

Preliminary Official Statement Dated July 8, 2026

NEW MONEY ISSUE: Book-Entry-Only

RATING: S&P Global Ratings: "SP-1+"

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 (the "Code"), under existing law, interest on the Notes is excludable from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of the federal alternative minimum tax under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations. In the opinion of Bond Counsel, under existing statutes, interest on the Notes is excludable 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 \$19,560,000 General Obligation Bond Anticipation Notes

Dated: July 30, 2026

Rate: ___%

Due: July 29, 2027

Yield: ___%

CUSIP:¹ 192792__

The \$19,560,000 General Obligation Bond Anticipation Notes (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 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 July 8, 2026. Such interest shall be payable at maturity. Ownership of the Notes may be in principal amounts of \$5,000 or integral multiples thereof. Purchasers of the Notes will not receive certificates. The Notes, when issued, will be registered in the name of Cede & Co., as Noteowner and nominee for the Depository Trust Company ("DTC"). (See "Book-Entry-Only Transfer System" herein.)

The Registrar, Transfer Agent, Paying Agent, and Certifying Agent for the Notes will be U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.

The Notes are not subject to redemption prior to maturity.

Electronic bids via PARITY® for the Notes will be received until 11:30 A.M. (Eastern Time) on Thursday, July 16, 2026, as described in the Notice of Sale. (See Appendix D to this Official Statement.)

The Registrar, Transfer Agent, Paying Agent, and Certifying Agent for the Notes will be U.S. Bank Trust Company, 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 on or about July 30, 2026.

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 CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems, Inc, which is 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, salesperson 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 – “2025 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.

The Town deems this Official Statement to be “final” as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1).

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.

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, any such websites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

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; (ix) foreign hostilities or wars; (x) foreign or domestic terrorism or domestic violent extremism; (xi) disruptions to the Town’s technology network and systems, including computer systems and software; and (xii) other factors contained in this Official Statement.

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Note Issue Summary

The information in this Note Issue Summary and the 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, July 16, 2026 at 11:30 A.M. (Eastern Time).
Location of Sale:	Via Parity® only. (See “Appendix D – Notice of Sale” to this Official Statement.)
Issuer:	Town of Colchester, Connecticut (the "Town").
Issue:	\$19,560,000 General Obligation Bond Anticipation Notes (the “Notes”).
Dated Date:	Date of Delivery
Interest Due:	At maturity: July 29, 2027.
Principal Due:	At maturity: July 29, 2027.
Authorization and Purpose:	The Note proceeds will be used to provide funds for various general purpose and school projects. (See “Authorization and Use of Proceeds” herein).
Redemption:	The Notes are NOT 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:	The Notes have been rated “SP-1+” by 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).
Tax Exemption:	See “Tax Matters” herein.
Bank Qualification:	The Notes <u>shall NOT</u> be designated by the Issuer as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986 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, annual financial information and operating data and 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 Trust Company, National Association, CityPlace I, 185 Asylum Street, 27 th Floor, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Milford, Connecticut, will act as Municipal Advisor.
Legal Opinion:	Pullman & Comley, LLC, of Hartford, Connecticut will act as Bond Counsel.
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 July 30, 2026. Delivery of the Notes will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Town should be directed to Ms. Marina Pandolfi, Director of Finance, 127 Norwich Avenue, Colchester, Connecticut 06415, Telephone: (860) 537-7239.

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 \$19,560,000 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 July 8, 2026 has been furnished to prospective bidders. Reference is made to the Notice of Sale attached hereto 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 Trust Company, National Association will 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.

Public Health Considerations

Commencing in late 2019, an outbreak of a respiratory disease caused by a new strain of coronavirus (“COVID-19”) resulted in a global public health crisis. The federal and State governments both declared public health emergencies and, along with local governments, took action to limit the spread of the outbreak and reduce the resulting economic impact. The federal and State public health emergency declarations have since been terminated.

To date, the COVID-19 outbreak has had no material adverse effect on the finances of the Town. However, prospective investors should assume that restrictions and limitations related to COVID-19 and any future variants or pandemics may be instituted by the federal or State governments and that any resurgence of COVID-19 or another infectious disease could have a material adverse effect on the Town and its financial and operational performance.

The Town received \$4,678,683 from the American Rescue Plan Act of 2021 in response to the COVID-19 pandemic (the “COVID-19 Aid”). The Town developed a plan for the use of such funds that focused on infrastructure improvements and other initiatives that complied with the program eligibility criteria. No assurance can be given that the Town would receive federal aid akin to the COVID-19 Aid if another pandemic or similar public health emergency were to occur.

Cybersecurity

The Town like many other public and private entities, relies on technology to conduct its operations. The Town and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, phishing, and other attacks on computers and other sensitive digital networks and systems. To mitigate the risk of business operations impacted and/or damaged from cyber incidents or cyber-attacks, the Town invests in various forms of cybersecurity and operational controls, including but not limited to, the use of virtual private networks, offsite servers and hosting platforms for its financial systems, all of which are insured. Additionally, the Town undertakes internal testing of its systems and maintains variable daily backup schedules. No assurances can be given, however, that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage the Town's digital networks and systems and the costs of remedying any such damage could be substantial.

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. Like much of Connecticut, the Town is vulnerable to inland wetland, small river and stream flooding. The Town faces other threats due to climate change, including damaging wind that could become more severe and frequent. While the Town cannot predict the timing, extent or severity of climate change and its impact on the Town's operations and finances, the Town believes it holds sufficient reserves and annually budgets for contingencies to address unforeseen expenses resulting from the increasing frequency of severe weather. The Town is prepared to quickly respond and recover from any such events that would exceed its annual operating budget. The Town is also working with its regional planning agency, the Southeastern Connecticut Council of Governments, to develop regional resiliency plans including applications for federal grants for heat mitigation that may be used to replant lost vegetation and expand the Town's public water supply to provide resiliency against future climate change-driven drought.

Municipal Advisor

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Milford, Connecticut, has served as Municipal Advisor to the Town in connection with the issuance of the Notes (the "Municipal Advisor") and has assisted in matters related to the planning, structuring and terms of the Notes. 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 Registered Municipal Advisor pursuant to the Dodd-Frank Act 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 the date of delivery and will be due and payable as to both principal and interest at maturity, July 29, 2027. 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 integral multiples 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".

Redemption Provisions

The Notes are NOT subject to redemption prior to maturity.

Authorization and Use of Proceeds

The Notes are issued pursuant to Title 7 of the General Statutes of the State of Connecticut, as amended, and Resolutions approved by voters at referenda held on February 24, 2026.

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

<i>Project</i>	<i>Amount Authorized</i>	<i>This Issue: Notes Due: 7/29/2027</i>
Athletic Facilities Improvements.....	\$14,562,400	\$ 14,560,000
Bacon Academy Roof Replacement.....	5,000,000	5,000,000
Total.....	\$ 19,562,400	\$ 19,560,000

Tax Matters

Federal Taxes. In the opinion of Bond Counsel, under existing law, (i) interest on the Notes is excludable 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; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations.

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 (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 excludable 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 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.

Book-Entry-Only Transfer System

The Depository Trust Company ("DTC") will act as securities depository for the Notes (the "Securities"). The Securities will be issued as fully-registered securities 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 Security certificate will be issued for each maturity of the Securities 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 a Standard & Poor's 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 Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities 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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 Securities 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 Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any with respect to the Securities 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 Issuer or 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 Securities 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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 Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security 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 Issuer believes to be reliable, but Issuer 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 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.

Neither the Town nor the Paying Agent will have any responsibility or obligation to the Participants of DTC or the persons for whom they act as nominees with respect to (i) the accuracy of any records maintained by DTC or by any Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, or (iii) any other actions taken by DTC or its partnership nominees as owner of the Notes.

Replacement Notes

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 is authorized to issue fully registered Note certificates 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 of the Town. The Town has the power under Connecticut statutes to levy ad valorem taxes on all property subject to taxation by 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 and of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town, and, under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

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 or Town property to secure the Notes, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation debt including the Notes and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order a payment of a judgment on such Notes 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 and to provisions of other statutes, if any, heretofore or hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied.

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

Qualification for Financial Institutions

The Notes shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986 for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

Availability of Continuing Disclosure Information

The Town prepares, in accordance with State law, annual independently audited financial statements and files such annual report with the State Office of Policy and Management on an annual basis. The Town provides, and will continue to provide, various municipal credit rating agencies ongoing disclosure in the form of annual audited financial statements, adopted budgets and other materials relating to its management and financial condition, as may be necessary or requested.

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 notice of the occurrence of certain events with respect to the Notes not in excess of 10 business days after the occurrence of such events with respect to the Notes (the “Continuing Disclosure Agreement”). The Town will execute a Continuing Disclosure Agreement in substantially the form attached as Appendix C to this Official Statement. The winning bidder’s obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement.

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, except for the following. For the fiscal year ended June 30, 2022, the Town’s audited financial statements and operating data were filed late. The Town filed a notice of the failure to file on March 3, 2023 and filed the audited financial statements and operating data on December 22, 2023. For the fiscal year ended June 30, 2023, the Town’s audited financial statements were filed late. The Town filed a notice of the failure to file on March 1, 2024 and filed the audited financial statements on September 13, 2024. For the fiscal year ended June 30, 2024, the Town’s audited financial statements were filed late. The Town filed a notice of the failure to file on March 3, 2025 and filed the audited financial statements on April 30, 2025. For the fiscal year ended June 30, 2025, the Town’s audited financial statements were filed late. The Town filed a notice of the failure to file on March 2, 2026 and filed the audited financial statements on March 23, 2026.

Rating

The Notes have been rated “SP-1+” by S&P Global Ratings (“S&P”). The Town’s outstanding long-term rating from S&P is “AA+”. The Town furnished the rating agency certain information and materials, some of which may not have been included in this Official Statement. 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 of Colchester (the “Town” or “Colchester”) 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 15,648 by the United States Census Bureau, American Community Survey, 2020-2024 Estimates.

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 “General Statutes”). 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.

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.

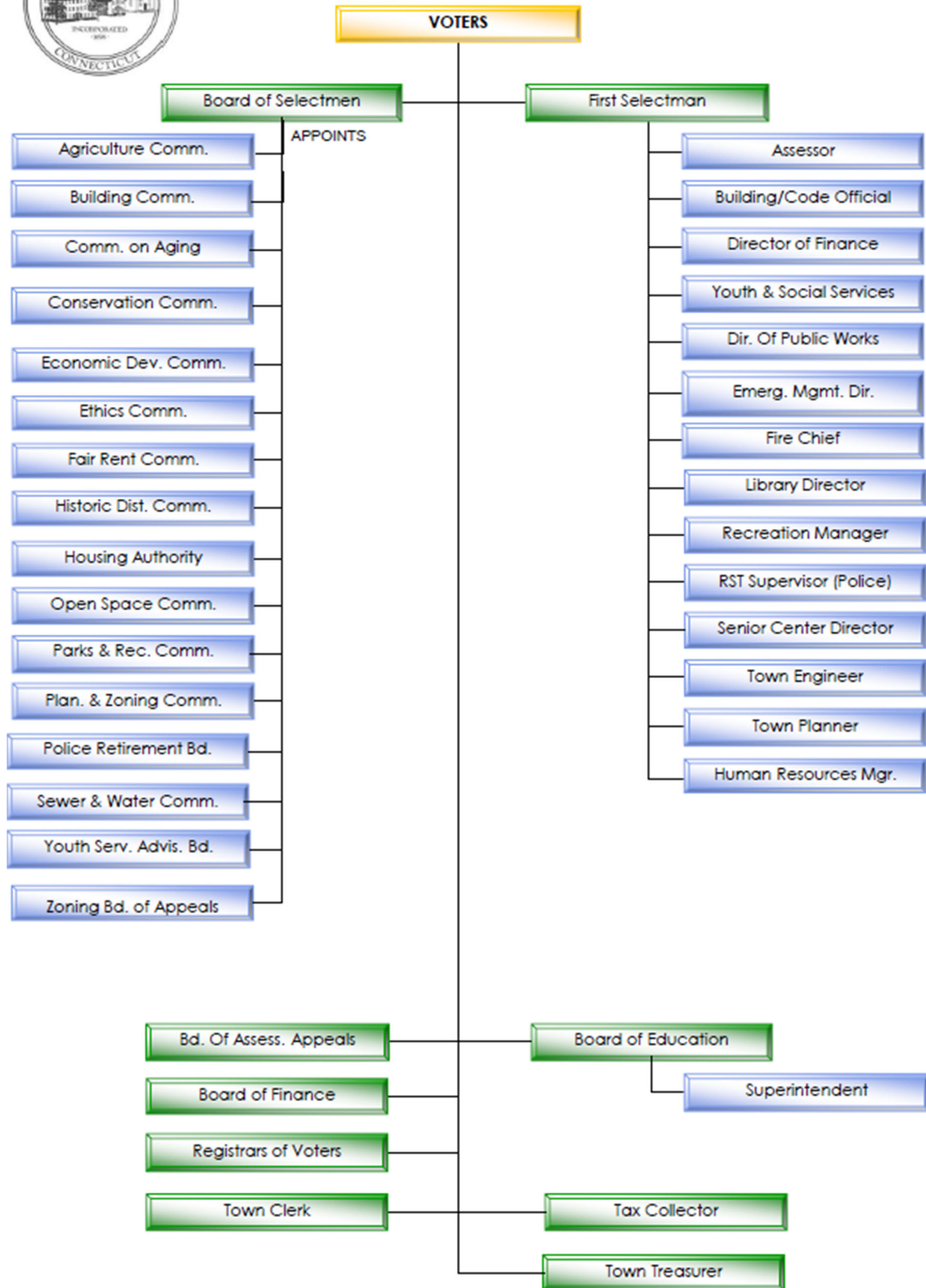
The Board of Education is responsible for maintaining all public elementary and secondary schools in the Town, and implements the educational interests of the State, as defined in the General Statutes, and has all of the powers and performs all of the duties conferred or imposed upon boards of education 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	Bernie Dennler	Elected/2 years	3 years
Selectman	Denise Turner	Elected/2 years	7 years
Selectman	Rosemary Coyle	Elected/2 years	15 years
Selectman	Art Shilosky	Elected/2 years	3 years
Selectman	Timothy Vaillancourt	Elected/2 years	1 year
Town Clerk	Gayle Furman	Elected/4 years	11 years
Town Treasurer	Dave Koji	Elected/2 years	1 year
Director of Finance	Marina Pandolfi	Appointed	1 year
Town Planner, SCCOG Consultant	Nicole Haggerty	Appointed	3 years
Tax Collector	Michele Wyatt	Elected/4 years	10 years
Superintendent of Schools	Judy O'Meara	Interim	< 1 year

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. A newly constructed Senior Center, located at 15 Louis Lane, opened in late 2024. The new center features dedicated fitness rooms and a new community room.

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, 2025, was 2,056 with an operating capacity of 3,036.

School Enrollments

<i>Historical</i> ¹					
School Year	Grades Pre K-2	Grades 3-5	Grades 6-8	Grades 9-12	Total
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
2021-2022	571	432	485	702	2,190
2022-2023	634	443	477	693	2,247
2023-2024	606	462	470	623	2,161
2024-2025	560	509	451	570	2,090
2025-2026	514	526	453	563	2,056
<i>Projected</i>					
2026-2027	580	523	489	528	2,120
2027-2028	606	477	536	530	2,149
2028-2029	622	454	573	535	2,184
2029-2030	598	506	548	561	2,213

¹ Includes Special Education students.

Source: Town of Colchester, Board of Education

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School Facilities

School	Grades	Date of Construction (Additions, Remodeling)	Number of Classrooms	10/1/2025 Enrollment	Rated Capacity
Colchester Elementary School	PreK-2	2006	58	514	833
Jack Jackter Intermediate School	3-5	1966, 1976, 2005	61	526	453
William J. Johnston Middle School ..	6-8	1954, 1966, 1982, 1989, 2018	52	453	750
Bacon Academy High School	9-12	1993	79	563	1,000
Total.....			250	2,056	3,036

Source: Town of Colchester, Board of Education

Municipal Employees

	2026	2025	2024	2023	2022
General Government.....	109	107	105	104	105
Board of Education.....	437	422	410	420	407
Total.....	546	529	515	524	512

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	234.30	06/30/2027
Custodians	Local 1303-77, Council #4, AFL-CIO	30.00	06/30/2027
Cafeteria Supervisors	Local 818, Council #4, AFSCME, AFL-CIO	4.00	06/30/2028
Nurses	United Professional and Service Employees		
	Employees Union, Local 1222	7.30	06/30/2027
Education (Para's and Caf. Workers) ..	Colchester Federation of Education Personnel		
	Local 3279, AFT-CT, AFL-CIO	91.00	06/30/2028
Education (Office Professionals)	Local 1303-450, Council #4, AFSCME, AFL-CIO	14.60	06/30/2028
School Administrators	Colchester Association of School Administrators	13.00	06/30/2028
Public Works	Municipal Employees Union Independent,		
	Local 506, SEIU, AFL-CIO, CLC	24.00	06/30/2028
Town Clerical Workers	Local 1303-254, Council #4, AFSCME/AFL-CIO	18.00	06/30/2028
Library	Local 1303-448, Council #4, AFSCME/AFL-CIO	6.00	06/30/2026 ¹
Fire/Ambulance	Colchester Firefighters Union, UPPFA, IAFF, Local 3831	11.00	06/30/2027
Town Administrators	Municipal Employees Union Independent,		
	Local 506, SEIU, AFL-CIO, CLC	12.00	06/30/2028
Police	Colchester Police Local 2693T, AFSCME, Council #15	12.00	06/30/2028
	Total Positions.....	477.20	

¹ In Negotiations.

Source: Town of Colchester and Board of Education, Finance Departments.

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. 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 (i) 5% or less with respect to teachers' contracts, and (ii) 15% or less with respect to municipal employees, 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.

Approximately 350 units of multi-family housing are in various states of development from active construction of 195 units of Lake Hayward Road to smaller townhome-style and other smaller apartment multi-family developments that are in various approval states with the Town. New single-family residential subdivisions such as the high-end South Woods Subdivision (home prices expected to exceed \$1 million). The Town also recently expanded water and sewer access on Lake Hayward Road as part of a private-public partnership with the developer for Lake Hayward Apartments, unlocking additional parcels for potential future development near the commercial core. Significant improvements to the public water system, including water capacity-expansion, are underway as part of the CT Drinking Water State Revolving Fund program. This will allow the Town to continue to support residential and commercial growth in the Town center.

In 2027, the Town will break ground on a \$1,000,000 streetscape improvement project focused on enhancing access to the multi-town airline trailhead on Lebanon Ave as part of a major Small Town Economic Assistance Program grant from the State of Connecticut. The Town Center will soon also be enhanced with a Community Wi-Fi Grant from the CT State Library for free public wi-fi access in the downtown including the Town Green which will support local events and businesses, including the Colchester Farmers' Market which runs from June through October each Sunday. In 2025, the Town completed a \$1,000,000 pedestrian improvement project on Lebanon Avenue, improving pedestrian mobility for residents of the recently completed North Woods of Colchester active adult community, Four Seasons and other apartment and condominium developments on this corridor.

Additionally, the Town is nearing completion on remediation of the former Norton Paper Mill which will become Norton Park in Westchester, thanks to a multi-million investment from the Department of Economic and Community Development and DEEP. This reflects the Town and state's investment in the Westchester area of Town which has been underserved for many years. Highlighting and supporting Westchester is a growing priority for the current administration as Westchester serves as an agricultural hub for Colchester and eastern Connecticut. It is home to Priam Vineyards, Hop Culture Farms, Cato Corner Cheese Farm, and Savtisky Farm among others.

The Town'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. ARK Distillery, another recipient of the CTIP program, opened in spring 2025, bringing a former train depot on Lebanon Ave back into commercial use.

Several other projects are underway, with some nearing completion, and others moving through the permitting phase. GH Trailers, a commercial trailer dealership, opened recently with great visibility from State highway Route 2.

InCord, a material handling equipment supplier, opened a large new building on the complex in December 2023. 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.

The Town's restaurant industry has recovered strongly following the pandemic, bringing visitors as the Town increasingly becomes a 'foodie' destination. The former site of NuNu's Restaurant in the historic Hayward Carriage House is now the award-winning Oz 'n Bones BBQ. Harry's Restaurant, a top regional destination, recently celebrated its 100th anniversary and was named the "Best Burger in Connecticut" by WFSB. InishShor, a new local seafood restaurant beat out the shoreline towns and was named "Best Lobster Roll in Connecticut." The Good Earth Gift and Garden which opened in December 2025 is a new organic coffee, grocery, and bakeshop.

In addition to thriving small-businesses, franchises are continuing to make Colchester a target for expansions. Chipotle, Jersey Mikes Subs, and Fresh Monkee have all opened franchises in Town since 2024.

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.

The Town's business community suffered only a few losses as a result of the pandemic, showing resilience and sustainability on several levels.

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

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Population Trends and Densities

Year	Population ¹	% Increase (Decrease)	Density ²
2024 ³	15,648	0.60%	319
2020	15,555	(3.19%)	317
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: 49.1 square miles

³ U.S. Census Bureau, 2020-2024, American Community Survey.

Age Distribution of the Population

Age	Town of Colchester		State of Connecticut	
	Number	Percent	Number	Percent
Under 5.....	1,148	7.3%	181,691	5.0%
5 - 9.....	836	5.3	195,164	5.4
10 - 14.....	655	4.2	214,972	5.9
15 - 19.....	807	5.2	239,710	6.6
20 - 24.....	595	3.8	238,387	6.6
25 - 34.....	1,878	12.0	454,892	12.6
35 - 44.....	2,140	13.7	460,916	12.7
45 - 54.....	1,674	10.7	453,917	12.5
55 - 59.....	1,472	9.4	256,068	7.1
60 - 64.....	1,267	8.1	258,234	7.1
65 - 74.....	1,771	11.3	386,232	10.7
75 - 84.....	983	6.3	196,373	5.4
85 and over.....	422	2.7	87,952	2.4
Total.....	15,648	100.0%	3,624,508	100.0%
Median Age (Years).....	43.5		41.1	

Source: U.S. Census Bureau, 2020-2024, American Community Survey.

Income Levels

	Town of Colchester	State of Connecticut
Per Capita Income, 2024.....	\$ 60,108	\$ 55,915
Per Capita Income, 2010.....	\$ 35,479	\$ 36,775
Median Family Income, 2024.....	\$ 153,218	\$ 122,706
Percent Below Poverty.....	1.4%	6.9%

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

U.S. Census Bureau, 2020-2024, American Community Survey

Income Distribution

	Town of Colchester		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	55	1.2%	24,004	2.6%
\$10,000 to \$14,999.....	11	0.2	12,584	1.4
\$15,000 to \$24,999.....	16	0.3	27,285	3.0
\$25,000 to \$34,999.....	126	2.7	33,429	3.6
\$35,000 to \$49,999.....	145	3.1	59,826	6.5
\$50,000 to \$74,999.....	253	5.5	106,611	11.6
\$75,000 to \$99,999.....	609	13.2	106,893	11.6
\$100,000 to \$149,999.....	1,023	22.1	182,785	19.8
\$150,000 to \$199,999.....	974	21.1	131,310	14.3
\$200,000 or more.....	1,410	30.5	236,661	25.7
Total.....	4,622	100.0%	921,388	100.0%

Source: U.S. Census Bureau, 2020-2024, 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.....	246	1.0%	101,458	4.5%
9th to 12th grade, no diploma.....	224	2.9	114,887	6.5
High School graduate (includes equivalency)....	2,542	27.3	647,192	27.9
Some college, no degree.....	1,878	18.7	410,903	17.6
Associate degree.....	954	10.0	195,081	7.3
Bachelor’s degree.....	2,885	22.3	595,631	20.3
Graduate or professional degree.....	2,878	17.8	489,432	15.8
Total.....	11,607	100.0%	2,554,584	100.0%
Percent high school graduate or higher.....		96.0%		91.5%
Percent bachelor’s degree or higher.....		49.7%		42.5%

Source: U.S. Census Bureau, 2020-2024, American Community Survey.

Major Employers As of May 2026

Employer	Type of Business	Approximate Number of Employees
Town of Colchester	Municipal Government	507
S&S Worldwide	Arts & Crafts Manufacturing	180
Stop & Shop	Supermarket	170
Alpha Q	Aerospace Manufacturing	125
Apple Rehab	Convalescent/Nursing Home	105
Genesis Health Care	Nursing Home	100
Incord	Manufacturing	95
Connecticut State Police	Law Enforcement	61
Noels	Supermarket	45

Source: Town of Colchester, Planning & Code Administration Department.

Labor Force Data

Period	Percentage Unemployed				
	Town of Colchester		Town of	Hartford	State of
	Employed	Unemployed	Colchester	Labor Market	Connecticut
April 2026	7,997	367	4.4	5.3	5.2
Annual Average					
2025	8,333	310	3.6	4.0	3.9
2024	9,102	255	2.7	3.5	3.5
2023	8,987	282	3.1	3.7	3.7
2022	8,999	303	3.3	4.1	4.1
2021	8,323	442	5.1	6.6	6.6
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

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	21	0.3%	7,132	0.4%
Construction	640	7.6	113,006	6.1
Manufacturing	933	11.1	198,526	10.7
Wholesale trade	225	2.7	35,592	1.9
Retail trade	651	7.8	192,698	10.4
Transportation and warehousing, and utilities	338	4.0	87,076	4.7
Information	161	1.9	37,488	2.0
Finance, insurance, real estate, rental & leasing	522	6.2	161,226	8.7
Professional, scientific, management, administrative, and waste mgmt services	814	9.7	228,229	12.3
Education, health and social services	2,987	35.6	496,559	26.8
Arts, entertainment, recreation, accommodation and food services	510	6.1	143,851	7.8
Other services (except public administration)	210	2.5	80,617	4.4
Public Administration	372	4.4	67,864	3.7
Total Labor Force, Employed	8,384	100.0%	1,849,864	100.0%

Source: U.S. Census Bureau, 2020-2024, American Community Survey.

Building Permits

Fiscal Year Ending 6/30	Residential		Comm./Industrial		Total	
	No.	Value	No.	Value	No.	Value
2026 ¹	1,069	\$ 30,399,333	74	\$ 3,366,905	1,143	\$ 33,766,238
2025	1,008	21,017,788	63	5,867,992	1,071	26,885,780
2024	566	14,339,790	32	356,176	598	14,695,966
2023	1,218	32,103,902	69	2,335,664	1,287	34,439,566
2022	1,168	25,345,911	70	1,333,037	1,238	26,678,948
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

¹ As of April 30, 2026.

Source: Town of Colchester, Planning & Code Administration Department

Age Distribution of Housing

Year Built	Town of Colchester		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	610	9.1%	311,584	20.2%
1940 to 1969.....	1,018	15.2	514,365	33.4
1970 to 1979.....	952	14.2	210,797	13.7
1980 to 1989.....	1,741	25.9	199,083	12.9
1990 to 1999.....	1,041	15.5	115,803	7.5
2000 or 2009.....	813	12.1	109,783	7.1
2010 or later.....	535	8.0	80,407	5.2
Total Housing Units.....	6,710	100.0%	1,541,822	100.0%

Source: U.S. Census Bureau, 2020-2024, American Community Survey.

Housing Units by Type of Structure

Housing Units	Town of Colchester		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	5,075	75.6%	902,771	58.6%
1-unit, attached.....	206	3.1	99,493	6.5
2 units.....	279	4.2	115,211	7.5
3 or 4 units.....	258	3.8	125,486	8.1
5 to 9 units.....	601	9.0	76,014	4.9
10 to 19 units.....	51	0.8	54,675	3.5
20 or more units.....	140	2.1	156,730	10.2
Mobile home.....	100	1.5	10,890	0.7
Boat, RV, van, etc.....	-	-	552	0.0
Total Inventory.....	6,710	100.0%	1,541,822	100.0%

Source: U.S. Census Bureau, 2020-2024, 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.....	152	3.1%	23,262	2.4%
\$50,000 to \$99,999.....	4	0.1	14,209	1.5
\$100,000 to \$149,999.....	75	1.5	31,134	3.3
\$150,000 to \$199,999.....	161	3.3	65,851	6.9
\$200,000 to \$299,999.....	1,095	22.4	205,349	21.5
\$300,000 to \$499,999.....	2,644	54.1	350,277	36.8
\$500,000 to \$999,999.....	700	14.3	197,853	20.8
\$1,000,000 or more.....	56	1.1	65,054	6.8
Total.....	4,887	100.0%	952,989	100.0%
Median (dollars).....	\$ 366,800		\$ 366,900	

Source: U.S. Census Bureau, 2020-2024, 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

Property Tax - Assessment Practices

The Town had a general property revaluation effective October 1, 2021. The next revaluation is required to be completed on October 1, 2026. 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 of Connecticut 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.

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
2025	73.2	7.6	1.5	7.0	10.7	\$ 1,648,289,093	\$ 21,999,481	\$ 1,626,289,612	1.27%
2024	73.0	8.0	1.5	7.4	10.2	1,626,413,625	20,458,214	1,605,955,411	-1.08%
2023	71.5	8.4	1.6	7.6	10.9	1,635,667,535	12,245,121	1,623,422,414	1.27%
2022	71.5	8.4	1.8	6.9	11.4	1,615,914,945	12,822,549	1,603,092,396	3.80%
2021 ¹	73.5	8.7	1.8	4.8	11.2	1,557,510,247	13,156,170	1,544,354,077	22.42%
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%

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
Yankee Gas Services CO (AU 71)	Utility	\$ 29,605,650	1.82%
Connecticut Light & Power	Utility	25,040,290	1.54%
Generate Colchester Fuel Cells LLC	Utility	14,700,000	0.90%
Country Place of Colchester LTD Partners ...	Housing Development	11,084,260	0.68%
SS1 Colchester LLC	Grocery Store	9,835,000	0.60%
343 Lebanon Ave LLC	Apartments	9,204,500	0.57%
Colchester Estate Ventures LLC	Real Estate	8,727,550	0.54%
Alpha Q Inc.	Manufacturing	7,609,950	0.47%
City of Norwich	Utility	4,835,900	0.30%
Agree Eastern LLC	Real Estate	4,177,180	0.26%
Total		\$ 124,820,280	7.68%

¹ Net Taxable Grand List October 1, 2025 of \$1,626,289,612.

Source: Town of Colchester, Assessor's Office

Property Tax Levies and Collections

Fiscal Year	Grand List Ended as of 10/1	Net Taxable Grand List	Tax Rate (in Mills)	Adjusted Tax Levy	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/25
2025	2027 ¹	\$ 1,626,289,612	30.97 ³	\$ 50,366,189	<i>IN COLLECTION</i>		
2024	2026 ¹	1,605,955,411	29.92	48,050,186	98.6%	1.4%	1.4%
2023	2025	1,623,422,414	28.67	46,400,856	98.7%	1.3%	0.5%
2022	2024	1,603,092,396	27.22	43,999,087	98.7%	1.3%	0.1%
2021 ²	2023	1,544,354,077	26.82	42,173,867	98.3%	1.7%	0.1%
2020	2022	1,261,557,248	33.05	42,252,626	98.9%	1.1%	0.1%
2019	2021	1,240,099,632	32.84	41,016,034	98.8%	1.2%	0.1%
2018	2020	1,223,066,888	32.84	40,643,426	98.9%	1.1%	0.1%
2017	2019	1,213,314,735	32.28	39,552,832	98.9%	1.1%	0.0%
2016 ²	2018	1,201,704,429	32.37	39,244,661	98.9%	1.1%	0.0%

¹ Subject to audit.

² Revaluation.

³ Proposed mill rate.

Source: Town of Colchester, Tax Collector.

Property Taxes Receivable

Fiscal Year Ended 6/30	Current Year	Total
2025	\$ 589,567	\$ 1,290,439
2024	551,003	1,400,750
2023	701,613	1,376,751
2022	451,335	1,166,749
2021	496,964	1,176,913

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.

MOTOR VEHICLE PROPERTY TAX RATE

Section 12-71e(a) of the Connecticut General Statutes (the “General Statutes”) has been amended whereby the mill rate for motor vehicles shall not exceed 32.46 mills for the assessment year commencing October 1, 2021, and each assessment year thereafter. Section 12-71e(b) of the General Statutes has been amended to state that no district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town, city, consolidated town and city or consolidated town and borough in which such district or borough is located would result in a combined motor vehicle mill rate above 32.46 mills for the assessment year commencing October 1, 2021, and each assessment year thereafter. Section 4-66I of the General Statutes diverts a portion of State collected sales tax revenue to provide funding to municipalities to mitigate the revenue loss attributed to the motor vehicle property tax cap. The Town’s mill rate for motor vehicles for the assessment year commencing October 1, 2024 (the fiscal year ending June 30, 2026) is 29.92 mills.

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SECTION V – DEBT SECTION

**Outstanding Bonded Debt
Pro Forma
As of July 30, 2026**

Dated Date	Purpose	Interest Rate %	Original Issue	Amount Outstanding	Fiscal Year of Maturity
10/17/2018	School	3.00-5.00	\$ 12,000,000	\$ 9,750,000	2046
10/16/2019	School	2.50-5.00	7,040,000	5,575,000	2046
10/17/2024	General Purpose	4.00-5.00	12,390,000	11,870,000	2049
Total.....			\$ 31,430,000	\$ 27,195,000	

Note: The table above excludes drinking water fund and capital leases.

**Outstanding Short-term Debt
Pro Forma
As of July 30, 2026**

Project	This Issue:	
	Amount Authorized	Notes Due: 7/29/2027
Athletic Facilities Improvements.....	\$14,562,400	\$ 14,560,000
Bacon Academy Roof Replacement.....	5,000,000	5,000,000
Total.....	\$ 19,562,400	\$ 19,560,000

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 July 30, 2026**

Date	Purpose	Interest Rate %	Original Issue	Amount Outstanding	Fiscal Year of Maturity
07/31/2009	Drinking Water Fund	2.12	\$ 2,496,990	\$ 309,073	2029
Total.....			\$ 2,496,990	\$ 309,073	

Note: The table above excludes capital leases.

**Overlapping/Underlying Debt
Pro Forma
As of July 30, 2026**

The Town does not have any overlapping or underlying debt.

**Bonded Debt Maturity Schedule ¹
Pro Forma
As of July 30, 2026**

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Debt Service	Total Principal	Cumulative Principal Retired
2027	\$ 1,300,000	\$ 1,060,119	\$ 2,360,119	\$ 1,300,000	4.8%
2028	1,300,000	1,000,119	2,300,119	1,300,000	9.6%
2029	1,300,000	940,119	2,240,119	1,300,000	14.3%
2030	1,300,000	882,619	2,182,619	1,300,000	19.1%
2031	1,300,000	827,619	2,127,619	1,300,000	23.9%
2032	1,295,000	772,431	2,067,431	1,295,000	28.7%
2033	1,295,000	718,456	2,013,456	1,295,000	33.4%
2034	1,295,000	665,569	1,960,569	1,295,000	38.2%
2035	1,295,000	612,056	1,907,056	1,295,000	42.9%
2036	1,295,000	558,231	1,853,231	1,295,000	47.7%
2037	1,295,000	505,494	1,800,494	1,295,000	52.5%
2038	1,295,000	453,844	1,748,844	1,295,000	57.2%
2039	1,295,000	401,881	1,696,881	1,295,000	62.0%
2040	1,295,000	352,181	1,647,181	1,295,000	66.8%
2041	1,295,000	305,756	1,600,756	1,295,000	71.5%
2042	1,240,000	261,000	1,501,000	1,240,000	76.1%
2043	1,240,000	217,213	1,457,213	1,240,000	80.6%
2044	1,240,000	173,253	1,413,253	1,240,000	85.2%
2045	1,240,000	128,841	1,368,841	1,240,000	89.8%
2046	1,240,000	84,147	1,324,147	1,240,000	94.3%
2047	515,000	51,500	566,500	515,000	96.2%
2048	515,000	30,900	545,900	515,000	98.1%
2049	515,000	10,300	525,300	515,000	100.0%
2050	-	-	-	-	100.0%
2051	-	-	-	-	100.0%
Total	\$ 27,195,000	\$ 11,013,648	\$ 38,208,648	\$ 27,195,000	

¹ Excludes Drinking Water Fund and capital leases.

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**Self-Supporting Debt (Water Enterprise)
Pro Forma
As of July 30, 2026**

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Debt Service	Total Principal	Cumulative Principal Retired
2027	\$ 146,654	\$ 5,133	\$ 151,787	\$ 146,654	47.4%
2028	149,793	1,993	151,786	149,793	95.9%
2029	12,627	22	12,649	12,627	100.0%
Total	\$ 309,074	\$ 7,148	\$ 316,222	\$ 309,074	

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

**Current Debt Statement
Pro Forma
As of July 30, 2026**

Long-Term Debt Outstanding:

General Purpose	\$ 11,870,000
Schools	15,325,000
Sewers	-

Total Long-Term Debt..... 27,195,000

Short-Term Debt:

Outstanding Bond Anticipation Notes (Includes this issue).....	19,560,000
--	------------

Direct Debt..... 46,755,000

Overlapping/Underlying Debt.....	-
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Overall Debt..... 46,755,000

Less: School Construction Grants (As of 6/30/26)	-
--	---

Overall Net Debt..... \$ 46,755,000

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

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**Current Debt Ratios
Pro Forma
As of July 30, 2026**

Population (2024) ¹	15,648
Net Taxable Grand List (10/1/25)	\$ 1,626,289,612
Estimated Full Value (70%)	\$ 2,323,270,874
Equalized Net Taxable Grand List (10/1/23) ²	\$ 2,971,358,316
Income per Capita (2024) ¹	\$ 60,108

	Total Long Term Debt	Direct Debt	Overall Net Debt
	\$27,195,000	\$46,755,000	\$46,755,000
Per Capita	\$1,737.92	\$2,987.92	\$2,987.92
Ratio to Net Taxable Grand List	1.67%	2.87%	2.87%
Ratio to Estimated Full Value	1.17%	2.01%	2.01%
Ratio to Equalized Net Taxable Grand List	0.92%	1.57%	1.57%
Debt per Capita to Money Income per Capita 2024	2.89%	4.97%	4.97%

¹ U.S. Department of Commerce, Bureau of Census. American Community Survey 2020-2024.

² State of Connecticut, Office of Policy Management.

Equipment Financing Notes (Direct Borrowings)

As of June 30, 2026, the Town does not have any outstanding equipment financing notes.

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).

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.

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 Sections 12-129d and 7-528. In no case shall total indebtedness exceed seven times the base.

Section 7-374 of the Connecticut General Statutes also provides 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.

Statement of Statutory Debt Limitation ¹
Pro Forma
As of July 30, 2026

Total Tax Collections (including interest and lien fees) for the year ended June 30, 2025.....	\$ 47,276,841
Reimbursement for Revenue Loss On:	
Tax relief for elderly for the year ended June 30, 2025	-
BASE FOR DEBT LIMITATION COMPUTATION	<u>\$ 47,276,841</u>

Debt Limitation:	General			Urban	Unfunded
	Purposes	Schools	Sewers	Renewal	Past Pension
2 1/4 times base.....	\$ 106,372,892	-	-	-	-
4 1/2 times base.....	-	\$ 212,745,785	-	-	-
3 3/4 times base.....	-	-	\$ 177,288,154	-	-
3 1/4 times base.....	-	-	-	\$ 153,649,733	-
3 times base.....	-	-	-	-	\$ 141,830,523
Total Debt Limitation	<u>\$ 106,372,892</u>	<u>\$ 212,745,785</u>	<u>\$ 177,288,154</u>	<u>\$ 153,649,733</u>	<u>\$ 141,830,523</u>

Less Indebtedness:					
Bonds Outstanding	\$ 11,870,000	\$ 15,325,000	\$ -	\$ -	\$ -
Notes (This Issue).....	14,560,000	5,000,000	-	-	-
Underlying Debt.....	-	-	-	-	-
Authorized But Unissued Debt.....	4,387,905	7,956,870	-	-	-
Total Indebtedness	<u>30,817,905</u>	<u>28,281,870</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: School Grants Receivable	-	-	-	-	-
Net Debt for Calculation of Debt Limit.....	<u>30,817,905</u>	<u>28,281,870</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt Limitation in Excess of					
Outstanding And Authorized Debt	<u>\$ 75,554,987</u>	<u>\$ 184,463,915</u>	<u>\$ 177,288,154</u>	<u>\$ 153,649,733</u>	<u>\$ 141,830,523</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 \$330,937,887.

Authorized but Unissued Debt
Pro Forma
As of July 30, 2026

Project	Grants		Previously Issued Bonds	This Issue: Notes Due: 7/29/2027	Authorized but Unissued Debt
	Amount Authorized	Received/ Paid-down			
WJJ Middle School Project.....	\$48,860,000	\$ 21,890,818	\$ 19,040,000	\$ -	\$ 7,929,182
Bacon Academy Portables.....	850,000	399,712	425,000	-	25,288
Senior Center.....	10,392,309	1,236,804	7,890,000	-	1,265,505
Athletic Facilities Improvements.....	14,562,400	-	-	14,560,000	2,400
Bacon Academy Roof Replacement.....	5,000,000	-	-	5,000,000	2,400
2025 Water Infrastructure Improvements....	3,120,000	-	-	-	3,120,000
Total	<u>\$82,784,709</u>	<u>\$ 23,527,334</u>	<u>\$ 27,355,000</u>	<u>\$ 19,560,000</u>	<u>\$ 12,344,775</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	Ratio of	Population ¹	Net	Ratio of Net
				Direct Overall Debt to Assessed Value	Direct Overall Debt to Estimated Full Value		Long-Term Debt per Capita	Long-Term Debt per Capita to Per Capita Income ²
2025	\$ 1,623,422,414	\$ 2,319,174,877	\$ 16,105,000	0.99%	0.69%	15,648	\$ 1,029.21	1.71%
2024	1,603,092,396	2,290,131,994	17,275,000	1.08%	0.75%	15,648	1,103.97	1.84%
2023	1,544,354,077	2,206,220,110	18,455,000	1.19%	0.84%	15,648	1,179.38	1.96%
2022	1,261,557,248	1,802,224,640	19,645,000	1.56%	1.09%	15,648	1,255.43	2.09%
2021	1,240,099,632	1,771,570,903	21,140,000	1.70%	1.19%	15,648	1,350.97	2.25%

¹ U.S. Bureau of Census, American Community Survey (2020-2024).

² Bureau of Census, American Community Survey (2020-2024), Money Income Per Capita: \$60,108.

Five-year Debt Statement Summary

<u>Long-Term Debt</u>	2025	2024	2023	2022	2021
Bonds.....	\$ 16,105,000	\$ 17,275,000	\$ 18,455,000	\$ 19,645,000	\$ 21,140,000
<u>Short-Term Debt</u>					
Bond Anticipation Notes....	-	15,235,000	2,845,000	2,845,000	2,845,000
Totals.....	\$ 16,105,000	\$ 32,510,000	\$ 21,300,000	\$ 22,490,000	\$ 23,985,000

Source: Town of Colchester Financial Reports 2021-2025.

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

Fiscal Year Ended 6/30	Gross Debt Service ³	Total General Fund Expenditures ¹	Ration of Net Debt Service to General Fund Expenditures (%)
2026 ²	\$ 2,075,164	\$ 65,219,600	3.2%
2025	2,031,008	70,465,935	2.9%
2024	1,839,164	67,572,259	2.7%
2023	1,892,984	64,538,371	2.9%
2022	2,255,109	63,752,681	3.5%
2021	2,374,184	61,717,572	3.8%
2020	2,241,234	61,921,238	3.6%
2019	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%

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 2017-2025. Finance Department provided 2026.

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 Director of Finance 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 Director of Finance 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.

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, 2025, the financial statements of the various funds of the Town were audited by PFK O’Connor Davies, Certified Public Accountants.

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 \$202,729 in the June 30, 2025 fiscal year, and \$226,979 from the fiscal year 2025-26 budget for such purpose. As of July 1, 2024, the latest actuarial valuation date for the plan, the funded ratio was 83%.

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 8.25% 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 – “2025 Financial Statements, Notes to Financial Statements” herein.)

Schedule of Employer Contributions

	2026¹	2025	2024	2023	2022
Actuarially Determined Contribution	\$ 230,506	\$ 228,151	\$ 175,494	\$ 175,494	\$ 172,885
Contributions in Relation to the					
Actuarially Determined Contribution ...	226,979	202,729	155,695	155,695	172,150
Contribution Deficiency (excess)	3,527	25,422	19,799	19,799	735
Covered Employee Payroll	\$ 620,407	\$ 573,078	\$ 538,300	\$ 538,300	\$ 686,638
Contributions as a Percentage of					
Covered Employee Payroll	36.59%	35.38%	28.92%	28.92%	25.07%

¹ Budgeted, 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, 2025, 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
	5.75%	6.75%	7.75%
Net Pension Liability	\$ 2,040,056	\$ 1,025,106	\$ 214,359

Schedule of Net Pension Liability

	2025	2024	2023	2022	2021
Total Pension Liability	\$ 6,026,646	\$ 5,603,500	\$ 5,220,151	\$ 4,567,338	\$ 4,163,943
Plan Fiduciary Net Position	5,001,540	4,418,622	3,873,830	3,544,037	3,893,183
Net Pension Liability (Asset)	\$ 1,025,106	\$ 1,184,878	\$ 1,346,321	\$ 1,023,301	\$ 270,760
Plan Fiduciary Net Position as					
a % of Total Pension Liability	82.99%	78.85%	74.21%	77.60%	93.50%
Covered Payroll	\$ 573,078	\$ 556,602	\$ 538,300	\$ 686,638	\$ 663,974
Net Pension Liability as					
a % of Covered Payroll	178.88%	212.88%	250.11%	149.03%	40.78%

Changes in Net Pension Liability

	<i>Increase (Decrease)</i>		
	<i>Total Pension</i>	<i>Plan Fiduciary</i>	<i>Net Pension</i>
	<i>Liability</i>	<i>Net Position</i>	<i>Liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balance at June 30, 2024.....	\$ 5,603,500	\$ 4,418,622	\$ 1,184,878
Changes for the Year			
Service Cost.....	171,304	-	171,304
Interest.....	384,996	-	384,996
Change of Assumptions.....	-	-	-
Differences Between Expected and Actual Experience.....	9,159	-	9,159
Contributions - Employer.....	-	202,729	(202,729)
Contributions - Member.....	-	74,155	(74,155)
Net Investment Income (Including Investment Expenses).....	-	448,497	(448,497)
Benefit Payments, Including Refunds of Employee Contributions.....	(142,313)	(142,313)	-
Administrative Expense.....	-	(150)	150
Net Changes.....	423,146	582,918	(159,772)
Balance at June 30, 2025.....	\$ 6,026,646	\$ 5,001,540	\$ 1,025,106

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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 the July 1, 2023 actuarial valuation date of the OPEB liability, the total OPEB liability at June 30, 2025 for the Town was \$3,937,449.

Schedule of Changes in the Town’s Total OPEB Liability

Total OPEB Liability:	2025	2024	2023
Service Cost.....	\$ 205,680	\$ 312,308	\$ 269,757
Interest on Total OPEB Liability.....	167,548	210,864	190,962
Effect of Plan Changes.....	-	-	-
Differences Between Expected & Actual Experience...	-	77,663	-
Changes of Assumptions.....	(371,892)	(1,762,089)	87,197
Benefit Payments	(240,727)	(251,161)	(165,134)
Net Change in Total OPEB Liability.....	(239,391)	(1,412,415)	382,782
Total OPEB Liability, Beginning.....	\$ 4,176,840	\$ 5,589,255	\$ 5,206,473
Total OPEB Liability, Ending.....	\$ 3,937,449	\$ 4,176,840	\$ 5,589,255
Covered Payroll.....	\$ 35,479,496	\$ 35,479,496	\$ 33,268,653
Total OPEB Liability as a % of Covered Payroll.....	11.10%	11.77%	16.80%

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
	4.20%	Discount Rate	6.20%
		5.20%	
Total OPEB Liability	\$ 4,227,371	\$ 3,937,449	\$ 3,668,811

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
	5.60%	6.60%	7.60%
	decreasing to	decreasing to	decreasing to
	2.90%	3.90%	4.90%
Total OPEB Liability	\$ 4,817,024	\$ 5,589,255	\$ 6,544,255

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, 2025, the estimated obligation for employee compensated absences which is not expected to be paid with current available resources was \$3,657,469. 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 \$7,392,004 for the year ended June 30, 2025.

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>Actual</i> 2024-25	<i>Actual</i> 2023-24	<i>Actual</i> 2022-23	<i>Actual</i> 2021-22	<i>Actual</i> 2020-21
Assets					
Cash and Cash Equivalents	\$ 15,967,647	\$ 13,711,111	\$ 12,850,970	\$ 10,690,994	\$ 10,578,557
Property Taxes	990,439	1,213,602	1,271,038	1,045,589	1,050,945
Intergovernmental	-	111,395	113,755	117,086	120,881
Accounts Receivable	57,928	269,936	57,039	140,579	-
Other Receivable	-	-	-	-	52,799
Prepaid	-	-	460	-	-
Due from Other Funds	-	466,115	1,497,697	1,592,184	1,613,082
Other	19,399	77,380	41,432	51,049	25,759
Inventory	-	-	-	-	-
Total Assets	\$ 17,035,413	\$ 15,849,539	\$ 15,832,391	\$ 13,637,481	\$ 13,442,023
Liabilities					
Accounts Payable and Accrued Liabilities	665,649	916,235	2,887,868	2,268,351	2,172,234
Accrued Payroll	476,260	262,925	-	-	-
Deferred Revenue	-	-	-	-	-
Unearned Revenue	-	-	-	1,220	3,660
Due to Other Funds	522,000	520,353	-	-	-
Performance Bonds	38,653	30,563	44,841	75,923	142,453
Other	398,464	670,774	156,236	149,467	123,886
Total Liabilities	\$ 2,101,026	\$ 2,400,850	\$ 3,088,945	\$ 2,494,961	\$ 2,442,233
Deferred Inflow of Resources					
Advance Tax Collections	672	672	28,207	2,207	42,842
Property Taxes	990,439	1,213,602	1,271,038	1,045,589	921,861
Unavailable Resources - Other	-	-	-	-	-
Total Deferred Inflows of Resources	\$ 991,111	\$ 1,214,274	\$ 1,299,245	\$ 1,047,796	\$ 964,703
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	388,744	1,044,746	1,252,011	444,334	301,108
Assigned	2,266,220	1,777,683	1,846,338	1,689,752	1,902,354
Unassigned	11,288,322	9,411,986	8,345,852	7,960,638	7,831,625
Total Fund Balances	\$ 13,943,286	\$ 12,234,415	\$ 11,444,201	\$ 10,094,724	\$ 10,035,087
Total Liabilities, Deferred Inflows of Resources and Fund Balances (deficits) ...	\$ 17,035,423	\$ 15,849,539	\$ 15,832,391	\$ 13,637,481	\$ 13,442,023
Analysis of General Fund Balance					
Operating Revenues	\$ 72,174,806	\$ 68,357,993	\$ 65,878,387	\$ 63,812,318	\$ 62,281,793
Fund balance as a percent of operating revenues	19.32%	17.90%	17.37%	15.82%	16.11%
Unassigned fund balance as a percent of operating revenues	15.64%	13.77%	12.67%	12.48%	12.57%

General Fund Revenues and Expenditures

The General Fund revenues, expenditures, and changes in fund balance for the fiscal years ended June 30, 2022 through 2025 have been derived from audited financial statements. The fiscal year 2025-26 unaudited actual and fiscal year 2026-27 proposed budget has been provided by the Town. The financial information presented herein is the responsibility of the Town of Colchester's management (Appendix A – "2025 Financial Statements" was taken from the Annual Financial Report of the Town of Colchester for the fiscal year ended June 30, 2025).

	Proposed Budget 2026-27¹	Projected Actual 2025-26²	Actual 2024-25	Actual 2023-24	Actual 2022-23	Actual 2021-22
Revenues:						
Property Taxes	\$ 50,857,804	\$ 49,327,979	\$ 47,884,708	\$ 43,862,884	\$ 42,264,302	\$ 42,473,085
Intergovernmental	13,635,481	12,986,532	20,707,576	20,862,489	20,184,098	18,921,948
Investment Income	1,100,000	1,100,000	1,334,851	1,381,015	971,970	59,591
Fees, Permits, and Sales	-	-	-	-	-	-
Charges for Services	2,305,292	2,175,611	2,160,296	2,224,305	2,437,003	2,327,257
Other	74,000	111,098	87,375	27,300	21,014	30,437
Total Revenues	67,972,577	65,701,220	72,174,806	68,357,993	65,878,387	63,812,318
Expenditures:						
General government	5,394,528	4,815,894	4,552,734	4,317,403	4,017,738	3,845,716
Public Safety	4,174,942	4,158,469	3,819,076	3,600,940	3,483,628	3,376,723
Public Works	4,898,867	4,654,562	4,397,567	3,159,714	3,479,275	3,979,835
Community & Human Services	2,103,369	1,939,684	1,869,980	1,739,866	1,754,117	1,685,388
Education	49,368,807	47,575,827	52,855,170	50,707,619	48,605,251	47,681,959
Debt Service	2,160,164	2,075,164	2,031,008	1,839,164	1,850,164	2,075,164
Capital Outlay	621,900	-	-	-	-	-
Total Expenditures	68,722,577	65,219,600	69,525,535	65,364,706	63,190,173	62,644,785
Revenues over (under) expenditures	(750,000)	481,620	2,649,271	2,993,287	2,688,214	1,167,533
Other Financing Sources Uses:						
Use of Fund Balance	750,000	500,000	-	-	-	-
Operating Transfers In	-	-	-	4,480	9,461	-
Operating Transfers (Out)	-	-	(940,400)	(2,207,553)	(1,348,198)	(1,107,896)
Total other Financing Sources (uses)	750,000	500,000	(940,400)	(2,203,073)	(1,338,737)	(1,107,896)
Revenues and other financing sources over (under) expenditures and other financing (uses)	-	981,620	1,708,871	790,214	1,349,477	59,637
Fund Balance, Beginning	14,924,906	13,943,286	12,234,415	11,444,201	10,094,724	10,035,087
Restatement	-	-	-	-	-	-
Fund Balance, Ending	\$ 14,924,906	\$ 14,924,906	\$ 13,943,286	\$ 12,234,415	\$ 11,444,201	\$ 10,094,724

¹ Adopted - Budgetary basis.

² Estimated - Subject to audit.

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

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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 purchaser(s) will be furnished the following documents when the Notes are delivered:

1. A Signature and No Litigation Certificate 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 which will certify, to the best of said officials' knowledge and belief, that at the time bids were accepted on the Notes, the descriptions and statements contained in the Official Statement (with such supplemental information concerning ratings, insurance, interest rates and corrections) relating to the Town and its finances were and are true and correct in all material respects and did not and do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that no view is expressed with respect to any information furnished to the Town by or on behalf of the purchaser or any insurer specifically for inclusion in the Official Statement, and that there has been no material adverse change in the financial condition of the Town from that set forth in or as 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 as Appendix B to this Official Statement.
5. An executed Continuing Disclosure Agreement for the Notes in substantially the form attached as Appendix C to this Official Statement.
6. The Town has prepared an Official Statement for the Notes which is dated July __, 2026. 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 purchaser(s) a reasonable number of copies of the final Official Statement at the Town's expense. The copies of the Official Statement will be made available to the winning purchaser(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 purchaser(s) by noon of the day following the day 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 managing underwriter, the name of the insurer, if any, and any changes on the Notes. The winning purchaser(s) shall arrange with the Municipal Advisor the method of delivery of the copies of the Official Statement to the winning purchaser(s).

A record of the proceedings taken by the Town in authorizing the Notes will be kept on file at offices of U.S. Bank Trust Company, National Association, and may be examined upon reasonable request.

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 _____
Bernie Dennler
First Selectman

By _____
Rosemary Coyle
Selectman

By _____
Denise Turner
Selectman

By _____
Art Shilosky
Selectman

By _____
Timothy Vaillancourt
Selectman

By _____
Dave Koji
Treasurer

By _____
Marina Pandolfi
Director of Finance

Dated as of July __, 2026

Appendix A

2025 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, 2025. 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, a division of First Security Municipal Advisors, Inc., 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 283-1110.

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Colchester, Connecticut ("Town"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Policy

We draw attention to Note II – B. Cumulative Effect of Change in Accounting Principle in the notes to financial statements which discloses the effects of the Town's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 101, "*Compensated Absences*". Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparisons, and the pension and other post-employment benefit schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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

Page 3

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the introductory and trend information sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2026 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
March 19, 2026



Town of Colchester, Connecticut

127 Norwich Avenue, Colchester, Connecticut 06415

Management's Discussion and Analysis For the Year Ended June 30, 2025

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, 2025. Please read it in conjunction with the Town's financial statements immediately following this section.

Financial highlights

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as follows:

	Governmental Activities	Business-Type Activities	Total
Change in net position	\$ 3,931,300	\$ 392,684	\$ 4,323,984
Total net position	91,627,217	6,686,579	98,313,796
Unrestricted net position	12,838,525	2,484,087	15,322,612

The Town's total net position increased by \$4,324,650. The increase is due to the following:

Governmental fund activity:

➤ positive operations of the general fund of	\$ 1,708,871
➤ negative operations of the capital projects fund of	(2,927,977)
➤ positive operations of the Johnston building project fund of	3,575,679
➤ positive operations of the other governmental funds of	623,180

Business-type fund activity:

➤ positive operations of the water fund of	392,684
--	---------

Conversion to accrual basis on Exhibit E:

➤ net revenue (expense) of the internal service fund of	(1,418,889)
➤ capital outlay net of depreciation/amortization expense of	1,449,670
➤ net long-term debt activity of	35,606
➤ change in compensated absences of	(116,719)
➤ change in claims and judgments of	387,000
➤ change in net pension liability of	159,772
➤ change in OPEB liability of	239,391
➤ change in deferred outflows of resources related to pension and OPEB of	(485,929)
➤ change in deferred inflows of resources related to pension and OPEB of	442,622

- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balance of \$27,670,215, an increase of \$3,369,085 in comparison with the prior year. The majority of the increase is due to the positive operations of the general fund, Johnston building project fund, and debt service fund of \$1,708,871, \$3,575,679, \$550,192 respectively, partially offset by negative operations of the capital projects fund of \$2,927,977.
- At year end, the unassigned fund balance for the general fund was \$11,288,322 or 17.85% of total general fund budgetary basis expenditures and transfers out.
- Net capital assets increased in the current year by \$1,293,397 due to capital additions exceeding depreciation/amortization expense.
- The Town's long-term debt decreased by \$1,473,220 primarily due to scheduled principal payments.
- The Town implemented GASB Statement No. 101 "*Compensated Absences*" during the fiscal year. As a result, the Town increased the compensated absences liability and decreased net position by \$795,526 as of July 1, 2024.

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 each major fund. The funds reported as major funds are as follows:

- General fund
- Capital reserve
- Johnston building project fund
- American rescue plan act fund
- Capital projects fund

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 4 and 5 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 and individual supplemental statements 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 \$98,313,796 at the close of the fiscal year.

The largest portion of net position of the Town reflects its net investment in capital assets, less any related debt and liabilities used to acquire those assets that are 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 (\$4,772,353 or 4.85%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position totals \$15,323,278.

The analysis below focuses on the net position and changes in net position. Unrestricted net position increased by \$3,914,974 from the prior year.

**Summary Statement of Net Position
June 30**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Current and other assets	\$ 34,748,091	\$ 36,511,474	\$ 2,539,833	\$ 2,139,627	\$ 37,287,924	\$ 38,651,101
Capital assets (net)	105,806,121	104,364,514	4,655,145	4,803,355	110,461,266	109,167,869
Total assets	<u>140,554,212</u>	<u>140,875,988</u>	<u>7,194,978</u>	<u>6,942,982</u>	<u>147,749,190</u>	<u>147,818,970</u>
Deferred outflows of resources	<u>551,827</u>	<u>1,037,756</u>	<u>-</u>	<u>-</u>	<u>551,827</u>	<u>1,037,756</u>
Long-term liabilities	38,166,657	38,030,647	309,073	452,653	38,475,730	38,483,300
Other liabilities	<u>7,275,012</u>	<u>10,911,879</u>	<u>199,326</u>	<u>196,434</u>	<u>7,474,338</u>	<u>11,108,313</u>
Total liabilities	<u>45,441,669</u>	<u>48,942,526</u>	<u>508,399</u>	<u>649,087</u>	<u>45,950,068</u>	<u>49,591,613</u>
Deferred inflows of resources	<u>4,037,153</u>	<u>4,479,775</u>	<u>-</u>	<u>-</u>	<u>4,037,153</u>	<u>4,479,775</u>
Net investment in capital assets	74,016,339	71,923,345	4,202,492	4,210,131	78,218,831	76,133,476
Restricted	4,772,353	7,244,224	-	-	4,772,353	7,244,224
Unrestricted	<u>12,838,525</u>	<u>9,323,874</u>	<u>2,484,087</u>	<u>2,083,764</u>	<u>15,322,612</u>	<u>11,407,638</u>
Total net position	<u>\$ 91,627,217</u>	<u>\$ 88,491,443</u>	<u>\$ 6,686,579</u>	<u>\$ 6,293,895</u>	<u>\$ 98,313,796</u>	<u>\$ 94,785,338</u>

Net position may serve over time as a useful indicator of a Town's financial position. The Town's net position increased \$4,323,984 as detailed below.

Management's Discussion and Analysis

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	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 5,910,599	\$ 5,582,796	\$ 1,492,468	\$ 1,415,213	\$ 7,403,067	\$ 6,998,009
Operating grants and contributions	25,305,546	25,218,199	-	-	25,305,546	25,218,199
Capital grants and contributions	5,650,344	2,258,642	-	-	5,650,344	2,258,642
General revenues:						
Property taxes	47,661,545	43,805,448	-	-	47,661,545	43,805,448
Grants and contributions not restricted to specific programs	292,146	682,435	-	-	292,146	682,435
Income from investments	1,412,030	1,482,847	60,852	50,866	1,472,882	1,533,713
Gain on sale of assets	47,130	134,158	10,000	-	57,130	134,158
Total revenues	86,279,340	79,164,525	1,563,320	1,466,079	87,842,660	80,630,604
Expenses:						
General government	4,753,487	4,493,237	-	-	4,753,487	4,493,237
Public safety	5,146,725	5,345,195	-	-	5,146,725	5,345,195
Public works	7,916,564	5,962,389	-	-	7,916,564	5,962,389
Community and human services	3,303,928	2,933,243	-	-	3,303,928	2,933,243
Education	60,011,288	56,942,252	-	-	60,011,288	56,942,252
Interest	1,229,628	1,087,123	-	-	1,229,628	1,087,123
Water	-	-	1,157,056	1,012,889	1,157,056	1,012,889
Total expenses	82,361,620	76,763,439	1,157,056	1,012,889	83,518,676	77,776,328
Change in net position before transfers	3,917,720	2,401,086	406,264	453,190	4,323,984	2,854,276
Transfers	13,580	13,580	(13,580)	(13,580)	-	-
Change in net position	3,931,300	2,414,666	392,684	439,610	4,323,984	2,854,276
Net position - July 1, as previously reported	88,491,443	86,076,777	6,293,895	5,854,285	94,785,338	91,931,062
Cumulative effect of change in accounting principle for implementation of GASB No. 101	(795,526)	-	-	-	(795,526)	-
Net position - July 1, as restated	87,695,917	-	6,293,895	-	93,989,812	-
Net position - June 30	\$ 91,627,217	\$ 88,491,443	\$ 6,686,579	\$ 6,293,895	\$ 98,313,796	\$ 94,785,338

The key elements of the increase are as follows:

Governmental activities – revenues

- Capital grants and contributions increased by \$3,391,702 compared to the prior year. The increase was primarily attributable to an additional \$281,756 received under the Urban Act grant for the senior center project and a \$2,965,602 increase in school construction funding related to the Johnston building, reflecting final grant reimbursements received upon project closeout.
- Property taxes increased by \$3,856,097 due to a 5.33% increase in the mill rate from 27.22 to 28.67 mills and a \$39,000,000 increase in assessments. The tax rate was increased in order to fund the budget.

Governmental activities - expenses

- Public works expenses increased by \$1,954,175 primarily due to a spending freeze on public works in fiscal year 2024 that was lifted in fiscal year 2025.
- Education expenses increased by \$3,069,036 due to a \$1,596,724 budgeted increase with an additional \$200,000 appropriation from special education revenue. Additionally, there was an approximately \$589,000 increase in expenses related to medical self-insurance as well as an approximately \$300,000 increase in compensated absences due to changes in the liability.

Business-type activities - revenues

- Charges for services increased \$77,255 over the prior year due to user fees increase of approximately \$52,000 due to a 2.20% increase in gallon usage and a \$15,000 increase in connection fees.

Business-type activities - expenses

- Water expenses increased \$144,167 from the prior year, primarily due to additional payroll hours worked related to a water main break as well as increased expenses in well repairs outsourced, storm meals, CCM, service calls and a significant increase in electricity costs due to increased usage.

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 \$27,670,215. Fund balance has been classified as:

Restricted	\$ 4,772,353
Committed	8,100,153
Assigned	3,509,387
Unassigned	<u>11,288,322</u>
Total	<u>\$ 27,670,215</u>

The total fund balance increased by \$3,369,085. This increase is a result of the following funds activity:

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, \$11,288,322 was unassigned. During the current fiscal year, the fund balance of the Town's general fund increased by \$1,708,871. The increase was substantially attributable to revenues and other financing sources which were \$1,612,593 above budget and expenditures which were \$196,805 below budget. A more detailed discussion is included under budgetary highlights.

American Rescue Plan Act Fund. The American Rescue Plan Act fund accounts for and reports the proceeds and expenditures of the American Rescue Plan Act grant. \$376,457 of the grant was spent during the year.

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. At the end of the current fiscal year, committed fund balance of the fund was \$3,655,064. This was the result of positive operations of \$389,332 due to transfers in of \$781,000 and sale of assets for \$55,193 which was partially offset by purchases included in capital outlay for vehicle, equipment, and buildings and grounds of \$432,261.

Capital Projects Fund. The capital projects fund accounts for financial resources to be used for the acquisition and construction of capital facilities. At the end of the current fiscal year, fund balance was a total balance of \$1,556,948, a decrease of \$2,927,977. This was the mainly result of expenditures of \$4,598,935 partially offset by intergovernmental revenue recognized of \$1,248,560 and the issuance of debt for \$312,008.

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, the fund balance increased from a deficit of (\$3,226,505) in the prior year to a positive fund balance of \$349,174 in the current year. This was the result of school construction grants being received of \$3,575,679 from the final project closeout.

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: the water fund which accounts for the operations of the water department.

Water Fund. There was an increase in net position of \$392,684 in the water fund due to an increase in charges for services of \$77,255 due to an increase in usage and connection fees. Additionally, fees continue to exceed expenses. Unrestricted net position of the water fund was \$2,484,087 at year end.

Internal Service Fund. The internal service fund is used to account for medical self-insurance claims. The internal service fund had a decrease to its net position of \$1,418,889. This is due to an increase of \$261,081 in claims as well as a decrease in employee and employer contributions of \$596,186. The internal service fund had an unrestricted net position of \$905,705 at year end.

General fund budgetary highlights

Significant budget transfers made during the year include:

- There were additional appropriations of committed fund balance totaling \$567,000 for a \$280,000 transfer to the capital reserve fund for an ambulance purchase and \$287,000 to insurances and legal for a workers compensation settlement.
- Education was increased by \$200,000 from special education grant revenue for funding the health insurance fund.

Total revenues were higher than budgeted by \$2,179,593 primarily due to:

- Current property taxes exceeded the budget by \$836,582, primarily due to a tax settlement that was more favorable to the Town than originally anticipated.
- Special education grants of \$513,901 not budgeted for.

These were partially offset by an appropriation of committed fund balance of \$567,000. Total expenditures and other financing uses were below budget by \$196,805.

Capital assets and debt administration

Capital assets

The Town's investment in capital assets amounts to \$110,461,266 (net of accumulated depreciation/amortization). This investment in capital assets is as follows:

Capital Assets (Net)						
June 30						
<u>Category</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	2025	2024	2025	2024	2025	2024
Land	\$ 3,918,414	\$ 3,918,414	\$ -	\$ -	\$ 3,918,414	\$ 3,918,414
Construction in progress	806,328	7,503,701	-	-	806,328	7,503,701
Intangible right-to-use assets	532,519	411,298	-	-	532,519	411,298
Improvements other than buildings	1,539,375	1,250,280	1,470	1,680	1,540,845	1,251,960
Buildings	78,506,839	70,722,015	3,305,469	3,456,794	81,812,308	74,178,809
Machinery and equipment	8,835,870	8,678,435	135,188	84,405	8,971,058	8,762,840
Infrastructure	11,666,776	11,880,371	1,213,018	1,260,476	12,879,794	13,140,847
Total	\$ 105,806,121	\$ 104,364,514	\$ 4,655,145	\$ 4,803,355	\$ 110,461,266	\$ 109,167,869

The capital assets (net of depreciation/amortization) increased in the current year by \$1,293,397. The increase is due to capital additions exceeding depreciation/amortization expense. In the current year, the Town had capital asset additions totaling \$6,451,300.

Major capital asset additions during the year included the following:

Governmental activities:

Construction in progress additions of:

➤ Lebanon Ave streetscape project	\$ 745,544
➤ Senior center building project	3,195,577

Improvements other than buildings additions of:

➤ RecPlex irrigation	331,491
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Building additions of:

➤ Senior center	9,993,900
➤ Bacon academy carpet	199,999
➤ Town hall roof	275,788

Machinery and equipment additions of:

➤ Freightliner tanker	556,919
➤ Senior center furniture	138,930
➤ Police, public works and senior center vehicles	429,271

Infrastructure additions of:

➤ Paving	378,533
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There were no significant business-type activity additions during the year.

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 \$29,548,898. All debt is backed by the full faith and credit of the Town.

**Long-Term Debt
June 30**

Category	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 28,495,000	\$ 17,275,000	\$ -	\$ -	\$ 28,495,000	\$ 17,275,000
Bond anticipation notes (permanently financed)	-	12,390,000	-	-	-	12,390,000
Equipment financing notes	-	303,249	-	-	-	303,249
Drinking water note	-	-	452,653	593,224	452,653	593,224
Leases payable	427,096	329,137	-	-	427,096	329,137
Subscriptions payable	174,149	131,508	-	-	174,149	131,508
Total	\$ 29,096,245	\$ 30,428,894	\$ 452,653	\$ 593,224	\$ 29,548,898	\$ 31,022,118

During the current fiscal year, the Town's total debt decreased by \$1,473,220 primarily 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 \$309,843,996, 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 F.

Economic factors and next year's budgets and rates

The 2025-2026 general fund adopted budget totaled \$65,384,520. The following economic factors currently affect the Town and were considered in developing the 2025-2026 fiscal year budget:

- As of June 2025, the unemployment rate for the Town was at 2.9%, which is a decrease from a rate of 3.4% a year ago. Town unemployment rate is lower than the State rate of 3.8% and a national unemployment rate of 4.1% as of June 2025.

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 Finance Director, Town of Colchester, 127 Norwich Avenue, Suite 203, Colchester, CT 06415.

**Basic
Financial
Statements**

Town of Colchester, Connecticut

Statement of Net Position
June 30, 2025

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current assets:			
Cash	\$ 9,176,626	\$ 1,915,079	\$ 11,091,705
Investments	22,809,919	-	22,809,919
Receivables:			
Property taxes	647,359	-	647,359
Intergovernmental	842,649	-	842,649
Assessments and use charges	570,232	478,862	1,049,094
Accounts	229,953	-	229,953
Inventory	-	145,892	145,892
Other	30,360	-	30,360
Total current assets	<u>34,307,098</u>	<u>2,539,833</u>	<u>36,846,931</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash	39,103	-	39,103
Receivables (net):			
Property taxes	343,080	-	343,080
Loan	58,810	-	58,810
Total receivables (net)	<u>401,890</u>	<u>-</u>	<u>401,890</u>
Capital assets (net of accumulated depreciation/ amortization):			
Land	3,918,414	-	3,918,414
Construction in progress	806,328	-	806,328
Intangible right-to-use assets	532,519	-	532,519
Improvements other than buildings	1,539,375	1,470	1,540,845
Buildings	78,506,839	3,305,469	81,812,308
Machinery and equipment	8,835,870	135,188	8,971,058
Infrastructure	11,666,776	1,213,018	12,879,794
Total capital assets (net of accumulated depreciation/amortization)	<u>105,806,121</u>	<u>4,655,145</u>	<u>110,461,266</u>
Total noncurrent assets	<u>106,247,114</u>	<u>4,655,145</u>	<u>110,902,259</u>
Total assets	<u>140,554,212</u>	<u>7,194,978</u>	<u>147,749,190</u>
Deferred Outflows of Resources			
Pension related	323,054	-	323,054
OPEB related	228,773	-	228,773
Total deferred outflows of resources	<u>551,827</u>	<u>-</u>	<u>551,827</u>

(Continued)

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

Town of Colchester, Connecticut

Statement of Net Position
June 30, 2025

<u>Liabilities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 1,348,430	\$ 37,992	\$ 1,386,422
Retainage payable	528,185	-	528,185
Accrued payroll	519,352	12,844	532,196
Unearned revenue	1,329,792	-	1,329,792
Accrued interest payable	240,650	-	240,650
Tax and usage overpayments	411,276	4,910	416,186
Long-term debt	1,444,854	143,580	1,588,434
Compensated absences	406,385	-	406,385
Claims payable	637,000	-	637,000
Claims and judgments	149,088	-	149,088
OPEB liability	260,000	-	260,000
Total current liabilities	<u>7,275,012</u>	<u>199,326</u>	<u>7,474,338</u>
Noncurrent liabilities:			
Performance bonds	38,653	-	38,653
Long-term debt and related liabilities	29,767,980	309,073	30,077,053
Compensated absences	3,657,469	-	3,657,469
Net pension liability	1,025,106	-	1,025,106
OPEB liability	3,677,449	-	3,677,449
Total noncurrent liabilities	<u>38,166,657</u>	<u>309,073</u>	<u>38,475,730</u>
Total liabilities	<u>45,441,669</u>	<u>508,399</u>	<u>45,950,068</u>
<u>Deferred Inflows of Resources</u>			
Advance property tax collections	672	-	672
Pension related	202,586	-	202,586
OPEB related	3,833,895	-	3,833,895
Total deferred inflows of resources	<u>4,037,153</u>	<u>-</u>	<u>4,037,153</u>
<u>Net Position</u>			
Net investment in capital assets	74,016,339	4,202,492	78,218,831
Restricted for:			
Perpetual care cemetery	450	-	450
Small cities	69,533	-	69,533
General government	223,894	-	223,894
Public safety	396,146	-	396,146
Public works	1,903,077	-	1,903,077
Community and human services	1,384,133	-	1,384,133
Education	795,120	-	795,120
Unrestricted	<u>12,838,525</u>	<u>2,484,087</u>	<u>15,322,612</u>
Total net position	<u>\$ 91,627,217</u>	<u>\$ 6,686,579</u>	<u>\$ 98,313,796</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, 2025

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	\$ 4,753,487	\$ 1,047,370	\$ 931,723	\$ -	\$ (2,774,394)	\$ -	\$ (2,774,394)
Public safety	5,146,725	1,210,412	592,755	-	(3,343,558)	-	(3,343,558)
Public works	7,916,564	1,824,749	-	1,817,595	(4,274,220)	-	(4,274,220)
Community and human services	3,303,928	279,299	889,436	257,070	(1,878,123)	-	(1,878,123)
Education	60,011,288	1,548,769	22,891,632	3,575,679	(31,995,208)	-	(31,995,208)
Interest	1,229,628	-	-	-	(1,229,628)	-	(1,229,628)
Total governmental activities	82,361,620	5,910,599	25,305,546	5,650,344	(45,495,131)	-	(45,495,131)
Business-type activities:							
Water	1,157,056	1,492,468	-	-	-	335,412	335,412
Total	\$ 83,518,676	\$ 7,403,067	\$ 25,305,546	\$ 5,650,344	(45,495,131)	335,412	(45,159,719)
General revenues:							
Property taxes					47,661,545	-	47,661,545
Grants and contributions not restricted to specific programs					292,146	-	292,146
Income from investments					1,412,030	60,852	1,472,882
Gain on sale of assets					47,130	10,000	57,130
Total general revenues					49,412,851	70,852	49,483,703
Transfers in (out)					13,580	(13,580)	-
Change in net position					3,931,300	392,684	4,323,984
Net position - July 1, 2024, as previously reported					88,491,443	6,293,895	94,785,338
Cumulative effect of change in accounting principle for implementation of GASB Statement No. 101					(795,526)	-	(795,526)
Net position - July 1, 2024, as restated					87,695,917	6,293,895	93,989,812
Net position - June 30, 2025					\$ 91,627,217	\$ 6,686,579	\$ 98,313,796

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

Town of Colchester, Connecticut

Governmental Funds
Balance Sheet
June 30, 2025

	General Fund	American Rescue Plan Act Fund	Capital Reserve Fund	Capital Projects Fund	Johnston Building Project Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>							
Cash	\$ 3,575,931	\$ -	\$ -	\$ -	\$ -	\$ 4,583,554	\$ 8,159,485
Restricted cash	38,653	-	-	-	-	-	38,653
Investments	12,353,063	926,358	3,696,292	2,117,703	349,174	3,367,329	22,809,919
Receivables (net):							
Property taxes	990,439	-	-	-	-	-	990,439
Intergovernmental	-	-	-	23,560	-	819,089	842,649
Assessments and use charges	-	-	-	-	-	570,232	570,232
Loan	-	-	-	-	-	58,810	58,810
Accounts	57,928	-	-	5,640	-	162,959	226,527
Other	19,399	-	-	-	-	10,961	30,360
Total assets	\$ 17,035,413	\$ 926,358	\$ 3,696,292	\$ 2,146,903	\$ 349,174	\$ 9,572,934	\$ 33,727,074
<u>Liabilities</u>							
Accounts payable	\$ 665,649	\$ 23,751	\$ 41,228	\$ 7,535	\$ -	\$ 610,267	\$ 1,348,430
Retainage payable	-	7,994	-	520,191	-	-	528,185
Accrued payroll	476,260	-	-	-	-	42,780	519,040
Due to other funds	522,000	-	-	-	-	-	522,000
Unearned revenue	-	894,613	-	62,229	-	372,950	1,329,792
Performance bonds	38,653	-	-	-	-	-	38,653
Tax and usage overpayments	398,454	-	-	-	-	12,822	411,276
Total liabilities	2,101,016	926,358	41,228	589,955	-	1,038,819	4,697,376
<u>Deferred Inflows of Resources</u>							
Unavailable revenue:							
Advance property tax collections	672	-	-	-	-	-	672
Property taxes	990,439	-	-	-	-	-	990,439
Assessments and use charges	-	-	-	-	-	368,372	368,372
Total deferred inflows of resources	991,111	-	-	-	-	368,372	1,359,483
<u>Fund Balances</u>							
Restricted	-	-	-	-	-	4,772,353	4,772,353
Committed	388,744	-	3,655,064	1,556,948	349,174	2,150,223	8,100,153
Assigned	2,266,220	-	-	-	-	1,243,167	3,509,387
Unassigned	11,288,322	-	-	-	-	-	11,288,322
Total fund balances	13,943,286	-	3,655,064	1,556,948	349,174	8,165,743	27,670,215
Total liabilities, deferred inflows of resources and fund balances	\$ 17,035,413	\$ 926,358	\$ 3,696,292	\$ 2,146,903	\$ 349,174	\$ 9,572,934	\$ 33,727,074

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

(Continued)

Town of Colchester, Connecticut
Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2025

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)	\$ 27,670,215
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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 (net)	104,364,514
Capital assets additions (net of construction in progress)	6,381,338
Depreciation/amortization expense	(4,931,668)
Disposal of capital assets	(8,063)

Total	105,806,121
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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	990,439
Sewer assessments and use charges - accrual basis change	368,372
Deferred outflows related to pensions	323,054
Deferred outflows related to OPEB	228,773

Total	1,910,638
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Internal service funds are used by management for risk-financing activities:

The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position	905,705
--	---------

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	(28,495,000)
Leases payable	(427,096)
Subscriptions payable	(174,149)
Premium	(2,116,589)
Compensated absences	(4,063,854)
Claims and judgments	(149,088)
Net pension liability	(1,025,106)
OPEB liability	(3,937,449)
Accrued interest payable	(240,650)
Deferred inflows related to pensions	(202,586)
Deferred inflows related to OPEB	(3,833,895)

Total	(44,665,462)
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Net position of governmental activities (Exhibit A)	\$ 91,627,217
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(Concluded)

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

Town of Colchester, Connecticut

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	General Fund	American Rescue Plan Act Fund	Capital Reserve Fund	Capital Projects Fund	Johnston Building Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 47,884,708	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,884,708
Intergovernmental	20,707,576	376,457	-	1,248,560	3,575,679	4,959,679	30,867,951
Charges for services	2,160,296	-	4,848	15,990	-	3,503,284	5,684,418
Income from investments	1,334,851	-	-	-	-	13,598	1,348,449
Contributions	-	-	-	-	-	380,085	380,085
Other	87,375	-	-	-	-	92,386	179,761
Total revenues	72,174,806	376,457	4,848	1,264,550	3,575,679	8,949,032	86,345,372
Expenditures:							
Current:							
General government	4,552,734	44,748	-	36,132	-	46,714	4,680,328
Public safety	3,819,076	-	-	-	-	1,156,667	4,975,743
Public works	4,397,567	-	-	-	-	2,218,961	6,616,528
Community and human services	1,869,980	30,750	-	-	-	1,006,182	2,906,912
Education	52,855,170	-	-	-	-	3,700,275	56,555,445
Debt service	2,031,008	-	-	-	-	760,431	2,791,439
Capital outlay	-	300,959	432,261	4,562,803	-	831,693	6,127,716
Total expenditures	69,525,535	376,457	432,261	4,598,935	-	9,720,923	84,654,111
Excess (deficiency) of revenues over expenditures	2,649,271	-	(427,413)	(3,334,385)	3,575,679	(771,891)	1,691,261
Other financing sources (uses):							
Issuance of debt	-	-	-	312,008	-	-	312,008
Sale of assets	-	-	55,193	-	-	-	55,193
Premium	-	-	-	-	-	1,297,043	1,297,043
Transfers in	-	-	781,000	94,400	-	98,028	973,428
Transfers out	(940,400)	-	(19,448)	-	-	-	(959,848)
Net other financing sources (uses)	(940,400)	-	816,745	406,408	-	1,395,071	1,677,824
Net change in fund balances	1,708,871	-	389,332	(2,927,977)	3,575,679	623,180	3,369,085
Fund balances - July 1, 2024	12,234,415	-	3,265,732	4,484,925	(3,226,505)	7,542,563	24,301,130
Fund balances - June 30, 2025	\$ 13,943,286	\$ -	\$ 3,655,064	\$ 1,556,948	\$ 349,174	\$ 8,165,743	\$ 27,670,215

Town of Colchester, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025**

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 3,369,085
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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 depreciation / amortization expense.

Capital outlay	6,381,338
Depreciation/amortization expense	(4,931,668)

Total	1,449,670
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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 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 or donated:

Loss on disposal of assets	(8,063)
----------------------------	---------

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	(223,163)
Change in sewer assessment and use receivable - accrual basis change	46,420

Total	(176,743)
-------	-----------

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:	
Issuance of debt	(312,008)
Premium	(1,297,043)

Principal repayments:	
General obligation bonds and notes	1,473,249
Leases payable	137,343
Subscriptions payable	34,065

Total	35,606
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(Continued)

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

Town of Colchester, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025**

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:

Change in/amortization of:	
Premium	\$ 93,626
Compensated absences	(116,719)
Claims and judgments	387,000
Net pension liability	159,772
OPEB liability	239,391
Accrued interest payable	(39,129)
Deferred outflows related to pension	(170,302)
Deferred inflows related to pension	(11,182)
Deferred outflows related to OPEB	(315,627)
Deferred inflows related to OPEB	453,804
	<hr/>
Total	680,634
	<hr/>
Internal service fund is used by management for risk financing activities:	
The net revenue (expense) of the activities of the internal service fund is reported with governmental activities	(1,418,889)
	<hr/>
Change in net position of governmental activities (Exhibit B)	\$ 3,931,300
	<hr/> <hr/>

(Concluded)

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

Town of Colchester, Connecticut

**Proprietary Funds
Statement of Net Position
June 30, 2025**

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
<u>Assets</u>		
Current assets:		
Cash	\$ 1,915,079	\$ 1,017,591
Receivables:		
Usage	478,862	-
Accounts	-	3,426
Inventory	145,892	-
Due from other funds	-	522,000
Total current assets	2,539,833	1,543,017
Noncurrent assets:		
Capital assets (net):		
Improvements other than buildings	1,470	-
Buildings	3,305,469	-
Machinery and equipment	135,188	-
Infrastructure	1,213,018	-
Total capital assets (net)	4,655,145	-
Total assets	7,194,978	1,543,017
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	37,992	-
Accrued payroll	12,844	312
Other	4,910	-
Claims payable	-	637,000
Notes payable	143,580	-
Total current liabilities	199,326	637,312
Noncurrent liabilities:		
Notes payable	309,073	-
Total liabilities	508,399	637,312
<u>Net Position</u>		
Net investment in capital assets	4,202,492	-
Unrestricted	2,484,087	905,705
Total net position	\$ 6,686,579	\$ 905,705

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

Town of Colchester, Connecticut

Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025

	<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>\$ 1,492,468</u>	<u>\$ 7,248,038</u>
Operating expenses:		
Personnel services	514,055	-
Repairs and maintenance	97,343	-
Contracted services	107,772	-
Materials and supplies	34,824	-
Utilities	150,307	-
Insurance	23,367	-
Claims incurred	-	7,434,904
Administration	-	714,185
HSA contributions	-	581,419
Depreciation	<u>218,172</u>	<u>-</u>
Total operating expenses	<u>1,145,840</u>	<u>8,730,508</u>
Operating income (loss)	<u>346,628</u>	<u>(1,482,470)</u>
Nonoperating revenues (expenses):		
Income from investments	60,852	63,581
Gain on sale of capital assets	10,000	-
Interest expense	<u>(11,216)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>59,636</u>	<u>63,581</u>
Income (loss) before transfers	406,264	(1,418,889)
Transfers:		
Transfers out	<u>(13,580)</u>	<u>-</u>
Change in net position	392,684	(1,418,889)
Total net position - July 1, 2024	<u>6,293,895</u>	<u>2,324,594</u>
Total net position - June 30, 2025	<u><u>\$ 6,686,579</u></u>	<u><u>\$ 905,705</u></u>

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

Town of Colchester, Connecticut

Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2025

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
Cash flows from (used in) operating activities:		
Cash received for charges for services	\$ 1,486,107	\$ 7,257,215
Cash paid for benefits and claims	-	(7,392,004)
Cash paid for administration	-	(714,185)
Cash paid for HSA contributions	-	(581,107)
Cash paid to suppliers	(173,042)	-
Cash paid to employees	(510,863)	-
Cash paid for repairs and maintenance and utilities	(247,650)	-
Net cash from (used in) operating activities	<u>554,552</u>	<u>(1,430,081)</u>
Cash flows from (used in) noncapital financing activities:		
Transfer to other funds	<u>(13,580)</u>	<u>-</u>
Cash flows from (used in) capital and related financing activities:		
Purchase of capital assets	(69,962)	-
Proceeds from sale of capital assets	10,000	-
Principal payments on debt	(140,571)	-
Interest payments	<u>(11,216)</u>	<u>-</u>
Net cash from (used in) capital and related financing activities	<u>(211,749)</u>	<u>-</u>
Cash flows from (used in) investing activities:		
Income from investments	<u>60,852</u>	<u>63,581</u>
Increase (decrease) in cash	390,075	(1,366,500)
Cash - July 1, 2024	<u>1,525,004</u>	<u>2,384,091</u>
Cash - June 30, 2025	<u><u>\$ 1,915,079</u></u>	<u><u>\$ 1,017,591</u></u>

(Continued)

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, 2025

	Business-type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Water Fund	Medical Self- Insurance Fund
Reconciliation of operating income (loss) to net cash from (used in) operating activities:		
Operating income (loss)	\$ 346,628	\$ (1,482,470)
Adjustments to reconcile operating income (loss) to net cash from (used in) operating activities:		
Depreciation	218,172	-
(Increase) decrease in:		
Receivables	(9,394)	-
Inventory	(737)	-
Due from other funds	-	9,177
Increase (decrease) in:		
Accounts payable	(6,342)	-
Accrued payroll	3,192	312
Other	3,033	-
Claims payable	-	42,900
Net cash from (used in) operating activities	\$ 554,552	\$ (1,430,081)

(Concluded)

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

Town of Colchester, Connecticut
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2025

	<u>Pension Trust Fund</u>
<u>Assets</u>	
Investments:	
Private mutual funds	<u>\$ 5,001,540</u>
<u>Net Position</u>	
Restricted for:	
Pensions	<u>\$ 5,001,540</u>

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

Town of Colchester, Connecticut
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 202,729
Plan members	74,155
	276,884
Total contributions	276,884
Investment income (loss):	
Change in fair value of investments	448,497
	448,497
Total additions	725,381
Deductions:	
Benefits	142,313
Administration	150
	142,463
Total deductions	142,463
Change in net position	582,918
Net position - July 1, 2024	4,418,622
Net position - June 30, 2025	\$ 5,001,540

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, 2025**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.

The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. The Town is financially accountable for the pension trust fund and therefore, it is considered a fiduciary component unit. The financial statements of the fiduciary component units are reported as pension trust funds in the fiduciary fund financial statements. The pension trust funds do not issue separate financial statements.

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. 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.

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. 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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

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, including property taxes, 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.
American Rescue Plan Act Fund	Accounts for and reports the proceeds and expenditures of the American Rescue Plan Act grant.
Capital Reserve Fund	Accounts for financial resources to be used for the acquisition of vehicles and equipment which are financed by General Fund appropriations.
Capital Projects Fund	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.
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 Projects 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.
Debt Service Fund	Accounts for and report resources and expenditures that are assigned for the repayment of debt.
Permanent Fund	Accounts for the receipt of private donations to be used for cemetery maintenance.
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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

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.

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 31.00% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

State Treasurers Short-Term 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.

The Town's pension plan investment targets are as follows:

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

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

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

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.
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 30.00% to 75.00% 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 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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

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. Inventory

Inventories in the water fund consist of repairs and maintenance supplies and are carried at cost using the first in, first out method.

4. Restricted assets

The restricted assets for the Town are restricted for performance bonds and perpetual care for cemeteries. Performance bonds are temporarily restricted until the monies are returned to the vendor after satisfactory completion of the contract or the Town calls the bond for nonperformance. Perpetual care monies are restricted for expenditure for the designated purpose.

5. Capital assets

Capital assets are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost as noted in the table below 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. Capital assets of the Town are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Intangible right-to-use assets	Lease/subscription term	\$ 20,000
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

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

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**

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 assets 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.

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

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 and use charges. These amounts are recognized as an inflow of resources in the period that the amounts become available.

7. Compensated absences

The liability for compensated absences represents the vacation and sick ("leave"/"leave days") and salary related payments which have been earned for services previously rendered by employees in accordance with the Town's various collective bargaining agreements, accumulates, is allowed to be carried over to subsequent year(s) and is deemed more likely than not (by management) to be used for time off or otherwise paid/settled in the future. The liability is calculated based on each employees' rate of pay and the number of unused leave days accumulated as of year-end, management's assumption that the likelihood of future use (either by use during employment or settlement/payment upon separation from service) is probable, and the salary-related payments that are directly and incrementally associated with payments for the leave. The Town utilizes historical data of past usage patterns to estimate the expected usage and payment of compensated absences. The liability for compensated absences is reflected in the government-wide financial statements as current and long-term liabilities. In the fund financial statements, only the compensated absences liability that has matured through employee resignation or retirement and is expected to be payable from expendable available financial resources is reported.

8. Long-term liabilities

In the government-wide financial statements, long-term debt and other long-term liabilities 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 debt service expenses.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

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 debt service expenditures.

9. Lease and subscription liabilities

The Town recognizes a lease/subscription liability and an intangible right-to-use lease/subscription asset (lease/subscription asset) in the government-wide financial statements.

At the commencement of a lease/subscription, the Town initially measures the lease/subscription liability at the present value of payments expected to be made during the term. Subsequently, the lease/subscription liability is reduced by the principal portion of payments made. The lease/subscription asset is initially measured as the initial amount of the lease/subscription liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease/subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases and subscriptions include:

Discount Rate	The Town uses the interest rate charged by the lessor/subscription vendor as the discount rate to discount the expected payments to the present value. When the interest rate charged is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate.
Term	The lease/subscription term includes the noncancellable period of the lease/agreement.
Payments	Lease/subscription payments included in the measurement of the liability are composed of fixed payments and any purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease or subscriptions and will remeasure the lease/subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/subscription liability.

Lease/subscription assets are reported with other capital assets and lease/subscription liabilities are reported with long-term debt on the statement of net position.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

10. 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 depreciation/amortization and 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 classified in the preceding two categories.

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.

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 Selectmen 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 Finance Director 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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

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 Selectmen and Board of Finance has provided otherwise in its commitment or assignment actions.

Minimum fund balance policy

The Board of Selectmen 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 of 10.00% to 15.00% of annual budgeted expenditures.

11. 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, 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.

12. 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. 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	\$ 146,902	\$ 58,086	\$ 88,816
Energy incentives	121,200	40,315	80,885
Equipment	1,761,647	1,483,055	278,592
Vehicles	5,168,192	2,197,012	2,971,180
Facilities and grounds maintenance	1,023,967	870,421	153,546
Fire apparatus	4,500,000	4,482,286	17,714
Senior center	11,061,790	10,529,542	532,248
Johnston building project	48,890,000	44,187,323	4,702,677
Totals	<u>\$72,673,698</u>	<u>\$63,848,040</u>	<u>\$ 8,825,658</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

II. Stewardship compliance and accountability (continued)

B. Cumulative effect of change in accounting principle

The Town implemented the provisions of GASB Statement No. 101, “*Compensated Absences*” for the year ended June 30, 2025. In addition to the value of unused leave time owed to employees upon separation from employment, the Town now also recognizes as part of the compensated absences liability an estimated amount of unused leave earned as of year-end that will be used by employees as time off in future years. As a result, the Town has reported a cumulative effect of change in accounting principle to the July 1, 2024 net position of governmental activities of \$795,526.

C. New accounting pronouncement

GASB Statement No. 102, “*Certain Risk Disclosures*”, provides guidance on disclosure for risks related to a government’s vulnerabilities due to certain concentrations or constraints. A concentration is defined as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government’s highest level of decision-making authority. Concentrations and constraints may limit a government’s ability to acquire resources or control spending. Under this Statement, a government is required to assess whether an event or events associated with a concentration or constraint that could cause substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of GASB Statement No. 102 are effective for the Town’s fiscal year ended June 30, 2025. Management has determined that no events have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

III. Detailed notes

A. Cash and investments

1. Deposits – custodial credit risk

At year end, the Town’s bank balance, including bank money market accounts and certificates of deposit classified as investments, was exposed to custodial credit risk as follows:

Bank balance	<u>\$ 17,800,857</u>
Uninsured and uncollateralized	\$14,418,606
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>2,132,251</u>
Total amount subject to custodial credit risk	<u>\$ 16,550,857</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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

A. Cash and investments (continued)

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
Private mutual funds - diversified	\$ 5,001,540	\$ 5,001,540	\$ -
Bank money market	308,962	-	308,962
Certificates of deposit	5,773,678	-	5,773,678
Pooled fixed income	16,727,279	-	16,727,279
Total	27,811,459	\$ 5,001,540	\$ 22,809,919
Less fiduciary funds	(5,001,540)		
Other funds	\$ 22,809,919		

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

	Amount
Investments measured at the net asset value (NAV):	
Private mutual funds - diversified	\$ 5,001,540
Other investments:	
Bank money market	308,962
Certificates of deposit	5,773,678
Pooled fixed income	16,727,279
Total other investments	22,809,919
Total investments	\$ 27,811,459

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 private mutual funds ("funds"). The Town values these investments based on the funds' audited financial statements. If June 30 statements are available, those values are used preferentially.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

A. Cash and investments (continued)

However, some funds 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:

Investment Description	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private mutual funds - diversified	\$ 5,001,540	\$ -	Daily	Daily

Private mutual funds: This type includes investments in three target date fund of funds, one balanced fund and one fixed account. The fair values of the investments in this type have been determined using the NAV per share of the investment.

1. Target date funds: The target date funds invest at least 80.00% of their net assets in underlying funds. Up to 20.00% of the net assets may be invested in funding agreements with insurance companies. Of the underlying funds, the target asset allocation for the three funds is 35.00%, 48.00%, and 70.00% equity securities and 65.00%, 52.00% and 30.00% debt instruments.
 2. Balanced fund: The balanced fund invests in approximately 50.00% to 75.00% equities with the remaining balance invested in fixed income, generally investment-grade bonds.
 3. Fixed account: The fixed account guarantees principal and a minimum fixed interest rate for the life of the contract.
- d. The Town's investments subject to credit risk had average ratings by Standard & Poor's as follows:

Type of Investment	Ratings		
	AAA	Unrated	Total
Private mutual funds - diversified	\$ -	\$ 5,001,540	\$ 5,001,540
Pooled fixed income	16,727,279	-	16,727,279
Total	\$ 16,727,279	\$ 5,001,540	\$ 21,728,819

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

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Receivables and the related allowances for uncollectible accounts are presented below.

	Property Taxes		
	Taxes	Interest and Lien Fees	Total
Current portion	\$ 540,694	\$ 106,665	\$ 647,359
Long-term portion	749,745	501,330	1,251,075
Less allowance for uncollectibles	<u>(477,010)</u>	<u>(430,985)</u>	<u>(907,995)</u>
Net long-term portion	<u>272,735</u>	<u>70,345</u>	<u>343,080</u>
Total receivables (net)	<u>\$ 813,429</u>	<u>\$ 177,010</u>	<u>\$ 990,439</u>

C. Interfund accounts

1. Interfund payables and receivables

A summary of interfund balances is as follows:

	Corresponding Fund	Due From	Due To
General fund	Medical self-insurance fund	\$ -	\$ 522,000
Medical self-insurance fund	General fund	522,000	-
Total		<u>\$ 522,000</u>	<u>\$ 522,000</u>

The outstanding balances between funds results mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

C. Interfund accounts (continued)

2. Interfund transfers

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

	Corresponding Fund	Transfers In	Transfers Out
General fund:			
Capital reserve fund	N/A	\$ -	\$ 781,000
Capital projects fund	N/A	-	94,400
Educational grants fund	N/A	-	65,000
Total general fund		-	940,400
Capital reserve fund:			
General fund	N/A	781,000	-
Miscellaneous grants fund	N/A	-	19,448
Total capital reserve fund		781,000	19,448
Capital projects fund	General fund	94,400	-
Other governmental funds:			
Special revenue funds:			
Miscellaneous grants fund	Capital reserve fund	19,448	-
Educational grants fund	General fund	65,000	-
Debt service fund	Water fund	13,580	-
Total other governmental funds		98,028	-
Enterprise funds:			
Water fund	Debt service fund	-	13,580
Total		<u>\$ 973,428</u>	<u>\$ 973,428</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, 2025

D. Capital assets

Capital asset activity for the fiscal year was as follows:

Governmental Activities:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025
<u>Capital assets, not being depreciated/amortized:</u>				
Land	\$ 3,918,414	\$ -	\$ -	\$ 3,918,414
Construction in progress	7,503,701	4,113,644	10,811,017	806,328
Total capital assets, not being depreciated/amortized	11,422,115	4,113,644	10,811,017	4,724,742
<u>Capital assets, being depreciated/amortized:</u>				
Intangible right-to-use assets				
Intangible right-to-use buildings	267,829	-	-	267,829
Intangible right-to-use machinery and equipment	327,910	235,302	50,407	512,805
Intangible right-to-use subscriptions	150,805	76,706	-	227,511
Improvements other than buildings	3,229,608	387,014	-	3,616,622
Buildings	123,164,403	10,499,120	-	133,663,523
Machinery and equipment	24,638,316	1,502,036	276,223	25,864,129
Infrastructure	45,530,093	378,533	-	45,908,626
Total capital assets, being depreciated/amortized	197,308,964	13,078,711	326,630	210,061,045
Total capital assets	208,731,079	17,192,355	11,137,647	214,785,787
<u>Less accumulated depreciation/amortization for:</u>				
Intangible right-to-use assets				
Intangible right-to-use buildings	89,277	29,759	-	119,036
Intangible right-to-use machinery and equipment	208,267	126,836	50,407	284,696
Intangible right-to-use subscriptions	37,702	34,192	-	71,894
Improvements other than buildings	1,979,328	97,919	-	2,077,247
Buildings	52,442,388	2,714,296	-	55,156,684
Machinery and equipment	15,959,881	1,336,538	268,160	17,028,259
Infrastructure	33,649,722	592,128	-	34,241,850
Total accumulated depreciation/amortization	104,366,565	4,931,668	318,567	108,979,666
Total capital assets, being depreciated/amortized, net	92,942,399	8,147,043	8,063	101,081,379
Capital assets, net	\$ 104,364,514	\$ 12,260,687	\$ 10,819,080	\$ 105,806,121

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

D. Capital assets (continued)

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

General government	\$ 140,025
Public safety	666,666
Public works	1,235,890
Community and human services	312,025
Education	<u>2,577,062</u>
 Total depreciation/amortization expense	 <u><u>\$ 4,931,668</u></u>

Business-Type Activities:

	<u>Balance</u> <u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2025</u>
<u>Capital assets, being depreciated:</u>				
Improvements other than buildings	\$ 25,591	\$ -	\$ -	\$ 25,591
Buildings	6,395,984	-	-	6,395,984
Machinery and equipment	468,945	66,062	20,212	514,795
Infrastructure	<u>3,282,154</u>	<u>3,900</u>	<u>-</u>	<u>3,286,054</u>
 Total capital assets, being depreciated	 <u>10,172,674</u>	 <u>69,962</u>	 <u>20,212</u>	 <u>10,222,424</u>
 <u>Less accumulated depreciation for:</u>				
Improvements other than buildings	23,911	210	-	24,121
Buildings	2,939,190	151,325	-	3,090,515
Machinery and equipment	384,540	15,279	20,212	379,607
Infrastructure	<u>2,021,678</u>	<u>51,358</u>	<u>-</u>	<u>2,073,036</u>
 Total accumulated depreciation	 <u>5,369,319</u>	 <u>218,172</u>	 <u>20,212</u>	 <u>5,567,279</u>
 Business-type capital assets, net	 <u><u>\$4,803,355</u></u>	 <u><u>\$(148,210)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 4,655,145</u></u>

Depreciation expense of \$218,172 was charged to the Water Fund.

E. Short-term liabilities – 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.

<u>Purpose</u>	<u>Date of</u> <u>Issue</u>	<u>Date of</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2025</u>
William J. Johnston Middle School Project	4/17/2024	10/17/2024	4.50%	<u>\$2,845,000</u>	<u>\$ -</u>	<u>\$ 2,845,000</u>	<u>\$ -</u>

Town of Colchester, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2025

F. Changes in long-term liabilities

Bonds and notes are direct obligations and pledge the full faith and credit of the Town.

1. Summary of changes

The following is a summary of changes in long-term liabilities during the fiscal year:

Governmental Activities:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2024 (as restated)	Additions	Deductions	Balance June 30, 2025	Current Portion	Long-Term Portion
<u>Bonds:</u>										
General purpose:										
General obligation bond	\$ 12,390,000	10/8/2024	10/15/48	4.00%-5.00%	\$ 12,390,000	\$ -	\$ -	\$ 12,390,000	\$ 520,000	\$ 11,870,000
School bonds:										
Refunding bonds	\$ 8,339,800	02/23/12	06/15/25	2.00%-4.00%	540,000	-	540,000	-	-	-
School bonds	12,000,000	10/03/18	10/15/45	3.00%-5.00%	10,600,000	-	350,000	10,250,000	500,000	9,750,000
School bonds	7,040,000	10/08/19	10/15/45	2.50%-5.00%	6,135,000	-	280,000	5,855,000	280,000	5,575,000
Total school bonds	27,379,800				17,275,000	-	1,170,000	16,105,000	780,000	15,325,000
Total bonds	27,379,800				29,665,000	-	1,170,000	28,495,000	1,300,000	27,195,000
<u>Notes:</u>										
Equipment financing notes (direct borrowings):										
Energy project	3,126,409	03/29/13	01/05/25	1.77%	303,249	-	303,249	-	-	-
Total bonds/notes	\$ 30,506,209				29,968,249	-	1,473,249	28,495,000	1,300,000	27,195,000
Leases payable					329,137	235,302	137,343	427,096	109,447	317,649
Subscriptions payable					131,508	76,706	34,065	174,149	35,407	138,742
Total long-term debt					30,428,894	312,008	1,644,657	29,096,245	1,444,854	27,651,391
Premium					913,172	1,297,043	93,626	2,116,589	-	2,116,589
Total long-term debt and related liabilities					31,342,066	1,609,051	1,738,283	31,212,834	1,444,854	29,767,980

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

F. Changes in long-term liabilities (continued)

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2024 (as restated)	Additions	Deductions	Balance June 30, 2025	Current Portion	Long-Term Portion
Compensated absences (net change)					\$ 3,947,135	\$ 116,719	\$ -	\$ 4,063,854	\$ 406,385	\$ 3,657,469
Claims and judgments					536,088	-	387,000	149,088	149,088	-
Net pension liability					1,184,878	565,609	725,381	1,025,106	-	1,025,106
OPEB liability					4,176,840	373,228	612,619	3,937,449	260,000	3,677,449
Total long-term liabilities					<u>\$41,187,007</u>	<u>\$ 2,664,607</u>	<u>\$ 3,463,283</u>	<u>\$ 40,388,331</u>	<u>\$ 2,260,327</u>	<u>\$ 38,128,004</u>

The compensated absences balance as of July 1, 2024 has been restated due to the implementation of GASB Statement No. 101 as discussed in Note II.B.

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, 2024	Additions	Deductions	Balance June 30, 2025	Current Portion	Long-Term Portion
Drinking water	<u>\$ 2,496,990</u>	07/31/09	07/31/28	2.12%	\$ 593,224	\$ -	\$ 140,571	\$ 452,653	\$ 143,580	\$ 309,073

Notes:

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

F. Changes in long-term liabilities (continued)

2. The following is a summary of bonds and notes payable principal and interest payments to maturity:

Year Ended June 30,	Governmental Activities		Business-Type Activities	
	Bond Principal	Total Interest	Note Principal	Note Interest
2026	\$ 1,300,000	\$ 1,122,619	\$ 143,580	\$ 8,206
2027	1,300,000	1,060,119	146,654	5,133
2028	1,300,000	1,000,119	149,793	1,993
2029	1,300,000	940,119	12,626	22
2030	1,300,000	882,619	-	-
2031	1,300,000	827,619	-	-
2032	1,295,000	772,431	-	-
2033	1,295,000	718,456	-	-
2034	1,295,000	665,569	-	-
2035	1,295,000	612,056	-	-
2036	1,295,000	558,231	-	-
2037	1,295,000	505,494	-	-
2038	1,295,000	453,844	-	-
2039	1,295,000	401,881	-	-
2040	1,295,000	352,181	-	-
2041	1,295,000	305,756	-	-
2042	1,240,000	261,000	-	-
2043	1,240,000	217,213	-	-
2044	1,240,000	173,253	-	-
2045	1,240,000	128,841	-	-
2046	1,240,000	84,144	-	-
2047	515,000	51,500	-	-
2048	515,000	30,900	-	-
2049	515,000	10,300	-	-
Total	<u>\$ 28,495,000</u>	<u>\$12,136,264</u>	<u>\$ 452,653</u>	<u>\$ 15,354</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

F. Changes in long-term liabilities (continued)

3. 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	\$ 99,592,713	\$ 12,390,000	\$ 87,202,713
Schools	199,185,426	16,105,000	183,080,426
Sewer	165,987,855	-	165,987,855
Urban renewal	143,856,141	-	143,856,141
Pension deficit	132,790,284	-	132,790,284

The total overall statutory debt limit for the Town is equal to 7 times the annual receipts for the prior year taxation

\$ 309,843,996

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.

4. Authorized/unissued bonds

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

General purpose	\$ 4,610,505
Schools	<u>5,109,470</u>
Total	<u>\$ 9,719,975</u>

5. Leases

Lease agreements are summarized as follows:

Governmental Activities:

Description	Number of Agreements	Original Term (years)	Interest Rate*	Original Amount	Balance
Old Bacon Academy	1	9	2.46%	\$ 267,829	\$ 165,707
Copiers	5	2-6	2.46%-4.50%	460,534	244,216
Postage machines	1	2-6	4.50%	<u>26,648</u>	<u>17,173</u>
Total				<u>\$ 755,011</u>	<u>\$ 427,096</u>

*All interest rates have been imputed based on the rate from recently issued debt as there were no interest rates specified in the lease agreement.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

F. Changes in long-term liabilities (continued)

The following is a summary of lease payable principal and interest payments to maturity:

Governmental Activities:

Year Ending June 30	Principal	Interest
2026	\$ 109,447	\$ 15,116
2027	97,526	11,244
2028	95,954	7,615
2029	87,259	4,045
2030	36,910	908
Totals	<u>\$ 427,096</u>	<u>\$ 38,928</u>

6. Subscription arrangements

Subscription arrangements are summarized as follows:

Description	Number of Agreements	Original Term (years)	Interest Rate*	Original Amount	Balance
Police body camera software	1	8	3.65%	\$ 150,805	\$ 111,506
Internet hosting services	1	5	4.35%	76,706	62,643
Total				<u>\$ 227,511</u>	<u>\$ 174,149</u>

*All interest rates have been imputed based on the rate from recently issued debt as there were no interest rates specified in the subscription agreement.

The following is a summary of subscription payable principal and interest payments to maturity:

Governmental Activities:

Year Ending June 30	Principal	Interest
2026	\$ 35,407	\$ 6,795
2027	36,802	5,400
2028	38,252	3,949
2029	39,759	2,441
2030	23,929	873
Totals	<u>\$174,149</u>	<u>\$ 19,458</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

F. Changes in long-term liabilities (continued)

7. Claims and judgments

Based upon a workers compensation lawsuit settled in October of 2024, the Town recorded a liability of \$536,088 to be paid in two installments. The balance remaining at June 30, 2025 is \$149,088.

G. Fund balances and restricted net position

Fund balances are composed of the following:

Fund Balance Component	General Fund	Capital Reserve Fund	Capital Projects Fund	Johnston Building Project Fund	Other Governmental Funds	Total
Restricted:						
Small cities program	\$ -	\$ -	\$ -	\$ -	\$ 69,533	\$ 69,533
Cemetery maintenance	-	-	-	-	450	450
General government programs	-	-	-	-	223,894	223,894
Public safety programs	-	-	-	-	396,146	396,146
Public works:						
Sewer facility operations *	-	-	-	-	507,225	507,225
Road infrastructure programs	-	-	-	-	1,334,280	1,334,280
Other public works programs	-	-	-	-	61,572	61,572
Community and human services programs	-	-	-	-	1,384,133	1,384,133
Food service program*	-	-	-	-	439,913	439,913
Education programs	-	-	-	-	355,207	355,207
Total restricted	-	-	-	-	4,772,353	4,772,353
Committed:						
Snow reserve program	379,799	-	-	-	-	379,799
Public safety programs	-	-	-	-	245,313	245,313
Animal control programs	8,945	-	-	-	-	8,945
Recreation programs	-	-	-	-	429,831	429,831
Education programs	-	-	-	-	534,428	534,428
Capital projects	-	3,655,064	1,556,948	349,174	940,651	6,501,837
Total committed	388,744	3,655,064	1,556,948	349,174	2,150,223	8,100,153
Assigned:						
Education	1,766,220	-	-	-	-	1,766,220
Debt service	-	-	-	-	1,243,167	1,243,167
Subsequent year's budget	500,000	-	-	-	-	500,000
Total assigned	2,266,220	-	-	-	1,243,167	3,509,387
Unassigned	11,288,322	-	-	-	-	11,288,322
Total	\$ 13,943,286	\$ 3,655,064	\$ 1,556,948	\$ 349,174	\$ 8,165,743	\$ 27,670,215

*The amount of net position restricted by enabling legislation totaled:

\$ 947,138

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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 125.00% 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>				
2023-2024	\$ 293,000	\$7,173,823	\$6,872,723	\$ 594,100
2024-2025	594,100	7,434,904	7,392,004	637,000

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. The resolution of these matters are not expected to have a material adverse effect on the financial condition of the Town.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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 Finance Director is a nonvoting ex officio member.

b. Plan membership

The memberships in the plan as of the date indicated are comprised of the following:

	<u>July 1, 2024</u>
Retirees and beneficiaries receiving benefits	3
Active members	<u>6</u>
Total	<u><u>9</u></u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

A. Town pension plans (continued)

2. Benefit provisions

Normal retirement	20 years of service
Benefit calculation	2.50% 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%

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 pensionable wages was	35.38%

4. Investments

a. Investment policy and rate of return

The pension plan's 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.

Best estimates of arithmetic real rates of return for each major asset class are included in the pension plan's target asset allocation.

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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

A. Town pension plans (continued)

The following is the Board's adopted asset allocation policy and long-term expected rate of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	4.00%	0.97%
Equities	64.00%	4.79%
Fixed income	<u>32.00%</u>	2.44%
Total/weighted average	<u>100.00%</u>	
Long-term inflation expectation		<u>2.40%</u>
Long-term expected rate of return		<u>6.29%</u>

Annual money-weighted rate of return

The annual money-weighted rate of return on pension plan investments (net of pension plan investment expense) was:

10.02%

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

b. Concentrations

There were no investments in any one organization that represented 5.00% or more of the pension plan's net position.

5. Net pension liability

The components of the net pension liability were as follows:

Total pension liability	\$ 6,026,646
Plan fiduciary net position	<u>5,001,540</u>
Net pension liability	<u>\$ 1,025,106</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>82.99%</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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, 2024
Actuarial cost method	Entry age normal
Asset valuation method	Fair value
Investment rate of return	6.75%
Inflation	2.40%
Salary increases	2.40% plus Service Merit Scale
Cost of living adjustments	2.50%
Mortality rates	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables projected to the valuation date with Scale MP-2021

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 6.75%.

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, 2025

A. Town pension plans (continued)

9. Changes in the net pension liability

The Town’s net pension liability was measured at June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated as noted below. 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)
<u>Valuation date: July 1, 2024</u>			
Balance at July 1, 2024	\$ 5,603,500	\$ 4,418,622	\$ 1,184,878
Service cost	171,304	-	171,304
Interest	384,996	-	384,996
Differences between expected and actual experience	9,159	-	9,159
Contributions - employer	-	202,729	(202,729)
Contributions - member	-	74,155	(74,155)
Net investment income	-	448,497	(448,497)
Benefit payments, including refunds of member contributions	(142,313)	(142,313)	-
Administration	-	(150)	150
Net change	423,146	582,918	(159,772)
Balance at June 30, 2025	<u>\$6,026,646</u>	<u>\$ 5,001,540</u>	<u>\$ 1,025,106</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:

	Discount	1%	Current	1%
	Rate	Decrease	Discount Rate	Increase
Net pension liability	<u>6.75%</u>	<u>\$2,040,056</u>	<u>\$1,025,106</u>	<u>\$ 214,359</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

A. Town pension plans (continued)

11. Pension expense and deferred outflows and inflows of resources

The Town reported deferred outflows of resources and deferred inflows of resources and pension expense as follows:

<u>Police Plan</u>	Deferred	Deferred	
Description of Outflows/Inflows	Outflows of Resources	Inflows of Resources	Net
Differences between expected and actual experience	\$ 155,702	\$ 135,783	\$ 19,919
Changes in assumptions	167,352	17,701	149,651
Net difference between projected and actual earnings on pension plan investments	-	49,102	(49,102)
Total	<u>\$ 323,054</u>	<u>\$ 202,586</u>	<u>\$ 120,468</u>
<u>Pension Expense</u>			
The police plan recognized pension expense of:			<u>\$ 224,442</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 5.5 years.

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

<u>Year Ending June 30,</u>	
2026	\$ 141,861
2027	(15,127)
2028	(15,222)
2029	6,756
2030	2,200
Total	<u>\$ 120,468</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025**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 Selectmen.

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 9.00% 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 20.00% 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 \$629,482 and employee contributions were \$855,871.

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, 2025

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)
Minimum benefit	Effective January 1, 1999, Public Act 98-251 provides a minimum monthly completed at least 25 years of full time Connecticut service at retirement.
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	5 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, 2025

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 pensionable wages.

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 collective 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 collective net pension liability, the related State support, and the total portion of the collective net pension liability that was associated with the Town were as follows:

Town's proportionate share of the collective net pension liability	\$ -
State's proportionate share of the collective net pension liability associated with the Town	<u>69,498,058</u>
Total	<u><u>\$ 69,498,058</u></u>
 The Town recognized pension expense and revenue for on-behalf amounts for contributions to the plan by the State:	 <u><u>\$ 6,850,312</u></u>

The collective net pension liability was measured as of June 30, 2024, and the collective total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2024.

5. Actuarial assumptions

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

Valuation date	June 30, 2024
Investment rate of return	6.90%
Inflation	2.50%
Salary increases	3.00-6.50%, including inflation
Mortality rates	Mortality rates were based on the PubT-2010 Table, projected generationally with MP-2019

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

C. Connecticut state teachers' retirement system (continued)

Future cost-of-living increases are as follows:

<p>Teachers who retired prior to September 1, 1992</p>	<p>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</p>
<p>Teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992</p>	<p>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%</p>
<p>Teachers who were members of the Teachers' Retirement System after July 1, 2007</p>	<p>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%</p>

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the 5-year period ending June 30, 2019.

Changes in assumptions and inputs

There were no changes in assumptions from the prior measurement date.

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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

C. Connecticut state teachers' retirement system (continued)

The target asset allocation and best estimates of geometric rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Target Expected Real Rate of Return</u>
Global equity	37.00%	6.80%
Public credit	2.00%	2.90%
Core fixed income	13.00%	0.40%
Liquidity fund	1.00%	(0.40%)
Risk mitigation	5.00%	0.10%
Private equity	15.00%	11.20%
Private credit	10.00%	6.10%
Real estate	10.00%	6.20%
Infrastructure and natural resources	<u>7.00%</u>	7.70%
Total	<u>100.00%</u>	

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 collective net pension liability to changes in the discount rate

The Town's proportionate share of the collective 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

The net pension liability and proportional share of pension expense presented in this report have been determined based on Connecticut State Teachers Retirement Systems' fiduciary net position included in the State of Connecticut ACFR as of and for the year ended June 30, 2024, which was audited by the State of Connecticut Auditors of Public Accounts and is included in the State of Connecticut's ACFR as a pension trust fund.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

The membership in the Plan as of the date indicated is comprised of the following:

<u>Valuation date: July 1, 2023</u>	<u>Town</u>
Retirees and beneficiaries receiving benefits	23
Active members	<u>468</u>
Total	<u><u>491</u></u>

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.

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

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

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, 2023
Actuarial cost method	Entry age normal
Amortization method	Level percent
Discount rate	5.20%
Salary increases	Graded based on service for teachers and administrators; 3.50% for all others
Healthcare cost trend rates: Inflation	2.50%
Initial medical trend rate	6.60%
Ultimate medical trend rate	3.90%
Mortality rates	Teachers and Administrators: PubT-2010 Mortality Table with generational projection per MP-2021 ultimate scale
	Police and Fire: PubS-2010 Mortality Table with generational projection per MP-2021 ultimate scale
	All Others: PubG-2010 Mortality Table with generational projection per MP-2021 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:

Town Plan	From	To
Discount rate	3.93%	5.20%

b. Changes in benefit terms

There were no changes in benefit terms.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

6. Changes in the total OPEB liability

The Town’s OPEB liability was measured at June 30, 2025 and was determined by an actuarial valuation dated as noted below.

<u>Valuation Date: July 1, 2023</u>	<u>Total OPEB Liability</u>
Balance at July 1, 2024	<u>\$4,176,840</u>
Service cost	205,680
Interest	167,548
Changes in assumptions	(371,892)
Benefit payments, including refunds of member contributions	<u>(240,727)</u>
Net change	<u>(239,391)</u>
Balance at June 30, 2025	<u><u>\$3,937,449</u></u>

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>Discount Rate</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
OPEB Liability	<u>5.20%</u>	<u>\$ 4,227,371</u>	<u>\$ 3,937,449</u>	<u>\$3,668,811</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>Trend Rate</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
OPEB Liability	<u>6.60% - 3.90%</u>	<u>\$ 3,512,420</u>	<u>\$ 3,937,449</u>	<u>\$4,432,502</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

D. Other post-employment benefit (“OPEB”) plan (continued)**9. OPEB expense and deferred outflows/inflows of resources related to OPEB**

The Town reported deferred outflows of resources and deferred inflows of resources and OPEB expense as follows:

Town	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Description of Outflows/Inflows			
Differences between expected and actual experience	\$ 89,191	\$ 1,728,482	\$ (1,639,291)
Changes in assumptions	<u>139,582</u>	<u>2,105,413</u>	<u>(1,965,831)</u>
Total	<u>\$ 228,773</u>	<u>\$ 3,833,895</u>	<u>\$ (3,605,122)</u>
<u>OPEB Expense</u>			
The town plan recognized OPEB expense of:			<u>\$ (136,841)</u>

Experience losses (gains) and changes in assumption are amortized over the average remaining service period of actives and inactive, which was 7.3 years.

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

Year Ended June 30,	
2026	\$ (672,304)
2027	(785,886)
2028	(785,886)
2029	(785,886)
2030	(488,223)
Thereafter	<u>(86,937)</u>
Total	<u>\$ (3,605,122)</u>

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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 to retired teachers and administrators of public schools. 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	5 years of credited service
Vesting - service	10 years of service

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 health care benefits offered. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB 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.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

The subsidy amounts are set by State statutes as follows:

Members that are not currently participating in Medicare Parts A & B	A subsidy of up to \$220 per month for a retired member plus an additional \$220 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
Members who has attained the normal retirement age to participate in Medicare but is not eligible for Part A of Medicare without cost	A subsidy amount of \$440 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 \$440 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).

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 pays for 1/3 of plan costs through an annual appropriation in the General Fund.

Employer (school districts)

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

Employees/retirees

Employees: Each active member is required to contribute 1.25% of their pensionable wages

Retirees: Retirees are required to pay for 1/3 of the plan cost through monthly premiums

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

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 collective 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 collective net OPEB liability, the related State support, and the total portion of the collective net OPEB liability that was associated with the Town were as follows:

Town's proportionate share of the collective net OPEB liability	\$ -
State's proportionate share of the collective net OPEB liability associated with the Town	<u>14,256,441</u>
Total	<u>\$ 14,256,441</u>
The Town recognized OPEB expense and revenue for on-behalf amounts for contributions to the plan by the State:	<u>\$ 95,911</u>

The collective net OPEB liability was measured as of June 30, 2024, and the collective total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2024.

5. Actuarial assumptions

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

Valuation date	June 30, 2024
Investment rate of return	3.75%
Discount rate	3.93%
Inflation	2.50%
Health care cost trend rate (Medicare)	5.125% decreasing to 4.50% by 2031
Salary increases	3.00-6.50%, including inflation
Mortality rates	Mortality rates were based on the PubT-2010 Table, projected generationally with MP-2019
Year fund net position will be depleted	2027

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the 5-year period ending June 30, 2019.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

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

Changes in assumptions and inputs

The changes in assumptions were as follows:

Assumption	From	To
Discount rate	3.64%	3.93%

- 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.

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 (treasuries). As of June 30, 2024, the expected 10-year geometric rate of return is 1.26% and the long-term real rate of return was 3.75%.

6. Discount rate

The discount rate used to measure the collective total OPEB liability was the Municipal Bond Index rate of 3.93%. 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 annual State contributions will equal the most recent 5-year average of state contributions.

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

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

8. Plan fiduciary net position

The net pension liability and proportional share of pension expense presented in this report have been determined based on Connecticut State Teachers Retiree Health Insurance Plan’s fiduciary net position included in the State of Connecticut ACFR as of and for the year ended June 30, 2024, which was audited by the State of Connecticut Auditors of Public Accounts and is included in the State of Connecticut’s ACFR as a OPEB trust fund.

Town of Colchester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2025

VI. Recently issued GASB pronouncements

GASB Statement No. 103, "*Financial Reporting Model Improvements*", has been issued to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

GASB Statement No. 104, "*Disclosure of Certain Capital Assets*", requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. Governments must separately present lease assets, right-to-use assets from public-private or public-public partnerships, subscription assets and all other intangible assets by major class. For capital assets held for sale (assets a government has decided to sell with completion of the sale probable within one year of the financial statement date) governments must disclose the historical cost, accumulated depreciation (or amortization), and the carrying amount of any pledged debt related to those assets. This Statement affects only presentation and disclosure of capital assets, not recognition or measurement requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

This is not an all-inclusive list of recently issued GASB pronouncements but rather a listing of Statements that the Town believes will most impact its financial statements. The Town will evaluate the impact of this and other pronouncements may have on its financial statements and will implement them as applicable and when material.

Required Supplementary Information

Type	Description
Budgetary	Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund
	Schedule of 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 Collective Net Pension Liability
	Schedule of Contributions
	Notes to Required Supplementary Information
<u>Other Post-Employment Benefits Plans</u> Town State Teachers' Retirement Board Retiree Health Insurance Plan	Schedule of Changes in OPEB Liability and Related Ratios
	Schedule of Proportionate Share of the Collective Net OPEB Liability
	Schedule of Contributions
	Notes to Required Supplementary Information

Town of Colchester, Connecticut
Required Supplementary Information

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
For the Year Ended June 30, 2025

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance with Final Budget
Property taxes:					
Current taxes	\$45,542,958	\$ -	\$45,542,958	\$46,379,540	\$ 836,582
Arrears taxes	400,000	-	400,000	575,802	175,802
Interest and liens	250,000	-	250,000	413,910	163,910
Telecommunications tax	40,000	-	40,000	59,921	19,921
Tax stabilization payments	455,535	-	455,535	455,535	-
Total property taxes	46,688,493	-	46,688,493	47,884,708	1,196,215
Intergovernmental:					
Education grants:					
Special education	450,000	200,000	650,000	1,163,901	513,901
Education cost sharing	12,040,218	-	12,040,218	11,954,238	(85,980)
Total education grants	12,490,218	200,000	12,690,218	13,118,139	427,921
State of Connecticut:					
Payment in lieu of taxes	120,428	-	120,428	120,428	-
Municipal revenue sharing	134,167	-	134,167	134,167	-
Disability exemption	1,510	-	1,510	1,560	50
Additional veteran exemption	3,470	-	3,470	3,059	(411)
Local capital improvement program	169,928	-	169,928	168,953	(975)
Mashantucket Pequot/Mohegan grant	23,167	-	23,167	23,167	-
Distribution to towns	6,000	-	6,000	9,765	3,765
Youth services grant	17,835	-	17,835	17,835	-
Total State of Connecticut	476,505	-	476,505	478,934	2,429
Total intergovernmental	12,966,723	200,000	13,166,723	13,597,073	430,350
Charges for services:					
Ambulance	600,000	-	600,000	705,425	105,425
Recreation	3,000	-	3,000	19,181	16,181
Licenses, permits and fees:					
Fire marshal inspection fees	120	-	120	180	60
Sports licenses	250	-	250	207	(43)
Transfer station fees	165,000	-	165,000	217,282	52,282
Conservation commission fees	2,000	-	2,000	2,275	275
Road inspection fees	5,000	-	5,000	11,314	6,314
Building code fees	500,000	-	500,000	541,649	41,649
Conveyance tax	215,000	-	215,000	209,611	(5,389)
Zoning and planning fees	9,500	-	9,500	12,944	3,444
Zoning appeal fees	350	-	350	700	350
Copier fees	11,550	-	11,550	9,435	(2,115)
Town clerk fees	100,000	-	100,000	94,667	(5,333)
Vendor permits	800	-	800	2,505	1,705

(Continued)

See Notes to Required Supplementary Information.

Town of Colchester, Connecticut
Required Supplementary Information

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
For the Year Ended June 30, 2025

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance with Final Budget
Charges for services: (continued)					
Pistol permits	\$ 8,750	\$ -	\$ 8,750	\$ 9,730	\$ 980
Police user fees	-	-	-	5,548	5,548
Library fines and fees	4,100	-	4,100	5,278	1,178
Dial-a-ride	2,500	-	2,500	3,061	561
Recording fees	1,800	-	1,800	1,616	(184)
Tuition	381,195	-	381,195	301,109	(80,086)
Total charges for services	<u>2,010,915</u>	<u>-</u>	<u>2,010,915</u>	<u>2,153,717</u>	<u>142,802</u>
Income from investments	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>1,334,851</u>	<u>334,851</u>
Other:					
State fund for building inspection	-	-	-	704	704
Insurance proceeds	-	-	-	29,602	29,602
Elderly housing	12,000	-	12,000	15,640	3,640
Miscellaneous	-	-	-	41,429	41,429
Total other	<u>12,000</u>	<u>-</u>	<u>12,000</u>	<u>87,375</u>	<u>75,375</u>
Total revenues	<u>62,678,131</u>	<u>200,000</u>	<u>62,878,131</u>	<u>65,057,724</u>	<u>2,179,593</u>
Other financing sources:					
Appropriation of committed fund balance	-	567,000	567,000	-	(567,000)
Total revenues and other financing sources	<u>\$62,678,131</u>	<u>\$ 767,000</u>	<u>\$63,445,131</u>	<u>\$65,057,724</u>	<u>\$ 1,612,593</u>

(Concluded)

See Notes to Required Supplementary Information.

Town of Colchester, Connecticut
Required Supplementary Information
General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
For the Year Ended June 30, 2025

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance with Final Budget
General government:					
Boards and commissions	\$ 34,088	\$ 12,889	\$ 46,977	\$ 45,180	\$ 1,797
Contingency	71,509	(71,509)	-	-	-
First selectman	222,928	-	222,928	220,565	2,363
Human resources	129,941	(42,634)	87,307	86,966	341
Finance	485,211	5,573	490,784	487,926	2,858
Tax collector	197,268	(7,955)	189,313	184,589	4,724
Assessor	350,969	-	350,969	349,223	1,746
Planning and code administration	510,496	(66,583)	443,913	434,288	9,625
Town clerk	191,133	-	191,133	186,343	4,790
Elections	104,536	-	104,536	100,342	4,194
Insurances and legal	2,023,725	297,338	2,321,063	2,321,058	5
Probate	6,220	-	6,220	6,220	-
Information technology	118,855	9,769	128,624	127,163	1,461
Total general government	4,446,879	136,888	4,583,767	4,549,863	33,904
Public safety:					
Police	1,863,119	52,053	1,915,172	1,911,524	3,648
Fire	1,720,648	118,967	1,839,615	1,831,066	8,549
Emergency management	11,233	2,341	13,574	13,308	266
Total public safety	3,595,000	173,361	3,768,361	3,755,898	12,463
Public works:					
Public works administration	101,074	-	101,074	97,508	3,566
Highway	1,756,497	(45,418)	1,711,079	1,685,942	25,137
Fleet maintenance	486,374	-	486,374	484,601	1,773
Grounds maintenance	758,339	-	758,339	753,001	5,338
Snow removal	507,897	-	507,897	470,631	37,266
Transfer station	432,468	35,718	468,186	450,825	17,361
Facilities	236,484	-	236,484	232,569	3,915
Engineering	134,135	-	134,135	132,087	2,048
Total public works	4,413,268	(9,700)	4,403,568	4,307,164	96,404
Community and human services:					
Cragin memorial library	717,288	(8,550)	708,738	706,417	2,321
Parks and recreation	151,106	(11,375)	139,731	138,139	1,592
Senior services	367,098	28,562	395,660	393,891	1,769
Youth and social services	438,823	(22,186)	416,637	412,504	4,133
Community agencies	25,000	-	25,000	25,000	-
Health services	219,030	-	219,030	219,029	1
Total community and human services	1,918,345	(13,549)	1,904,796	1,894,980	9,816
Education	45,576,075	200,000	45,776,075	45,776,013	62
Debt service	2,075,164	-	2,075,164	2,031,008	44,156
Total expenditures	62,024,731	487,000	62,511,731	62,314,926	196,805
Other financing uses:					
Transfers out	653,400	280,000	933,400	933,400	-
Total expenditures and other financing uses	\$ 62,678,131	\$ 767,000	\$ 63,445,131	\$ 63,248,326	\$ 196,805

See Notes to Required Supplementary Information.

Town of Colchester, Connecticut

Notes to Required Supplementary Information
For the Year Ended June 30, 2025

Budgets and Budgetary Accounting

Only the General Fund has a legally adopted annual budget. 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 budgets for a portion of the excess cost grant net with education expenditures.
3. Certain transfers out are budgeted as expenditures.
4. Certain funds that are required to be reported as part of the general fund under the requirement of GASB Statement No. 54.
5. The Town does not recognize as revenue or expenditures payments made for the State Teachers' pension and OPEB by the State of Connecticut on the Town's behalf.

Reconciliation to Exhibit D

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary Basis - RSI-1	\$ 65,057,724	\$ 62,314,926
Prior year encumbrances liquidated in the current year	-	11,525
Excess cost grant	164,280	164,280
Transfers out budgeted as expenditures	-	(65,000)
Other funds (Schedule 2)	6,579	153,581
State Teachers' pension on behalf amount	6,850,312	6,850,312
State Teachers' OPEB on behalf amount	<u>95,911</u>	<u>95,911</u>
GAAP Basis - Exhibit D	<u>\$ 72,174,806</u>	<u>\$ 69,525,535</u>

(Continued)

Town of Colchester, Connecticut

**Notes to Required Supplementary Information
For the Year Ended June 30, 2025**

Budgets and Budgetary Accounting

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 Selectman. The First Selectman 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.

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 \$567,000 from committed fund balance and \$200,000 from intergovernmental revenues.

(Concluded)

Town of Colchester, Connecticut
Required Supplementary Information
Police Retirement Plan
Last Ten Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Schedule of Changes in Net Pension Liability and Related Ratios										
Total pension liability:	\$ 171,304	\$ 163,927	\$ 205,917	\$ 197,026	\$ 201,664	\$ 192,980	\$ 196,330	\$ 187,875	\$ 183,453	\$ 175,553
Service cost	384,996	358,725	317,481	291,390	265,228	237,240	217,753	190,663	177,808	152,603
Interest	9,159	-	265,214	-	(163,479)	-	(62,034)	-	(128,587)	-
Differences between expected and actual experience	-	-	3,866	-	287,497	-	(48,676)	-	115,896	-
Changes in assumptions	(142,313)	(139,303)	(139,665)	(85,021)	(37,957)	(37,031)	-	-	-	-
Benefit payments, including refunds of member contributions	423,146	383,349	652,813	403,395	552,953	393,189	303,373	378,538	348,570	328,156
Net change in total pension liability	5,603,500	5,220,151	4,567,338	4,163,943	3,610,990	3,217,801	2,914,428	2,535,890	2,187,320	1,859,164
Total pension liability - July 1	\$ 6,026,646	\$ 5,603,500	\$ 5,220,151	\$ 4,567,338	\$ 4,163,943	\$ 3,610,990	\$ 3,217,801	\$ 2,914,428	\$ 2,535,890	\$ 2,187,320
Total pension liability - June 30 (a)										
Plan fiduciary net position:	\$ 202,729	\$ 197,282	\$ 155,695	\$ 172,150	\$ 150,866	\$ 145,500	\$ 148,899	\$ 142,578	\$ 121,754	\$ 105,755
Contributions - employer	74,155	71,585	72,144	80,393	87,811	82,692	90,458	88,107	85,202	82,346
Contributions - member	448,497	415,378	241,732	(516,618)	700,730	65,083	122,568	113,723	167,058	(5,796)
Net investment income (loss)	(142,313)	(139,303)	(139,665)	(85,021)	(37,957)	(37,031)	-	-	-	-
Benefit payments, including refunds of member contributions	(150)	(150)	(113)	(50)	(150)	(200)	-	-	-	-
Administration	582,918	544,792	329,793	(349,146)	901,300	256,044	361,925	344,408	374,014	182,305
Net change in plan fiduciary net position	4,418,622	3,873,830	3,544,037	3,893,183	2,991,883	2,735,839	2,373,914	2,029,506	1,655,492	1,473,187
Plan fiduciary net position - July 1	\$ 5,001,540	\$ 4,418,622	\$ 3,873,830	\$ 3,544,037	\$ 3,893,183	\$ 2,991,883	\$ 2,735,839	\$ 2,373,914	\$ 2,029,506	\$ 1,655,492
Plan fiduciary net position - June 30 (b)	\$ 1,025,106	\$ 1,184,878	\$ 1,346,321	\$ 1,023,301	\$ 270,760	\$ 619,107	\$ 481,962	\$ 540,514	\$ 506,384	\$ 531,828
Net pension liability - June 30 (a)-(b)										
Plan fiduciary net position as a percentage of the total pension liability	82.99%	78.85%	74.21%	77.60%	93.50%	82.85%	85.02%	81.45%	80.03%	75.69%
Covered payroll	\$ 573,078	\$ 556,602	\$ 538,300	\$ 686,638	\$ 663,974	\$ 732,871	\$ 705,453	\$ 693,575	\$ 665,300	\$ 743,711
Net pension liability as a percentage of covered payroll	178.88%	212.88%	250.11%	149.03%	40.78%	84.48%	68.32%	77.93%	76.11%	71.51%
Annual money weighted rate of return, net of investment expense	10.02%	10.62%	6.75%	(13.04)%	22.74%	2.31%	4.94%	5.33%	9.56%	(0.37)%
Schedule of Investment Returns										

See Notes to Required Supplementary Information.

Town of Colchester, Connecticut

Required Supplementary Information

Police Retirement Plan
Schedule of Contributions
Last Ten Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contributions	\$ 228,151	\$ 194,979	\$ 175,494	\$ 172,885	\$ 150,425	\$ 147,856	\$ 149,560	\$ 145,300	\$ 123,370	\$ 119,514
Contributions in relation to the actuarially determined contribution	<u>202,729</u>	<u>197,282</u>	<u>155,695</u>	<u>172,150</u>	<u>150,866</u>	<u>145,500</u>	<u>148,899</u>	<u>142,578</u>	<u>121,754</u>	<u>105,755</u>
Contribution excess (deficiency)	<u>\$ (25,422)</u>	<u>\$ 2,303</u>	<u>\$ (19,799)</u>	<u>\$ (735)</u>	<u>\$ 441</u>	<u>\$ (2,356)</u>	<u>\$ (661)</u>	<u>\$ (2,722)</u>	<u>\$ (1,616)</u>	<u>\$ (13,759)</u>
Covered payroll	<u>\$ 573,078</u>	<u>\$ 556,602</u>	<u>\$ 538,300</u>	<u>\$ 686,638</u>	<u>\$ 663,974</u>	<u>\$ 732,871</u>	<u>\$ 705,453</u>	<u>\$ 693,575</u>	<u>\$ 665,300</u>	<u>\$ 743,711</u>
Contributions as a percentage of covered payroll	<u>35.38%</u>	<u>35.44%</u>	<u>28.92%</u>	<u>25.07%</u>	<u>22.72%</u>	<u>19.85%</u>	<u>21.11%</u>	<u>20.56%</u>	<u>18.30%</u>	<u>14.22%</u>

Town of Colchester, Connecticut
Notes to Required Supplementary Information

Police Retirement Plan
Schedule of Contributions
Last Ten Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Changes of benefit terms	None	None	None	None	None	None	None	None	None	None
The actuarially determined contribution rates are calculated as of	July 1, 2022	July 1, 2022	July 1, 2020	July 1, 2020	July 1, 2018	July 1, 2018	July 1, 2016	July 1, 2016	July 1, 2014	July 1, 2014

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	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
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 rate	2.40%	2.40%	2.40%	2.40%	2.60%	2.60%	2.75%	2.75%	3.00%	3.00%
Salary increases	2.40% plus Service Merit Scale	2.40% plus Service Merit Scale	2.40% plus Service Merit Scale	2.40% plus Service Merit Scale	2.50% plus Service Merit Scale	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)
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)	6.75%	6.75%	6.75%	6.75%	7.00%	7.00%	7.00%	7.00%	7.50%	7.50%

Mortality rate	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (Public Safety), projected to the valuation date with Scale MP-2021	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (Public Safety), projected to the valuation date with Scale MP-2021	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (Public Safety), projected to the valuation date with Scale MP-2020	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (Public Safety), projected to the valuation date with Scale MP-2020	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-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
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Town of Colchester, Connecticut
Required Supplementary Information
Connecticut State Teachers' Retirement System
Last Ten Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Schedule of Proportionate Share of the Collective Net Pension Liability										
Town's proportion of the collective net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the collective pension liability associated with the Town	69,498,058	75,303,710	81,788,323	68,005,099	85,864,105	77,141,798	59,480,808	63,053,688	66,522,123	53,087,310
Total	\$ 69,498,058	\$ 75,303,710	\$ 81,788,323	\$ 68,005,099	\$ 85,864,105	\$ 77,141,798	\$ 59,480,808	\$ 63,053,688	\$ 66,522,123	\$ 53,087,310
Town's covered payroll	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Town's proportionate share of the collective net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the collective total pension liability	62.68%	58.39%	54.06%	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%

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)	(2)	(2)	(2)	(2)
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	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 collective net pension liability.

Town of Colchester, Connecticut
Notes to Required Supplementary Information
Connecticut State Teachers' Retirement System
Schedule of Contributions
Last Ten Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Changes of benefit terms	None	None	None	None	None	None	Beginning January 1, 2018, member contributions increased from 6.00% to 7.00% of salary	None	None	None
The actuarially determined contribution rates are calculated as of	June 30, 2022	June 30, 2022	June 30, 2020	June 30, 2020	June 30, 2018	June 30, 2016	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	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percent of salary, closed, grading to a level dollar	Level percent of salary, closed, grading to a level dollar	Level percent of salary, closed, grading to a level dollar	Level percent of salary, closed, grading to a level dollar	Level percent of salary, closed, grading to a level dollar	Level percent of salary, closed, grading to a level dollar	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed
Remaining amortization period (equivalent single period)	26.8 years	26.8 years	27.8 years	28.8 years	29.8 years	30 years	30 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	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing
Inflation rate	2.50%	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	3.00%	3.00%	3.00%
Salary increases	3.00%-6.50%, average, including inflation	3.00%-6.50%, average, including inflation	3.00%-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	3.25%-6.50%, average, including inflation	3.75%-7.00%, average, including inflation	3.75%-7.00%, average, including inflation	3.75%-7.00%, average, including inflation
Cost-of-living adjustments	1.75%-3.00% based on retirement date	1.75%-3.00% based on retirement date	1.75%-3.00% based on retirement date	1.75%-3.00% based on retirement date	1.75%-3.00% based on retirement date	1.75%-3.00% based on retirement date	1.75%-3.00% based on retirement date	2.00%-3.00% based on retirement date	2.00%-3.00% based on retirement date	2.00%-3.00% based on retirement date
Investment rate of return (net)	6.90%	6.90%	6.90%	6.90%	6.90%	8.00%	8.00%	8.50%	8.50%	8.50%
Mortality rate	PubT-2010 Table projected generationally with MP-2019	PubT-2010 Table projected generationally with MP-2019	PubT-2010 Table projected generationally with MP-2019	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table 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	RP-2000 Combined Mortality Table projected 19 years using scale AA

Town of Colchester, Connecticut
Required Supplementary Information
Other Post-Employment Benefit Plan
Schedule of Changes in OPEB Liability and Related Ratios
Last Eight Years (1)

	2025	2024	2023	2022	2021	2020	2019	2018
OPEB liability:								
Service cost	\$ 205,680	\$ 312,308	\$ 269,757	\$ 393,699	\$ 397,018	\$ 298,808	\$ 266,608	\$ 284,046
Interest	167,548	210,864	190,962	201,810	197,669	244,424	248,540	225,136
Differences between expected and actual experience	-	77,663	-	(3,299,826)	-	524,866	-	-
Changes in assumptions	(371,892)	(1,762,089)	87,197	(966,508)	47,230	1,087,333	244,148	(146,062)
Benefit payments, including refunds of member contributions	(240,727)	(251,161)	(165,134)	(143,310)	(335,336)	(250,148)	(210,314)	(214,186)
Net change in OPEB liability	(239,391)	(1,412,415)	382,782	(3,814,135)	306,581	1,905,283	548,982	148,934
OPEB liability - July 1	4,176,840	5,589,255	5,206,473	9,020,608	8,714,027	6,808,744	6,259,762	6,110,828
OPEB liability - June 30 *	\$ 3,937,449	\$ 4,176,840	\$ 5,589,255	\$ 5,206,473	\$ 9,020,608	\$ 8,714,027	\$ 6,808,744	\$ 6,259,762
Covered employee payroll	\$ 35,479,496	\$ 35,479,496	\$ 33,268,653	\$ 33,268,653	\$ 29,339,464	\$ 29,339,464	\$ 21,277,152	\$ 21,277,152
OPEB liability as a percentage of covered employee payroll	11.10%	11.77%	16.80%	15.65%	30.75%	29.70%	32.00%	29.42%

(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 Statement No. 75 to pay benefits.

Town of Colchester, Connecticut

Required Supplementary Information

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

	2025	2024	2023	2022	2021	2020	2019	2018
Schedule of Proportionate Share of the Collective Net OPEB Liability								
Town's proportion of the collective net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the collective net OPEB liability associated with the Town	14,256,441	7,054,924	7,162,781	7,409,031	12,806,634	12,030,700	11,890,600	16,229,300
Total	\$14,256,441	\$ 7,054,924	\$ 7,162,781	\$ 7,409,031	\$12,806,634	\$12,030,700	\$11,890,600	\$16,229,300
Town's covered payroll	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Town's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the collective total OPEB liability	7.40%	11.92%	9.46%	6.11%	2.50%	2.08%	1.49%	1.79%

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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)	(2)	(2)
Contributions as a percentage of covered payroll	0.00%	0.00%	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 collective 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 Eight Years (1)

	2025	2024	2023	2022	2021	2020	2019	2018
Changes of benefit terms	None	Increase in maximum monthly subsidy amount for retiree and dependent from \$110/\$220 to \$220/\$440	None	None	None	None	None	None
The actuarially determined contribution rates are calculated as of	June 30, 2022	June 30, 2022	June 30, 2020	June 30, 2020	June 30, 2018	June 30, 2018	June 30, 2016	June 30, 2016
Actuarial methods and assumptions used to determine contribution rates:								
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage, open	Level percentage, open	Level percentage, closed	Level percentage, closed	Level percentage, closed	Level percentage, open	Level percentage, open	Level percentage, open
Amortization period	30 years	30 years	30 years	30 years	30 years	30 years	30 years	30 years
Asset valuation method	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Inflation rate	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Healthcare inflation rate	Initial 6.75% decreasing to 4.50% (ultimate) by 2031	Initial 6.75% decreasing to 4.50% (ultimate) by 2031	Initial 5.125% decreasing to 4.50% (ultimate) by 2023	Initial 5.125% decreasing to 4.50% (ultimate) by 2023	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	Initial 7.25% decreasing to 5.00% (ultimate) by 2022
Salary increases	3.00% to 6.50%, including inflation	3.00% to 6.50%, including inflation	3.00% to 6.50%, including inflation	3.00% to 6.50%, including inflation	3.25% to 6.50%, including inflation	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 (net)	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	4.25%	4.25%
Mortality rate	PubT-2010 Table projected generationally with MP-2019	PubT-2010 Table projected generationally with MP-2019	PubT-2010 Table projected generationally with MP-2019	PubT-2010 Table projected generationally with MP-2019	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table 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

APPENDIX B – FORM OF OPINION OF BOND COUNSEL

July __, 2026

Town of Colchester
127 Norwich Avenue
Colchester, CT 06415

We have acted as Bond Counsel to the Town of Colchester, Connecticut (the “Town”) in connection with the issuance by the Town of its \$_____ General Obligation Bond Anticipation Notes (the “Notes”) dated July __, 2026. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents (including, but not limited to, a Tax Regulatory Agreement of the Town dated the date hereof (the “Agreement”)) as we have deemed necessary to give the opinions below.

Regarding questions of fact material to the opinions below, we have relied on the certified proceedings and other certifications of representatives of the Town and certifications of others furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, we are of the opinion that when the Notes are duly certified by U.S. Bank Trust Company, 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 Internal Revenue Code of 1986 (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.

Based on the foregoing, we are of the opinion that interest on the Notes is excludable from gross income for federal income tax purposes under Section 103 of the Code, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Notes may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. The Town has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes. We express no opinion regarding other federal 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 excludable 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 and other State of Connecticut tax consequences caused by ownership or disposition of, or receipt of interest on the Notes.

The rights of the owners of the Notes and the enforceability of the Notes are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights and remedies of creditors, and by equitable principles, whether considered at law or in equity.

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 opinions given in this opinion letter are given as of the date set forth above, and we assume no obligation to revise or supplement them to reflect any facts or circumstances or changes in law that may come later to our attention or occur.

Respectfully,

PULLMAN & COMLEY, LLC

Appendix C

Form of Continuing Disclosure Agreement

APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Issuer will agree, pursuant to a Continuing Disclosure Agreement to be executed by the Issuer 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 July __, 2026 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 July __, 2026 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:

"Final Official Statement" means the official statement of the Issuer dated July __, 2026 prepared in connection with the Notes.

"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 Director of Finance, or a successor, receives written notice from any beneficial owner of the Notes of such failure. The present address of the Director of Finance 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: _____
BERNIE DENNLER
First Selectman

By: _____
TIMOTHY VAILLANCOURT
Selectman

By: _____
ROSEMARY COYLE
Selectman

By: _____
DAVE KOJI
Treasurer

By: _____
DENISE M. TURNER
Selectman

By: _____
MARINA PANDOLFI
Director of Finance

By: _____
ARTHUR P. SHILOSKY
Selectman

Appendix D

Notice of Sale

APPENDIX D – NOTICE OF SALE

NOTICE OF SALE

TOWN OF COLCHESTER, CONNECTICUT \$19,560,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES BOOK-ENTRY-ONLY

NOTICE IS GIVEN that 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,

JULY 16, 2026

(the “Sale Date”) for the purchase of the Issuer’s \$19,560,000 General Obligation Bond Anticipation Notes (the “Notes”). Electronic bids must be submitted via **PARITY**® (see “Electronic Bidding Procedures”).

The Notes

The Notes are expected to be dated July 30, 2026 and will mature and be payable to the registered owner on July 29, 2027 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 NOT 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 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”), 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.

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

Each bid for the purchase of the Notes must be submitted 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 \$160,000, 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 cancel or 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 cancellation or 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 the 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: munis@spglobal.com or parity@i-deal.com).

For purposes of 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; Right to Cancel; Postponement; 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.

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, a division of First Security Municipal Advisors, Inc. ("Phoenix Advisors"), to obtain CUSIP numbers for the Notes prior to delivery, and Phoenix Advisors, 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 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

The Notes will be authenticated by U.S. Bank Trust Company, National Association, Hartford, Connecticut. U.S. Bank Trust Company, 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.

The Notes will be delivered against payment in immediately available federal funds through the facilities of DTC or its agent via Fast Automated Securities Transfer (“FAST”) on or about July 30, 2026 (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 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 state that the Notes are valid and binding obligations of the Issuer. Bond Counsel will require as a precondition to release of its opinion 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”.

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 (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 Glenn G. Rybacki, Esq., Pullman & Comley, LLC, 90 State House Square, Hartford, CT 06103, Telephone: (860) 424-4391, E-mail: gyrbacki@pullcom.com and (2) the Municipal Advisor at Barry J. Bernabe, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 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 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.

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 (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. 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 (iii) 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 third-party 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 third-party 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 third-party 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 third-party 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 third-party 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 July 8, 2026 (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, a division of First Security Municipal Advisors, Inc., 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 a reasonable number of 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

BERNIE DENNLER

First Selectman

ROSEMARY COYLE

Selectman

DENISE M. TURNER

Selectman

ARTHUR P. SHILOSKY

Selectman

TIMOTHY VAILLANCOURT

Selectman

DAVE KOJI

Treasurer

MARINA PANDOLFI

Director of Finance

July 8, 2026

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