town has collected approximately 99.01% of Fiscal Year 2021 billed taxes, with 98.86% having been collected at the same time last year for Fiscal Year 2020 and 98.88% having been collected at the same time in Fiscal Year 2019.

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 provided 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 was appropriated to states and other units of government for activities that are directly related to COVID-19. The State received approximately \$1.4 billion in such funding, and it was given the discretion to provide those funds to local governments.

On June 4, 2020, Governor Lamont established the Connecticut Municipal Coronavirus Relief Fund Program (the "Program") which established a process by which Connecticut municipalities can receive funds from the State to offset non-budgeted COVID-19 related expenditures that were incurred between March 1, 2020 and December 30, 2020. In Fiscal Year 2020, the Town received \$84,968 in reimbursement from the Program and FEMA for pandemic-related costs. The Town has received \$128,613 in reimbursement from the two programs in Fiscal Year 2021.

On December 27, 2020, President Trump signed into law the Coronavirus Response and Relief Supplemental Appropriations Act of 2021, which extends certain programs and benefits first authorized by the CARES Act. The relief package includes, among other items, over \$900 billion in stimulus for various COVID-19 relief programs, \$8.75 billion for vaccine distribution, \$54.3 billion of Elementary and Secondary School Emergency Relief Funds, \$4.1 billion for the Governors Emergency Education Relief Fund, and an allocation of \$284 billion of Paycheck Protection Program funds to support eligible small businesses and non-profits, and the legislation expands and modifies the program by allowing second draw loans for certain borrowers.

On March 11, 2021, President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021 (the "Rescue Plan"). The Rescue Plan relief package includes, among other provisions, \$350 billion in state and local government aid. Of the \$350 billion, the State and its local governments are expected to receive approximately \$4.2 billion as a result of this legislation, with \$2.6 billion in State relief and another \$1.6 billion in relief for local governments.

The Rescue Plan relief package also includes approximately \$123 billion to allow for a return to full-time, in-person teaching at elementary and high schools, which funds may be used for numerous purposes, including but not limited to expanding testing, modifying classrooms, improving ventilation, and hiring more custodial staff. The State's K-12 schools are expected to receive approximately \$1.1 billion.

The Rescue Plan relief package includes another \$160 billion dedicated to COVID-19 vaccination development and distribution.

Over the next two years, the Town expects to receive \$ 4.68 million in federal funding as a result of the Rescue Plan. The Town received its first installment of \$2.34 million in funding from this program. The Town is developing a plan for the use of such funds that will focus on projects that comply with the program eligibility criteria.

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 14, 2021 and will be due and payable as to both principal and interest at maturity, October 13, 2022. 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, CityPlace I, 185 Asylum Street, 27th Floor, 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 Pullman & Comley, LLC, Bond Counsel, of Hartford, Connecticut. See Appendix B "Form of Opinion of Bond Counsel".

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:

<i>Project</i>	<i>Amount Authorized</i>	<i>Maturing Notes Due: 10/14/2021</i>	<i>This Issue Notes Due: 10/13/2022</i>
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.

Tax Matters

Federal Taxes. In the opinion of Bond Counsel, under existing law, (i) interest on the Notes is excluded from gross income for federal income tax purposes, and (ii) such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

Bond Counsel's opinion with respect to the Notes will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the Town with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Code and regulations promulgated thereunder establish certain requirements which must be satisfied at and subsequent to the issuance of the Notes in order that interest on the Notes be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes irrespective of the date on which such noncompliance occurs. In the Tax Regulatory Agreement, which will be delivered concurrently with the issuance of the Notes, the Town will covenant to comply with certain provisions of the Code and will make certain representations designed to assure compliance with such requirements of the Code including, but not limited to, investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of the Note proceeds and certain other matters. The opinion of Bond Counsel delivered on the date of issuance of the Notes is conditioned upon compliance by the Town with such requirements.

No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Notes.

Original Issue Premium. The initial public offering prices of certain maturities of the Notes may be more than their stated principal amounts payable at maturity (the "OIP Notes"). In general, an owner who purchases an OIP Note must amortize the original issue premium as provided in the applicable Treasury Regulations, and amortized premium reduces the owner's basis in the OIP Note for federal income tax purposes. Prospective purchasers of OIP Notes at a premium to its principal amount should consult their tax advisors regarding the amortization of premium and its effect upon basis.

Other Federal Tax Matters. Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, recipients of Social Security or Railroad Retirement benefits, certain S corporations, foreign corporations subject to the branch profits tax, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors regarding collateral federal income tax consequences. 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 Taxes. In the opinion of Bond Counsel, 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 is excluded from amounts on which the net Connecticut minimum tax is based for 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 own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or original issue premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such Notes.

Changes in Federal and State Tax Law. Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the issuance of the Notes will not have an adverse effect on the tax status of interest on the Notes or the market value or marketability of the Notes. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Notes from gross income for federal or state income tax purposes for all or certain taxpayers.

Investors in the Notes should be aware that future legislative actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Notes for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Notes may be adversely affected and the ability of holders to sell their Notes in the secondary market may be reduced. The Notes are not subject to special mandatory redemption, and the interest rates on the Notes are not subject to adjustment, in the event of any such change in the tax treatment of interest on the 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 that may occur after the date of its opinion. Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The discussion above does not purport to deal with all aspects of federal or 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 own tax advisors regarding the federal, state and local tax consequences of owning and disposing of the Notes.

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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. (See Appendix C "Form of 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



Connecticut

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 15,809 by the Connecticut Department of Public Health as of July 1, 2019.

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	2 years
Selectman	Rosemary Coyle	Elected/2 years	10 years
Selectman	Taras W. Rudko	Elected/2 years	2 years
Selectman	Denise Q. Mizla	Elected/2 years	8 years
Selectman	Denise Turner	Elected/2 years	2 years
Town Clerk	Gayle Furman	Elected/4 years	7 years
Town Treasurer	Jennifer Pulse	Elected/2 years	2 years
Chief Financial Officer	N. Maggie Cosgrove	Appointed	16 years
Town Planner	Matthew Bordeaux	Appointed	2 years
Tax Collector	Michele Wyatt	Elected/4 years	6 years
Superintendent of Schools.....	Jeffrey E. Burt	Appointed	3 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. 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.

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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, 2020, was 2,196, with an operating capacity of 3,433.

School Enrollments

<i>Historical</i> ¹					
School Year	Grades Pre K-2	Grades 3-5	Grades 6-8	Grades 9-12	Total
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	555	456	517	784	2,312
2020-2021	506	443	504	743	2,196
<i>Projected</i>					
2021-2022	571	432	485	702	2,190
2022-2023	595	445	457	669	2,166
2023-2024	597	443	445	640	2,125
2024-2025	591	491	431	617	2,130

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	10/1/2020 Enrollment	Rated Capacity
Colchester Elementary School	PreK-2	2006	58	506	833
Jack Jackter Intermediate School	3-5	1966, 1976, 2005	61	443	850
William J. Johnston Middle School ...	6-8	1954, 1966, 1982, 1989, 2018	52	504	750
Bacon Academy High School	9-12	1993	79	743	1,000
Total.....			250	2,196	3,433

Source: Town of Colchester, Board of Education

Municipal Employees

	2021	2020	2019	2018	2017
General Government.....	100	99	98	98	98
Board of Education.....	407	409	412	417	420
Total.....	507	508	510	515	518

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	231.40	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	95.14	06/30/2024
Education (Office Professionals)	Local 1303-450, Council #4, AFSCME, AFL-CIO (Office Professionals)	16.25	06/30/2024
School Administrators	Colchester Association of School Administrators	12.00	06/30/2024
Public Works	Municipal Employees Union Independent, Local 506, SEIU, AFL-CIO, CLC	20.00	06/30/2021 ¹
Town Clerical Workers	Local 1303-254, Council #4, AFSCME/AFL-CIO	16.00	06/30/2024
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	06/30/2024
Town Administrators	Municipal Employees Union Independent, Local 506, SEIU, AFL-CIO, CLC	12.00	06/30/2021 ¹
Police	Colchester Police Local 2693T, AFSCME, Council #15	11.00	06/30/2024
	Total Positions.....	468.54	

¹ In Negotiations.

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 remains steady, 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 seven (7) buildings and has a wait-list. Two additional multi-family projects that could 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 is processing final plans for a \$600,000 pedestrian improvement project grant 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 \$400,000 community connectivity grant for improvements at the historic Town Green. Improvements of Lebanon Avenue and the Town Green are anticipated to commence in the Spring 2022. The approximately \$500,000 Halls Hill Road and sidewalk improvement project was completed this summer. 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 to or expand existing operations in Town. Small manufacturing and light industrial uses have been a particular target of the community. The Town recently approved a multi-year tax abatement for NCT Friction Welding Inc. The new facility adds 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, opened in this summer with great visibility from State highway Route 2. InCord, a material handling equipment supplier, recently completed a large addition and is planning a significant expansion to add a warehouse and storage facility to its existing campus. Alpha Q Inc also has plans to expand at the site of their current manufacturing facility, also 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, recently celebrated 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. Development and occupation of vacant or under-utilized spaces with the most promising potential 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.

The combination of public and private investment keeps local residents and businesses happy, and maintains Colchester's reputation as a regional "hub", providing convenient access to goods and services attractive to residents in many surrounding rural towns.

Population Trends and Densities

Year	Population ¹	% Increase (Decrease)	Density ²
2019 ³	15,860	(1.29%)	323
2010	16,068	10.43%	327
2000	14,551	32.52%	296
1990	10,980	41.48%	224
1980	7,761	17.54%	158
1970	6,603	--	134

¹ U.S. Department of Commerce, Bureau of Census.

² Per square mile: 36.8 square miles

³ U.S. Census Bureau, 2014-2018 American Community Survey

Age Distribution of the Population

Age	Town of Colchester		State of Connecticut	
	Number	Percent	Number	Percent
Under 5.....	826	5.2%	183,808	5.1%
5 - 9.....	738	4.7	198,000	5.5
10 - 14.....	1,498	9.4	221,325	6.2
15 - 19.....	994	6.3	244,249	6.8
20 - 24.....	781	4.9	244,597	6.8
25 - 34.....	1,740	11.0	441,742	12.4
35 - 44.....	1,830	11.5	424,739	11.9
45 - 54.....	2,564	16.2	508,428	14.2
55 - 59.....	1,523	9.6	264,804	7.4
60 - 64.....	1,117	7.0	242,329	6.8
65 - 74.....	1,331	8.4	336,422	9.4
75 - 84.....	693	4.4	174,887	4.9
85 and over.....	225	1.4	89,744	2.5
Total.....	15,860	100.0%	3,575,074	100.0%
Median Age (Years).....	42.5		41.0	

Source: U.S. Census Bureau, 2015-2019 American Community Survey

Income Levels

	Town of Colchester	State of Connecticut
Per Capita Income, 2019.....	\$ 45,898	\$ 44,496
Per Capita Income, 2010.....	\$ 35,479	\$ 36,775
Median Family Income, 2019.....	\$ 120,188	\$ 100,418
Percent Below Poverty.....	5.1%	6.8%

Source: U.S. Department of Commerce, Bureau of Census, 2010;

U.S. Census Bureau, 2015-2019 American Community Survey

Income Distribution

	Town of Colchester		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	19	0.4%	24,799	2.8%
\$10,000 to \$14,999.....	52	1.2	16,037	1.8
\$15,000 to \$24,999.....	140	3.3	38,364	4.3
\$25,000 to \$34,999.....	222	5.2	48,110	5.4
\$35,000 to \$49,999.....	225	5.3	77,010	8.6
\$50,000 to \$74,999.....	506	11.9	123,980	13.9
\$75,000 to \$99,999.....	497	11.7	116,676	13.1
\$100,000 to \$149,999.....	1,233	29.0	186,246	20.8
\$150,000 to \$199,999.....	651	15.3	109,258	12.2
\$200,000 or more.....	714	16.8	152,958	17.1
Total.....	4,259	100.0%	893,438	100.0%

Source: U.S. Census Bureau, 2015-2019 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.....	120	1.0%	99,837	4.5%
9th to 12th grade, no diploma.....	354	2.9	132,826	6.5
High School graduate (includes equivalency)....	2,688	27.3	666,828	27.9
Some college, no degree.....	2,369	18.7	416,175	17.6
Associate degree.....	1,043	10.0	191,964	7.3
Bachelor's degree.....	2,723	22.3	541,380	20.3
Graduate or professional degree.....	1,726	17.8	434,085	15.8
Total.....	11,023	100.0%	2,483,095	100.0%
Percent high school graduate or higher.....		95.7%		90.6%
Percent bachelor's degree or higher.....		40.4%		39.3%

Source: U.S. Census Bureau, 2015-2019 American Community Survey

Major Employers As of September 2021

Employer	Type of Business	Approximate Number of Employees
Town of Colchester	Municipal Government	507
S&S Worldwide	Arts & Crafts Manufacturing	355
Stop & Shop	Supermarket	162
Genesis Health Care	Nursing Home	129
Alpha Q	Aerospace Manufacturing	101
Incord	Manufacturing	100
Apple Rehab	Convalescent/Nursing Home	85
Connecticut State Police	Law Enforcement	70
Noels	Supermarket	50

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 2021	8,349	360	4.1	6.2	6.1
Annual Average					
2020	8,858	526	5.6	7.0	7.3
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

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	52	0.6%	7,057	0.4%
Construction	509	5.9	109,467	6.0
Manufacturing	1,068	12.4	189,162	10.4
Wholesale trade	283	3.3	44,344	2.4
Retail trade	735	8.5	191,756	10.6
Transportation and warehousing, and utilities	327	3.8	76,439	4.2
Information	106	1.2	39,585	2.2
Finance, insurance, real estate, rental & leasing	926	10.7	162,153	8.9
Professional, scientific, management, administrative, and waste mgmt services	831	9.6	208,379	11.5
Education, health and social services	2,225	25.8	484,166	26.7
Arts, entertainment, recreation, accommodation and food services	755	8.7	152,041	8.4
Other services (except public administration)	407	4.7	84,915	4.7
Public Administration	407	4.7	66,172	3.6
Total Labor Force, Employed	8,631	100.0%	1,815,636	100.0%

Source: U.S. Census Bureau, 2015-2019 American Community Survey

Building Permits

Fiscal Year Ending 6/30	Residential		Comm./Industrial		Total	
	No.	Value	No.	Value	No.	Value
2021	1,022	\$ 11,163,421	53	\$ 8,672,972	1,075	\$ 19,836,393
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

Source: Town of Colchester, Planning & Code Administration Department

Age Distribution of Housing

Year Built	Town of Colchester		State of Connecticut	
	Units	Percent	Units	Percent
2010 or Later	206	3.2%	38,046	2.5%
2000 to 2009	854	13.2	103,075	6.8
1990 to 1999	1,376	21.3	116,028	7.7
1980 to 1989	1,332	20.6	188,655	12.4
1960 to 1979	1,556	24.1	408,579	26.9
1940 to 1959	638	9.9	327,401	21.6
1939 or earlier	492	7.6	334,845	22.1
Total.....	6,454	100.0%	1,516,629	100.0%
Percent Owner Occupied....		76.0%		66.3%

Source: U.S. Census Bureau, 2015-2019 American Community Survey

Housing Units by Type of Structure

Housing Units	Town of Colchester		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	4,855	75.2%	893,531	58.9%
1-unit, attached.....	282	4.4	81,832	5.4
2 units.....	341	5.3	124,082	8.2
3 or 4 units.....	250	3.9	130,863	8.6
5 to 9 units.....	502	7.8	82,695	5.5
10 to 19 units.....	77	1.2	57,281	3.8
20 or more units.....	21	0.3	134,093	8.8
Mobile home.....	104	1.6	11,826	0.8
Boat, RV, van, etc.....	22	0.3	426	0.0
Total Inventory.....	6,454	100.0%	1,516,629	100.0%

Source: U.S. Census Bureau, 2015-2019 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.....	35	0.8%	17,522	1.9%
\$50,000 to \$99,999.....	65	1.4	28,440	3.1
\$100,000 to \$149,999.....	152	3.3	78,467	8.7
\$150,000 to \$199,999.....	735	16.0	137,944	15.2
\$200,000 to \$299,999.....	1,980	43.1	248,431	27.4
\$300,000 to \$499,999.....	1,508	32.8	244,855	27.0
\$500,000 to \$999,999.....	119	2.6	107,504	11.9
\$1,000,000 or more.....	4	0.1	42,518	4.7
Total.....	4,598	100.0%	905,681	100.0%
Median (dollars).....	\$ 255,500		\$ 275,400	

Source: U.S. Census Bureau, 2015-2019 American Community Survey

Land Use Summary

Land Use Category	Number of Acres	Percent
Residential	14,156	48.0%
Commercial	1,332	4.5%
Industrial	219	0.7%
Institutional / Utility	6,225	21.1%
Mixed Use	128	0.4%
Transportation	16	0.1%
Total Developed.....	22,076	74.9%
Open Space	3,922	13.3%
Agricultural / Undeveloped	3,495	11.9%
Total	29,493	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
2020	72.9	9.1	2.0	5.0	11.0	\$ 1,273,482,028	\$ 11,924,780	\$ 1,261,557,248	1.73%
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%

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	\$ 21,443,080	1.70%
Country Place of Colchester LTD Partners ...	Housing Development	9,903,590	0.79%
SS1 Colchester LLC	Grocery Store	8,337,700	0.66%
Alpha Q Inc.	Manufacturing	6,846,030	0.54%
CV Colchester I LLC	Apartments	6,195,000	0.49%
S & S Worldwide	Manufacturing/Distribution	5,264,110	0.42%
City of Norwich	Utility	4,835,900	0.38%
Sharr Realty LLC	Commercial Leasing	3,804,300	0.30%
Genesis Health Ventures of Bloomfield	Convalescent Home	3,570,000	0.28%
GND Too of Colchester LLC	Elderly Housing	3,547,000	0.28%
Total.....		\$ 73,746,710	5.85%

¹ Net Taxable Grand List October 1, 2020 of \$1,261,557,248.

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 6/30/21
2020	2022 ^{1,3}	\$ 1,261,557,248	33.05	\$ 41,417,901	<i>IN COLLECTION</i>		
2019	2021 ¹	1,240,099,632	32.84	40,483,667	99.0%	1.0%	1.0%
2018	2020	1,223,066,888	32.84	40,643,427	98.9%	1.1%	0.5%
2017	2019	1,213,314,735	32.28	39,552,832	98.9%	1.1%	0.2%
2016 ²	2018	1,201,704,429	32.37	39,244,661	98.9%	1.1%	0.1%
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%	0.2%

¹ Subject to audit.

² Revaluation.

³ Estimated adjusted levy based on FY 2021 tax rate.

Source: Town of Colchester, Tax Collector

Property Taxes Receivable

Fiscal Year Ended 6/30	Current Year		Total
	Ended 6/30	Current Year	
2021 ¹	\$ 406,891	\$ 1,053,027	
2020	460,933	1,064,752	
2019	442,294	1,025,511	
2018	432,178	1,038,206	
2017	369,269	1,041,001	

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 14, 2021**

Date	Purpose	Interest Rate %	Original Issue	Amount Outstanding	Fiscal Year of Maturity
03/01/2012	School - Refunding	2.00-4.00	\$ 8,339,800	\$ 2,450,000	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.....			\$ 27,379,800	\$ 21,140,000	

**Outstanding Short-term Debt
Pro Forma
As of October 14, 2021**

Project	Amount Authorized	Maturing	This Issue
		Notes Due: 10/14/2021	Notes Due: 10/13/2022
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 14, 2021**

Date	Purpose	Interest Rate %	Original Issue	Amount Outstanding	Fiscal Year of Maturity
07/31/2009	Drinking Water Fund	2.12	\$ 2,496,990	\$ 964,786	2029
Total.....			\$ 2,496,990	\$ 964,786	

**Overlapping/Underlying Debt
Pro Forma
As of October 14, 2021**

The Town does not have any overlapping or underlying debt.

**Bonded Debt Maturity Schedule ¹
Pro Forma
As of October 14, 2021**

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Debt Service	Total Principal	Cumulative Principal Retired
2022	\$ 1,495,000	\$ 760,109	\$ 2,255,109	\$ 1,495,000	7.1%
2023	1,190,000	702,984	1,892,984	1,190,000	12.7%
2024	1,180,000	659,164	1,839,164	1,180,000	18.3%
2025	1,170,000	615,289	1,785,289	1,170,000	23.8%
2026	780,000	567,619	1,347,619	780,000	27.5%
2027	780,000	531,119	1,311,119	780,000	31.2%
2028	780,000	497,119	1,277,119	780,000	34.9%
2029	780,000	463,119	1,243,119	780,000	38.6%
2030	780,000	431,619	1,211,619	780,000	42.3%
2031	780,000	402,619	1,182,619	780,000	46.0%
2032	780,000	373,306	1,153,306	780,000	49.6%
2033	780,000	345,081	1,125,081	780,000	53.3%
2034	780,000	317,944	1,097,944	780,000	57.0%
2035	780,000	290,181	1,070,181	780,000	60.7%
2036	780,000	262,106	1,042,106	780,000	64.4%
2037	780,000	235,119	1,015,119	780,000	68.1%
2038	780,000	209,219	989,219	780,000	71.8%
2039	780,000	183,006	963,006	780,000	75.5%
2040	780,000	156,481	936,481	780,000	79.2%
2041	780,000	130,656	910,656	780,000	82.9%
2042	725,000	106,500	831,500	725,000	86.3%
2043	725,000	83,312	808,312	725,000	89.7%
2044	725,000	59,953	784,953	725,000	93.1%
2045	725,000	36,140	761,140	725,000	96.6%
2046	725,000	12,047	737,047	725,000	100.0%
Total	\$ 21,140,000	\$ 8,431,811	\$ 29,571,811	\$ 21,140,000	

¹ Excludes Drinking Water Fund and capital leases.

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**Self-Supporting Debt (Water Enterprise)
Pro Forma
As of October 14, 2021**

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Debt Service	Total Principal	Cumulative Principal Retired
2022 ¹	\$ 99,198	\$ 14,641	\$ 113,839	\$ 99,198	10.3%
2023	134,740	17,046	151,786	134,740	24.2%
2024	137,624	14,162	151,786	137,624	38.5%
2025	140,571	11,216	151,787	140,571	53.1%
2026	143,580	8,206	151,786	143,580	68.0%
2027	146,654	5,133	151,787	146,654	83.2%
2028	149,793	1,993	151,786	149,793	98.7%
2029	12,627	22	12,649	12,627	100.0%
Total	\$ 964,787	\$ 72,419	\$ 1,037,206	\$ 964,787	

¹ Excludes \$32,718 of principal and \$5,229 of interest paid for during the period of July 1, 2021 through October 14, 2021.

**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 14, 2021**

Long-Term Debt Outstanding:

General Purpose	\$ -
Schools	21,140,000
Sewers	-
Total Long-Term Debt.....	21,140,000

Short-Term Debt:

Outstanding Bond Anticipation Notes (This Issue Due: 10/13/22)	2,845,000
Direct Debt.....	23,985,000
Overlapping/Underlying Debt.....	-
Overall Debt.....	23,985,000
Less: School Construction Grants (As of 6/30/21) ¹	-
Overall Net Debt.....	\$ 23,985,000

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 14, 2021**

Population (2019) ¹	15,860
Net Taxable Grand List (10/1/20)	\$ 1,261,557,248
Estimated Full Value (70%)	\$ 1,802,224,640
Equalized Net Taxable Grand List (10/1/19) ²	\$ 1,956,061,777
Income per Capita (2019) ¹	\$ 45,898

	Total Long Term Debt	Direct Debt	Overall Net Debt
	\$21,140,000	\$23,985,000	\$23,985,000
Per Capita	\$1,332.91	\$1,512.30	\$1,512.30
Ratio to Net Taxable Grand List	1.68%	1.90%	1.90%
Ratio to Estimated Full Value	1.17%	1.33%	1.33%
Ratio to Equalized Net Taxable Grand List	1.08%	1.23%	1.23%
Debt per Capita to Money Income per Capita 2019	2.90%	3.29%	3.29%

¹ U.S. Department of Commerce, Bureau of Census. American Community Survey 2015-2019.

² State of Connecticut, Office of Policy Management.

Capital Leases

As of June 30, 2021, the Town has \$1,318,863 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 14, 2021

Total Tax Collections (including interest and lien fees) for the year ended June 30, 2021 (unaudited)	\$ 41,234,205
Reimbursement for Revenue Loss On:	
Tax relief for elderly for the year ended June 30, 2021 (unaudited)	-
BASE FOR DEBT LIMITATION COMPUTATION	<u>\$ 41,234,205</u>

Debt Limitation:	General Purposes	Schools	Sewers	Urban Renewal	Unfunded Past Pension
2 1/4 times base.....	\$ 92,776,961	-	-	-	-
4 1/2 times base.....	-	\$ 185,553,923	-	-	-
3 3/4 times base.....	-	-	\$ 154,628,269	-	-
3 1/4 times base.....	-	-	-	\$ 134,011,166	-
3 times base.....	-	-	-	-	\$ 123,702,615
Total Debt Limitation	<u>\$ 92,776,961</u>	<u>\$ 185,553,923</u>	<u>\$ 154,628,269</u>	<u>\$ 134,011,166</u>	<u>\$ 123,702,615</u>
Less Indebtedness:					
Bonds Outstanding	-	21,140,000	-	-	-
Notes (This Issue).....	-	2,845,000	-	-	-
Underlying Debt.....	-	-	-	-	-
Authorized But Unissued Debt.....	-	5,719,547	-	-	-
Total Indebtedness	-	<u>29,704,547</u>	-	-	-
Less: School Grants Receivable	-	(4,314,245)	-	-	-
Net Debt for Calculation of Debt Limit.....	-	<u>25,390,302</u>	-	-	-
Debt Limitation in Excess of Outstanding And Authorized Debt	<u>\$ 92,776,961</u>	<u>\$ 160,163,621</u>	<u>\$ 154,628,269</u>	<u>\$ 134,011,166</u>	<u>\$ 123,702,615</u>

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

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$288,639,435.

Authorized but Unissued Debt
Pro Forma
As of October 14, 2021

Project	Amount Authorized	Grants Received/ Paid-down	Bonds Issued	Maturing Notes Due: 10/14/2021	This Issue Notes Due: 10/13/2022	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
2021 ³	\$ 1,240,099,632	\$ 1,771,570,903	\$ 21,140,000	1.70%	1.19%	15,860	\$ 1,332.91	2.90%
2020	1,223,066,888	1,747,238,411	22,690,000	1.86%	1.30%	15,860	1,430.64	3.12%
2019	1,213,314,735	1,733,306,764	17,140,000	1.41%	0.99%	15,860	1,080.71	2.35%
2018	1,201,704,429	1,716,720,613	6,635,000	0.55%	0.39%	15,860	418.35	0.91%
2017	1,216,010,210	1,737,157,443	8,160,000	0.67%	0.47%	15,860	514.50	1.12%

¹ U.S. Bureau of Census, American Community Survey (2019)

² Bureau of Census, American Community Survey (2019), Money Income Per Capita: \$45,898.

³ Subject to Audit.

Five-year Debt Statement Summary

Long-Term Debt	2021	2020	2019	2018	2017
Bonds.....	\$ 21,140,000	\$ 22,690,000	\$ 17,140,000	\$ 6,635,000	\$ 8,160,000
Short-Term Debt					
Bond Anticipation Notes...	2,845,000	2,845,000	8,850,000	20,850,000	9,550,000
Totals.....	\$ 23,985,000	\$ 25,535,000	\$ 25,990,000	\$ 27,485,000	\$ 17,710,000

Source: Town of Colchester Financial Reports 2017-2020. 2021 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 (%)
2021 ^{2,3}	\$ 2,374,184	\$ 61,790,235	3.8%
2020 ³	2,241,234	61,921,238	3.6%
2019 ³	1,935,789	61,664,016	3.1%
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%

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 2016-2020. Finance Department provided 2021.

Five-year Capital Improvement Program

Use of Funds	Fiscal Year					Total
	2022	2023	2024	2025	2026	
Facilities & Grounds	\$ 1,021,500	\$ 1,280,050	\$ 1,265,550	\$ 1,275,550	\$ 1,140,550	\$ 5,983,200
Equipment	125,542	64,500	52,000	52,000	52,000	346,042
Vehicles	348,880	368,725	380,450	238,725	318,450	1,655,230
Vehicles - Approved Leasing ...	134,310	134,310	121,410	82,712	-	472,742
Funding for Reserves	597,025	632,025	650,775	669,525	685,775	3,235,125
Total.....	\$ 2,227,257	\$ 2,479,610	\$ 2,470,185	\$ 2,318,512	\$ 2,196,775	\$ 11,692,339

Sources of Funds

Local Sources	\$ 1,321,250	\$ 1,850,300	\$ 1,983,775	\$ 1,870,800	\$ 1,831,775	\$ 8,857,900
State/Federal Grants	556,697	320,000	200,000	200,000	200,000	1,476,697
Capital Lease	134,310	134,310	121,410	82,712	-	472,742
Reserve Funds	215,000	175,000	165,000	165,000	165,000	885,000
Total.....	\$ 2,227,257	\$ 2,479,610	\$ 2,470,185	\$ 2,318,512	\$ 2,196,775	\$ 11,692,339

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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, FY 2021-2022 budget workshops and public hearings were held virtually using Zoom. Town meetings and referendum votes were held in person.

Property Tax - Assessment Practices

The Town of Colchester had a general property revaluation effective October 1, 2016. The next revaluation is required to be completed on October 1, 2021. 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, 2022 is 33.05 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, 2020, the financial statements of the various funds of the Town were audited by PFK O'Connor Davies, Certified Public Accountants. The audit for the fiscal year ended June 30, 2021 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 \$150,866 in the June 30, 2021 fiscal year and has included \$172,885 in the fiscal year 2021-22 budget for such purpose. As of July 1, 2020, the latest actuarial valuation date for the plan, the funded ratio was 83.6%.

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 – "2020 Financial Statements, Notes to Financial Statements" herein.)

Schedule of Employer Contributions

	<u>2021¹</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 150,425	\$ 147,856	\$ 149,560	\$ 145,300	\$ 123,370
Contributions in Relation to the					
Actuarially Determined Contribution ..	150,866	145,500	148,899	142,578	121,754
Contribution Deficiency (excess)	(441)	2,356	661	2,722	1,616
Covered Employee Payroll	\$ 663,974	\$ 732,871	\$ 705,453	\$ 693,575	\$ 665,300
Contributions as a Percentage of					
Covered Employee Payroll	22.72%	19.85%	21.11%	20.56%	18.30%

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, 2021, calculated using the discount rate of 6.75%, 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:

	Current		
	1% Decrease	Discount Rate	1% Increase
	<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
Net Pension Liability	\$ 1,033,985	\$ 270,785	\$ (335,695)

Schedule of Net Pension Liability

	2021 ¹	2020	2019	2018	2017
Total Pension Liability	\$ 4,160,805	\$ 3,604,741	\$ 3,217,801	\$ 2,914,428	\$ 2,535,890
Plan Fiduciary Net Position	3,890,020	2,985,609	2,735,839	2,373,914	2,029,506
Net Pension Liability (Asset)	270,785	619,132	481,962	540,514	506,384
Plan Fiduciary Net Position as a % of Total Pension Liability	93.49%	82.82%	85.02%	81.45%	80.03%
Covered Payroll	\$ 663,974	\$ 732,871	\$ 705,453	\$ 693,575	\$ 665,300
Net Pension Liability as a % of Covered Payroll	40.78%	84.48%	68.32%	77.93%	76.11%

¹ Subject to audit.

Changes in Net Pension Liability

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balance at June 30, 2020.....	\$ 3,604,741	\$ 2,985,609	\$ 619,132
Changes for the Year			
Service Cost.....	201,664	-	201,664
Interest.....	265,228	-	265,228
Change of Assumptions.....	287,497	-	287,497
Differences Between Expected and Actual Experience.....	(163,479)	-	(163,479)
Contributions - Employer.....	-	150,866	(150,866)
Contributions - Member.....	-	87,811	(87,811)
Net Investment Income (Including Investment Expenses).....	-	700,730	(700,730)
Benefit Payments, Including Refunds of Employee Contributions.....	(34,846)	(34,846)	-
Administrative Expense.....	-	(150)	150
Net Changes.....	556,064	904,411	(348,347)
Balance at June 30, 2021.....	\$ 4,160,805	\$ 3,890,020	\$ 270,785

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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, 2019, the latest actuarial valuation date of the OPEB liability, the total OPEB liability at June 30, 2020 for the Town was \$9,020,608.

Schedule of Changes in the Town's Total OPEB Liability

Total OPEB Liability:	2021	2020	2019
Service Cost.....	\$ 397,018	\$ 298,808	\$ 266,608
Interest on Total OPEB Liability.....	197,669	244,424	248,540
Effect of Plan Changes.....	-	-	-
Differences Between Expected and Actual Experience....	-	524,866	-
Changes of Assumptions.....	47,230	1,087,333	244,148
Benefit Payments	(335,336)	(250,148)	(210,314)
Net Change in Total OPEB Liability.....	306,581	1,905,283	548,982
Total OPEB Liability, Beginning.....	\$ 8,714,027	\$ 6,808,744	\$ 6,259,762
Total OPEB Liability, Ending.....	\$ 9,020,608	\$ 8,714,027	\$ 6,808,744
Covered Payroll.....	\$ 29,339,464	\$ 29,339,464	\$ 21,277,152
Total OPEB Liability as a % of Covered Payroll.....	30.75%	29.70%	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
	1.16%	Discount Rate	3.16%
		2.16%	
Total OPEB Liability	\$ 10,051,353	\$ 9,020,608	\$ 8,143,122

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
	5.40%	6.40%	7.40%
	decreasing to	decreasing to	decreasing to
	3.10%	4.10%	5.10%
Total OPEB Liability	\$ 7,776,838	\$ 9,020,608	\$ 10,552,292

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, 2020, the estimated obligation for employee compensated absences which is not expected to be paid with current available resources was \$3,719,685. 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 were \$6,711,575 for the year ended June 30, 2020.

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> 2020-21 ¹	<i>Actual</i> 2019-20	<i>Actual</i> 2018-19	<i>Actual</i> 2017-18	<i>Actual</i> 2016-17
Assets					
Cash and Cash Equivalents	\$ 11,010,917	\$ 9,199,106	\$ 9,760,959	\$ 9,358,763	\$ 8,685,763
Property Taxes	927,059	981,884	957,865	944,583	961,521
Intergovernmental	120,881	151,622	143,591	-	-
Accounts Receivable	44,305	298,056	28,818	18,469	14,970
Prepaid	-	-	-	983	3,600
Due from Other Funds	-	907,806	-	-	-
Other	24,959	32,027	-	-	-
Inventory	-	-	6,578	24,704	24,010
Total Assets	\$ 12,128,121	\$ 11,570,501	\$ 10,897,811	\$ 10,347,502	\$ 9,689,864
Liabilities					
Accounts Payable and Accrued Liabilities	1,042,174	1,048,887	1,189,536	1,008,901	1,654,162
Deferred Revenue	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Performance Bonds	142,453	118,075	-	-	-
Total Liabilities	\$ 1,184,627	\$ 1,166,962	\$ 1,189,536	\$ 1,008,901	\$ 1,654,162
Deferred Inflow of Resources					
Advance Tax Collections	42,842	59,552	98,028	62,897	22,233
Unavailable Resources - Other	801,635	881,095	725,463	868,761	840,669
Total Deferred Inflows of Resources	\$ 844,477	\$ 940,647	\$ 823,491	\$ 931,658	\$ 862,902
Fund Balances					
Nonspendable	-	-	6,578	25,687	27,610
Restricted	-	-	-	-	-
Committed	301,108	360,060	477,401	273,318	110,303
Assigned	1,876,298	1,268,155	585,619	1,238,154	612,254
Unassigned	7,921,611	7,834,677	7,815,186	6,869,784	6,422,633
Total Fund Balances	\$ 10,099,017	\$ 9,462,892	\$ 8,884,784	\$ 8,406,943	\$ 7,172,800
Total Liabilities, Deferred Inflows of Resources and Fund Balances (deficits) ...	\$ 12,128,121	\$ 11,570,501	\$ 10,897,811	\$ 10,347,502	\$ 9,689,864
Analysis of General Fund Balance					
Operating Revenues	\$ 62,418,384	\$ 62,500,326	\$ 62,141,857	\$ 62,636,786	\$ 62,116,969
Fund balance as a percent of operating revenues	16.18%	15.14%	14.30%	13.42%	11.55%
Unassigned fund balance as a percent of operating revenues	12.69%	12.54%	12.58%	10.97%	10.34%

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, 2017 through 2020 have been derived from audited financial statements. The fiscal year 2020-21 estimated actual and fiscal year 2021-22 adopted budget has been provided by the Town. The financial information presented herein is the responsibility of the Town of Colchester's management (Appendix A – "2020 Financial Statements" was taken from the Annual Financial Report of the Town of Colchester for the fiscal year ended June 30, 2020).

	Adopted Budget 2021-22 ¹	Estimated 2020-21 ²	Actual 2019-20	Actual 2018-19	Actual 2017-18	Actual 2016-17
Revenues:						
Property Taxes	\$42,426,042	\$41,289,521	\$40,759,158	\$40,028,244	\$39,539,056	\$38,500,512
Intergovernmental	12,935,785	19,044,690	19,391,531	19,768,265	21,032,544	21,992,787
Investment Income	34,920	31,381	269,519	348,258	272,088	88,500
Fees, Permits, and Sales	862,810	1,080,729	989,146	825,029	750,679	834,337
Charges for Services	512,000	507,655	497,670	641,192	594,493	566,429
Other	379,460	464,408	593,302	530,869	447,926	134,404
Total Revenues	57,151,017	62,418,384	62,500,326	62,141,857	62,636,786	62,116,969
Expenditures:						
General government	4,033,351	3,696,930	3,567,600	3,516,196	3,413,682	3,534,368
Public Safety	3,201,050	3,068,649	2,928,968	2,872,691	2,761,914	2,699,729
Public Works	3,814,521	3,500,355	3,325,588	3,447,196	3,153,130	3,312,050
Community & Human Services	1,698,057	1,549,623	1,569,794	1,534,894	1,491,049	1,534,864
Education	41,827,055	46,229,890	46,584,807	46,431,630	47,020,602	46,630,541
Debt Service	2,075,164	2,075,164	2,075,164	1,710,415	1,791,665	1,842,265
Capital Outlay	-	-	-	-	-	-
Total Expenditures	56,649,198	60,120,611	60,051,921	59,513,022	59,632,042	59,553,817
Revenues over (under) expenditures	501,819	2,297,773	2,448,405	2,628,835	3,004,744	2,563,152
Other Financing Sources Uses:						
Use of Fund Balance	381,000	-	-	-	-	-
Operating Transfers In	-	7,975	-	-	-	8,240
Operating Transfers (Out)	(882,819)	(1,669,623)	(1,869,317)	(2,150,994)	(1,770,601)	(2,069,648)
Total other Financing Sources (uses)	(501,819)	(1,661,648)	(1,869,317)	(2,150,994)	(1,770,601)	(2,061,408)
Revenues and other financing sources over (under) expenditures and other financing (uses)	-	636,125	579,088	477,841	1,234,143	501,744
Fund Balance, Beginning	10,099,017	9,462,892	8,884,784	8,406,943	7,172,800	6,671,056
Restatement ³	-	-	(980)	-	-	-
Fund Balance, Ending	\$10,099,017	\$10,099,017	\$ 9,462,892	\$ 8,884,784	\$ 8,406,943	\$ 7,172,800

¹ Adopted - Budgetary basis

² Subject to audit.

³ Fund balance restated at 7/1/19

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 fiscal 2022-2023 biennium budget legislation adopted by the General Assembly in June 2021 provides funding for the municipal revenue sharing grant for the fiscal years ending June 30, 2022 and June 30, 2023. The Town does not expect to receive a municipal revenue sharing grant in fiscal year 2021-2022.

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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 Pullman & Comley, LLC, 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 September 30, 2021. 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 September 30, 2021

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Appendix A

2020 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, 2020. The supplemental data that was a part of that report has not been reproduced herein. A copy of the complete report is available on the Town's website or 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 Auditors' Report

**Board of Finance
Town of Colchester, Connecticut**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Colchester, Connecticut ("Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, 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.

Auditors' 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 auditors' 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.

**Board of Finance
Town of Colchester, Connecticut**

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the pension and other post-employment benefit schedules as listed in the table of contents, respectively, 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 and Other 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 introductory section, supplemental schedules and trend information section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate 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 supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Board of Finance
Town of Colchester, Connecticut**

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The introductory and trend information sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021, 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.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
February 17, 2021



Town of Colchester, Connecticut

127 Norwich Avenue, Colchester, Connecticut 06415

Management's Discussion and Analysis For the Year Ended June 30, 2020

As management of the Town of Colchester, Connecticut ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Please read it in conjunction with the Town's financial statements immediately following this section.

Financial highlights

- On a government-wide basis, the assets and deferred outflows of resources of the Town exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year as follows:

	Governmental Activities	Business-Type Activities	Total
Change in net position	\$ (287,830)	\$ 63,551	\$ (224,279)
Total net position	80,752,071	5,321,000	86,073,071
Unrestricted net position	7,099,201	1,381,602	8,480,803

- The Town's total net position decreased by \$224,279. The decrease is due to the following:
 - positive operations of the general fund of \$ 579,088
 - positive operations of the capital reserve fund of 389,926
 - positive operations of the other governmental funds of 430,171
 - positive operations of the water fund of 63,551
 - positive operations of the internal service fund of 648,589
 - The positive operations were offset by:
 - negative operations of the capital projects fund of (269,504)
 - negative operations of the Johnston building project fund of (833,666)
 - Conversion to accrual basis on Exhibit E:
 - capital outlay net of depreciation expense of (1,398,237)
 - net principal debt activity of 805,849
 - change in compensated absences of (354,592)
 - change in OPEB liability of (1,905,283)
 - change in pension and OPEB deferred outflows/inflows of resources of 1,427,160

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$14,515,552, an increase of \$325,797 in comparison with the prior year. The majority of the increase is due to the positive operations of the general fund and capital reserve fund of \$579,088 and \$389,926 respectively, offset by deficit operations of the Johnston building project fund of \$833,666.
- At year end, the unassigned fund balance for the general fund was \$7,834,677 or 14.02% of total general fund budgetary basis expenditures and transfers out.
- Net capital assets decreased in the current year by \$1,432,437 due to depreciation expense exceeding capital additions.
- The Town's long-term debt decreased by \$1,940,943 due to scheduled principal payments.

Overview of the basic financial statements

This discussion and analysis is intended to serve as an introduction to the Town of Colchester's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, community and human services, and education. The business-type activities of the Town account for the Water operations.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control 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. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may 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.

For governmental funds, information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general, educational grants, capital reserve, capital projects, and Johnston building project funds which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided on Schedules 5 and 6 of this report.

Proprietary funds. The Town uses two different types of proprietary funds. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to report the activities of the Water fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the Town's various functions.

The Town uses the internal service fund to account for its employees and retirees' self-insured medical benefits. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water fund. The basic proprietary fund financial statements can be found on Exhibits F, G, and H.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information as follows:

- A budgetary comparison schedule for the General Fund to demonstrate compliance with this budget.
- Schedules to demonstrate the Town's progress in funding its obligation to provide pension benefits.
- Schedules to demonstrate the Town's progress in funding its obligation to provide other post-employment benefits.

Other information. Other required schedules and the combining statements and supplemental schedules referred to earlier in connection with other governmental funds are presented immediately following the required supplementary information section.

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$86,073,071 at the close of the fiscal year.

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

An additional portion of the Town's net position (2.35%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totals \$8,480,803.

The analysis below focuses on the net position and changes in net position. Unrestricted net position decreased by \$1,102,886 from the prior year.

**Summary Statement of Net Position
June 30**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 24,521,691	\$ 23,392,723	\$ 1,465,410	\$ 1,537,233	\$ 25,987,101	\$ 24,929,956
Capital assets (net)	99,912,913	101,311,327	5,066,054	5,100,077	104,978,967	106,411,404
Total assets	<u>124,434,604</u>	<u>124,704,050</u>	<u>6,531,464</u>	<u>6,637,310</u>	<u>130,966,068</u>	<u>131,341,360</u>
Deferred outflows of resources	<u>1,839,063</u>	<u>486,470</u>	<u>-</u>	<u>-</u>	<u>1,839,063</u>	<u>486,470</u>
Long-term liabilities outstanding	36,479,012	37,163,402	997,505	1,253,101	37,476,517	38,416,503
Other liabilities	<u>8,709,529</u>	<u>6,578,343</u>	<u>212,959</u>	<u>126,760</u>	<u>8,922,488</u>	<u>6,705,103</u>
Total liabilities	<u>45,188,541</u>	<u>43,741,745</u>	<u>1,210,464</u>	<u>1,379,861</u>	<u>46,399,005</u>	<u>45,121,606</u>
Deferred inflows of resources	<u>333,055</u>	<u>408,874</u>	<u>-</u>	<u>-</u>	<u>333,055</u>	<u>408,874</u>
Net investment in capital assets	71,626,791	71,273,605	3,939,398	3,738,237	75,566,189	75,011,842
Restricted	2,026,079	1,701,819	-	-	2,026,079	1,701,819
Unrestricted	<u>7,099,201</u>	<u>8,064,477</u>	<u>1,381,602</u>	<u>1,519,212</u>	<u>8,480,803</u>	<u>9,583,689</u>
Total net position	<u>\$ 80,752,071</u>	<u>\$ 81,039,901</u>	<u>\$ 5,321,000</u>	<u>\$ 5,257,449</u>	<u>\$ 86,073,071</u>	<u>\$ 86,297,350</u>

Management's Discussion and Analysis

Net position may serve over time as a useful indicator of a Town's financial position. The Town's net position decreased \$224,279 as detailed below.

The reader should remember that the basis of accounting used in the government-wide statement of activities excludes capital expenditures while its revenues include general taxes whose primary purpose is for the construction of those very assets or their related debt service.

Statement of Changes in Net Position For the Years Ended June 30

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 4,349,229	\$ 3,937,351	\$ 1,097,778	\$ 1,048,872	\$ 5,447,007	\$ 4,986,223
Operating grants and contributions	20,898,651	21,287,032	-	-	20,898,651	21,287,032
Capital grants and contributions	698,140	5,692,159	-	-	698,140	5,692,159
General revenues:						
Property taxes	40,914,790	39,884,946	-	-	40,914,790	39,884,946
Grants and contributions not restricted to specific programs	283,687	246,475	-	-	283,687	246,475
Income from investments	284,859	367,717	11,767	14,965	296,626	382,682
Gain on sale of assets	38,680	-	-	-	38,680	-
Other	-	107,016	-	-	-	107,016
Total revenues	67,468,036	71,522,696	1,109,545	1,063,837	68,577,581	72,586,533
Expenses:						
General government	3,733,189	3,652,112	-	-	3,733,189	3,652,112
Public safety	3,879,685	3,387,101	-	-	3,879,685	3,387,101
Public works	5,086,478	5,075,575	-	-	5,086,478	5,075,575
Community and human services	2,291,884	2,403,361	-	-	2,291,884	2,403,361
Education	51,872,879	55,855,194	-	-	51,872,879	55,855,194
Interest	905,331	870,100	-	-	905,331	870,100
Water	-	-	1,032,414	975,628	1,032,414	975,628
Total expenses	67,769,446	71,243,443	1,032,414	975,628	68,801,860	72,219,071
Change in net position before transfers	(301,410)	279,253	77,131	88,209	(224,279)	367,462
Transfers	13,580	13,580	(13,580)	(13,580)	-	-
Change in net position	(287,830)	292,833	63,551	74,629	(224,279)	367,462
Net position - July 1	81,039,901	80,747,068	5,257,449	5,182,820	86,297,350	85,929,888
Net position - June 30	\$ 80,752,071	\$ 81,039,901	\$ 5,321,000	\$ 5,257,449	\$ 86,073,071	\$ 86,297,350

The key elements of the decrease are as follows:

Governmental activities – revenues

- Charges for services increased by \$411,878 primarily due to an increase in sewer fees of \$195,954 and police special duty fees of \$338,380. These increased due to increased sewer rates and usage and more projects requiring police services.
- Operating grants and contributions decreased by \$388,381 primarily due to a decrease in the special education - excess cost grant of \$116,442 and education cost sharing grant of \$360,497.
- Capital grants and contributions decreased by \$4,994,019 primarily due to a decrease in school construction progress payments grant of \$5,031,238 related to the Johnson building project.

Governmental activities - expenses

- Public safety expenses increased by \$492,584 primarily due to increases in police special duty expenses of \$315,249, due to more projects requiring police services.
- Education expenses decreased by \$3,982,315 primarily due to prior year non capitalized activity related to the Johnson building project.

Business-type activities - revenues

- Charges for services increased \$48,906 over the prior year due to an increase in fees and rates.

Business-type activities - expenses

- Water expenses increased \$56,786 substantially due to increased repairs and maintenance costs.

Financial analysis of the Town's funds

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

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$14,515,552, an increase of \$325,797 in comparison with the prior year.

The components of fund balance were as follows:

Restricted	\$ 2,026,079
Committed	6,115,657
Assigned	2,271,899
Unassigned	<u>4,101,917</u>
Total	<u>\$ 14,515,552</u>

General Fund. The general fund is the operating fund of the Town. At the end of the current fiscal year, of the total fund balance of the general fund, \$7,834,677 was unassigned. During the current fiscal year, the fund balance of the Town's general fund increased by \$579,088. The increase was substantially attributable to the expenditure budget which was underspent by \$959,360. This was partially offset by revenues under budget by \$231,861. A more detailed discussion is included under budgetary highlights.

Educational Grants Fund. The educational grants fund accounts for and reports financial resources to be used for the grants associated with education. At the end of the current fiscal year, restricted fund balance of the fund was \$124,191. This was the result of positive operations of \$29,782 due to transfers in from general fund of \$137,226 and intergovernmental revenues in the amount of \$1,314,063.

Capital Reserve 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 equipment financing notes issuances. At the end of the current fiscal year, committed fund balance of the fund was \$2,497,730. This was the result of positive operations of \$389,926 due to transfers in from general fund of \$471,700 and sale of capital assets in the amounts of \$38,857.

Capital Projects Fund. The capital projects fund accounts for financial resources to be used for major construction or acquisition of capital facilities. At the end of the current fiscal year, committed fund balance of the fund was \$1,482,963. This was the result of expenditures in excess of revenues and other financing sources of \$269,504.

Johnston Building Project Fund. The Johnston building project fund accounts for and reports financial resources to be used for the William J. Johnston construction and renovation project. At the end of the current fiscal year, deficit fund balance of the fund increased from \$2,827,199 in the prior year to \$3,660,865. This was the result of expenditures in excess of revenues of \$833,666. The deficit will be eliminated when remaining grant revenues are received once the project is audited by the State.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The Town has one enterprise fund: water fund which accounts for the operations of the water department.

Water Fund. There was an increase in net position of \$63,551 in the water fund due to an increase in charges for services of \$48,906 due to an increase in fees and rates, offset by an increase in operating costs of \$59,436. Unrestricted net position of the water fund was \$1,381,602 at year end.

Internal Service Funds. The internal service funds are used to account for medical self-insurance claims. The internal service fund had an increase to its net position of \$648,589. This is primarily due to increased operating revenues of \$592,668 and lower than expected claims due to COVID-19. It is expected that the decrease in claims will be partially eliminated in the next fiscal year. The internal service funds had an unrestricted net position of \$2,490,706 at year end.

General fund budgetary highlights

Significant budget transfers made during the year include:

- There were additional appropriations of fund balance totaling \$414,089 for education (technology purchases and security improvements) and the Senior Center building project design fees.
- Transfers out to other funds was increased by \$200,618. \$153,627 was transferred from public works snow removal to the snow reserve fund and \$46,991 from other departments to capital projects for the Senior Center project.
- Education was increased by \$367,098 from additional appropriations to transfers out for Education capital reserve and education grants funds for security improvements and technology purchases.

Significant departments that were underspent during the year were as follows:

- Public works was underspent by \$250,843 due to decreases in highway, transfer station and grounds maintenance costs due to vacant positions and cancellation of waste collection events due to the COVID-19 pandemic.
- Education was underspent by \$341,724 due to schools being closed from the COVID-19 pandemic. The Town's practice has been to assign the unexpended balance for future appropriation to Education related capital and nonrecurring expenditures.

Capital assets and debt administration

Capital assets

The Town's investment in capital assets amounts to \$104,978,967 (net of accumulated depreciation). This investment in capital assets is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 3,626,879	\$ 3,626,879	\$ -	\$ -	\$ 3,626,879	\$ 3,626,879
Construction in progress	500,718	9,564,107	-	-	500,718	9,564,107
Improvements other than buildings	450,644	501,487	2,520	2,730	453,164	504,217
Buildings	80,197,301	72,563,507	3,463,907	3,502,658	83,661,208	76,066,165
Machinery and equipment	5,509,304	5,524,481	135,838	150,635	5,645,142	5,675,116
Infrastructure	9,628,067	9,530,866	1,463,789	1,444,054	11,091,856	10,974,920
Total	<u>\$ 99,912,913</u>	<u>\$ 101,311,327</u>	<u>\$ 5,066,054</u>	<u>\$ 5,100,077</u>	<u>\$ 104,978,967</u>	<u>\$ 106,411,404</u>

The capital assets (net of depreciation) decreased in the current year by \$1,432,437. The decrease is due to depreciation expense exceeding capital additions. In the current year, the Town had capital asset additions totaling \$12,620,890.

Major capital asset events during the current fiscal year included the following:

Governmental activities:

Construction in progress additions of:

- Sewer - pipeline replacement project \$ 432,379

Building additions from construction in progress:

- William J. Johnston middle school project 8,546,315
- William J. Johnston middle school project - pupil services 977,537

Machinery and equipment :

- Fuel management system 54,000
- Fuel tank - public works garage 206,750
- Dump plow truck 154,467
- 2020 Ford F150 police responder 55,819
- Self contained breathing apparatus 216,800
- Water heater - education 57,975

Infrastructure additions of:

- Various roads 608,492

Business-type activities:

Infrastructure additions of:

- Water tank system improvement \$ 70,913

Buildings additions of:

- Redevelopment of wellhouse #3A 64,721

Additional information on the Town's capital assets can be found in Note III D.

Long-term debt

At the end of the fiscal year, the Town had total long-term debt outstanding of \$25,466,005. All debt is backed by the full faith and credit of the Town.

**Long-Term Debt
June 30**

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 22,690,000	\$ 24,180,000	\$ -	\$ -	\$ 22,690,000	\$ 24,180,000
Equipment financing notes	1,649,349	1,973,847	-	-	1,649,349	1,973,847
Clean water note	-	-	1,126,656	1,253,101	1,126,656	1,253,101
Total	\$ 24,339,349	\$ 26,153,847	\$ 1,126,656	\$ 1,253,101	\$ 25,466,005	\$ 27,406,948

During the current fiscal year, the Town's total debt decreased by \$1,940,943 due to scheduled principal payments.

The Town maintains a "AA+" credit rating from Standard and Poor's Investor Service.

State Statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total prior year tax collections including interest and lien fees. The current debt limitation for the Town is \$278,573,057, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note III G.

Economic factors and next year's budgets and rates

- As of June 2020, the unemployment rate for the Town was at 7.7%, which is lower than the State average unemployment rate of 10.1% and a national unemployment rate of 11.1%.
- Connecticut's economic and business growth remains flat. This lack of growth will have a negative impact on the amount of revenue the State receives from taxes. This will affect the amount of intergovernmental revenues the Town will receive in fiscal year 2021 and thereafter.
- The potential impact of the pandemic on the local economy, businesses and Town revenues is being closely monitored. The July 2020 collections were in line with the prior year. There is minimal impact as prior year tax collections in 2020 were in line with budgeted amounts. The State of Connecticut through the Governor's executive order, required local governments to offer taxpayers/rate payers one or both of the following programs: interest rate reduction program and/or the payment deferral program through October 1, 2020. The Town implemented the payment deferral and interest rate reduction programs. For the collection period ended July 31, 2020, current year collections were in line with the prior year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial 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

Town of Colchester, Connecticut

Statement of Net Position
June 30, 2020

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash	\$ 12,385,328	\$ 976,193	\$ 13,361,521
Investments	9,432,402	-	9,432,402
Receivables (net):			
Property taxes	564,794	-	564,794
Intergovernmental	691,134	-	691,134
Assessments and use charges	290,192	409,703	699,895
Loan	7,000	-	7,000
Other	505,617	-	505,617
Other	48,399	79,514	127,913
Total current assets	<u>23,924,866</u>	<u>1,465,410</u>	<u>25,390,276</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash	118,075	-	118,075
Receivables (net):			
Property taxes	417,090	-	417,090
Loan	61,660	-	61,660
Total receivables (net)	<u>478,750</u>	<u>-</u>	<u>478,750</u>
Capital assets (net of accumulated depreciation):			
Land	3,626,879	-	3,626,879
Construction in progress	500,718	-	500,718
Improvements other than building	450,644	2,520	453,164
Buildings	80,197,301	3,463,907	83,661,208
Machinery and equipment	5,509,304	135,838	5,645,142
Infrastructure	9,628,067	1,463,789	11,091,856
Total capital assets (net of accumulated depreciation)	<u>99,912,913</u>	<u>5,066,054</u>	<u>104,978,967</u>
Total noncurrent assets	<u>100,509,738</u>	<u>5,066,054</u>	<u>105,575,792</u>
Total assets	<u>124,434,604</u>	<u>6,531,464</u>	<u>130,966,068</u>
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	74,451	-	74,451
Pension related	225,277	-	225,277
OPEB related	1,539,335	-	1,539,335
Total deferred outflows of resources	<u>1,839,063</u>	<u>-</u>	<u>1,839,063</u>

(Continued)

The notes to financial statements are an integral part of this statement.

Town of Colchester, Connecticut

Statement of Net Position
June 30, 2020

<u>Liabilities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 1,363,898	\$ 64,292	\$ 1,428,190
Retainage payable	98,326	2,391	100,717
Accrued payroll	472,826	17,125	489,951
Unearned revenue	933,563	-	933,563
Accrued interest payable	210,819	-	210,819
Bond anticipation notes	2,845,000	-	2,845,000
Bonds and notes payable and related liabilities	1,880,486	129,151	2,009,637
Landfill postclosure liability	15,000	-	15,000
Compensated absences	371,969	-	371,969
Claims payable	517,642	-	517,642
Total current liabilities	<u>8,709,529</u>	<u>212,959</u>	<u>8,922,488</u>
Noncurrent liabilities:			
Performance bonds	118,075	-	118,075
Bonds and notes payable and related liabilities	23,635,087	997,505	24,632,592
Landfill postclosure liability	45,000	-	45,000
Compensated absences	3,347,716	-	3,347,716
Net pension liability	619,107	-	619,107
OPEB liability	8,714,027	-	8,714,027
Total noncurrent liabilities	<u>36,479,012</u>	<u>997,505</u>	<u>37,476,517</u>
Total liabilities	<u>45,188,541</u>	<u>1,210,464</u>	<u>46,399,005</u>
<u>Deferred Inflows of Resources</u>			
Advance property tax collections	59,552	-	59,552
Pension related	179,605	-	179,605
OPEB related	93,898	-	93,898
Total deferred inflows of resources	<u>333,055</u>	<u>-</u>	<u>333,055</u>
<u>Net Position</u>			
Net investment in capital assets	71,626,791	3,939,398	75,566,189
Restricted for:			
General government	68,682	-	68,682
Public works	1,300,924	-	1,300,924
Community and human services	506,418	-	506,418
Education	150,055	-	150,055
Unrestricted	<u>7,099,201</u>	<u>1,381,602</u>	<u>8,480,803</u>
Total net position	<u>\$ 80,752,071</u>	<u>\$ 5,321,000</u>	<u>\$ 86,073,071</u>

(Concluded)

The notes to financial statements are an integral part of this statement.

Town of Colchester, Connecticut

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues			Net Revenues (Expenses) and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 3,733,189	\$ 966,312	\$ 13,158	\$ -	\$ (2,753,719)	\$ -	\$ (2,753,719)
Public safety	3,879,685	952,386	112,292	-	(2,815,007)	-	(2,815,007)
Public works	5,086,478	1,276,287	18,326	567,131	(3,224,734)	-	(3,224,734)
Community and human services	2,291,884	191,734	271,633	-	(1,828,517)	-	(1,828,517)
Education	51,872,879	962,510	20,483,242	131,009	(30,296,118)	-	(30,296,118)
Interest	905,331	-	-	-	(905,331)	-	(905,331)
Total governmental activities	67,769,446	4,349,229	20,898,651	698,140	(41,823,426)	-	(41,823,426)
Business-type activities:							
Water	1,032,414	1,097,778	-	-	-	65,364	65,364
Total	\$ 68,801,860	\$ 5,447,007	\$ 20,898,651	\$ 698,140	(41,823,426)	65,364	(41,758,062)
General revenues:							
Property taxes					40,914,790	-	40,914,790
Grants and contributions not restricted to specific programs					283,687	-	283,687
Income from investments					284,859	11,767	296,626
Gain on sale of assets					38,680	-	38,680
Total general revenues					41,522,016	11,767	41,533,783
Transfers in (out)					13,580	(13,580)	-
Change in net position					(287,830)	63,551	(224,279)
Net position - July 1, 2019					81,039,901	5,257,449	86,297,350
Net position - June 30, 2020					\$ 80,752,071	\$ 5,321,000	\$ 86,073,071

The notes to financial statements are an integral part of this statement.

Town of Colchester, Connecticut
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Educational Grants Fund	Capital Reserve Fund	Capital Projects Fund	Johnston Building Project Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash	\$ 376,594	\$ 77,327	\$ 1,769,765	\$ 2,335,588	\$ -	\$ 4,828,245	\$ 9,387,519
Restricted cash	118,075	-	-	-	-	-	118,075
Investments	8,704,437	-	727,965	-	-	-	9,432,402
Receivables (net):							
Property taxes	981,884	-	-	-	-	-	981,884
Intergovernmental	151,622	182,760	-	-	-	356,752	691,134
Assessments and use charges	-	-	-	-	-	290,192	290,192
Loan	-	-	-	-	-	68,660	68,660
Other	298,056	9,502	-	-	-	187,520	495,078
Due from other funds	907,806	-	-	-	-	-	907,806
Other	32,027	-	-	-	-	16,372	48,399
Total assets	\$ 11,570,501	\$ 269,589	\$ 2,497,730	\$ 2,335,588	\$ -	\$ 5,747,741	\$ 22,421,149
Liabilities							
Accounts payable	\$ 658,828	\$ 25,722	\$ -	\$ 34,855	\$ 227,416	\$ 417,077	\$ 1,363,898
Retainage payable	-	-	-	-	98,326	-	98,326
Accrued payroll	390,059	3,883	-	-	-	78,884	472,826
Due to other funds	-	-	-	-	490,123	417,683	907,806
Unearned revenue	-	115,793	-	817,770	-	-	933,563
Bond anticipation notes	-	-	-	-	2,845,000	-	2,845,000
Performance bonds	118,075	-	-	-	-	-	118,075
Total liabilities	1,166,962	145,398	-	852,625	3,660,865	913,644	6,739,494
Deferred Inflows of Resources							
Unavailable revenue:							
Advance property tax collections	59,552	-	-	-	-	-	59,552
Property taxes	881,095	-	-	-	-	-	881,095
Assessments and use charges	-	-	-	-	-	225,456	225,456
Total deferred inflows of resources	940,647	-	-	-	-	225,456	1,166,103
Fund Balances							
Restricted	-	124,191	-	-	-	1,901,888	2,026,079
Committed	360,060	-	2,497,730	1,482,963	-	1,774,904	6,115,657
Assigned	1,268,155	-	-	-	-	1,003,744	2,271,899
Unassigned	7,834,677	-	-	-	(3,660,865)	(71,895)	4,101,917
Total fund balances	9,462,892	124,191	2,497,730	1,482,963	(3,660,865)	4,608,641	14,515,552
Total liabilities, deferred inflows of resources and fund balances	\$ 11,570,501	\$ 269,589	\$ 2,497,730	\$ 2,335,588	\$ -	\$ 5,747,741	\$ 22,421,149

(Continued)

The notes to financial statements are an integral part of this statement.

Town of Colchester, Connecticut
Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2020

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet due to:

Total fund balance (Exhibit C, Page 1)	\$ 14,515,552
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Beginning capital assets	101,311,327
Capital assets additions (net of construction in progress)	2,911,945
Depreciation expense	(4,310,182)
Disposal of capital assets	(177)

Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures and, therefore, are unavailable in the funds:

Property taxes - accrual basis change	881,095
Sewer assessments and use charges - accrual basis change	225,456
Deferred charge on refunding	74,451
Deferred outflows related to pensions	225,277
Deferred outflows related to OPEB	1,539,335

Internal service funds are used by management to charge the cost of medical insurance premiums to individual departments:

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	2,490,706
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Some liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(24,339,349)
Premium	(1,176,224)
Landfill postclosure liability	(60,000)
Compensated absences	(3,719,685)
Net pension liability	(619,107)
OPEB liability	(8,714,027)
Accrued interest payable	(210,819)
Deferred inflows related to pensions	(179,605)
Deferred inflows related to OPEB	(93,898)

Net position of governmental activities (Exhibit A)	<u><u>\$ 80,752,071</u></u>
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(Concluded)

The notes to financial statements are an integral part of this statement.

Town of Colchester, Connecticut
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Educational Grants Fund	Capital Reserve Fund	Capital Projects Fund	Johnston Building Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 40,759,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,759,158
Intergovernmental	19,391,531	1,314,063	-	16,230	-	944,887	21,666,711
Charges for services	1,486,816	123,380	5,265	25,447	-	2,154,058	3,794,966
Income from investments	269,519	-	-	-	-	15,340	284,859
Contributions	-	38,122	-	-	-	175,645	213,767
Other	593,302	-	-	-	-	-	593,302
Total revenues	62,500,326	1,475,565	5,265	41,677	-	3,289,930	67,312,763
Expenditures:							
Current:							
General government	3,567,600	-	-	9,625	-	6,219	3,583,444
Public safety	2,928,968	-	-	-	-	540,025	3,468,993
Public works	3,325,588	-	-	99	-	1,182,961	4,508,648
Community and human services	1,569,794	-	-	-	-	448,933	2,018,727
Education	46,584,807	1,583,009	-	-	-	730,434	48,898,250
Debt service	2,075,164	-	-	-	-	791,057	2,866,221
Capital outlay	-	-	125,896	730,229	833,666	976,754	2,666,545
Total expenditures	60,051,921	1,583,009	125,896	739,953	833,666	4,676,383	68,010,828
Excess (deficiency) of revenues over expenditures	2,448,405	(107,444)	(120,631)	(698,276)	(833,666)	(1,386,453)	(698,065)
Other financing sources (uses):							
Sale of capital assets	-	-	38,857	-	-	-	38,857
Premium	-	-	-	-	-	971,425	971,425
Transfers in	-	137,226	471,700	428,772	-	903,230	1,940,928
Transfers out	(1,869,317)	-	-	-	-	(58,031)	(1,927,348)
Net other financing sources (uses)	(1,869,317)	137,226	510,557	428,772	-	1,816,624	1,023,862
Net change in fund balances	579,088	29,782	389,926	(269,504)	(833,666)	430,171	325,797
Fund balances - July 1, 2019	8,883,804	94,409	2,107,804	1,752,467	(2,827,199)	4,178,470	14,189,755
Fund Balances - June 30, 2020	\$ 9,462,892	\$ 124,191	\$ 2,497,730	\$ 1,482,963	\$ (3,660,865)	\$ 4,608,641	\$ 14,515,552

Town of Colchester, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of activities (Exhibit B) are due to:

Net change in fund balances - total governmental funds (Exhibit D)	<u>\$ 325,797</u>
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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 expense.

Capital outlay	2,911,945
Depreciation expense	<u>(4,310,182)</u>
Total	<u>(1,398,237)</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position. In the statement of activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold:

Loss on disposal of assets	<u>(177)</u>
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the fund financial statements are not recognized in the statement of activities:

Change in property tax receivable - accrual basis change	155,632
Change in sewer assessment receivable - accrual basis change	13,006
Change in loan receivable - accrual basis change	<u>(52,045)</u>
Total	<u>116,593</u>

The issuance of long-term debt (e.g., bonds, notes) 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 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 these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Premium	(971,425)
Principal repayments:	
General obligation bonds	1,490,000
Notes payable	324,498
Deferred charge on refunding	<u>(37,224)</u>
Total	<u>805,849</u>

The notes to financial statements are an integral part of this statement.

(Continued)

Town of Colchester, Connecticut

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2020

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:

Amortization of premium	\$ 73,957
Change in:	
Landfill postclosure liability	15,000
Compensated absences	(354,592)
Net pension liability	(137,145)
OPEB liability	(1,905,283)
Accrued interest payable	94,659
Amortization of deferred outflows related to pension	62,077
Amortization of deferred inflows related to pension	19,955
Amortization of deferred outflows related to OPEB	1,327,740
Amortization of deferred inflows related to OPEB	17,388
Total	<u>(786,244)</u>
The net revenue (expense) of the activities of the internal service funds is reported with governmental activities	<u>648,589</u>
Change in net position of governmental activities (Exhibit B)	<u><u>\$ (287,830)</u></u>
	(Concluded)

The notes to financial statements are an integral part of this statement.

Town of Colchester, Connecticut

**Statement of Net Position
Proprietary Funds
June 30, 2020**

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
<u>Assets</u>		
Current assets:		
Cash	\$ 976,193	\$ 2,997,809
Receivables:		
Usage	409,703	
Accounts	79,514	10,539
Total current assets	1,465,410	3,008,348
Noncurrent assets:		
Capital assets (net):		
Improvements other than buildings	2,520	-
Buildings	3,463,907	-
Machinery and equipment	135,838	-
Infrastructure	1,463,789	-
Total capital assets (net)	5,066,054	-
Total assets	6,531,464	3,008,348
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	64,292	-
Retainage payable	2,391	-
Accrued payroll	17,125	-
Claims payable	-	517,642
Notes payable	129,151	-
Total current liabilities	212,959	517,642
Noncurrent liabilities:		
Notes payable	997,505	-
Total liabilities	1,210,464	517,642
<u>Net Position</u>		
Net investment in capital assets	3,939,398	-
Unrestricted	1,381,602	2,490,706
Total net position	\$ 5,321,000	\$ 2,490,706

The notes to financial statements are an integral part of this statement.

Town of Colchester, Connecticut

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020**

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Medical Self- Insurance Fund</u>
Operating revenues:		
Charges for services	<u>\$ 1,097,778</u>	<u>\$ 8,122,241</u>
Operating expenses:		
Personnel services	449,570	-
Repairs and maintenance	136,123	-
Contracted services	55,993	-
Materials and supplies	28,030	-
Utilities	101,847	-
Insurance	16,394	-
Claims incurred	-	5,885,857
Administration	-	1,123,327
HSA contributions	-	468,400
Depreciation and amortization	<u>219,115</u>	<u>-</u>
Total operating expenses	<u>1,007,072</u>	<u>7,477,584</u>
Operating income (loss)	<u>90,706</u>	<u>644,657</u>
Nonoperating revenues (expenses):		
Income from investments	11,767	3,932
Interest expense	<u>(25,342)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(13,575)</u>	<u>3,932</u>
Income (loss) before transfers	77,131	648,589
Transfers out	<u>(13,580)</u>	<u>-</u>
Change in net position	63,551	648,589
Total net position - July 1, 2019	<u>5,257,449</u>	<u>1,842,117</u>
Total net position - June 30, 2020	<u><u>\$ 5,321,000</u></u>	<u><u>\$ 2,490,706</u></u>

The notes to financial statements are an integral part of this statement.

Town of Colchester, Connecticut
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water Fund</u>	<u>Medical Self- Insurance Fund</u>
Cash flows from (used in) operating activities:		
Cash received for charges for services	\$ 1,059,744	\$ 8,115,128
Cash paid for benefits and claims	-	(5,849,215)
Cash paid for administration	-	(1,123,327)
Cash paid for HSA contributions	-	(468,900)
Cash paid to suppliers	(157,063)	-
Cash paid to employees	(445,929)	-
Cash paid for repairs and maintenance and utilities	(237,970)	-
Net cash from (used in) operating activities	218,782	673,686
Cash flows from (used in) noncapital financing activities:		
Transfer to other funds	(13,580)	-
Cash flows from (used in) capital and related financing activities:		
Purchase of capital assets	(185,092)	-
Principal payments on debt	(126,445)	-
Interest payments	(25,342)	-
Net cash from (used in) capital and related financing activities	(336,879)	-
Cash flows from (used in) investing activities:		
Income from investments	11,767	3,932
Increase (decrease) in cash	(119,910)	677,618
Cash - July 1, 2019	1,096,103	2,320,191
Cash - June 30, 2020	<u>\$ 976,193</u>	<u>\$ 2,997,809</u>
Reconciliation of operating income (loss) to net cash from (used in) operating activities:		
Operating income (loss)	\$ 90,706	\$ 644,657
Adjustments to reconcile operating income (loss) to net cash from (used in) operating activities:		
Depreciation and amortization	219,115	-
(Increase) decrease in:		
Receivables	(38,034)	(7,113)
Other assets	(10,053)	-
Increase (decrease) in:		
Accounts payable	(48,984)	-
Retainage payable	2,391	-
Accrued payroll	3,641	(500)
Claims payable	-	36,642
Net cash from (used in) operating activities	<u>\$ 218,782</u>	<u>\$ 673,686</u>

The notes to financial statements are an integral part of this statement.

Town of Colchester, Connecticut
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<u>Assets</u>			
Cash	\$ -	\$ 450	\$ 438,143
Investments:			
Mutual funds:			
Money market	33,657	-	-
Equity	2,121,506	-	-
Fixed income	830,446	-	-
Total investments	<u>2,985,609</u>	<u>-</u>	<u>-</u>
Accounts receivable	3,086	-	1,854
Prepays	<u>3,188</u>	<u>-</u>	<u>-</u>
Total other assets	<u>6,274</u>	<u>-</u>	<u>1,854</u>
Total assets	<u>2,991,883</u>	<u>450</u>	<u>439,997</u>
<u>Liabilities</u>			
Payable to student organizations	<u>-</u>	<u>-</u>	<u>439,997</u>
<u>Net Position</u>			
Restricted for:			
Pensions	2,991,883	-	-
Individuals	<u>-</u>	<u>450</u>	<u>-</u>
Total net position	<u><u>\$ 2,991,883</u></u>	<u><u>\$ 450</u></u>	<u><u>\$ -</u></u>

The notes to financial statements are an integral part of this statement.

Town of Colchester, Connecticut
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Fund</u>
Additions:		
Contributions:		
Employer	\$ 145,500	\$ -
Plan members	<u>82,692</u>	<u>-</u>
Total contributions	<u>228,192</u>	<u>-</u>
Investment income (loss):		
Interest and dividends	<u>65,083</u>	<u>-</u>
Total additions	<u>293,275</u>	<u>-</u>
Deductions:		
Benefits	37,031	-
Administration	<u>200</u>	<u>-</u>
Total deductions	<u>37,231</u>	<u>-</u>
Change in net position	256,044	-
Net position - July 1, 2019	<u>2,735,839</u>	<u>450</u>
Net position - June 30, 2020	<u><u>\$2,991,883</u></u>	<u><u>\$ 450</u></u>

The notes to financial statements are an integral part of this statement.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020**History and organization**

The Town of Colchester, Connecticut (“Town”) operates under the Selectmen - Town Meeting form of government established by a charter. The Town offers a full range of services authorized by the Connecticut General Statutes, including public safety, public works, community and human services, and education, to its residents.

Accounting principles generally accepted in the United States of America require 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 Town does not report any component units.

I. Summary of significant accounting policies**A. Government-wide and fund 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 nonfiduciary activities of the Town. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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*.

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.

B. 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 do not have a measurement focus but are accounted for using the accrual basis of accounting. 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 for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

B. Measurement focus, basis of accounting and financial statement presentation (continued)

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 tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. In addition, the Town considers reimbursement grants to be available if they are collected within one year 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, pension and OPEB benefits, certain other employee benefits, and certain other long-term liabilities, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds.

Property taxes, expenditure reimbursement type grants, certain intergovernmental revenues, charges for services, transfers 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. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

General Fund	The Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
Educational Grants Fund	Accounts for and reports financial resources to be used for the grants associated with education. This fund is reported as a major fund for public interest purposes.
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 issuance of equipment financing notes.
Capital Projects Fund	Accounts for financial resources to be used for major construction or acquisition of capital facilities.
Johnston Building Project Fund	Accounts for and reports financial resources to be used for the William J. Johnston construction and renovation project.

The Town reports the following major proprietary fund:

Water Fund	Accounts for the operating activity of the water operations. The major source of revenues for this fund is charges for services.
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Additionally, the Town reports the following fund types:

Special Revenue Funds	Accounts for and report the proceeds of specific revenue resources that are restricted, committed or assigned to expenditures for specified purposes other than debt.
Capital Project Funds	Accounts for and report resources and expenditures that are restricted, committed or assigned for the acquisition and construction of capital facilities, including those that are financed through special assessments.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

B. Measurement focus, basis of accounting and financial statement presentation (continued)

Debt Service Fund	Accounts for and report resources and expenditures that are assigned for the repayment of debt.
Internal Service Fund	Accounts for risk financing activities for medical insurance benefits.
Pension Trust Fund	Accounts for the activities of the Town of Colchester Police Retirement Plan which accumulates resources for pension benefit payments to qualified employees.
Private-Purpose Trust Fund	Accounts for the receipt of private donations to be used for cemetery maintenance.
Agency Funds	Accounts for monies held on behalf of student groups.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are charges between certain Town functions because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 enterprise funds and of the Town's internal service fund are charges to customers for sales and services, and premiums for medical and dental insurance.

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the Town's pension and OPEB plan, the Connecticut State Teachers' Retirement System ("TRS"), and the Connecticut State Retiree Health Insurance Plan ("RHIP") have been determined on the same basis as they are reported by the Town's pension and OPEB plan, TRS, and RHIP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

C. Assets, liabilities, deferred outflows/inflows of resources and equity

1. Cash and investments

a. Cash

The Town considers cash as cash on hand and demand deposits.

For cash flow purposes the Town considers cash equivalents money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)

b. Investments

In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital reserve fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

c. Method used to value investments

Investments for the Town are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Fair value of investments

The Town measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1	Quoted prices for identical investments in active markets
Level 2	Quoted prices for identical investments in markets that are not active
Level 3	Unobservable inputs

d. Risk policies

Interest rate risk	Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
Credit risk	Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)

Concentration of credit risk	Concentration of credit risk is the risk attributed to the magnitude of an entity's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital in any one depository.
Custodial credit risk	Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Town's policy follows the State of Connecticut 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.

2. Receivables and payables

a. Interfunds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

b. Property taxes and other receivables

In the fund financial and government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 33% to 59% of outstanding receivable balances and are calculated based upon prior collections.

In the fund financial statements, all property taxes receivable, which have not been collected within 60 days as of June 30, have been recorded as deferred inflows of resources, since they are not considered to be available to finance expenditures of the current fiscal year. Taxes collected during the 60-day period have been recorded as revenue.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, on July 1, and supplemental motor vehicle taxes are due in full January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

3. Restricted assets

The restricted assets for the Town are restricted for performance bonds. Performance bonds are restricted until the monies are returned to the vendor after satisfactory completion of the contract or the Town calls the bond for nonperformance. The agreement restricts the expenditure of the investment income only for the designated purpose.

Town of Colchester, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2020**

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**4. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Improvements other than buildings	20	\$ 5,000
Buildings	40-50	5,000
Machinery and equipment	5-20	5,000
Infrastructure:		
Distribution and collection system	50-100	5,000
Public domain infrastructure	50	5,000
System infrastructure	30	5,000

5. 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide statements for differences between expected and actual experience, changes in assumptions and net difference between projected and actual earnings on plan investments. The deferred outflow or inflow related to differences between expected and actual experience and changes in assumptions, will be amortized over the average remaining service life of all plan members. The deferred outflow or inflow related to the net difference between projected and actual earnings on plan investments will be amortized over a five-year period.

Deferred outflows of resources also include deferred outflows relating to advance refunding of debt. These amounts are deferred and are amortized over the life of the debt.

Advance tax collections represent taxes associated with a future period. This amount is recognized during the period in which the revenue is associated.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)

For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from property taxes (including advance collections, if any) and sewer assessments. These amounts are recognized as an inflow of resources in the period that the amounts become available.

6. Compensated absences

Town and Education employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources. A liability for these amounts has been recorded in the government-wide financial statements.

7. Long-term liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as project expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as project expenditures.

8. Net position and fund balances

In the government-wide financial statements, net position is classified into the following categories:

Net investment in capital assets	This category presents the net position that reflects capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes and unspent bond proceeds are excluded.
Restricted net position	This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).
Unrestricted net position	This category presents the net position of the Town which is not restricted.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable	This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
Restricted	This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
Committed	This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the Town. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Selectman and the Board of Finance.
Assigned	This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town’s fund balance policy, the Board of Finance has authorized the Chief Financial Officer to assign fund balance. Intent is also expressed by a properly approved purchase order (encumbrance).
Unassigned	This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless, the Board of Selectman and Board of Finance has provided otherwise in its commitment or assignment actions.

Minimum fund balance policy

The Board of Selectman and Board of Finance have adopted a minimum fund balance policy for the General Fund. The policy establishes the intent to maintain a level of unassigned fund balance 12 to 15% of annual budgeted expenditures, with a minimum of 10% of annual budgeted expenditures.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**9. Use of estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and deferred outflows and inflows of resources including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the mitigation responses. Any such differences are not expected to be material for the year ended June 30, 2020.

10. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance and accountability**A. Basis of budgeting**

Only the General Fund has a legally adopted annual budget.

The Town uses the budgetary basis of accounting under which purchase orders for contracts or other commitments are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in the budgetary statements included as required supplementary information.

B. Capital projects authorizations

The following is a summary of certain capital projects:

<u>Project</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Balance</u>
Local capital improvement	\$ 124,012	\$ 58,086	\$ 65,926
Equipment	1,499,354	1,303,581	195,773
Vehicles	2,906,626	1,015,101	1,891,525
Facilities and grounds maintenance	519,674	333,243	186,431
Johnston building project	48,890,000	44,011,605	4,878,395
Totals	<u>\$ 53,939,666</u>	<u>\$ 46,721,616</u>	<u>\$ 7,218,050</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

III. Detailed notes

A. Cash and investments

1. Deposits – custodial credit risk

At year end, the Town's bank balance was \$15,620,779 and was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 10,736,739
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>3,884,040</u>
Total amount subject to custodial credit risk	<u><u>\$ 14,620,779</u></u>

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist primarily of cash. From time to time, the Town's cash account balances exceeded the Federal Deposit Insurance Corporation limit. The Town reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

2. Investments

- a. The Town's investments consisted of the following types and maturities. Specific identification was used to determine maturities:

Type of Investment	Fair Value	Investment Maturities (In Years)		
		N/A	Less Than 1	1-5 Years
Private mutual funds				
Money market	\$ 33,657	\$ -	\$ 33,657	\$ -
Common stock	2,121,506	2,121,506	-	-
Fixed income funds	830,446	-	-	830,446
Certificates of deposit	727,965	-	727,965	-
Pooled fixed income	<u>8,704,437</u>	<u>-</u>	<u>8,704,437</u>	<u>-</u>
Total	<u><u>\$ 12,418,011</u></u>	<u><u>\$ 2,121,506</u></u>	<u><u>\$ 9,466,059</u></u>	<u><u>\$ 830,446</u></u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Cash and investments (continued)

b. The Town had the following recurring fair value measurements:

<u>Investments measured at net asset value (NAV)</u>	
Private mutual funds	
Money market	\$ 33,657
Common stock	2,121,506
Fixed income funds	<u>830,446</u>
 Total investments measured at net asset value (NAV)	 <u>2,985,609</u>
 <u>Other investments</u>	
Certificates of deposit	727,965
Pooled fixed income	<u>8,704,437</u>
 Total other investments	 <u>9,432,402</u>
 Total investments	 <u><u>\$ 12,418,011</u></u>

c. Investments measured at the net asset value (NAV):

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The Town values these investments based on the partnerships’ audited financial statements. If June 30 statements are available, those values are used preferentially.

However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is estimated from the most recently available valuation taking into account subsequent calls and distributions. The following table represents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the Town’s alternative investments measured at the NAV:

<u>Investment Description</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Private mutual funds				
Money market	\$ 33,657	\$ -	Daily	Daily
Common stock	2,121,506	-	Daily	Daily
Fixed income funds	<u>830,446</u>	<u>-</u>	Daily	Daily
 Total investments measured at the NAV	 <u><u>\$ 2,985,609</u></u>	 <u><u>\$ -</u></u>		

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Cash and investments (continued)

1. Common stock - This type includes investments in 2 target date fund of funds and 1 balanced fund. One target date fund invests in approximately 51% equity securities and 49% debt instruments. The other target date fund invests in approximately 72% equity securities and 28% debt instruments. The balanced fund invests in approximately 50-75% equities with the remaining balance invested in fixed income, generally investment-grade bonds. The fair values of the investments in this type have been determined using the NAV per share of the investment.
2. Fixed income funds - This type includes investments in 1 target date fund of funds and 1 money market fund. The target date fund invests in approximately 65% debt instruments and 35% equity securities. The money market fund invests at least 99.5% in government securities, cash and repurchase agreements collateralized fully by government securities or cash. The fair values of the investments in this type have been determined using the NAV per share of the investment.

d. The Town's investments are not subject to credit risk.

e. The Town's investments are not subject to custodial credit risk.

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts, including the applicable allowances for uncollectible accounts, are presented below.

	Property Taxes		
	Taxes	Interest and Lien Fees	Total
Current portion	\$ 431,757	\$ 133,037	\$ 564,794
Long-term portion	\$ 632,995	\$ 534,148	\$ 1,167,143
Less allowance for uncollectibles	(356,330)	(393,723)	(750,053)
Net long-term portion	\$ 276,665	\$ 140,425	\$ 417,090

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Interfund accounts

1. Interfund payables and receivables

A summary of interfund balances is as follows:

	Corresponding Fund	Due From	Due To
General fund			
Johnston building project fund	N/A	\$ 490,123	\$ -
Miscellaneous grants fund	N/A	369,736	-
Police special duty fund	N/A	47,947	-
Total general fund		907,806	-
Johnston building project fund	General fund	-	490,123
Other governmental funds			
Miscellaneous grants fund	General fund	-	369,736
Police special duty fund	General fund	-	47,947
Total other governmental funds		-	417,683
Total		<u>\$ 907,806</u>	<u>\$ 907,806</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

2. Interfund transfers

A summary of interfund transfers for the fiscal year is as follows:

	Corresponding Fund	Transfers In	Transfers Out
General fund:			
Educational grants fund	N/A	\$ -	\$ 137,226
Capital reserve fund	N/A	-	471,700
School cafeteria fund	N/A	-	139,260
Capital projects fund	N/A	-	370,741
Education capital reserve fund	N/A	-	403,744
Debt service fund	N/A	-	346,646
Total general fund		<u>-</u>	<u>1,869,317</u>
Educational grants fund	General fund	<u>137,226</u>	<u>-</u>
Capital reserve fund	General fund	<u>471,700</u>	<u>-</u>
Capital projects fund:			
General fund	N/A	370,741	-
Town aid road fund	N/A	<u>58,031</u>	<u>-</u>
Total capital projects fund		<u>428,772</u>	<u>-</u>
Other governmental funds:			
Special revenue funds			
Town aid road fund	Capital projects fund	-	58,031
School cafeteria fund	General fund	139,260	-
Capital projects funds			
Education capital reserve fund	General fund	403,744	-
Debt service fund	General fund	346,646	-
Debt service fund	Water fund	<u>13,580</u>	<u>-</u>
Total other governmental funds		<u>903,230</u>	<u>58,031</u>
Enterprise funds:			
Water fund	Debt service	<u>-</u>	<u>13,580</u>
Total		<u>\$ 1,940,928</u>	<u>\$ 1,940,928</u>

Transfers are used to move budgeted appropriations from the general fund for funding of capital projects and various programs and activities in other funds.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

D. Capital assets

Capital asset activity for the fiscal year was as follows:

Governmental Activities:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<u>Capital assets, not being depreciated:</u>				
Land	\$ 3,626,879	\$ -	\$ -	\$ 3,626,879
Construction in progress	9,564,107	460,464	9,523,853	500,718
Total capital assets, not being depreciated	<u>13,190,986</u>	<u>460,464</u>	<u>9,523,853</u>	<u>4,127,597</u>
<u>Capital assets, being depreciated:</u>				
Improvements other than buildings	2,171,269	-	-	2,171,269
Buildings	112,147,023	10,238,385	-	122,385,408
Machinery and equipment	18,428,961	1,128,457	256,434	19,300,984
Infrastructure	40,664,520	608,492	-	41,273,012
Total capital assets, being depreciated	<u>173,411,773</u>	<u>11,975,334</u>	<u>256,434</u>	<u>185,130,673</u>
Total capital assets	<u>186,602,759</u>	<u>12,435,798</u>	<u>9,780,287</u>	<u>189,258,270</u>
<u>Less accumulated depreciation for:</u>				
Improvements other than buildings	1,669,782	50,843	-	1,720,625
Buildings	39,583,516	2,604,591	-	42,188,107
Machinery and equipment	12,904,480	1,143,457	256,257	13,791,680
Infrastructure	31,133,654	511,291	-	31,644,945
Total accumulated depreciation	<u>85,291,432</u>	<u>4,310,182</u>	<u>256,257</u>	<u>89,345,357</u>
Total capital assets, being depreciated, net	<u>88,120,341</u>	<u>7,665,152</u>	<u>177</u>	<u>95,785,316</u>
Capital assets, net	<u>\$ 101,311,327</u>	<u>\$ 8,125,616</u>	<u>\$ 9,524,030</u>	<u>\$ 99,912,913</u>

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

General government	\$ 83,159
Public safety	269,663
Public works	1,086,822
Community and human services	240,200
Education	2,630,338
Total depreciation expense	<u>\$ 4,310,182</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020**D. Capital assets (continued)**Business-Type Activities:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<u>Capital assets, being depreciated:</u>				
Improvements other than buildings	\$ 25,591	\$ -	\$ -	\$ 25,591
Buildings	5,752,680	98,879	-	5,851,559
Machinery and equipment	419,286	15,300	-	434,586
Infrastructure	3,232,929	70,913	-	3,303,842
Total capital assets, being depreciated	<u>9,430,486</u>	<u>185,092</u>	<u>-</u>	<u>9,615,578</u>
<u>Less accumulated depreciation for:</u>				
Improvements other than buildings	22,861	210	-	23,071
Buildings	2,250,022	137,630	-	2,387,652
Machinery and equipment	268,651	30,097	-	298,748
Infrastructure	1,788,875	51,178	-	1,840,053
Total accumulated depreciation	<u>4,330,409</u>	<u>219,115</u>	<u>-</u>	<u>4,549,524</u>
Business-type capital assets, net	<u>\$5,100,077</u>	<u>\$ (34,023)</u>	<u>\$ -</u>	<u>\$ 5,066,054</u>

Depreciation expense of \$219,115 was charged to the Water Fund.

E. Construction commitments

The Town had the following construction commitments:

Johnston Building Project	<u>\$ 748,544</u>
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Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

F. Short-term obligations – Bond anticipation notes

The Town uses bond anticipation notes (“BANs”) during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

Description	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
William J. Johnston Middle School Project	10/17/2018	10/16/2019	3.00%	\$ 1,810,000	\$ -	\$ 1,810,000	\$ -
William J. Johnston Middle School Project	10/16/2019	10/15/2020	2.00%	-	2,845,000	-	2,845,000
Total				\$ 1,810,000	\$ 2,845,000	\$ 1,810,000	\$ 2,845,000

In October 2020, the Town issued \$2,845,000 of general obligation bond anticipation notes. These notes mature in October 2021 and have an interest rate of 1.00%.

G. Changes in long-term liabilities**1. Summary of changes**Governmental Activities:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion	Long-Term Portion
Bonds:										
General Purpose:										
Bonds	\$ 1,460,000	05/20/10	06/01/21	2.25%-5.00%	\$ 160,000	\$ -	\$ 160,000	\$ -	\$ -	\$ -
Refunding bonds	2,075,900	05/20/10	06/01/21	2.25%-5.00%	350,000	-	175,000	175,000	175,000	-
Total general purpose bonds	3,535,900				510,000	-	335,000	175,000	175,000	-
School bonds:										
Bonds	1,065,000	05/20/10	06/01/21	2.25%-5.00%	120,000	-	120,000	-	-	-
Bonds	1,994,100	05/20/10	06/01/21	2.25%-5.00%	430,000	-	215,000	215,000	215,000	-
Refunding bonds	8,339,800	02/23/12	06/15/25	2.00%-4.00%	4,080,000	-	820,000	3,260,000	810,000	2,450,000
School bonds	12,000,000	10/03/18	10/15/45	3.00%-5.00%	12,000,000	-	-	12,000,000	350,000	11,650,000
School bonds	7,040,000	10/08/19	10/15/45	2.50%-5.00%	7,040,000	-	-	7,040,000	-	7,040,000
Total school bonds	30,438,900				23,670,000	-	1,155,000	22,515,000	1,375,000	21,140,000
Total bonds	33,974,800				24,180,000	-	1,490,000	22,690,000	1,550,000	21,140,000

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

G. Changes in long-term obligations (continued)

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion	Long-Term Portion
<u>Notes:</u>										
Equipment financing notes:										
Energy project	\$ 3,126,409	03/29/13	01/05/25	1.77%	\$ 1,742,020	\$ -	\$ 277,724	\$ 1,464,296	\$ 282,651	\$ 1,181,645
Heavy rescue	460,890	01/27/14	01/27/24	2.25%	231,827	-	46,774	185,053	47,835	137,218
Total notes	3,587,299				1,973,847	-	324,498	1,649,349	330,486	1,318,863
Total bonds/notes	37,562,099				26,153,847	-	1,814,498	24,339,349	1,880,486	22,458,863
Premium					278,756	971,425	73,957	1,176,224	-	1,176,224
Total bonds/notes and related liabilities					26,432,603	971,425	1,888,455	25,515,573	1,880,486	23,635,087
Landfill liability					75,000	-	15,000	60,000	15,000	45,000
Compensated absences					3,365,093	701,991	347,399	3,719,685	371,969	3,347,716
Net pension liability					481,962	430,420	293,275	619,107	-	619,107
OPEB liability					6,808,744	2,155,431	250,148	8,714,027	-	8,714,027
Total long-term obligations					\$ 37,163,402	\$ 4,259,267	\$ 2,794,277	\$ 38,628,392	\$ 2,267,455	\$ 36,360,937

All long-term liabilities are generally liquidated by the general fund.

Business-Type Activities:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion	Long-Term Portion
<u>Notes:</u>										
Clean Water	\$ 2,496,990	07/31/09	07/31/28	2.12%	\$ 1,253,101	\$ -	\$ 126,445	\$ 1,126,656	\$ 129,151	\$ 997,505

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

G. Changes in long-term obligations (continued)**2. The following is a summary of principal and interest amounts of bond and note maturities:**

Year Ended June 30,	Governmental Activities			Business-Type Activities	
	Bond Principal	Note Principal	Total Interest	Note Principal	Note Interest
2021	\$ 1,550,000	\$ 330,486	\$ 853,923	\$ 129,151	\$ 22,635
2022	1,495,000	336,585	783,748	131,916	19,870
2023	1,190,000	342,800	720,410	134,740	17,046
2024	1,180,000	336,229	670,260	137,624	14,162
2025	1,170,000	303,249	620,669	140,571	11,216
2026	780,000	-	567,619	143,580	8,206
2027	780,000	-	531,119	146,654	5,133
2028	780,000	-	497,119	149,793	1,993
2029	780,000	-	463,119	12,627	22
2030	780,000	-	431,619	-	-
2031	780,000	-	402,619	-	-
2032	780,000	-	373,306	-	-
2033	780,000	-	345,081	-	-
2034	780,000	-	317,944	-	-
2035	780,000	-	290,181	-	-
2036	780,000	-	262,106	-	-
2037	780,000	-	235,119	-	-
2038	780,000	-	209,219	-	-
2039	780,000	-	183,006	-	-
2040	780,000	-	156,481	-	-
2041	780,000	-	130,656	-	-
2042	725,000	-	106,500	-	-
2043	725,000	-	83,313	-	-
2044	725,000	-	59,953	-	-
2045	725,000	-	36,141	-	-
2046	725,000	-	12,044	-	-
Total	\$ 22,690,000	\$ 1,649,349	\$ 9,343,274	\$ 1,126,656	\$ 100,283

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

G. Changes in long-term obligations (continued)

3. Assets pledged as collateral

The Town's outstanding equipment financing notes of \$1,649,349 are secured with collateral of the equipment purchased.

4. Statutory debt limitations

The Town's indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes as reflected in the following schedule:

Category	Debit Limit	Net Indebtedness	Balance
General purpose	\$ 89,541,340	\$ 175,000	\$ 89,366,340
Schools	179,082,680	25,360,000	153,722,680
Sewer	149,235,566	-	149,235,566
Urban renewal	129,337,491	-	129,337,491
Pension deficit	119,388,453	-	119,388,453

The total overall statutory debt limit for the Town is equal to seven times prior year annual receipts from taxation, \$278,573,057.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

5. Authorized/unissued bonds

The amount of authorized, unissued bonds, net of grants, is as follows:

Schools	<u>\$ 5,719,547</u>
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6. Landfill post-closure care costs

State and Federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for 30 years. Estimated total current costs of landfill post-closure care is \$60,000 which is based on the amount estimated to be paid for all equipment, facilities and services required to monitor and maintain the landfill. However, the actual cost of monitoring and other post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020**H. Fund balances and restricted net position**

Fund balances are composed of the following:

Fund Balance Component	General Fund	Educational Grants Fund	Capital Reserve Fund	Capital Projects Fund	Johnston Building Project Fund	Other Governmental Funds	Total
Restricted:							
Small cities program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,682	\$ 68,682
General government programs	-	-	-	-	-	93,726	93,726
Public safety programs	-	-	-	-	-	15,727	15,727
Public works:							
Sewer facility operations	-	-	-	-	-	322,761	322,761
Road infrastructure programs	-	-	-	-	-	978,163	978,163
Community and human services programs	-	-	-	-	-	396,965	396,965
Food service program	-	-	-	-	-	25,864	25,864
Education programs	-	124,191	-	-	-	-	124,191
Total restricted	-	124,191	-	-	-	1,901,888	2,026,079
Committed:							
Snow reserve program	263,930	-	-	-	-	-	263,930
Education - school security	81,331	-	-	-	-	-	81,331
Senior center owner's representative	14,799	-	-	-	-	-	14,799
Public safety programs	-	-	-	-	-	92,664	92,664
Recreation programs	-	-	-	-	-	233,809	233,809
Education programs	-	-	-	-	-	55,163	55,163
Capital projects	-	-	2,497,730	1,482,963	-	1,393,268	5,373,961
Total committed	360,060	-	2,497,730	1,482,963	-	1,774,904	6,115,657
Assigned:							
Public safety	10,687	-	-	-	-	-	10,687
Education	890,560	-	-	-	-	-	890,560
Debt service	52,908	-	-	-	-	1,003,744	1,056,652
Subsequent year's budget	314,000	-	-	-	-	-	314,000
Total assigned	1,268,155	-	-	-	-	1,003,744	2,271,899
Unassigned	7,834,677	-	-	-	(3,660,865)	(71,895)	4,101,917
Total	\$9,462,892	\$ 124,191	\$2,497,730	\$ 1,482,963	\$(3,660,865)	\$4,608,641	\$14,515,552

General Fund encumbrances totaled \$211,082, which includes \$207,396 of current year encumbrances and \$3,686 carrying from prior year.

The amount of restricted net position, which was restricted by enabling legislation, totaled \$348,625.

I. Deficit fund balances

The Town had deficit fund balances in the following funds:

Fund	Deficit	Deficit will be eliminated by
Miscellaneous grants fund	\$ (71,895)	Future intergovernmental revenues and transfers in.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

IV. Other information**A. Risk management**

The Town is exposed to various risks of loss including torts, theft of, damage to and destruction of assets; errors or omissions; injuries to employees and natural disasters. Generally, the Town obtains commercial insurance for these risks, but has chosen to retain limited risks for employee medical claims. The Town contracts with outside organizations to pay claims and provide administrative services. Additionally, insurance coverage has been purchased to limit the Town's liability for worker's compensation and general liability claims. Settled claims have not exceeded commercial coverage in any of the past three years, and there has not been any significant reductions in insurance coverage from amounts held in prior years.

The Town utilizes a risk management fund (the Internal Service Fund) to account for and finance its uninsured risks of loss for medical claims. The fund records all claim expenditures and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. All Town departments and agencies are charged premiums by the Internal Service Fund, which are included in department and agency expenditures, to cover the estimated cost of claims payment based on historical cost estimates of the amounts needed to pay prior and current year claims. Maximum liability to the Town per covered participant is \$125,000 with an aggregate stop loss of 125% of expected claims paid. A third party administers the plan for which the Town pays an administrative fee. Claims liabilities include an estimate of claims incurred but not reported and are the Town's best estimate based on available information.

The Town records all claim expenditures and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated in the government-wide statements. The claims liability reported is based upon accounting principles which require that a liability for estimated claims incurred but not reported be accrued. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and social factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

	Claims Payable July 1	Current year Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
<u>Medical insurance</u>				
2018-2019	\$506,588	\$6,581,848	\$6,607,436	\$481,000
2019-2020	481,000	5,885,857	5,849,215	517,642

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

IV. Other information (continued)

B. Commitments and litigation

Amounts received or receivable from Federal and State grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is a defendant in various lawsuits and the outcome of these lawsuits is not presently determinable. In the opinion of the Town attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

C. Contingencies

Coronavirus

In March 2020, the United States declared the outbreak of Coronavirus a national emergency. Similarly, the Governor of the State of Connecticut declared a state of emergency and has since issued over 70 executive orders regarding the pandemic. One of the most significant executive orders required local governments to offer taxpayers/rate payers one or both of the following programs: interest rate reduction program and payment deferral program. The interest rate reduction program reduced the interest rate charged on delinquent taxes/user fees from 18% to 3% for the period April 1, 2020 through October 1, 2020. The payment deferral program also was effective April 1, 2020 for local governments with quarterly payments and July 1, 2020 for those with semi-annual payments. This program allowed taxpayers/rate payers to defer payment of amounts due without incurring any penalty interest until October 1, 2020. The Town implemented the payment deferral and interest rate reduction programs. The impact of these programs on property tax and user fee revenues and delinquent interest collections was not significant during this period. The Town did see an impact on both cafeteria revenues and park and recreation program fees. Cafeteria revenues decreased by \$115,539 or 31% and parks and recreation fees decreased by \$139,972 or 46%. The Town transferred \$139,260 to the cafeteria fund during the year to support operations.

The state of emergency has had a negative impact on the Town's economically sensitive revenues such as park and recreation program fees, interest earnings and certain other charges for services for the last quarter of the fiscal year and the impact continues into the 2021 fiscal year. On the expenditure side, expenditures for health and safety measures, including additional personnel costs, technology and supplies are expected to increase and may exceed adopted budgets. There continues to be uncertainty related to the duration, possible reemergence and future severity of the pandemic, as well as to what actions may be taken by the Federal government, the State of Connecticut and health care authorities to contain or mitigate its effects. This includes the nature and extent of any financial support.

The Town is continuously monitoring its financial condition and will take proactive measures as necessary to maintain operations and meet its obligations. Given this level of uncertainty, management cannot reasonably estimate the complete impact on the Town's future financial position at this time.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

V. Pensions and other post-employment benefit (“OPEB”) plans

A. Town pension plans

1. Plan description

a. Plan administration

The Town is the administrator of a single-employer defined benefit pension plan established and administered by the Town to provide benefits that covers the Police department employees of the Town, the Town of Colchester Police Department Retirement Plan (“Plan”). The plan is considered to be part of the Town’s financial reporting entity and is included in the Town’s financial reports as a pension trust fund. The Plan was established by Town Meeting. The plan does not issue a standalone report. Benefits and refunds of post-employment defined benefit plans are recognized when due and payable in accordance with the terms of the Plan. The Town’s General Fund contributes an amount as recommended by their Actuary to fund the net pension obligations.

Benefits and contributions are established by the Town, via negotiated contracts, and may be amended only by the approval of the Board of Selectmen, and as agreed upon with the appropriate bargaining unit. The Plan is closed to employees hired on or after January 1, 2012.

The general administration and management of the plan and the responsibility for carrying out the provisions of the plan shall be placed in the Colchester Retirement Board. This Board is appointed by the Board of Selectmen and consists of a representative of the Board of Selectmen, a representative of the Board of Finance, the Town Treasurer, and two electors of the Town. The Chief Financial Officer is a nonvoting ex officio member.

b. Plan membership

As of July 1, 2018, the memberships in the Plan is comprised of the following:

Active members 9

2. Benefit provisions

Normal retirement	20 years of service
Benefit calculation	2.5% of final average salary multiplied by years of service. Maximum benefit of 60% of final average salary
Final average compensation	Highest 3 years of base salary
Vesting - service	10 years
Vesting - amount	100% of accrued benefit
Pre-retirement death benefit amount	Lump sum equal to the participant's employee contributions
Post-retirement death benefit amount	100%, 75% or 50% depending on the participant's annuity selection
Cost of living increases	2.5%

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Town pension plans (continued)

3. Contributions

Contribution requirements of the plan members and the Town are established, and may be amended, by the Board of Selectmen and collectively bargained contracts.

The Town is required to contribute amounts necessary to fund benefits. The Town's contributions to the plan are actuarially determined on an annual basis. Administrative costs are financed through investment earnings.

Employee contributions	12.50%
Town average contribution rate as a percentage of covered payroll was	19.85%

4. Investments

a. Investment policy

The pension plans' policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Town's Retirement Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The following is the Board's adopted asset allocation policy for the plans:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	4.00%
Equities	64.00%
Fixed income	<u>32.00%</u>
Total	<u><u>100.00%</u></u>

b. Concentrations

There were no investments in any one organization that represented 5% or more of the pension plan's net position.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Town pension plans (continued)

c. Rate of return

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	0.00%
Equities	5.25%
Fixed income	2.00%
Long-term expected nominal rate of return	6.60%

d. Annual money-weighted rate of return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.31%.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

5. Net pension liability

The components of the net pension liability were as follows:

Total pension liability	\$ 3,610,990
Plan fiduciary net position	<u>2,991,883</u>
Net pension liability	<u>\$ 619,107</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>82.85%</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Town pension plans (continued)

6. Actuarial methods and significant assumptions

The net pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	July 1, 2018
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Investment rate of return	7.00%
Inflation	2.60%
Salary increases	2.60% plus Service Merit Scale
Cost of living adjustments	2.50%
Mortality rates	RP-2014 Adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2018

7. Changes from prior year

a. Changes in assumptions

There were no changes in assumptions.

b. Changes in benefit terms

There were no changes in benefit terms.

8. Discount rate

The discount rate used to measure the total pension liability was 7.00%.

The projection of cash flows used to determine the discount rate assumed 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 projected fiduciary net position will be sufficient to cover projected benefit payments and administrative expenses indefinitely. Therefore, the long-term expected rate of return on pension plan investments was used to discount plan liabilities.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Town pension plans (continued)

9. Changes in the net pension liability

The Town's net pension liability was measured at June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The changes in net pension liability were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2019	\$ 3,217,801	\$ 2,735,839	\$ 481,962
Service cost	192,980	-	192,980
Interest	237,240	-	237,240
Contributions - employer	-	145,500	(145,500)
Contributions - member	-	82,692	(82,692)
Net investment income	-	65,083	(65,083)
Benefit payments, including refunds of member contributions	(37,031)	(37,031)	-
Administration	-	(200)	200
Net change	393,189	256,044	137,145
Balance at June 30, 2020	<u>\$ 3,610,990</u>	<u>\$ 2,991,883</u>	<u>\$ 619,107</u>

10. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate as well as what the Town's net pension 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 rate:

	1% Decrease	Current Discount Rate	1% Increase
Net pension liability	<u>\$1,268,821</u>	<u>\$ 619,107</u>	<u>\$ 100,685</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Town pension plans (continued)**11. Pension expense and deferred outflows and inflows of resources**

The Town recognized pension expense of \$200,638 for the plan.

The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	\$ -	\$ (139,779)	\$ (139,779)
Changes in assumptions	80,236	(39,826)	40,410
Net difference between projected and actual earnings on pension plan investments	<u>145,041</u>	<u>-</u>	<u>145,041</u>
Total	<u>\$ 225,277</u>	<u>\$ (179,605)</u>	<u>\$ 45,672</u>

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Changes of assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactive employees, which was 11.0 years.

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

Year Ending June 30	
2021	\$ 26,191
2022	33,219
2023	25,933
2024	15,538
2025	(11,040)
Thereafter	<u>(44,169)</u>
Total	<u>\$ 45,672</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020**B. Defined contribution retirement savings plan and deferred compensation plan**

Town employees are eligible to participate in a defined contribution plan administered by the Town. The benefits and contribution requirements are established by approval of the Board of Selectman.

Defined contribution plan

All Town employees, other than police officers hired prior to January 1, 2012, 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.

The contribution from both the Town and employees ranges from 6.00% to 8.00% of base pay for full-time employees and from 3.00% to 5.50% for part-time employees.

The Town contributions for each employee are vested 20% per year over five years. Voluntary contributions are allowed in combination with the Town's contribution up to the maximum amount allowed by IRS regulations.

Deferred compensation plan

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.

Education 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 of Education will make contributions ranging from 3.00% to 7.00% of base pay. The Education 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 Board of Education does not make contributions to the employees' 403(b) plan.

During the year, the employer contributions for both plans were \$548,776 and employee contributions were \$718,274.

C. Connecticut state teachers' retirement system**1. Plan description**

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

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Connecticut state teachers' retirement system (continued)**2. Benefit provisions**

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
Benefit calculation	2.00% 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	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
Early retirement amount	Benefit amounts are reduced by 6.00% per year for the first 5 years preceding normal retirement age and 4.00% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.00% per year by which retirement precedes normal retirement date
Service connected disability amount	2.00% 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. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of annual average salary
Non-service connected disability service requirement	Five years of credited service
Vesting - service	10 years of service
Vesting - amount	100%
Pre-retirement death benefit amount	Lump-sum return of contributions with interest or surviving spouse benefit depending on length of service

3. Contributions**State of Connecticut**

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, 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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Connecticut state teachers' retirement system (continued)

Employer (school districts)

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

Employees

Each teacher is required to contribute 7.00% of their salary for the pension benefit.

4. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

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 amounts 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>77,141,798</u>
Total	<u>\$ 77,141,798</u>

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

During the year the Town recognized pension expense and revenue of \$5,839,223 for on-behalf amounts for contributions to the plan by the State.

5. 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:

Investment rate of return	6.90%
Inflation	2.50%
Salary increases	3.25-6.50%, including inflation
Mortality rates	Mortality rates were based on the RP-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

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Connecticut state teachers' retirement system (continued)

Future cost-of-living increases - 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 3.00% and a maximum of 5.00% 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 6.00% per annum. If the return on assets in the previous year was less than 8.50%, the maximum increase is 1.50%. 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 5.00% per annum. If the return on assets in the previous year was less than 11.50%, the maximum increase is 3.00%, and if the return on the assets in the previous year was less than 8.50%, the maximum increase is 1.00%.

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.

Changes in assumptions and inputs

- The inflation assumption was decreased from 2.75% to 2.50%.
- The investment rate of return was decreased from 8.00% to 6.90%.

Long-term expected rate of return

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 geometric rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity - US equity	20.00%	8.10%
Public equity - international developed equity	11.00%	8.50%
Public equity - emerging markets equity	9.00%	10.40%
Fixed income - core fixed income	16.00%	4.60%
Fixed income - inflation linked bonds	5.00%	3.60%
Fixed income - high yield	6.00%	6.50%
Fixed income - emerging market debt	5.00%	5.20%
Private equity	10.00%	9.80%
Real estate	10.00%	7.00%
Alternative investments - real assets	4.00%	8.20%
Alternative investments - hedge funds	3.00%	5.40%
Liquidity fund	1.00%	2.90%
Total	<u>100.0%</u>	

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020**C. Connecticut state teachers' retirement system (continued)****6. Discount rate**

The discount rate used to measure the total pension liability was 6.90%. 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 State 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 rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Sensitivity of the net pension liability 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 of Connecticut.

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' Retirement Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2019.

D. Other post-employment benefit ("OPEB") plan**1. Plan description****a. Plan administration**

The Town administers a single-employer, post-retirement healthcare plan for the Town and Board of Education Other Post-Employment Benefits ("OPEB"). The Town and the Board of Education plan provides medical, dental and life insurance benefits for eligible retirees and their spouses. The plan does not have assets accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan does not issue a stand-alone financial report.

b. Plan membership

As of July 1, 2019, the plan's membership consisted of:

	Town
Retirees and beneficiaries receiving benefits	24
Active members	459
Total	483

2. Benefit provisions

The plan provides for medical, dental and life insurance benefits for all eligible retirees and their spouses. Benefits and contributions are established by contract and State Statutes and may be amended by union negotiations.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

D. Other post-employment benefit (“OPEB”) plan (continued)

3. Contributions

Employees	0%
Library, Town Hall retirees	Non-Medicare eligible employees hired prior to July 1, 2009 with 10 years of service - access to medical coverage for up to 5 years or upon retiree's eligibility for Medicare D coverage. Retiree pays 100% of the cost
Municipal, Town Administrators retirees	Non-Medicare eligible employees - access to medical coverage for up to 5 years or upon retiree's eligibility for Medicare D coverage. Retiree pays 100% of the cost
Noncertified education retirees	20 years of service - access to medical plan. Retiree pays 100% of the cost
Teachers and administrators	Teachers who no longer work for the Board of Education are allowed by State Statute to participate in the Town's group medical insurance plan until they formally begin receiving benefits from the State Teachers' Retirement Plan. These retirees are required to contribute the cost of the insurance to the Town
Employer	Funding the plan on a pay as you go basis

4. Actuarial methods and significant assumptions:

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Valuation date	July 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percent
Discount rate	2.21%
Salary increases	Graded based on service for teachers and administrators; 3.50% for all others
Healthcare cost trend rates:	
Inflation	2.60%
Initial medical trend rate	6.40%
Ultimate medical trend rate	4.10%

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

D. Other post-employment benefit (“OPEB”) plan (continued)

Mortality rates	Teachers and Administrators: 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) to rates over age 80
	Police and Fire: PubS-2010 Mortality Table with generational projection per MP ultimate scale
	All Others: PubG-2010 Mortality Table with generational projection per MP ultimate scale

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index as of the measurement date.

5. Changes from prior year

a. Changes in assumptions

The Town’s plan had the following changes in assumptions:

- The discount rate decreased from 3.50% to 2.21%.
- The inflation rate decreased from 2.75% to 2.60%.
- The healthcare cost trend rate changed from 5.80% - 4.70% over 65 years to 6.40% - 4.10% over 54 years.

b. Changes in benefit terms

There were no changes in benefit terms.

6. Changes in the total OPEB liability

The Town’s OPEB liability was measured at June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Balance at July 1, 2019	<u>\$ 6,808,744</u>
Service cost	298,808
Interest	244,424
Differences between expected and actual experience	524,866
Changes in assumptions	1,087,333
Benefit payments, including refunds of member contributions	<u>(250,148)</u>
Net change	<u>1,905,283</u>
Balance at June 30, 2020	<u><u>\$ 8,714,027</u></u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

D. Other post-employment benefit (“OPEB”) plan (continued)

7. Sensitivity of the OPEB liability to changes in the discount rate

The following presents the OPEB liability, as well as what the 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
OPEB Liability	<u>\$ 9,727,872</u>	<u>\$ 8,714,027</u>	<u>\$ 7,852,528</u>

8. Sensitivity of the OPEB liability to changes in the healthcare cost trend rate

The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
OPEB Liability	<u>\$ 7,568,679</u>	<u>\$ 8,714,027</u>	<u>\$10,119,830</u>

9. OPEB expense and deferred outflows of resources related to OPEB

For the fiscal year, the Town recognized OPEB expense of \$810,303. The Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description of Inflows</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
Differences between expected and actual experience	\$ 442,856	\$ -	\$ 442,856
Changes in assumptions	<u>1,096,479</u>	<u>(93,898)</u>	<u>1,002,581</u>
Total	<u>\$1,539,335</u>	<u>\$ (93,898)</u>	<u>\$1,445,437</u>

Experience losses (gains) are amortized over the average remaining service period of actives and inactive, which was 6.4 years.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

D. Other post-employment benefit (“OPEB”) plan (continued)

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

<u>Year Ended June 30,</u>	
2021	\$ 267,071
2022	267,071
2023	267,071
2024	267,071
2025	267,071
Thereafter	<u>110,082</u>
Total	<u>\$ 1,445,437</u>

E. Connecticut state teachers’ retirement board retiree health insurance plan

1. Plan description

Teachers, principals, superintendents or supervisors engaged in service of public schools that are currently receiving a retirement or disability benefit through the Connecticut Teachers’ Retirement System 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 Teachers’ Retirement Board (“TRB”). Chapter 167a Section 10-183t of the State 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.

2. Benefit provisions

The Plan provides for retiree health insurance benefits. Eligibility is as follows:

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
Service connected disability service requirement	No service requirement
Non-service connected disability service requirement	Five years of credited service
Vesting - service	10 years of service

Town of Colchester, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2020**

E. Connecticut state teachers' retirement board retiree health insurance plan (continued)**Retiree health care coverage**

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

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).

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.

3. Contributions**State of Connecticut**

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board 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 Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

E. Connecticut state teachers' retirement board retiree health insurance plan (continued)

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 annual salary.

4. OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

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 amounts 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 were as follows:

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>12,030,700</u>
Total	<u>\$ 12,030,700</u>

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

The Town recognized OPEB expense and revenue of \$159,591 for on-behalf amounts for the benefits provided by the State.

5. Actuarial methods and significant 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:

Investment rate of return	3.00%
Inflation	2.50%
Health care cost trend rate	
Pre-Medicare	5.95% decreasing to 4.75% by 2025
Medicare	5.00% decreasing to 4.75% by 2028
Salary increases	3.25-6.50%, including inflation
Mortality rates	Mortality rates were based on the RP-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
Year fund net position will be depleted	2020

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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

E. Connecticut state teachers' retirement board retiree health insurance plan (continued)

Changes in assumptions and inputs

- The discount rate was decreased from 3.87% to 3.50% to reflect the change in the Municipal Bond Index rate.

Additionally, 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 January 1, 2019. Further, the expected rate of inflation was decreased and the Real Wage Growth assumption was increased.

Long-term expected rate of return

The long-term expected rate of return on OPEB 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 OPEB 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

All the plan assets are assumed to be invested in cash equivalents due to the need for liquidity. The expected rate of return is 3.00%.

6. Discount rate

The discount rate used to measure the total OPEB liability was 3.50%. The Municipal Bond Index Rate was used in the determination in the discount rate. 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 no future employer contributions were assumed to be made.

7. Sensitivity of the OPEB liability to changes in the discount rate and the health care cost trend rate

The Town's proportionate share of the net OPEB liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

8. Plan fiduciary net position

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 as of and for the year ended June 30, 2019.

VI. Fund reclassifications

The following funds were reclassified during the year.

<u>Fund</u>	<u>From</u>	<u>To</u>	<u>Amount</u>
Capital projects fund	Other governmental funds	Major Fund	\$ 1,752,467
Animal control fund	Other governmental funds	General Fund	980

Required Supplementary Information

Type	Description
Budgetary	Schedule of Revenues, Expenditures and Other Financing Uses - Budget and Actual - General Fund
	Notes to Required Supplementary Information - Budgets and Budgetary Accounting
<u>Pension Plans</u> Police State Teachers' Retirement System	Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Investment Returns
	Schedule of Proportionate Share of the Net Pension Liability
	Schedule of Contributions
	Notes to Required Supplementary Information
<u>Other Post-Employment Benefits Plans</u> Town State Teacher's Retirement Board Retiree Health Insurance Plan	Schedule of Changes in OPEB Liability and Related Ratios
	Schedule of Proportionate Share of the Net OPEB Liability
	Schedule of Contributions
	Notes to Required Supplementary Information

Town of Colchester, Connecticut
Required Supplementary Information

General Fund
Schedule of Revenues, Expenditures and Other Financing Uses
Budget and Actual
For the Year Ended June 30, 2020

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Revenues:					
Property taxes:					
Current taxes	\$ 40,304,659	\$ -	\$40,304,659	\$40,182,494	\$ (122,165)
Arrears taxes	550,000	-	550,000	300,629	(249,371)
Interest and liens	330,000	-	330,000	276,035	(53,965)
Total property taxes	41,184,659	-	41,184,659	40,759,158	(425,501)
Intergovernmental:					
Education grants:					
Special education	500,000	-	500,000	369,346	(130,654)
Education cost sharing	12,359,179	-	12,359,179	12,299,883	(59,296)
Total education grants	12,859,179	-	12,859,179	12,669,229	(189,950)
State of Connecticut:					
Municipal stabilization grant	134,167	-	134,167	134,167	-
Payment in lieu of taxes	74,928	-	74,928	74,928	-
Disability exemption	1,674	-	1,674	1,610	(64)
Additional veteran exemption	7,211	-	7,211	7,357	146
Local capital improvement program	116,454	-	116,454	115,954	(500)
Mashantucket Pequot/Mohegan grant	23,167	-	23,167	23,167	-
Distribution to towns	5,000	-	5,000	6,790	1,790
Youth services grant	17,000	-	17,000	17,732	732
Cares Act DOL unemployment	-	-	-	35,668	35,668
Total State of Connecticut	379,601	-	379,601	417,373	37,772
Total intergovernmental	13,238,780	-	13,238,780	13,086,602	(152,178)
Charges for services:					
Ambulance	575,000	-	575,000	490,915	(84,085)
Recreation	12,000	-	12,000	3,734	(8,266)
Licenses, permits and fees:					
Fire Marshal inspection fees	240	-	240	60	(180)
Sports licenses	470	-	470	240	(230)
Transfer station fees	127,500	-	127,500	138,071	10,571
Conservation commission fees	5,500	-	5,500	6,570	1,070
Road inspection fees	3,900	-	3,900	31,968	28,068
Building code fees	245,000	-	245,000	470,120	225,120
Conveyance tax	185,000	-	185,000	189,006	4,006
Zoning and planning fees	13,000	-	13,000	13,250	250
Zoning appeal fees	700	-	700	1,350	650
Copier fees - tax collector	200	-	200	206	6
Copier fees - assessor	550	-	550	527	(23)
Copier fees - town clerk	16,500	-	16,500	16,097	(403)
Copier fees - planning and code administration	150	-	150	123	(27)
Town clerk fees	87,000	-	87,000	107,450	20,450
Vendor permits	1,200	-	1,200	1,340	140
Pistol permits	8,500	-	8,500	4,480	(4,020)

(Continued)

Town of Colchester, Connecticut
Required Supplementary Information

General Fund
Schedule of Revenues, Expenditures and Other Financing Uses
Budget and Actual
For the Year Ended June 30, 2020

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Charges for services: (continued)					
Library fines and fees	\$ 7,600	\$ -	\$ 7,600	\$ 4,312	\$ (3,288)
Dial-A-ride	3,150	-	3,150	2,225	(925)
Recording fees	2,000	-	2,000	1,751	(249)
Total charges for services	1,295,160	-	1,295,160	1,483,795	188,635
Income from investments	225,000	-	225,000	269,519	44,519
Other:					
Tuition	402,038	-	402,038	487,501	85,463
Telecommunications tax	27,000	-	27,000	27,341	341
State fund for building inspection	1,000	-	1,000	-	(1,000)
Elderly housing	14,350	-	14,350	15,774	1,424
Miscellaneous	5,000	-	5,000	4,659	(341)
Insurance reimbursements	-	-	-	125	125
Recovery	-	31,250	31,250	57,902	26,652
Total other	449,388	31,250	480,638	593,302	112,664
Total revenues	56,392,987	31,250	56,424,237	56,192,376	(231,861)
<u>Expenditures and other financing uses:</u>					
General government:					
Boards and commissions	35,870	-	35,870	21,830	14,040
Contingency	60,212	(54,577)	5,635	-	5,635
First selectman	249,564	27,500	277,064	274,339	2,725
Human resources	66,880	17,500	84,380	74,957	9,423
Finance	308,574	(20,000)	288,574	267,547	21,027
Tax collector	171,559	-	171,559	160,919	10,640
Assessor	311,234	16,000	327,234	302,926	24,308
Planning and code administration	478,181	(13,750)	464,431	430,275	34,156
Town clerk	172,189	-	172,189	164,373	7,816
Elections	71,482	-	71,482	61,865	9,617
Insurances	1,683,540	-	1,683,540	1,672,753	10,787
Probate	5,271	-	5,271	5,271	-
Information technology	116,789	20,000	136,789	130,545	6,244
Total general government	3,731,345	(7,327)	3,724,018	3,567,600	156,418
Public safety:					
Police	1,605,865	-	1,605,865	1,575,189	30,676
Fire	1,347,973	30,827	1,378,800	1,282,789	96,011
Emergency management	18,858	-	18,858	16,696	2,162
Total public safety	2,972,696	30,827	3,003,523	2,874,674	128,849

(Continued)

Town of Colchester, Connecticut

Required Supplementary Information

General Fund
Schedule of Revenues, Expenditures and Other Financing Uses
Budget and Actual
For the Year Ended June 30, 2020

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Public works:					
Public works administration	\$ 177,289	\$ -	\$ 177,289	\$ 175,791	\$ 1,498
Highway	1,605,254	-	1,605,254	1,454,528	150,726
Fleet maintenance	390,501	-	390,501	380,727	9,774
Grounds maintenance	504,931	-	504,931	473,450	31,481
Snow removal	495,165	(153,627)	341,538	341,537	1
Transfer station	312,583	-	312,583	275,201	37,382
Facilities	125,539	-	125,539	107,054	18,485
Engineering	118,796	-	118,796	117,300	1,496
Total public works	<u>3,730,058</u>	<u>(153,627)</u>	<u>3,576,431</u>	<u>3,325,588</u>	<u>250,843</u>
Community and human services:					
Cragin memorial library	609,796	-	609,796	593,716	16,080
Parks and recreation	155,011	7,750	162,761	153,629	9,132
Senior services	299,870	-	299,870	291,523	8,347
Youth and social services	388,949	-	388,949	340,982	47,967
Community agencies	25,000	-	25,000	25,000	-
Health services	189,944	-	189,944	189,944	-
Total community and human services	<u>1,668,570</u>	<u>7,750</u>	<u>1,676,320</u>	<u>1,594,794</u>	<u>81,526</u>
Education	<u>41,237,122</u>	<u>367,098</u>	<u>41,604,220</u>	<u>41,262,496</u>	<u>341,724</u>
Debt service	<u>2,075,164</u>	<u>-</u>	<u>2,075,164</u>	<u>2,075,164</u>	<u>-</u>
Total expenditures	<u>55,414,955</u>	<u>244,721</u>	<u>55,659,676</u>	<u>54,700,316</u>	<u>959,360</u>
Excess (deficiency) of revenues over expenditures	<u>978,032</u>	<u>(213,471)</u>	<u>764,561</u>	<u>1,492,060</u>	<u>727,499</u>
Other financing uses:					
Transfers out	<u>978,032</u>	<u>200,618</u>	<u>1,178,650</u>	<u>1,178,650</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (414,089)</u>	<u>\$ (414,089)</u>	<u>313,410</u>	<u>\$ 727,499</u>
Fund balance - July 1, 2019				<u>8,774,481</u>	
Fund balance - June 30, 2020				<u>\$ 9,087,891</u>	

(Concluded)

Town of Colchester, Connecticut

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Budgets and Budgetary Accounting

The Town adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. The operating budget, which is prepared by function and department, includes proposed expenditures and the means of financing them.

This budget is adopted on a basis consistent with generally accepted accounting principles (modified accrual basis) with the following exceptions:

1. Encumbrances are recognized as valid and proper charges against budget appropriations in the year in which the order is issued and, accordingly, encumbrances outstanding at year-end are reflected in the required supplementary information general fund budget and actual as expenditures in the current year but are reported as assigned fund balance on a GAAP basis.
2. The Town does not budget for the total revenue or expenditures for the excess cost grant.
3. Certain transfers out that were budgeted as expenditures.
4. Certain funds that are required to be reported as part of the general fund under the requirement of GASB No. 54.
5. The Town does not budget for as revenue or expenditures payments made for the State Teachers' pension and OPEB by the State of Connecticut on the Town's behalf.

<u>Reconciliation to Exhibit D</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Budgetary Basis - RSI-1	\$56,192,376	\$ 54,700,316	\$ 9,087,891
Prior year encumbrances liquidated in the current year	-	94,252	(94,252)
Current year encumbrances charged to budgetary expenditures	-	(207,396)	207,396
Excess cost grant	306,115	306,115	-
Transfers out budgeted as expenditures	-	(892,566)	-
Other funds (Schedule 2)	3,021	52,386	261,857
State Teachers' pension on behalf amount	5,839,223	5,839,223	-
State Teachers' OPEB on behalf amount	159,591	159,591	-
GAAP Basis - Exhibit D	<u>\$62,500,326</u>	<u>\$ 60,051,921</u>	<u>\$ 9,462,892</u>

Formal budgetary integration is employed as a management control device during the year.

Town department heads, except for education, submit expenditure requests to the First Selectmen. The First Selectmen after review of these initial estimates, compiles the revised estimates and submits them to the Board of Finance. The Education Department submits its requests directly to the Board of Finance.

(Continued)

Town of Colchester, Connecticut

**Notes to Required Supplementary Information
For the Year Ended June 30, 2020**

Budgets and Budgetary Accounting

At least two public hearings are held on the budget before the annual budget meeting. At the annual budget meeting, the Town voters in attendance may reduce, but not increase, the Board of Selectmen budget and/or the Board of Education budget. The annual budget meeting is automatically continued to the annual budget referendum. The budget becomes effective when approved at the annual budget referendum.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

Supplemental budget appropriations must be approved by the Board of Finance and, if in excess of 2.00% of the budget to which the supplemental appropriation is being made, recommended to the Town Meeting for approval. Supplemental budget appropriations equal to or in excess of 3.00% require a special budget referendum.

The Board of Finance is authorized to transfer budgeted amounts between departments as recommended by the Board of Selectmen.

The Board of Education is authorized under state law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education and Board of Finance approval and, if over 2.00% of the annual budget, Town Meeting approval. Supplemental budget appropriations equal to or in excess of 3.00% require a special budget referendum.

There were additional appropriations of \$445,339 from the following sources:

Fund balance	\$ 414,089
Other revenues	<u>31,250</u>
Total	<u>\$ 445,339</u>

(Concluded)

Town of Colchester, Connecticut

Required Supplementary Information

Police Retirement Plan
Last Seven Years (1)

	2020	2019	2018	2017	2016	2015	2014
<u>Schedule of Changes in Net Pension Liability and Related Ratios</u>							
Total pension liability:							
Service cost	\$ 192,980	\$ 196,330	\$ 187,875	\$ 183,453	\$ 175,553	\$ 167,993	\$ 178,216
Interest	237,240	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 in assumptions	-	(48,676)	-	115,896	-	-	(356,174)
Benefit payments, including refunds of member contributions	(37,031)	-	-	-	-	(23,169)	-
Net change in total pension liability	393,189	303,373	378,538	348,570	328,156	275,341	162,663
Total pension liability - July 1	3,217,801	2,914,428	2,535,890	2,187,320	1,859,164	1,583,823	1,421,160
Total pension liability - June 30 (a)	<u>\$3,610,990</u>	<u>\$3,217,801</u>	<u>\$2,914,428</u>	<u>\$2,535,890</u>	<u>\$2,187,320</u>	<u>\$1,859,164</u>	<u>\$1,583,823</u>

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Plan fiduciary net position:

Contributions - employer	\$ 145,500	\$ 148,899	\$ 142,578	\$ 121,754	\$ 105,755	\$ 100,616	\$ 105,624
Contributions - member	82,692	90,458	88,107	85,202	82,346	81,805	86,864
Net investment income (loss)	65,083	122,568	113,723	167,058	(5,796)	26,378	149,423
Benefit payments, including refunds of member contributions	(37,031)	-	-	-	-	(23,169)	-
Administration	(200)	-	-	-	-	-	-
Net change in plan fiduciary net position	256,044	361,925	344,408	374,014	182,305	185,630	341,911
Plan fiduciary net position - July 1	2,735,839	2,373,914	2,029,506	1,655,492	1,473,187	1,287,557	945,646
Plan fiduciary net position - June 30 (b)	<u>\$2,991,883</u>	<u>\$2,735,839</u>	<u>\$2,373,914</u>	<u>\$2,029,506</u>	<u>\$1,655,492</u>	<u>\$1,473,187</u>	<u>\$1,287,557</u>
Net pension liability - June 30 (a)-(b)	<u>\$ 619,107</u>	<u>\$ 481,962</u>	<u>\$ 540,514</u>	<u>\$ 506,384</u>	<u>\$ 531,828</u>	<u>\$ 385,977</u>	<u>\$ 296,266</u>
Plan fiduciary net position as a percentage of the total pension liability	82.85%	85.02%	81.45%	80.03%	75.69%	79.24%	81.29%
Covered payroll	\$ 732,871	\$ 705,453	\$ 693,575	\$ 665,300	\$ 743,711	\$ 694,695	\$ 662,403
Net pension liability as a percentage of covered payroll	84.48%	68.32%	77.93%	76.11%	71.51%	55.56%	44.73%
<u>Schedule of Investment Returns</u>							
Annual money weighted rate of return, net of investment expense	2.31%	4.94%	5.33%	9.56%	-0.37%	1.93%	14.47%

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Colchester, Connecticut

Required Supplementary Information

Police Retirement Plan
Schedule of Contributions
Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contributions	\$ 147,856	\$ 149,560	\$ 145,300	\$ 123,370	\$ 119,514	\$ 106,914	\$ 101,215	\$ 82,202	\$ 74,068	\$ 93,178
Contributions in relation to the actuarially determined contribution	145,500	148,899	142,578	121,754	105,755	100,616	105,624	88,321	101,034	86,428
Contribution excess (deficiency)	\$ (2,356)	\$ (661)	\$ (2,722)	\$ (1,616)	\$ (13,759)	\$ (6,298)	\$ 4,409	\$ 6,119	\$ 26,966	\$ (6,750)
Covered payroll	\$ 732,871	\$ 705,453	\$ 693,575	\$ 665,300	\$ 743,711	\$ 694,695	\$ 662,403	\$ 633,878	\$ 571,675	\$ 421,643
Contributions as a percentage of covered payroll	19.85%	21.11%	20.56%	18.30%	14.22%	14.48%	15.95%	13.93%	17.67%	20.50%

Town of Colchester, Connecticut
Notes to Required Supplementary Information
Police Retirement Plan
Schedule of Contributions
Last 10 Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
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Changes of Benefit Terms	None	None	None	None	None	None	None	None	None	None
The actuarially determined contribution rates are calculated as of	7/1/2018	7/1/2016	7/1/2016	7/1/2014	7/1/2014	7/1/2012	7/1/2012	7/1/2011	7/1/2010	7/1/2010

Actuarial methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization Method	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar
Asset Valuation Method	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Inflation	2.60%	2.75%	2.75%	3.00%	3.00%	3.00%	3.00%	N/A	N/A	N/A
Salary Increases	2.50% plus Service Merit Scale	2.75% plus Service Merit Scale	2.75% plus Service Merit Scale	5.00% (3.50% cost-of living, 1.50% steps)	5.00% (3.50% cost-of living, 1.50% steps)	5.00% (3.50% cost-of living, 1.50% steps)	5.00% (3.50% cost-of living, 1.50% steps)	4.50%	4.50%	4.50%
Post-Retirement Cost of Living Adjustments	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Investment Rate of Return (net)	7.00%	7.00%	7.00%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

Mortality Rate	RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2018	RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2016	RP-2014 Mortality Adjusted to 2006 Blue Collar Mortality projected to valuation date with Scale MP-2016	RP-2000 Mortality Table projected to the valuation date with Scale AA	RP-2000 Mortality Table projected to the valuation date with Scale AA	RP-2000 Mortality Table projected to the valuation date with Scale AA	RP-2000 Mortality Table projected to the valuation date with Scale AA	N/A	N/A	N/A
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N/A - not available

Town of Colchester, Connecticut
Required Supplementary Information

Connecticut State Teachers' Retirement System
Last Six Years (3)

	2020	2019	2018	2017	2016	2015
Schedule of Proportionate Share of the Net Pension Liability						
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net pension liability associated with the Town	77,141,798	59,480,808	63,053,688	66,522,123	53,087,310	49,068,579
Total	\$77,141,798	\$59,480,808	\$63,053,688	\$66,522,123	\$53,087,310	\$49,068,579
Town's covered payroll	(2)	(2)	(2)	(2)	(2)	(2)
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	52.00%	57.69%	55.93%	52.26%	59.50%	61.56%

Schedule of Contributions

Contractually required contribution (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	(2)	(2)	(2)	(2)	(2)	(2)
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Local employers are not required to contribute to the plan

(2) Not applicable since 0% proportional share of the net pension liability

(3) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Colchester, Connecticut
Notes to Required Supplementary Information
Connecticut State Teachers' Retirement System
Schedule of Contributions
Last Six Years (1)

	2020	2019	2018	2017	2016	2015
Changes of Benefit Terms	None	Beginning January 1, 2018, member contributions increased from 6% to 7% of salary	None	None	None	None
The actuarially determined contribution rates are calculated as of	June 30, 2018	June 30, 2018	June 30, 2016	June 30, 2016	June 30, 2014	June 30, 2014
Actuarial methods and assumptions used to determine contribution rates:						
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed
Remaining Amortization Period	17.6 years	17.6 years	20.4 years	20.4 years	21.4 years	22.4 years
Asset Valuation Method	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing
Inflation	2.50%	2.75%	2.75%	2.75%	3.00%	3.00%
Salary Increases	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.75%-7.00%, average, including inflation	3.75%-7.00%, average, including inflation
Investment Rate of Return (net)	6.90%	8.00%	8.00%	8.00%	8.50%	8.50%
Mortality Rate	RP-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	RP-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	RP-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	RP-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	RP-2000 Combined Mortality Table projected 19 years using scale AA	RP-2000 Combined Mortality Table projected 19 years using scale AA

(1) This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

Town of Colchester, Connecticut
Required Supplementary Information
Other Post-Employment Benefit Plan
Last Three Years (1)

Schedule of Changes in OPEB Liability and Related Ratios

	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPEB liability:			
Service cost	\$ 298,808	\$ 266,608	\$ 284,046
Interest	244,424	248,540	225,136
Differences between expected and actual experience	524,866	-	-
Changes in assumptions	1,087,333	244,148	(146,062)
Benefit payments, including refunds of member contributions	<u>(250,148)</u>	<u>(210,314)</u>	<u>(214,186)</u>
Net change in OPEB liability	1,905,283	548,982	148,934
OPEB liability - July 1	<u>6,808,744</u>	<u>6,259,762</u>	<u>6,110,828</u>
OPEB liability - June 30 *	<u>\$ 8,714,027</u>	<u>\$ 6,808,744</u>	<u>\$ 6,259,762</u>
Covered payroll	<u>\$ 29,339,464</u>	<u>\$ 21,277,152</u>	<u>\$ 21,277,152</u>
OPEB liability as a percentage of covered payroll	<u>29.70%</u>	<u>32.00%</u>	<u>29.42%</u>

(1) These schedules are intended to present information for 10 years.
Additional years will be presented as the information becomes available.

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

Town of Colchester, Connecticut
 Required Supplementary Information

Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan
 Last Three Years (3)

	2020	2019	2018
<u>Schedule of Proportionate Share of the Net OPEB Liability</u>			
Town's proportion of the net OPEB liability	0.00%	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net OPEB liability associated with the Town	12,030,700	11,890,600	16,229,300
Total	\$12,030,700	\$11,890,600	\$16,229,300
Town's covered payroll	(2)	(2)	(2)
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	2.08%	1.49%	1.79%

Schedule of Contributions

Contractually required contribution (1)	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town's covered payroll	(2)	(2)	(2)
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

(1) Local employers are not required to contribute to the plan

(2) Not applicable since 0% proportional share of the net OPEB liability

(3) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Colchester, Connecticut

Notes to Required Supplementary Information

Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan
Schedule of Contributions
Last Three Years (1)

	2020	2019	2018
Changes of Benefit Terms	None	None	None
The actuarially determined contribution rates are calculated as of	June 30, 2018	June 30, 2018	June 30, 2016
Actuarial methods and assumptions used to determine contribution rates:			
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal
Amortization Method	Level percentage, open	Level percentage, open	Level percentage, open
Amortization Period	30 years	30 years	30 years
Asset Valuation Method	Fair value	Fair value	Fair value
Inflation	2.75%	2.75%	2.75%
Healthcare Inflation Rate	Initial 5.95% decreasing to 4.75% (ultimate) by 2025	Initial 5.95% decreasing to 4.75% (ultimate) by 2025	Initial 7.25% decreasing to 5.00% (ultimate) by 2022
Salary Increases	3.25% to 6.50%, including inflation	3.25% to 6.50%, including inflation	3.25% to 6.50%, including inflation
Investment Rate of Return	3.00%	3.00%	4.25%
Mortality Rate	RP-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	RP-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	RP-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

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Appendix B

Form of Opinion of Bond Counsel

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APPENDIX B – FORM OF OPINION OF BOND COUNSEL

October __, 2021

Town of Colchester
127 Norwich Avenue
Colchester, Connecticut 06415

We have acted as Bond Counsel in connection with the issuance by the Town of Colchester, Connecticut (the “Town”), of its \$ _____ General Obligation Bond Anticipation Notes (the “Notes”) dated October __, 2021. In such capacity, we have examined a record of proceedings of the Town authorizing the Notes, a Tax Regulatory Agreement of the Town dated October __, 2021 (the “Agreement”), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that when the Notes are duly certified by U.S. Bank National Association, the Notes will be valid and legally binding general obligations of the Town payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the Town and was duly authorized by the Town.

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 generally and by equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be satisfied at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be excluded from gross income under Section 103 of the Code. In the Agreement, the Town has made covenants and representations designed to assure compliance with such requirements of the Code. The Town has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes to ensure that interest on the Notes shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Notes.

In rendering the below opinions regarding the federal treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Agreement, and (ii) continuing compliance by the Town with the covenants set forth in the Agreement as to such tax matters.

The Town has designated the Notes as “qualified tax exempt obligations” within the meaning of Code Section 265(b)(3) for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

In our opinion, under existing statutes and court decisions, (i) interest on the Notes is excluded from gross income for federal income tax purposes; and (ii) such interest is not an item of tax preference for purposes of calculating the federal alternative minimum tax. We express no opinion regarding other federal income tax consequences caused by ownership or disposition of, or receipt of interest on the Notes.

We are further of the opinion 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 is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other state income tax consequences caused by ownership or disposition of, or receipt of interest on the Notes.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Preliminary Official Statement, the Official Statement and other offering material relating to the Notes.

The foregoing opinion is based upon existing laws, regulations, rules and court decisions. We undertake no responsibility to inform you of changes in law or fact occurring after the date hereof which may affect the conclusions herein. In addition, we have not undertaken to advise in the future whether any events after the date of issuance of the Notes, including the adoption of federal tax legislation, may affect the tax status of interest on the Notes.

Respectfully,

PULLMAN & COMLEY, LLC

Appendix C

Form of Continuing Disclosure Agreement

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APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT

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 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

This Continuing Disclosure Agreement ("Agreement") is made as of October __, 2021 by the Town of Colchester, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$ _____ General Obligation Bond Anticipation Notes, dated as of October __, 2021 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.

(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, CONNECTICUT

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**TOWN OF COLCHESTER, CONNECTICUT
\$2,845,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES
(BANK QUALIFIED)
BOOK-ENTRY-ONLY**

NOTICE IS GIVEN that TELEPHONE BIDS and ELECTRONIC BIDS via *PARITY*® (as described herein) will be received by the TOWN OF COLCHESTER, CONNECTICUT (the “Issuer”), until 11:30 A.M. (EASTERN TIME) on THURSDAY,

SEPTEMBER 30, 2021

(the “Sale Date”) for the purchase of the Issuer’s \$2,845,000 General Obligation Bond Anticipation Notes (the “Notes”). Telephone bids will be received by an authorized agent of Phoenix Advisors, LLC, the Issuer’s municipal advisor (see “Telephone Bidding Procedures”). Electronic bids must be submitted via *PARITY*® (see “Electronic Bidding Procedures”).

The Notes

The Notes are expected to be dated October 14, 2021 and will mature and be payable to the registered owner on October 13, 2022 as further described in the Preliminary Official Statement (as hereinafter defined). The Notes will bear interest (which interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months) payable at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

Nature of Obligation

The Notes will constitute general obligations of the Issuer, and the Issuer 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 ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to provisions of the Connecticut General Statutes, as amended. The information in this Notice of Sale is only a brief summary of certain provisions of the Notes. For further information about the Notes, reference is hereby made to the Preliminary Official Statement.

Bank Qualification

The Notes SHALL be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

Registration

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(s), 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 Issuer 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 Issuer 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. Upon receipt from the Issuer, the Paying Agent will pay principal of and interest on the Notes directly to DTC so long as DTC or its nominee, Cede & Co, is the Noteholder.

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 of 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 Issuer 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 Issuer at the time of the submission of the bid. The Issuer reserves the right to decline any request to issue the Notes in non-book-entry form, or to designate the winning 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 winning bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Issuer 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 winning bidder is so designated. The terms and covenants of the Notes issued in non-book-entry form shall be the same as if the Notes were issued in book-entry form, except as required to reflect that the Notes are non-book-entry and the designation of the purchaser as Certifying Agent, Registrar and Paying Agent.

Bid Specifications; Basis of Award; Right to Reject Proposals; Waiver; Postponement; Change of Terms

Each bid for the purchase of the Notes must be in accordance with the requirements prescribed herein. A proposal may be for all or any part of the Notes but any proposal for a part must be for at least \$100,000, or a whole multiple thereof, except one such proposal for a part may include the odd \$45,000, and a separate proposal will be required for each part of the Notes for which a separate interest rate is bid. Unless all bids are rejected, the Notes will be awarded to the bidder or bidders offering to purchase the Notes at the lowest net interest cost (“NIC”), computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom the premium offered, if any. As between proposals resulting in the same lowest net interest cost to the Issuer, the award will be made on the basis of the highest principal amount of the Notes specified. No bid for less than par and accrued interest, if any, will be considered and the Issuer reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. If a bidder is awarded only a part of the Notes bid for in its proposal, any premium offered in such proposal will be proportionately reduced so that the resulting net interest cost to the Issuer with respect to the Notes awarded is the same as that contained in the bidder’s proposal with respect to the entire amount bid, carried to six decimal places. The purchase price must be paid in immediately available federal funds.

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 Issuer further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including Internet difficulties. The Issuer will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Upon the establishment of an alternative sale date, any bidder may submit proposals for the purchase of the Notes in accordance with the provisions of this Notice of Sale.

Electronic Bidding Procedures

Any prospective bidder intending to submit an electronic bid must submit its electronic bid through the facilities of **PARITY**[®]. Subscription to i-Deal LLC’s BiDCOMP Competitive Bidding System is required in order to submit an electronic bid and the Issuer will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of **PARITY**[®] shall be deemed an irrevocable offer to purchase the Notes on the terms provided in this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Issuer. By submitting a bid for the Notes via **PARITY**[®], the bidder represents and warrants to the Issuer 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 Issuer will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Notes on the terms described in this Notice of Sale. **The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of **PARITY**[®], or the inaccuracies of any information, including bid information or worksheets supplied by**

PARITY®, the use of **PARITY®** facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.

If any provisions of this Notice of Sale shall conflict with information provided by **PARITY®** as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, 1359 Broadway, 36th Street, 2nd Floor, New York, NY 10018, Attention: Customer Service Department (telephone: (212) 849-5021 - email notice: www.parity@i-deal.com).

For purposes of the telephone bidding process and the electronic bidding process, the time as maintained by **PARITY®** shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest cost to the Issuer, as described under “Bid Specifications; Basis of Award; Right to Reject Proposals; Waiver; Postponement; and Change of Terms” above. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale.

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 Issuer 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 Issuer 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 Issuer is using **PARITY®** as a communication mechanism, and not as the Issuer’s agent, to conduct the electronic bidding for the Notes. The Issuer 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 Issuer 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.]

Telephone Bidding Procedures

Telephone bids will be received until 11:30 A.M. (EASTERN TIME) on the Sale Date by an authorized agent of Phoenix Advisors, LLC, the Issuer’s municipal advisor. All telephone bids must be made to (203) 283-1110 and be completed by 11:30 A.M. (EASTERN TIME) on the Sale Date.

Bidders shall recognize that a bid by telephone means that the bidder accepts the terms and conditions of this Notice of Sale and agrees to be bound by such and, further, such bidder recognizes and accepts the risk that its telephone bid may not be received by the Issuer or may be received later than the time specified as the result of a failure in communications including, but not limited to, a failure in telephonic communications, or the inability to reach the Issuer by the time required. A bid received after the time specified, as determined in the Issuer’s sole discretion, will not be reviewed or honored by the Issuer.

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 Phoenix Advisors LLC to obtain CUSIP numbers for the Notes prior to delivery, and Phoenix Advisors, LLC, will provide the CUSIP Service Bureau with the final details of the sale, including the identity of the winning bidder(s). The Issuer will not be responsible for any delay occasioned by the inability to deposit the Notes with DTC due to the failure of Phoenix Advisors, LLC to obtain such numbers and to supply them to the Issuer in a timely manner. 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 Issuer; provided, however, that the Issuer assumes no responsibility for any CUSIP Service Bureau 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.

Certifying Agent, Registrar, Paying Agent and Transfer Agent

Unless otherwise provided for herein, the Notes will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will also act as Registrar, Paying Agent and Transfer Agent.

Delivery, Payment and Closing Requirements

At or prior to the delivery of the Notes the winning bidder shall be furnished, without cost, with (a) the approving opinion of Pullman & Comley, LLC of Hartford, Connecticut, Bond Counsel (“Bond Counsel”) (see “Bond Counsel Opinion” below); (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes, 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 Issuer to levy and collect taxes to pay them; (c) a copy of the Official Statement prepared for this note issue; (d) a certificate of Issuer 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.

Unless otherwise provided for herein, the Notes will be delivered against payment in immediately available federal funds through the facilities of DTC, New York, New York or its agent via Fast Automated Securities Transfer (“FAST”) on or about October 14, 2021 (the “Closing Date”).

The Issuer will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the Issuer’s costs of issuance except to the extent specifically stated in this Notice of Sale.

The purchaser will be responsible for the clearance or exemption with respect to the status of the Notes for sale under securities or “Blue Sky” laws and the preparation of any surveys or memoranda in connection with such sale. The Issuer shall have no responsibility for such clearance, exemption or preparation.

Bond Counsel Opinion

The legality of the issue will be passed upon by Pullman & Comley, LLC of Hartford , Connecticut, Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form set forth in Appendix B to the Official Statement. The opinion will appear on each note certificate and will state that the Notes are valid and binding obligations of the Issuer. If the Competitive Sale Rule (as defined below in the “Establishment of Issue Price” section) is met, Bond Counsel will require as a precondition to release of its opinion printed on the Notes that the purchaser of such Notes deliver to it a completed “issue price” certificate, or similar certificate, regarding expectations or public offering prices, as applicable, with respect to the Notes awarded to such bidder, as described below under “Establishment of Issue Price”. In rendering such legal opinion, Pullman & Comley, LLC will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the Issuer for the benefit of the owners of the Notes, and further, will assume compliance by the Issuer with the covenants and procedures set forth in such Tax Regulatory Agreement.

Establishment of Issue Price

In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the exclusion of interest on the Notes from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer at or prior to the delivery of the Notes an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Notes, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Judith A. Blank, Esq., Pullman & Comley, LLC, 90 State House Square, Hartford, CT 06103, Telephone: (860) 424-4319, E-mail: jblank@pullcom.com and (2) the Municipal Advisor at Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Issuer and the Municipal Advisor may act on behalf of the Issuer.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Notes, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Notes pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds or notes who have established industry reputations for underwriting new issuances of municipal bonds or notes.

By submitting a bid, a bidder represents to the Issuer that it has an established industry reputation for underwriting new issuances of municipal bonds or notes such as the Notes, represents that such bidder's bid is submitted for or on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Notes, and understands that upon award by the Issuer that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Issuer.

By submitting a bid, the bidder agrees (unless the winning bidder is purchasing the Notes for its own account and not with a view to distribution or resale to the public) that if the Competitive Sale Rule (as set forth below) is not met, it will satisfy either the Actual Sales Rule (as set forth below) or the Hold-the-Offering-Price Rule (as set forth below).

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

Notification of Contact Information of Winning Bidder. Promptly upon award, the winning bidder shall notify the Municipal Advisor and Bond Counsel of the contact name, telephone number and e-mail address of the person(s) of the winning bidder for purposes of communications concerning this "Establishment of Issue Price" section.

Competitive Sale Rule. The Issuer intends that the provisions of Treasury Regulations 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 Rule") because:

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

Competitive Sale Rule Met. The Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder if the Competitive Sale Rule has been met. The winning bidder will be required to deliver to Bond Counsel on behalf of the Issuer prior to the delivery of the Notes a completed "Certificate as to Issue Price" (in form satisfactory to Bond Counsel) for such Notes, setting forth the Initial Offering Price. If the winning bidder is purchasing the Notes for its own account and not with a view to distribution or resale of such Maturity to the Public, then the winning bidder shall provide Bond Counsel and the Municipal Advisor a completed "Certificate as to Issue Price" (in form satisfactory to Bond Counsel) for such Notes.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder. The Issuer may determine to treat (i) the first price at which ten percent (10%) of a Maturity of the Notes (the “Actual Sales Rule”) is sold to the Public as the issue price of that Maturity, and/or (ii) 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 (the “Hold-the-Offering-Price Rule”), in each case applied on a Maturity-by-Maturity basis. In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 4:30 p.m. (EASTERN TIME) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (A)(I) of the first price at which ten percent (10%) of each Maturity has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel; i.e., those Maturities that satisfy the Actual Sales Rule as of the Sale Date, and (B) those Maturities that the winning bidder is purchasing for its own account and not with a view to distribution or resale of such Maturity to the Public. After such receipt, the Issuer, or Bond Counsel on behalf of the Issuer, shall promptly confirm with the winning bidder, via e-mail, which Maturities of the Notes shall be subject to the Actual Sales Rule and which Maturities shall be subject to the Hold-the-Offering-Price Rule.

For those Maturities of Notes subject to the Hold-the-Offering-Price Rule, the winning bidder shall (i) provide Bond Counsel (via e-mail) a copy of pricing wire or equivalent communication for the Notes (ii) confirm that each Underwriter (as defined below) has offered or will offer all of the Notes to the Public on or before the date of award at the Initial Offering Prices and (ii) agree, on behalf of each Underwriter participating in the purchase of the Notes, that each Underwriter will neither offer nor sell unsold Notes of any Maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price for such Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least ten percent (10%) of that Maturity of the Notes to the Public at a price that is no higher than the Initial Offering Price.

The winning bidder shall promptly advise Bond Counsel and the Municipal Advisor, via e-mail, when the Underwriters have sold ten percent (10%) of that Maturity of the Notes to the Public at a price that is no higher than the Initial Offering Price, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

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 (A) 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 Actual Sales Rule has been satisfied as to the Notes of that Maturity or all Notes of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case 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 (A) 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 Actual Sales Rule has been satisfied as to the Notes of that Maturity or all Notes of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case 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 (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale.

Definitions. For purposes of this “Establishment of Issue Price” section:

- (1) “Maturity” means Notes with the same credit and payment terms. Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (2) “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.
- (3) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (4) “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 definition 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).

Official Statement

For more information regarding the Notes or the Issuer, reference is made to the Preliminary Official Statement dated September 22, 2021 (the “Official Statement”) describing the Notes and the financial condition of the Issuer. The Preliminary Official Statement is available in electronic format at <https://munihub.com>, and such electronic access is being provided as a matter of convenience only. Copies of the Preliminary Official Statement may be obtained from Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Milford, CT 06460, Telephone: (203) 283-1110, E-mail: bbernabe@muniadvisors.com. The Issuer deems such Official Statement to be a final official statement for purposes of complying with Securities and Exchange Commission Rule 15c2-12 (the

“Rule”), but such Official Statement is subject to revision or amendment as appropriate. The Issuer will make available to the purchaser five (5) copies of the final Official Statement at the Issuer’s expense, and the final Official Statement will be made available to the purchaser by no later than the earlier of the delivery of the Notes or by the seventh (7th) business day after the day bids on the Notes are received. If the Issuer’s Municipal Advisor, is provided with the necessary information from the purchaser by 12:00 o’clock noon on the day after the Sale Date, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices and the name of the managing underwriter of the Notes, and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the final Official Statement to the purchaser. Additional copies of the final Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement

As required by the Rule, the Issuer will undertake, pursuant to a Continuing Disclosure Agreement (the “Agreement”), to provide notice of the occurrence of certain events with respect to the Notes within ten (10) business days of such event. A form of the Agreement is attached to the Official Statement as Appendix C. The purchaser’s obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to delivery of the Notes, an executed Agreement.

TOWN OF COLCHESTER, CONNECTICUT

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 22, 2021