

TOWN OF LITCHFIELD, CONNECTICUT

JUNE 30, 2009

TOWN OF LITCHFIELD, CONNECTICUT

TABLE OF CONTENTS

	<u>Page</u>	
Independent Auditors' Report	1-2	
Management's Discussion and Analysis	3-12	
 <u>Exhibit</u>		
Basic Financial Statements:		
Government-Wide Financial Statements:		
I	Statement of Net Assets	13
II	Statement of Activities	14
Fund Financial Statements:		
Governmental Funds:		
III	Balance Sheet	15-16
IV	Statement of Revenues, Expenditures and Changes in Fund Balances	17-18
Proprietary Fund:		
V	Statement of Net Assets	19
VI	Statement of Revenues, Expenses and Changes in Fund Net Assets	20
VII	Statement of Cash Flows	21
Fiduciary Funds:		
VIII	Statement of Fiduciary Net Assets	22
IX	Statement of Changes in Plan Net Assets - Pension Trust Fund	23
	Notes to Financial Statements	24-44
 Required Supplementary Information:		
General Fund:		
RSI-1	Schedule of Revenues and Other Financing Sources - Budget and Actual	45-46
RSI-2	Schedule of Expenditures and Other Financing Uses - Budget and Actual	47-49
 Combining and Individual Fund Statements and Schedules:		
General Fund:		
A-1	Comparative Balance Sheet	50
A-2	Report of Tax Collector	51
A-3	Board of Education Schedule of Expenditures	52
Nonmajor Governmental Funds:		
B-1	Combining Balance Sheet	53-54
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	55-56
B-3	Schedule of Sewer Use Charges Receivable	57
B-4	Schedule of Sewer Assessments Receivable	58
Capital Projects Fund:		
C-1	Project Combining Balance Sheet	59
C-2	Project Combining Statement of Revenues, Expenditures and Changes in Fund Balances	60
Agency Funds:		
D	Combining Statement of Changes in Assets and Liabilities	61
Long-Term Debt:		
E	Schedule of Debt Limitation	62

TOWN OF LITCHFIELD, CONNECTICUT

TABLE OF CONTENTS

Page

Table

1	Principal Property Taxpayers	63
2	Taxable Grand List	64
3	Calculation of Direct Debt and Net Direct Debt	65
4	Current Debt Ratios	66

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Finance
Town of Litchfield
Litchfield, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Litchfield, Connecticut, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Litchfield, Connecticut, as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 12 and budgetary comparison information on pages 45 through 49 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Blum, Shapiro & Company, P.C.

WEST HARTFORD • SHELTON
Westport • Waterbury • New York

An Independent Member of Baker Tilly International

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

December 18, 2009

TOWN OF LITCHFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

This discussion and analysis of the Town of Litchfield, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2009. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- Net assets of the Town's governmental activities increased by \$4.4 million, or 10.7%, primarily due to the continuing investment in its bridges, roads, schools and firehouses.
- General obligation bonds of \$3.8 million were issued to continue funding the High School-Middle School and Intermediate School (school building project), Northfield Firehouse and portions of both the 2007-08 and 2008-09 Capital Improvement Programs.
- During the year, the Town earned tax and other revenues for governmental programs of \$31.2 million that was \$4.4 million more than program expenses.
- Total cost of all of the Town's programs was \$26.9 million.
- The fund balance in General Fund increased from June 30, 2008 by \$146 thousand to \$4.1 million at June 30, 2009, primarily due to \$617 thousand of cost savings achieved, of which \$432 thousand was transferred to fund a portion of the Town's capital projects.
- Unreserved fund balance of the General Fund increased \$200 thousand from \$3.8 million at June 30, 2008 to \$4.0 million at June 30, 2009, also primarily due to the cost savings realized.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a long-term view of the Town's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The required supplementary information provides budgetary information for the General Fund. The combining and individual fund statements and schedules provide additional information about activities of the Town.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net assets and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. One measure of the Town's financial health is the Town's net assets, the difference between assets and liabilities, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net assets and the statement of activities, the Town reports its governmental activities. These include the Town's basic services: general government, public safety, public works, health and welfare, libraries, recreation, education and interest on long-term debt. Property taxes, charges for services, and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State Statute (e.g., General Fund). Other funds are established by the Town to help control and manage financial activities for particular purposes (like the Town Hall Annex and Sewer Operating Funds) or to show that it is meeting legal responsibilities for state and federal grants and other money (like the Renovation of Schools Capital Projects Fund). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation within the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. At present, the Town has one proprietary fund which is its Internal Service Fund used to report activities of its medical self insurance services provided to the Town and Board of Education.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the fiduciary administrator for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net assets increased from \$40.9 million to \$45.3 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

**TABLE 1
NET ASSETS
(In Thousands)**

	Governmental Activities	
	2009	2008
Current and other assets	\$ 15,117	\$ 16,766
Noncurrent assets	66,320	61,796
Total assets	<u>81,437</u>	<u>78,562</u>
Current liabilities	4,882	5,493
Noncurrent liabilities	31,235	32,118
Total liabilities	<u>36,117</u>	<u>37,611</u>
Net Assets:		
Investment in capital assets, net of related debt	33,760	30,561
Restricted for trust purposes	10	10
Unrestricted	<u>11,550</u>	<u>10,380</u>
Total Net Assets	<u>\$ 45,320</u>	<u>\$ 40,951</u>

Total net assets of the Town's governmental activities increased 10.7% (\$45.3 million compared to \$40.9 million). Investment in capital assets, net of related debt increased from \$30.6 million at June 30, 2008 to \$33.8 million at June 30, 2009 primarily due to construction and improvements of its capital assets. Unrestricted net assets - the part of net assets that can be used to finance daily operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased 11.5% from \$10.4 million at June 30, 2008 to \$11.6 million at the end of this year.

TABLE 2
CHANGE IN NET ASSETS
(In Thousands)

	Governmental Activities	
	2009	2008
Revenues:		
Program revenues:		
Charges for services	\$ 1,750	\$ 1,931
Operating grants and contributions	3,246	8,134
Capital grants and contributions	2,282	1,988
General revenues:		
Property taxes	23,348	22,535
Grants not restricted to specific purposes	323	711
Unrestricted investment earnings and other	300	791
Total revenues	31,249	36,090
 Program expenses:		
General government	3,275	2,797
Public safety	975	1,308
Public works	3,296	3,581
Health and welfare	103	58
Libraries	315	292
Recreation	321	346
Education	17,357	21,713
Interest on long-term debt	1,238	1,257
Total program expenses	26,880	31,352
 Increase in Net Assets	\$ 4,369	\$ 4,738

The Town's total revenue was \$31.2 million. The total cost of all programs and services was \$26.9 million. The significant reduction from 2008 in the 2009 operating grants and contributions and education expenses was primarily due to a decrease of \$4.4 million in the on-behalf payments made by the State of Connecticut for Litchfield teachers. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

Approximately 75% of the revenues were derived from property taxes. Restricted operating grants and contributions and restricted capital grants and contributions, accounted for 10% and 7% of revenues, respectively. Charges for services represented 6% of revenues and the 2% remaining revenues were from unrestricted grants, investment earnings and miscellaneous revenue.

Major revenue factors included:

- Property tax revenues of \$23.4 million were recorded for fiscal 2009, a 3.6% increase over the prior year. For 2009, the mil rate increased by 1.6% percent to 25.5 mils on a net taxable grand list of \$898.5 million.
- Restricted program operating grants and contributions of \$3.2 million decreased \$4.9 million from the prior year primarily due to the \$1.2 million on-behalf payment made by the State to the Connecticut State Teachers' Retirement System that was \$4.4 million less than the prior year.
- Restricted capital grants and contributions increased to \$2.3 million from \$2.0 million a year earlier primarily due to the \$736 thousand of grant funds received from the State of Connecticut Department of Transportation for High Bridge Road Bridge.
- Overall charges for services revenue of \$1.8 million decreased 9.4% mainly due to the real estate downturn of property sales that generate Town Clerk conveyance tax revenue and reduced building department and land use permit revenue. On the other hand, for the second year in a row, the Sewer Operations increased its user fee. Effective July 1, 2008, the fee was raised from \$288 to \$312. This was the primary reason the Sewer Operations charges for services increased 9.7% over the prior year to \$856 thousand.
- Unrestricted investment earnings and other decreased 62.1% from the prior year to \$300 thousand because of the lower investment return on available funds and a reduction in the amount of funds available since the School Building Project was substantially completed.

Table 3 presents the cost of each of the Town's programs, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**TABLE 3
GOVERNMENTAL ACTIVITIES
(In Thousands)**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General government	\$ 3,275	\$ 2,797	\$ 2,863	\$ 1,966
Public safety	975	1,308	828	1,249
Public works	3,296	3,581	197	1,548
Health and welfare	103	58	64	39
Libraries	315	292	315	292
Recreation	321	346	233	269
Education	17,357	21,713	13,864	12,679
Other	1,238	1,247	1,238	1,257
Totals	<u>\$ 26,880</u>	<u>\$ 31,342</u>	<u>\$ 19,602</u>	<u>\$ 19,299</u>

For governmental activities, 65% of the Town's expenditures relate to education. Public safety, public works, health and welfare, libraries and recreation services account for 18% of expenditures. The remaining 17% relates to general government activities and interest on long-term debt. The public safety decrease in cost of services is due to a prior year one-time payment of \$406 thousand to reduce the debt of the new Bantam Firehouse in accordance with a Special Town Meeting held in fiscal 1993. The \$406 thousand payment was funded by the sale proceeds from the old Bantam Firehouse (reflected in the public safety net cost of services for fiscal year 2008.) The Public Works net cost of services

decreased from \$1.5 million for 2008 to \$197 thousand for 2009 due to significant grant funding for High Bridge Road Bridge, Shear Shop Road Bridge and Milton Road repaving/drainage improvements. The Education total cost of services decreased \$4.4 million, primarily due to the decrease in the on-behalf payment made by the State to the Connecticut State Teachers' Retirement System that was \$4.4 million less than the prior year. The Education net cost of services increased \$1.2 million for 2009 versus a year earlier primarily due to the winding down of the school building project and its corresponding reduction in grant proceeds.

TOWN FUNDS FINANCIAL ANALYSIS

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 spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2009, the Town's governmental funds reported a combined fund balance of \$8.2 million, a 16% increase of \$1.1 million from June 30, 2008. The increase is primarily in the Capital Projects Funds due to the issuance of \$3.8 million General Obligation bonds to pay a portion of various capital projects as they are completed over the next couple of years.

The 15-year bonds were issued in February 2009, at interest rates between 2.0% and 4.0%. The purpose of the bonds was as follows: \$500 thousand for School Building Project; \$571 thousand for the new Northfield Firehouse; \$1.1 million for the 2007-2008 Capital Improvement Program (CIP) and \$1.6 million for the 2008-2009 CIP.

The Town's combined governmental fund balance of \$8.2 million is comprised of reserved fund balance of \$.2 million and an unreserved fund balance of \$8.0 million.

The General Fund is the chief operating fund of the Town. At June 30, 2009, fund balance increased to \$4.1 million from \$3.9 million a year earlier, and that was after transferring out \$.5 million of fund balance primarily to the Capital Projects Funds. Revenues nearly reached budget, while cost savings of over \$.6 million resulted in the increased fund balance. Costs savings (actual less than budget) were achieved in the amounts of \$273 thousand from education, \$164 thousand from general government, \$100 thousand from fringe benefits and municipal insurance and the balance from nearly all other departments.

The Sewer Assessment Fund has a total fund balance of \$796 thousand, a decrease of \$58 thousand from the prior fiscal year end in line with scheduled collections.

The Capital Projects Fund had a total fund balance of \$2.0 million, an increase of \$1.5 million from the prior year. The increase is primarily attributable to the issuance of the \$3.8 General Obligation bonds. The \$33 million school building project was nearly completed in fiscal 2009. Final payment of retainage to vendors is expected in fiscal 2010. The receipt of final grant funds may occur in fiscal 2012 upon audit completion. During 2009, the \$269 thousand deficit in the Sewer Treatment Upgrade Project for the plant upgrade was eliminated by a transfer of fund balances: 80% from the Sewer Operations Fund; and, 20% from the General Fund. The Sewer Operations Fund transferred \$100 thousand to the

new WPCA Capital Reserve project, established in 2009 in the Capital Projects Fund. The reserve will provide for funds to accumulate for significant capital projects to the Water Pollution Control System.

Proprietary Fund

The Town's proprietary fund is an Internal Service Fund which accounts for the health insurance costs of Town and Board of Education (BOE) employees, including some retired BOE employees. The total net assets of the fund at June 30, 2009 increased to \$1.4 million primarily due to the Town and BOE contributing 102% of expected costs into the fund. For fiscal 2009, claims incurred of \$2.3 million approximated the prior year. Under negotiated wage contracts, employees are paying a higher share of their health care costs.

General Fund Budgetary Highlights

The original budget was approved at the Annual Budget Meeting on May 14, 2008 with appropriations of \$26.1 million. The budget was amended by several actions of the Board of Finance, and as necessary, by the Town at various town meetings. Use of fund balance in the amount of \$378 thousand was authorized to increase the expenditures budget for a transfer of \$378 thousand to the Capital Projects Fund. The amount was used for the portion of the fiscal 2009 Capital Improvement Program projects that were not funded with bonds. Thus, the final budget of \$26.5 million had \$378 thousand more in appropriations than resources.

For the year, actual revenues and transfers in of \$26.0 million on a budgetary basis were less than the final budget by \$51 thousand. This reduced the \$378 thousand budgeted shortfall in resources. Actual revenues were less than the final budget primarily due to: the Town Clerk conveyance tax \$88 thousand under budget resulting from the national economic decline in real estate sales; and, investment income under budget by \$71 thousand due to the interest rate decline. These shortfalls were offset by property taxes collected being \$78 thousand over budget and \$30 thousand of net revenues over budget from the remaining departments. Transfers in of \$482 thousand were mainly from the Sewer Assessment and Sewer Operations Funds to reimburse General Fund for their share of debt service.

Actual expenditures and transfers out on a budgetary basis totaled \$25.8 million, which is \$630 thousand less than the final budget of \$26.5 million. This favorable variance was due to cost savings throughout the Town's various departments. The greatest savings from the final budget were: 1) \$264 thousand from the Board of Education due to a significant decrease in out of district special education placements; 2) \$51 thousand from all the various fringe benefit accounts; 3) \$46 thousand from municipal insurance that cost less than estimated; and, 4) \$164 thousand from various general government departments (mainly legal, technology and central service and town buildings.) The Town had a second consecutive harsh winter that contributed to the Public Works departments' need to increase its budget by \$157 thousand to provide for overtime and material to plow the roads. However, the increase was entirely funded by the existing budget primarily from contingency.

The Land Use Administration department was established in fiscal 2009 to more appropriately recognize the organization of the Town, by placing costs attributable to the Land Use Administrator into one department (formerly accounted for in the Planning and Zoning, Wetlands and Zoning Board of Appeals departments.)

The excess of revenues and other financing sources over expenditures and other financing uses on a budgetary basis was \$201 thousand.

Of the General Fund's fund balance, 97.4% constitutes unreserved fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the Town had \$66.3 million invested in a broad range of capital assets, including land, buildings and improvements, machinery and equipment and infrastructure - Table 4. This amount represents a net increase (including additions and deductions) of \$4.5 million, or 7.3%, over last year.

Since both projects in Construction in Progress (CIP) were substantially complete at June 30, 2009, the prior years' accumulated costs were transferred from CIP to buildings and improvements. The two projects are described, as follows:

The \$33 million High School and Intermediate School expansion and renovation project incurred additional costs during 2009 of \$700 thousand that resulted in a cumulative cost of \$32.8 at June 30, 2009. The \$32.8 million cost to the Town was reduced by \$9.1 million of cumulative grants received from the State at June 30, 2009, of which \$543 thousand of grants were received in 2009. Final reporting for the project to the state is planned for fiscal 2010 with completion of the state audit in 2012.

The new Northfield Firehouse being constructed on Knife Shop Road incurred costs of \$837 thousand in 2009 for a cumulative Town cost of \$2.5 million. The \$2.5 million was reduced by \$385 thousand of state grants.

Buildings and improvements also increased by \$344 thousand for the 1,920 square foot addition to the Litchfield Firehouse and \$338 thousand to complete the Center School roof replacement project.

Infrastructure improvements for 2009 included: 1) \$500 thousand of Ten Year Road Program improvements; 2) \$418 thousand for new pavement and drainage on Milton Road of which about 80% was grant funded; and, 3) multi-year renovation of two bridges: High Bridge Road with \$920 thousand of 2009 costs and Shear Shop Road Bridge with \$559 thousand spent during fiscal 2009.

Approximately 80% of High Bridge Road bridge costs and 31% of the Shear Shop Road bridge were funded by grants.

TABLE 4
CAPITAL ASSETS (Net of Depreciation)
(In Thousands)

	Governmental Activities	
	2009	2008
Land	\$ 1,331	\$ 1,331
Buildings and improvements	44,007	8,053
Machinery and equipment	1,841	1,787
Infrastructure	19,141	16,830
Construction in progress		33,795
Total	\$ 66,320	\$ 61,796

The Town's fiscal year 2009-10 Capital Improvement Program (CIP) budget authorizes spending \$2.2 million for capital projects, of which \$438 thousand is to be funded from grants and other local funding. This includes the \$475 thousand for a pumper truck for Litchfield Firehouse to replace the 1986 one, \$417 thousand for the Ten Year Road Program (of which \$205 thousand is budgeted from state grants), and \$300 thousand for the additional parking lot for the Intermediate and High-Middle Schools.

The Town Hall Building Committee developed a plan to consolidate Town Hall and Town Hall Annex operations into one location. Due to the recession, further action has been postponed until the economy recovers.

Additional detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

Long-Term Debt

At June 30, 2009, the Town had \$32.8 million in bonds outstanding versus \$31.2 million last year, an increase of 5.1% or \$1.6 million - as shown in Table 5.

**TABLE 5
OUTSTANDING DEBT
(In Thousands)**

	Governmental Activities	
	2009	2008
General obligation bonds (backed by the Town)	<u>\$ 32,787</u>	<u>\$ 31,235</u>

In February 2009, when the \$2.7 million of short-term bond anticipation notes issued in February 2008 matured, \$2.2 million was converted into long-term 15-year general obligation bonds for the following: School Building Project \$500 thousand; Northfield Firehouse \$571 thousand; and a portion of the 2007-08 Capital Improvement Program (CIP) \$1,099 thousand. The remaining \$500 thousand was rolled over into short-term bond anticipation notes for the School Building Project. Also, in February 2009, in addition to the \$2.2 million of 15-year general obligation bonds, \$1.7 million of long-term 15-year general obligation bonds were issued for a portion of the 2008-09 CIP approved at a Special Town Meeting on December 9, 2008. Additional financing is expected to be obtained during fiscal 2010 for a portion of the \$1.8 million 2009-10 CIP.

The Town maintains an Aa3 rating from Moody's Investors Services, Inc. The State limits the amount of general obligation debt that municipalities can issue using a formula determined under State Statutes that is based on the type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$161 million state imposed limit at June 30, 2009.

For fiscal 2009, the Town implemented Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). The OPEB benefits are for certain Board of Education retirees and, in accordance with the GASB statement, the BOE has recorded the actuarially determined annual required OPEB contribution of \$489 thousand or \$329 thousand more than the benefits paid of \$160 thousand. The \$329 thousand is recorded as the OPEB obligation at June 30, 2009. It is anticipated that an OPEB trust will be established to segregate funding of the OPEB assets. Further discussion about OPEB is presented in Note 10 to the financial statements.

Detailed information about other long-term obligations of the Town's is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND MIL RATE

At June 30, 2009, employment in Litchfield was 4,162, 8.67% less than a year earlier. The Town's unemployment rate at June 30, 2009 was 6.8%, 45% more than the prior year date. This rate compares favorably to both the State and national unemployment rates of 8.0% and 9.5%, respectively. Deflation in the Northeast area for the year ended June 30, 2009 was 1.2%, down from the 5% increase a year earlier. The national Consumer Price Index (CPI) also decreased 1.4% from a 5% annual increase at June 30, 2008.

The fiscal 2010 budget was adopted at the Town's Annual Budget Meeting on May 13, 2009. Due to the Town's October 1, 2009 revaluation, the Town's net taxable grand list rose to the billion dollar mark for the first time. The Town's elected Board of Finance set the fiscal year 2009-2010 tax mil rate at 21.2, less than ½ of one per cent more than the prior year converted mil rate of 21.1 (25.5 before converted). Amounts available for appropriation in the original fiscal 2010 General Fund budget are \$26.0 million, a decrease of .4% from the original 2009 budget of \$26.1 million. The decrease was necessary to offset the reduction of investment earnings due to the decline in interest rates and the Town Clerk conveyance tax revenue that were offset by a \$200 thousand increase in property taxes (from the 2010 mil rate increase and increases in assessed valuations).

The Town has reduced its budget while maintaining all its services and without freezing wages or asking the unions for concessions. Due to the continuing high unemployment, the Town faces various challenges to minimize tax rate increases. In addition to funding inflationary increases to maintain the present level of services, other funding considerations consist of the actuarial liability for the Board of Education's other post-employment benefits for retirees in the amount of \$3.2 million (described in Note 10 to the financial statements) and additional pension funding due to the falling market value of the Pension Trust's Net Assets to \$6.7 million at June 30, 2009 from \$7.7 million a year earlier. At October 22, 2009, the Pension Trust's Net Assets had increased to \$7.5 million, nearly recovering the entire fiscal 2009 decline.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Litchfield, 74 West Street, P.O. Box 488, Litchfield, Connecticut 06759.

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2009

(In Thousands)

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 10,698
Receivables, net	3,780
Prepaid items	639
Capital assets not being depreciated	1,331
Capital assets being depreciated, net	64,989
Total assets	<u>81,437</u>
Liabilities:	
Accounts payable	1,793
Bond anticipation notes	500
Unearned revenue	84
Due to fiduciary funds	142
Noncurrent liabilities:	
Due within one year	2,363
Due in more than one year	31,235
Total liabilities	<u>36,117</u>
Net Assets:	
Invested in capital assets, net of related debt	33,760
Restricted for trust purposes	10
Unrestricted	11,550
Total Net Assets	<u>\$ 45,320</u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 3,275	\$ 412	\$	\$	\$ (2,863)
Public safety	975	147			(828)
Public works	3,296	1,052	276	1,771	(197)
Health and welfare	103	39			(64)
Libraries	315				(315)
Recreation	321	88			(233)
Education	17,357	12	2,970	511	(13,864)
Interest on long-term debt	1,238				(1,238)
Total	<u>\$ 26,880</u>	<u>\$ 1,750</u>	<u>\$ 3,246</u>	<u>\$ 2,282</u>	<u>(19,602)</u>
General revenues:					
Property taxes					23,348
Grants and contributions not restricted to specific programs					323
Unrestricted investment earnings					249
Miscellaneous					51
Total general revenues					<u>23,971</u>
Change in net assets					4,369
Net Assets at Beginning of Year					<u>40,951</u>
Net Assets at End of Year					<u>\$ 45,320</u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009
(In Thousands)

	<u>General</u>	<u>Sewer Assessment</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 10,345	\$	\$	\$ 175	\$ 10,520
Receivables, net	594	1,421	902	693	3,610
Due from other funds	215	797	2,433	1,170	4,615
Other assets	28		195		223
Total Assets	<u>\$ 11,182</u>	<u>\$ 2,218</u>	<u>\$ 3,530</u>	<u>\$ 2,038</u>	<u>\$ 18,968</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 576	\$ 1	\$ 844	\$ 29	\$ 1,450
Due to other funds	5,967		123	92	6,182
Bond anticipation notes payable			500		500
Deferred revenue	583	1,421	49	602	2,655
Total liabilities	<u>7,126</u>	<u>1,422</u>	<u>1,516</u>	<u>723</u>	<u>10,787</u>
Fund balances:					
Reserved	104		36	10	150
Unreserved, reported in:					
General Fund	3,952				3,952
Special Revenue Funds		796		1,305	2,101
Capital Project Funds			1,978		1,978
Total fund balances	<u>4,056</u>	<u>796</u>	<u>2,014</u>	<u>1,315</u>	<u>8,181</u>
Total Liabilities and Fund Balances	<u>\$ 11,182</u>	<u>\$ 2,218</u>	<u>\$ 3,530</u>	<u>\$ 2,038</u>	<u>\$ 18,968</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2009
(In Thousands)

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because of the following:

Fund balances - total governmental funds	\$	8,181
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$ 88,298	
Less accumulated depreciation	<u>(21,978)</u>	
Net capital assets		66,320
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Net pension asset		416
Property tax receivables greater than 60 days		562
Interest receivable on property taxes		170
Assessments receivable		1,421
Housing loans		137
Sewer use receivables		451
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.		
		1,409
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable		(32,787)
Interest payable on bonds and notes		(149)
Compensated absences		(376)
Landfill closure		(65)
OPEB obligation		(329)
Claims and adjustments		<u>(41)</u>
Net Assets of Governmental Activities (Exhibit I)	\$	<u><u>45,320</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

	<u>General</u>	<u>Sewer Assessment</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 23,034	\$	\$	\$	\$ 23,034
Intergovernmental	2,973		2,314	814	6,101
Charges for services	389	141		1,223	1,753
Investment income	209	12		11	232
Other	29			1	30
Total revenues	<u>26,634</u>	<u>153</u>	<u>2,314</u>	<u>2,049</u>	<u>31,150</u>
Expenditures:					
Current:					
General government	1,223			295	1,518
Public safety	816			35	851
Public works	1,998			698	2,696
Health and welfare	96			7	103
Libraries	315				315
Recreation	246			69	315
Education	16,978			522	17,500
Employee benefits	1,245				1,245
Capital outlay	131		5,716		5,847
Debt service	3,470				3,470
Total expenditures	<u>26,518</u>	<u>-</u>	<u>5,716</u>	<u>1,626</u>	<u>33,860</u>
Excess (Deficiency) of Revenues over Expenditures	<u>116</u>	<u>153</u>	<u>(3,402)</u>	<u>423</u>	<u>(2,710)</u>
Other Financing Sources (Uses):					
Transfers in	482		1,066	20	1,568
Transfers out	(452)	(211)		(905)	(1,568)
Bonds issued			3,820		3,820
Total other financing sources (uses)	<u>30</u>	<u>(211)</u>	<u>4,886</u>	<u>(885)</u>	<u>3,820</u>
Net Change in Fund Balances	146	(58)	1,484	(462)	1,110
Fund Balances at Beginning of Year	<u>3,910</u>	<u>854</u>	<u>530</u>	<u>1,777</u>	<u>7,071</u>
Fund Balances at End of Year	<u>\$ 4,056</u>	<u>\$ 796</u>	<u>\$ 2,014</u>	<u>\$ 1,315</u>	<u>\$ 8,181</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2009
(In Thousands)Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$	1,110
---	----	-------

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	5,428
Depreciation expense	(904)

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 funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	138
Property tax interest and lien revenue - accrual basis change	(29)
Sewer assessment receivable - accrual basis change	(78)
Sewer use receivable - accrual basis change	51
Net pension asset	(108)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	2,268
Issuance of bonds and notes	(3,820)

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 the governmental funds:

Compensated absences	(32)
Claims and judgments	3
Accrued interest	(36)
OPEB obligation	(329)
Early retirement incentive	421
Landfill postclosure care	9

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

<u>277</u>

Change in Net Assets of Governmental Activities (Exhibit II)	\$	<u><u>4,369</u></u>
--	----	---------------------

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF NET ASSETS - PROPRIETARY FUND

JUNE 30, 2009
(In Thousands)

		<u>Governmental Activities</u>
		<u>Internal Service Fund</u>
Assets:		
Cash and cash equivalents	\$	178
Due from other funds		<u>1,425</u>
Total assets		1,603
Liabilities:		
Claims payable		<u>194</u>
Net Assets:		
Unrestricted	\$	<u><u>1,409</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2009
(In Thousands)

		<u>Governmental Activities</u>
		<u>Internal Service Fund</u>
Operating Revenues:		
Charges for services	\$	2,544
Operating Expenses:		
Claims incurred		<u>2,284</u>
Operating Income		260
Nonoperating Revenue:		
Interest income		<u>17</u>
Change in Net Assets		277
Net Assets at Beginning of Year		<u>1,132</u>
Net Assets at End of Year	\$	<u><u>1,409</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 2,374
Payment to benefit providers	(2,284)
Net cash provided by operating activities	<u>90</u>
Cash Flow from Investing Activities:	
Interest received on investments	<u>17</u>
Net Increase in Cash and Cash Equivalents	107
Cash and Cash Equivalents at Beginning of Year	<u>71</u>
Cash and Cash Equivalents at End of Year	<u>\$ 178</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ 260
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Increase in due from other funds	(171)
Increase in incurred but not reported claims (IBNR)	<u>1</u>
Net Cash Provided by Operating Activities	<u>\$ 90</u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2009
(In Thousands)

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 301	\$ 173
Investments:		
Common stock	2,473	
Mutual funds	3,903	
Receivables:		
Interest and dividends	15	
Due from other funds		<u>142</u>
Total assets	<u>6,692</u>	<u>\$ 315</u>
Liabilities:		
Due to student groups and others	<u>-</u>	<u>\$ 315</u>
Net Assets:		
Held in Trust for Pension Benefits	<u>\$ 6,692</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS
PENSION TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

Additions (Reductions):	
Contributions:	
Employer	\$ <u>676</u>
Investment income (loss):	
Net depreciation in fair value of investments	(1,419)
Interest and dividends	<u>258</u>
Total investment loss	(1,161)
Less investment expense:	
Investment management fees	<u>27</u>
Net investment loss	<u>(1,188)</u>
Total reductions	(512)
Deductions:	
Benefits and other deductions	<u>501</u>
Net Decrease	(1,013)
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>7,705</u>
Net Assets Held in Trust for Pension Benefits at End of Year	\$ <u><u>6,692</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (In Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Litchfield, Connecticut (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

A. Reporting Entity

The Town was incorporated in 1719. The Town operates under a Selectmen/Town Meeting and Board of Finance form of government and provides the following services: general government, public safety, public works, recreation, health and welfare, libraries and education.

GAAP require that the reporting entity include 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in GASB Codification Section 2100 has been considered, and there are no agencies or entities that should be, but are not, combined in the financial statements of the Town.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of interfund activity has been removed from these statements.

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

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.

The various funds included in the financial statements are described below:

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

The *General Fund* is the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service and interest income.

Special Revenue Funds account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Capital Project Funds account for all financial resources used for the acquisition or construction of major capital facilities.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector.

Internal Service Funds account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Funds account for the Town's general employees and volunteer firemen retirement system.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Student Activities Fund and Performance Bond Fund are the Town's agency funds.

C. 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 pension trust 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Sewer Assessment Fund accounts for the activities related to the incurrence and payment of debt associated with betterments to sewer users.

The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for its self-insured medical benefits.

The Pension Trust Funds account for the activities of the Town's defined benefit pension plans, which accumulate resources for pension benefit payments to qualified participants.

The Agency Funds account for monies held as a custodian for outside groups and agencies and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

The effect of interfund activity has been eliminated from the government-wide financial statements.

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 property taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the Town are reported at fair value.

E. Receivables and Payables

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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are assessed on property as of October 1, levied on the following July 1, billed and due in two installments, July 1 and the following January 1. Liens are filed by the last day of the fiscal year. All property taxes receivable at June 30, 2009, which have not been collected within 60 days of June 30, have been recorded as deferred revenue since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60-day period have been recorded as revenue. Property taxes receivable are reported net of a \$35 allowance for estimated uncollectible balances.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets' lives is not capitalized.

Major outlays for capital assets are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Distribution and collection systems	50-65
Public domain infrastructure	50
System infrastructure	30
Machinery and equipment	5-20

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

H. Compensated Absences

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement, as follows:

Vacation and sick leave expenses to be paid in future periods are accrued when earned in the government-wide financial statements.

A liability for these amounts is reported in the governmental funds only for the amounts expected to be paid (matured), for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

J. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the budgeted governmental fund types. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute either expenditures or liabilities.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. In May, the Board of Finance submits to the annual Town Meeting, at which taxpayer comments are obtained, a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

- Prior to July 1, the budget is legally enacted through passage of a resolution.
- The Board of Finance is authorized to transfer budgeted amounts between appropriations and can approve additional appropriations up to an aggregate of \$20 thousand per department per year. Transfers and additional appropriations aggregating more than \$20 thousand for any one department per year must be approved by the Town Meeting. During the year, the Board of Finance and, where required, the Town Meeting approved additional appropriations of \$378 thousand.
- Formal budgetary integration is employed as a management control device during the year.
- Except for encumbrance accounting and on-behalf payments made for State Teachers' Retirement, the budget is prepared on the modified accrual basis of accounting.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

- The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under state law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education, Board of Finance and, if necessary, Town Meeting approval.

Generally, all unencumbered appropriations lapse at year-end except those for the capital projects funds. Encumbered appropriations are carried forward. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one year.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the 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 Connecticut General 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 and 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. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$9,409 of the Town's bank balance of \$11,220 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 8,318
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>1,091</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 9,409</u></u>

Cash Equivalents

At June 30, 2009 the Town's cash equivalents amounted to \$853. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by a nationally recognized statistical rating organization. The pools all have maturities of less than one year.

	<u>Standard and Poor's</u>
Reich and Tang Tax Exempt Proceeds Fund*	
State Short-Term Investment Fund (STIF)	AAAm
MBIA, Inc. - Cooperative Liquid Assets Securities System (CLASS)	AAAm

*Not rated

Investments

As of June 30, 2009, the Town had the following investments:

Other investments:	
Common stock	\$ 2,473
Mutual funds	<u>3,903</u>
Total Investments	<u><u>\$ 6,376</u></u>

Interest Rate Risk - The Town has, for the Pension Trust Funds, an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Pension Commission's Investment Policy requires its fixed income portion to be high quality bonds managed consistent with Bank of America's forecast of interest rates, inflation and valuation levels, and the benchmark is the Lehman Brothers Aggregate Index for high quality and the J.P. Morgan Developed B/B Index for high yield. This is a means to manage the Town's exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Investment Policy (described in the preceding paragraph) further limits its investment choices. The Town's interest-bearing investments consist of U.S. Government guaranteed obligations that are not subject to rating.

The Pension Commission's investment benchmark for large capitalization companies is the S&P 500 Index, and for small capitalization companies the benchmark is the Russell 2000. The benchmark for international equities is the Morgan Stanley EAFE Index.

Concentration of Credit Risk - The Investment Policy sets forth the following asset allocation targets: Equities 50% - 70%; Fixed Income 30% - 50%; and Cash 0% - 20%.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2009, the Town's investments were uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name, or are not subject to categorization of custodial credit risk.

4. RECEIVABLES

Receivables as of year end for the Town's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Sewer Assessment</u>	<u>Capital Projects</u>	<u>Nonmajor and Other</u>	<u>Total</u>
Receivables:					
Taxes	\$ 629	\$	\$	\$	\$ 629
Grants and accounts			902	586	1,488
Special assessments		1,421			1,421
Housing loans				137	137
Accrued interest*				15	15
Gross receivables	<u>629</u>	<u>1,421</u>	<u>902</u>	<u>738</u>	<u>3,690</u>
Less allowance for uncollectibles	<u>35</u>			<u>30</u>	<u>65</u>
Net Total Receivables	<u>\$ 594</u>	<u>\$ 1,421</u>	<u>\$ 902</u>	<u>\$ 708</u>	<u>\$ 3,625</u>

*Does not include accrued interest on property taxes of \$170.

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable principal	\$ 452	\$
Sewer use receivable	556	
Special assessments not yet due	1,421	
Advance tax collections		54
Grant drawdowns prior to meeting all eligibility requirements		28
Advance program fees		2
Housing loans	<u>142</u>	
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 2,571</u>	<u>\$ 84</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,331	\$	\$	\$ 1,331
Construction in progress	33,795	1,537	(35,332)	-
Total capital assets not being depreciated	<u>35,126</u>	<u>1,537</u>	<u>(35,332)</u>	<u>1,331</u>
Capital assets being depreciated:				
Buildings and improvements	15,511	36,302		51,813
Machinery and equipment	6,124	301	(41)	6,384
Infrastructure	26,150	2,620		28,770
Total capital assets being depreciated	<u>47,785</u>	<u>39,223</u>	<u>(41)</u>	<u>86,967</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,458)	(348)		(7,806)
Machinery and equipment	(4,337)	(247)	41	(4,543)
Infrastructure	(9,320)	(309)		(9,629)
Total accumulated depreciation	<u>(21,115)</u>	<u>(904)</u>	<u>41</u>	<u>(21,978)</u>
Total capital assets being depreciated, net	<u>26,670</u>	<u>38,319</u>	<u>-</u>	<u>64,989</u>
Governmental Activities Capital Assets, Net	<u>\$ 61,796</u>	<u>\$ 39,856</u>	<u>\$ (35,332)</u>	<u>\$ 66,320</u>

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

Governmental activities:	
General government	\$ 3
Public safety	124
Public works	473
Recreation	6
Education	159
WPCA	<u>139</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 904</u>

6. INTERFUND RECEIVABLE AND PAYABLE BALANCES

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, funds make transfers to other funds to provide funding. A summary of interfund balances as of June 30, 2009 is presented below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 215	\$ 5,967
Sewer Assessment	797	
Capital Projects	2,433	123
Internal Service	1,425	
Nonmajor Governmental Agency	1,170	92
	<u>142</u>	
Total	<u>\$ 6,182</u>	<u>\$ 6,182</u>

Interfund receivables and payables generally represent temporary balances arising from reimbursement type transactions.

Interfund transfers:

	<u>Transfers In</u>			
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers out:				
General	\$	\$ 432	\$ 20	\$ 452
Sewer Assessment	211			211
Nonmajor Governmental	<u>271</u>	<u>634</u>		<u>905</u>
Total Transfers Out	<u>\$ 482</u>	<u>\$ 1,066</u>	<u>\$ 20</u>	<u>\$ 1,568</u>

Transfers are used to move unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds and notes	\$ 31,235	\$ 3,820	\$ 2,268	\$ 32,787	\$ 2,203
Termination benefits	421		421	-	
Compensated absences	344	33	1	376	148
OPEB obligation		329		329	
Landfill monitoring closure and postclosure costs	74		9	65	9
Claims and adjustments	44		3	41	3
	<u>44</u>		<u>3</u>	<u>41</u>	<u>3</u>
Governmental Activity					
Long-Term Liabilities	\$ <u>32,118</u>	\$ <u>4,182</u>	\$ <u>2,702</u>	\$ <u>33,598</u>	\$ <u>2,363</u>

General Obligation Bonds

A schedule of bonds outstanding at June 30, 2009 is presented below:

	<u>Outstanding Amount</u>
Sewer bonds due 6/25/13, annual principal payments of \$12, plus interest due semi-annually at 7.125%	\$ 46
Clean Water Fund bond due 7/31/23, monthly payments of \$23 including principal and interest at 2%	3,390
Clean Water Fund bond due 1/31/17, monthly payments of \$4 including principal and interest at 2%	381
Clean Water Fund bond due 7/31/18, monthly payments of \$3 including principal and interest at 2%	285
General Obligation Refunding Bonds due 1/15/28, annual principal payments ranging from \$45 to \$125 plus accrued interest at 4.0% to 5.0%	1,685
General Obligation Bonds due 12/15/17, annual principal payments of \$75 plus accrued interest at 3.75% to 4.3%	675
General Obligation Bonds due 4/15/14, annual principal payments ranging from \$145 to \$200 plus accrued interest at 3.2% to 3.625%	945
General Obligation Bonds due 6/15/25, annual principal payments ranging from \$575 to \$600 plus interest due semi-annually at 3.5% to 5.0%	9,435
General Obligation Bonds due 6/15/26, annual principal payments ranging from \$600 to \$625 plus interest due semi-annually at 3.75% to 5.0%	10,225
General Obligation Bonds due 2/01/25, annual principal payments ranging from \$100 to \$125 plus interest due semi-annually at 3.0% to 4.0%	1,900
General Obligation Bonds due 2/01/24, annual principal payments ranging from \$180 to \$265 plus interest due semi-annually at 2.0% to 4.0%	<u>3,820</u>
Total	\$ <u>32,787</u>

The Town has pledged its full faith and credit as collateral for its bonded indebtedness. General obligation bonds will be paid from taxes levied on taxable property in the Town.

The following is a summary of general obligation bond debt and Clean Water Fund debt maturities:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,203	\$ 1,197	\$ 3,400
2011	2,294	1,111	3,405
2012	2,290	1,020	3,310
2013	2,281	938	3,219
2014	2,210	863	3,073
2015-2019	10,151	3,246	13,397
2020-2024	9,178	1,505	10,683
2025-2028	2,180	139	2,319
Total	<u>\$ 32,787</u>	<u>\$ 10,019</u>	<u>\$ 42,806</u>

Bonds authorized and unissued at June 30, 2009 are presented below:

	<u>Total Authorization</u>
General purpose	\$ 1,055
Schools	<u>9,500</u>
Total	<u>\$ 10,555</u>

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 51,824	\$ 8,190	\$ 43,634
Schools	103,649	20,549	83,100
Sewers	86,374	5,496	80,878
Urban renewal	74,857		74,857
Pension deficit	69,099		69,099

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$161 million (amount not rounded). All long-term debt obligations are retired through General Fund appropriations. Net indebtedness includes bonds authorized and unissued for which bond anticipation notes are outstanding, and net of estimated State building grant commitments.

Compensated Absences

In accordance with GASB No. 16, *Accounting for Compensated Absences*, the Town accrues compensated absences as they are earned by employees if the leave is attributable to past service and it is probable that the employer will compensate the employee by cash payments at termination or retirement. The amount of this estimated obligation, approximately \$376 at June 30, 2009, is recorded in the government-wide financial statements.

Other Postemployment Benefit Obligations

Based on provisions of bargaining unit agreements, other postemployment benefits for certain retired Board of Education employees of approximately \$329 is accrued in the government-wide financial statements.

Landfill Closure and Postclosure Care Costs

The Town has estimated the costs to monitor the landfill for the next nine years are \$65. This amount is based on estimates which are subject to change due to inflation, technology or applicable laws and regulations.

Accrued Claims Payable

In connection with the settlement of claims brought against the Town by a neighborhood alleging that the Town’s landfill contaminated their drinking water, the Town agreed to pay to connect the residents to the Town water supply and pay their water bills for 20 years. The properties were connected during 2001, and \$41 has been accrued as an estimate of the cost to provide water for the remaining 12 years of the agreement.

Bond Anticipation Notes

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2009:

Capital Projects Funds

<u>Date Issued</u>	<u>Maturity Date</u>	<u>Effective Interest Rate (%)</u>	<u>Balance July 1, 2008</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2009</u>
02-12-08	02-11-09	1.82	\$ 2,670	\$	\$ 2,670	\$
02-11-09	02-10-10	1.15		500		500
Total			<u>\$ 2,670</u>	<u>\$ 500</u>	<u>\$ 2,670</u>	<u>\$ 500</u>

The proceeds from the bond anticipation notes outstanding at June 30, 2009 are to be used to fund the \$33 million school building project and other capital projects.

8. CONTINGENT LIABILITIES

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by Town management and counsel to result in a judgment or judgments which would have a material adverse effect on the Town’s financial position.

9. FUND BALANCES/NET ASSETS

Reserved Fund Balances

Encumbrances	\$ 140
Trust purposes	<u>10</u>
Total	<u>\$ 150</u>

10. OTHER POSTEMPLOYMENT BENEFITS

A. Overview

The Board of Education (BOE) provides certain retirees with health care, life insurance and lump-sum benefits, in accordance with Teacher and Administrators union contracts.

At July 1, 2007, plan participation consisted of the following:

Vested members	114
Non-vested members	<u>41</u>
Total Participants	<u><u>155</u></u>

B. Funding Policy

These other post-employment benefits (OPEB) for former BOE employees are currently funded on a pay-as-you-go basis. As of June 30, 2009, a trust fund was not established to segregate assets to fund the liability associated with these benefits. However, development of such a trust is planned. The Board of Education has budgeted \$50 of the actuarial liability in addition to the pay-as-you-go amount in its 2009-10 budget. Provisions of the benefits are as follows:

Litchfield Education Association OPEB Contract Provisions

Upon retirement under the Connecticut State Teachers' Retirement System, teachers will be provided at BOE expense:

Amount of Benefit

1. For those who retire on or before June 30, 2009:
 - a. \$5 on date of retirement and the BOE shall pay the cost of single health and dental insurance coverage under one of the plans (excluding the high deductible/health savings account option) offered by the BOE to actively employed teachers, less the contribution from the State of Connecticut Teachers' Retirement Board, for a period of five years immediately following retirement; or,
 - b. Teachers who do not elect the option set forth in (a) above, shall receive ten thousand dollars (\$10) at the time of retirement, and no other compensation or benefits.
2. For those who retire after June 30, 2009 or thereafter:
 - a. \$5 at the time of retirement; or,
 - b. The BOE shall pay the cost of single health and dental insurance coverage under one of the plans (excluding the high deductible/health savings account option) offered by the BOE to actively employed teachers, less the contribution from the State of Connecticut Teachers' Retirement Board, for a period of four years immediately following retirement.

Litchfield Administrators Association OPEB Contract Provisions

Upon retirement under the Connecticut State Teachers' Retirement System, qualified administrators employed on or prior to June 30, 2005 and whose employment with the Litchfield Public School is at least ten years will be provided at BOE expense:

1. The cost of health and dental insurance coverage for the retiree and eligible dependents under one of the plans (excluding the high deductible/health savings account option) offered by the BOE to actively employed administrators, less the contribution from the State of Connecticut Teachers' Retirement Board, until eligible for Medicare; or,
2. \$5 annual payment until eligible for Medicare, age 65, or for five years immediately following retirement, whichever is less.

C. Annual OPEB Cost and Net OPEB Obligations

The BOE's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the components of the BOE's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan, and changes in the BOE's net OPEB obligation (asset):

Annual required contribution (ARC)	\$	489
Interest on OPEB obligation		-
Adjustment to annual required contribution		-
		-
Annual OPEB cost		489
Contributions made		160
		160
Increase in net OPEB obligation		329
Net OPEB obligation - beginning of year		-
		-
Net OPEB Obligation - End of Year	\$	329

The BOE's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2009 is presented below. Data is only presented for the fiscal year June 30, 2009 due to this being the year of implementation.

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation (Assets)
6/30/2009	\$ 489	\$ 160	32.7%	\$ 329

As of July 1, 2007, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$3,199, and the fair market value of the assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,199.

D. Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2007	\$ -	\$ 3,199	\$ 3,199	0.0%	N/A	N/A

In the July 1, 2007 actuarial valuation, the unit credit cost method was used. The actuarial assumptions include a 5% rate of return and a 4% inflation rate.

11. RISK MANAGEMENT

The Town is exposed to various risks of loss including torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town generally obtains commercial insurance for these risks, but has chosen to retain the risks for employee health and medical claims. Settled claims, for all types of commercial coverage, have not exceeded coverage in any of the past three years.

The Internal Service Fund is utilized to report the self-insurance medical activity. Anthem Blue Cross/Blue Shield administers the plan, for which the Town pays a fee. The General Fund (Town and Board of Education) and Sewer Operations Fund (Special Revenue Fund) contribute based on Anthem Blue Cross/Blue Shield estimates made using the Town's historical data. The Town covers all claims up to \$100,000 (amount not rounded) per participant per year with an individual stop-loss policy covering amounts exceeding the limit. In addition, the Town has an aggregate stop-loss policy that would cover claims exceeding 120% of the total estimated claims for the plan year. The claims payable liability of approximately \$194 included in the Internal Service Fund at June 30, 2009 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be recorded if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amounts of the loss can be reasonably estimated. Claims payable are estimated based on claims paid for the year. Claim transactions for the last two years are as follows:

<u>Fiscal Year Ended</u>	<u>Claims Payable July 1,</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability June 30,</u>
2008	\$ 229	\$ 2,326	\$ 2,362	\$ 193
2009	193	2,285	2,284	194

The Town is a member in Municipal Interlocal Risk Management Agency (MIRMA), a public entity risk management program pursuant to the provisions of Section 7-479a et. seq. of the Connecticut General Statutes, for workers' compensation pool. The Town pays annual premiums for its coverage. MIRMA is to be self-sustaining through members' premiums, but reinsures in excess of \$250,000 (amount not rounded) for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

12. PENSION PLANS

A. Plan Description

Town Retirement Plan

The Town has a defined benefit retirement plan (the Town Plan) covering substantially all employees of the Town and Board of Education except certified staff of the Board of Education covered by the State Teachers' Retirement Board Plan. The Town is the administrator of this single-employer public employee retirement system (PERS) established and administered to provide pension benefits for its employees. The Town Plan provides retirement, disability and death benefits to plan members and beneficiaries.

Employees are eligible to participate in the Town Plan when they complete one year of eligible service, have completed 1,000 hours during the first 12 months of employment and have attained the age of 18. For employees who do not complete 1,000 hours of service during the first 12 months of employment, eligibility begins on the first day of the plan year during which 1,000 hours were completed. Employees are 100% vested after five years of credited service.

Merit Service Plan

This defined benefit retirement plan (the Merit Service Plan) covers all volunteer firemen who belong to the volunteer fire departments and, as of July 1, 1992, the members of the volunteer ambulance corps. Volunteer firemen and ambulance corps members are eligible to participate in the Merit Service Plan on July 1 following the date on which one year of eligible service has been completed.

The Town's pension plans do not issue stand-alone financial statements.

Membership in the plans consisted of the following at July 1, 2009, the date of the last actuarial valuation:

	<u>Town Plan</u>	<u>Merit Service Plan</u>
Retirees and beneficiaries currently receiving benefits	48	41
Terminated plan members entitled to, but not yet receiving, them	28	42
Active plan members	<u>98</u>	<u>166</u>
Total	<u><u>174</u></u>	<u><u>249</u></u>

Annual Pension Cost and Net Pension Asset

The Town's annual pension cost and net pension assets for the current year were as follows:

	<u>Town Plan</u>	<u>Merit Service Plan</u>
Annual required contribution	\$ 609	\$ 160
Interest on net pension obligation	(18)	(19)
Adjustment to annual required contribution	<u>23</u>	<u>29</u>
Annual pension cost	614	170
Contributions made	<u>530</u>	<u>146</u>
Increase in net pension obligation	84	24
Net pension asset - beginning of year	<u>(255)</u>	<u>(269)</u>
Net Pension Asset - End of Year	<u><u>\$ (171)</u></u>	<u><u>\$ (245)</u></u>

The information presented was determined as part of the actuarial valuation. Additional information as of the latest actuarial valuations follows:

	Town Plan	Merit Service Plan
Actuarial valuation date	July 1, 2009	July 1, 2009
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, Open	Level Dollar, Closed
Amortization period	20 years, reset each year	12 years remaining (at June 30, 2009)
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases	4.0% compounded annually	N/A

B. Trend Information

Town Plan			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/09	\$ 614	86.3%	\$ (171)
6/30/08	511	132.6	(255)
6/30/07	360	108.6	(89)

Merit Service Plan			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/09	\$ 170	85.9%	\$ (245)
6/30/08	123	102.2	(269)
6/30/07	108	100.9	(266)

C. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Town Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
7/01/09	\$ 5,051	\$ 10,517	\$ 5,466	48%	\$ 4,632	118%
7/01/08	5,806	9,784	3,978	59	4,018	99
7/01/07	5,799	8,708	2,909	67	3,611	81
7/01/06	4,984	6,868	1,884	73	3,338	56
7/01/05	4,662	6,316	1,654	74	3,501	47
7/01/04	4,680	5,930	1,250	79	3,474	36

Merit Service Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Unfunded AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/01/09	\$ 1,641	\$ 3,155	\$ 1,514	52%	N/A	N/A
7/01/08	1,899	2,905	1,006	65	N/A	N/A
7/01/07	1,983	2,754	771	72	N/A	N/A
7/01/06	1,715	2,556	841	67	N/A	N/A
7/01/05	1,433	2,262	829	63	N/A	N/A
7/01/04	1,428	2,290	862	62	N/A	N/A

Schedule of Employer Contributions

Town Plan

Fiscal Year Ended	Annual Required Contribution	Actual Contribution Contributed	Percentage Contributed
2009	\$ 609	\$ 530	87.0%
2008	509	677	132.6
2007	360	391	108.6
2006	354	354	100.0
2005	320	320	100.0
2004	306	306	100.0

Merit Service Plan

Fiscal Year Ended	Annual Required Contribution	Actual Contribution Contributed	Percentage Contributed
2009	\$ 160	\$ 146	91.3%
2008	115	126	109.6
2007	106	109	102.8
2006	105	295	280.9
2005	83	100	120.5
2004	78	99	126.9

Pension Trust Funds

The Town maintains two pension trust funds (Town Employees Retirement Plan and Merit Service Plan) to account for its fiduciary responsibility. The following schedules present the net assets held in trust for pension benefits at June 30, 2009 and the changes in net assets for the year then ended.

Schedule of Plan Net Assets

	Town Retirement Plan	Merit Service Retirement Plan	Totals
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 251	\$ 50	\$ 301
Investments	4,788	1,588	6,376
Accrued interest receivable	12	3	15
	<u> </u>	<u> </u>	<u> </u>
Net Assets Held in Trust for Pension Benefits	\$ <u>5,051</u>	\$ <u>1,641</u>	\$ <u>6,692</u>

Schedule of Changes in Plan Net Assets

	Town Retirement Plan	Merit Service Retirement Plan	Totals
	<u> </u>	<u> </u>	<u> </u>
Additions (reductions):			
Contributions:			
Employer	\$ 530	\$ 146	\$ 676
	<u> </u>	<u> </u>	<u> </u>
Investment income (loss):			
Net depreciation in fair value of investments	(1,067)	(352)	(1,419)
Interest and dividends	194	64	258
Total	<u>(873)</u>	<u>(288)</u>	<u>(1,161)</u>
Less investment expense:			
Investment management fees	20	7	27
Net investment loss	<u>(893)</u>	<u>(295)</u>	<u>(1,188)</u>
Total reductions	(363)	(149)	(512)
Deductions:			
Benefits	<u>392</u>	<u>109</u>	<u>501</u>
Net decrease	(755)	(258)	(1,013)
Net assets held in trust for pension benefits, beginning of year	<u>5,806</u>	<u>1,899</u>	<u>7,705</u>
Net Assets Held in Trust for Pension Benefits, End of Year	\$ <u>5,051</u>	\$ <u>1,641</u>	\$ <u>6,692</u>

Connecticut State Teachers' Retirement System

The eligible faculty and professional personnel of the Board of Education participate in a multiple employer cost sharing contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut or has attained any age and has accumulated 35 years of credited service, at least 25 of which are service in the public schools of Connecticut. The financial statements of the plan are available from the Connecticut State Teachers' Retirement Board.

Certain part-time and full-time certified Board of Education personnel are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual town basis.

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$1,168 for the year ended June 30, 2009. This amount is lower than the prior year because the State of Connecticut decreased the contribution significantly.

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)FOR THE YEAR ENDED JUNE 30, 2009
(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Property taxes:				
Property taxes	\$ 22,806	\$ 22,806	\$ 22,829	\$ 23
Interest and lien fees	150	150	205	55
Total property taxes	<u>22,956</u>	<u>22,956</u>	<u>23,034</u>	<u>78</u>
Licenses, permits and fees:				
Selectmen:				
Resource recovery	16	16	12	(4)
Refuse collection permits	1	1	2	1
Demolition and brush fees	42	42	42	-
Tires	2	2		(2)
Public works labor	2	2		(2)
Total selectmen	<u>63</u>	<u>63</u>	<u>56</u>	<u>(7)</u>
Town Clerk:				
Town Clerk fees	80	80	70	(10)
Conveyance tax	160	160	72	(88)
Dog license fees	1	1	2	1
Licenses and permits	2	2	1	(1)
Total Town Clerk	<u>243</u>	<u>243</u>	<u>145</u>	<u>(98)</u>
Development and planning:				
Zoning fees	28	28	25	(3)
Zoning Board of Appeals	1	1	6	5
Wetland fees	8	8	17	9
Total development and planning	<u>37</u>	<u>37</u>	<u>48</u>	<u>11</u>
Police Department:				
Private duty	18	18	14	(4)
Parking fines	34	34	29	(5)
Total Police Department	<u>52</u>	<u>52</u>	<u>43</u>	<u>(9)</u>
Building inspection:				
Building fees	79	79	68	(11)
Fire Marshal:				
Licenses and permits	1	1	1	-
Social services:				
Senior van donations	3	3	1	(2)
Elderly housing - Wells Run	15	15	14	(1)
Total social services	<u>18</u>	<u>18</u>	<u>15</u>	<u>(3)</u>
Special programs:				
Tax Assessor sale of maps	3	3	3	-
Parks and recreation	2	2	2	-
Probate court	8	8	8	-
Total special programs	<u>13</u>	<u>13</u>	<u>13</u>	<u>-</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Education:				
Tuition and fees	\$ 3	\$ 3	\$	\$ (3)
Miscellaneous	3	3		(3)
Total education	<u>6</u>	<u>6</u>	<u>-</u>	<u>(6)</u>
Total licenses, permits and fees	<u>512</u>	<u>512</u>	<u>389</u>	<u>(123)</u>
Intergovernmental:				
In lieu of taxes	127	127	130	3
Circuit breaker	56	56	59	3
Manufacturers' inventory	5	5	7	2
Veterans' exemption	2	2	3	1
Boat reimbursement	4	4	4	-
Mashantucket Pequot Fund	42	42	41	(1)
Educational transportation	64	64	62	(2)
Education cost sharing	1,480	1,480	1,435	(45)
Telephone access line grant	47	47	64	17
Total intergovernmental	<u>1,827</u>	<u>1,827</u>	<u>1,805</u>	<u>(22)</u>
Investment income	<u>280</u>	<u>280</u>	<u>209</u>	<u>(71)</u>
Other revenues:				
Miscellaneous	<u>19</u>	<u>19</u>	<u>106</u>	<u>87</u>
Total revenues	<u>25,594</u>	<u>25,594</u>	<u>25,543</u>	<u>(51)</u>
Other financing sources:				
Transfers in:				
Town Hall Annex	20	20	20	-
Sewer assessments/operations	462	462	462	-
Total other financing sources	<u>482</u>	<u>482</u>	<u>482</u>	<u>-</u>
Total	\$ <u>26,076</u>	\$ <u>26,076</u>	26,025	\$ <u>(51)</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers'

Retirement System for Town teachers are not budgeted

1,168

Cancellation of prior year encumbrances are recognized as budgetary revenue

(77)Total Revenues and Other Financing Sources as Reported on the Statement of
Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Exhibit IV\$ 27,116

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
General government:				
Board of Finance	\$ 32	\$ 32	\$ 30	\$ 2
Board of Selectmen	19	19	19	-
Municipal Management	156	156	156	-
Finance Department	132	132	130	2
Treasurer	7	7	6	1
Tax Collector	114	114	101	13
Assessor	160	160	155	5
Board of Assessment Appeals	3	3	2	1
Planning and Zoning	16	22	22	-
Zoning Board of Appeals	12	16	16	-
Conservation Commission	2	1		1
Wetlands	12	4	3	1
Conservation Commission	2	1		1
Land Use Administration	102	102	102	-
Building Inspector	106	106	105	1
Economic Development Commission	2	2	1	1
Town Clerk	122	122	106	16
Vital Statistics	1	1		1
Elections	24	21	10	11
Registrars	24	27	25	2
Legal counsel	89	89	54	35
Probate	9	9	9	-
Technology	74	74	38	36
Central Service and Town buildings	186	186	152	34
Total general government	<u>1,406</u>	<u>1,406</u>	<u>1,242</u>	<u>164</u>
Public safety:				
Police protection	167	156	151	5
Patrol services	119	129	121	8
Parking enforcement	41	43	42	1
Fire Marshal	74	72	70	2
Fire protection service	344	346	345	1
E911 Emergency	89	89	87	2
Litchfield emergency management	10	10	9	1
Total public safety	<u>844</u>	<u>845</u>	<u>825</u>	<u>20</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Public works:				
Supervision	\$ 10	\$ 10	\$ 9	\$ 1
Operation	1,012	1,036	1,036	-
Highways	135	318	317	1
Equipment maintenance	216	171	171	-
Building and grounds maintenance	74	85	84	1
Solid waste disposal and recycling	463	463	462	1
Director of Public Works	67	51	50	1
Total public works	<u>1,977</u>	<u>2,134</u>	<u>2,129</u>	<u>5</u>
Health and welfare:				
Social services	37	37	32	5
Ambulance services	63	63	63	-
OSHA mandated health	1	1	1	-
Total health and welfare	<u>101</u>	<u>101</u>	<u>96</u>	<u>5</u>
Libraries	<u>315</u>	<u>315</u>	<u>315</u>	<u>-</u>
Recreation:				
Recreation	101	101	86	15
Co-op programs	166	167	141	26
Total recreation	<u>267</u>	<u>268</u>	<u>227</u>	<u>41</u>
Board of Education:				
Board of Education	15,914	15,914	15,650	264
Maintenance by Town	169	161	152	9
Total Board of Education	<u>16,083</u>	<u>16,075</u>	<u>15,802</u>	<u>273</u>
Other:				
Cemetery services	18	18	18	-
Beautification Commission	3	3		3
Contingency	110			-
Fringe benefits	1,236	1,195	1,144	51
Municipal insurance	150	150	104	46
Total other	<u>1,517</u>	<u>1,366</u>	<u>1,266</u>	<u>100</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2009
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
Debt service:				
Debt retirement principal	\$ 2,267	\$ 2,267	\$ 2,267	\$ -
Interest on long-term debt	1,179	1,179	1,168	11
Interest on bond anticipation notes	35	35	35	-
Total debt service	<u>3,481</u>	<u>3,481</u>	<u>3,470</u>	<u>11</u>
Total expenditures	<u>25,991</u>	<u>25,991</u>	<u>25,372</u>	<u>619</u>
Other financing uses:				
Transfers out:				
Capital improvements	54	432	432	-
Other	31	31	20	11
Total other financing uses	<u>85</u>	<u>463</u>	<u>452</u>	<u>11</u>
Total	\$ <u>26,076</u>	\$ <u>26,454</u>	25,824	\$ <u>630</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers'

Retirement System for Town teachers are not budgeted

1,168

Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes

(22)Total Expenditures and Other Financing Uses as Reported on the
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds - Exhibit IV\$ 26,970

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2009 AND 2008

(In Thousands)

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 10,345	\$ 12,802
Receivables:		
Property taxes	594	475
Accounts receivable	-	4
Due from other funds	215	269
Other assets	<u>28</u>	<u>38</u>
Total Assets	<u>\$ 11,182</u>	<u>\$ 13,588</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 576	\$ 536
Due to other funds	5,967	8,680
Deferred revenues	<u>583</u>	<u>462</u>
Total liabilities	<u>7,126</u>	<u>9,678</u>
Fund balance:		
Reserved for encumbrances	104	159
Unreserved and undesignated	<u>3,952</u>	<u>3,751</u>
Total fund balance	<u>4,056</u>	<u>3,910</u>
Total Liabilities and Fund Balance	<u>\$ 11,182</u>	<u>\$ 13,588</u>

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL FUND

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

Grand List	Uncollected Taxes July 1, 2008	Current Levy	Lawful Corrections		Transfers To Suspense	Refunds	Net Amount Collectible	Collections				Uncollected Taxes June 30, 2009
			Additions	Deductions				Taxes	Interest	Fees	Total	
2007	\$	\$ 23,033	\$ 29	\$ 106	\$	\$ 13	\$ 22,969	\$ 22,525	\$ 101	\$	\$ 22,626	\$ 444
2006	332		1	4		8	337	224	52	1	277	113
2005	94					1	95	53	19		72	42
2004	37				17		20	11	5		16	9
2003	13						13	5	9		14	8
2002	6						6	6	4		10	-
2001	2						2	2	3		5	-
2000	1						1	1	2		3	-
1999	1						1	1	2		3	-
1998	1						1	1	1		2	-
1997	1						1		1		1	1
1996	1						1		1		1	1
1995	1						1		1		1	1
1994	1						1		1		1	1
1993	9						9		1		1	9
1992	9				9		-				-	-
	<u>\$ 509</u>	<u>\$ 23,033</u>	<u>\$ 30</u>	<u>\$ 110</u>	<u>\$ 26</u>	<u>\$ 22</u>	<u>\$ 23,458</u>	<u>\$ 22,829</u>	<u>\$ 203</u>	<u>\$ 1</u>	<u>\$ 23,033</u>	<u>\$ 629</u>

51

TOWN OF LITCHFIELD, CONNECTICUT

BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)FOR THE YEAR ENDED JUNE 30, 2009
(In Thousands)

Program	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Art	\$ 22	\$ 22	\$ 21	\$ 1
Business Education	6	6	9	(3)
World Language	6	6	6	-
Family/consumer science	7	7	7	-
Technology education	62	62	55	7
Language arts	30	30	32	(2)
Mathematics	23	23	27	(4)
Music	34	34	31	3
Physical education	6	6	7	(1)
Science	37	37	40	(3)
Social studies	26	26	29	(3)
Kindergarten	2	2	2	-
Title 1 programs	4	4	4	-
Health education	3	3	1	2
Learning centers	8	8	6	2
Speech and language	29	29	31	(2)
Homebound instruction			1	(1)
Pre-school services	1	1	1	-
Program evaluation	9	9	3	6
Psychological services	36	36	18	18
Guidance services	6	6	5	1
Health services	17	17	15	2
Career education	2	2	2	-
Occupational/physical therapy	70	70	67	3
Social worker	1	1		1
Library/media services	33	33	32	1
Student activity support	93	93	83	10
Technology support	52	52	56	(4)
Salaries and wages	9,711	9,711	9,727	(16)
Employee benefits	2,546	2,546	2,459	87
Board of education	55	55	63	(8)
Central administration	33	33	34	(1)
School administration	78	78	77	1
Staff development	64	64	59	5
Special ed administration	7	7	7	-
General instructional support	95	95	128	(33)
Fiscal services	19	19	30	(11)
Care and upkeep of buildings	201	201	260	(59)
Care and upkeep of equipment	20	20	36	(16)
Utilities	735	735	773	(38)
Vehicle maintenance	2	2	1	1
Building furniture			1	(1)
Technology maintenance	79	79	77	2
Special ed transportation	213	213	132	81
Athletic transportation	41	41	39	2
Special education tuition	549	549	316	233
Regular transportation	594	594	611	(17)
Non-public transportation	1	1		1
Vo-Ag tuition	240	240	222	18
Adult education	6	6	7	(1)
Total	\$ 15,914	\$ 15,914	\$ 15,650	\$ 264

Board of Education may exceed budget at the program level but may not legally exceed its total budget.

TOWN OF LITCHFIELD, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2009
(In Thousands)

	<u>Special Revenue Funds</u>						
	<u>Town Hall Annex</u>	<u>Special Education Grants</u>	<u>Dog</u>	<u>Parks and Recreation</u>	<u>Road Ordinance</u>	<u>Sewer Operations</u>	<u>Infrastructure</u>
ASSETS							
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$
Receivables, net		105				451	
Due from other funds	<u>416</u>		<u>16</u>	<u>62</u>	<u>3</u>	<u>432</u>	<u>70</u>
Total Assets	<u>\$ 416</u>	<u>\$ 105</u>	<u>\$ 16</u>	<u>\$ 62</u>	<u>\$ 3</u>	<u>\$ 883</u>	<u>\$ 70</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 5	\$ 6	\$ 4	\$ 1	\$	\$ 13	\$
Due to other funds		92					
Deferred revenue		<u>7</u>		<u>2</u>		<u>451</u>	
Total liabilities	<u>5</u>	<u>105</u>	<u>4</u>	<u>3</u>	<u>-</u>	<u>464</u>	<u>-</u>
Fund balances:							
Reserved for trust purposes							
Unreserved and undesignated	<u>411</u>		<u>12</u>	<u>59</u>	<u>3</u>	<u>419</u>	<u>70</u>
Total fund balance	<u>411</u>	<u>-</u>	<u>12</u>	<u>59</u>	<u>3</u>	<u>419</u>	<u>70</u>
Total Liabilities and Fund Balances	<u>\$ 416</u>	<u>\$ 105</u>	<u>\$ 16</u>	<u>\$ 62</u>	<u>\$ 3</u>	<u>\$ 883</u>	<u>\$ 70</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2009
(In Thousands)

	<u>Special Revenue Funds</u>					<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Town Aid Road</u>	<u>Small Cities Grants</u>	<u>Miscellaneous Special Revenue</u>	<u>Scholarships</u>	<u>Total</u>	<u>Cemetery Trust</u>	
ASSETS							
Cash and cash equivalents	\$	\$ 113	\$ 16	\$ 36	\$ 165	\$ 10	\$ 175
Receivables, net		137			693		693
Due from other funds	<u>44</u>	<u> </u>	<u>118</u>	<u>9</u>	<u>1,170</u>	<u> </u>	<u>1,170</u>
Total Assets	<u>\$ 44</u>	<u>\$ 250</u>	<u>\$ 134</u>	<u>\$ 45</u>	<u>\$ 2,028</u>	<u>\$ 10</u>	<u>\$ 2,038</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$	\$	\$	\$	\$ 29	\$	\$ 29
Due to other funds					92		92
Deferred revenue		<u>142</u>			<u>602</u>		<u>602</u>
Total liabilities	<u>-</u>	<u>142</u>	<u>-</u>	<u>-</u>	<u>723</u>	<u>-</u>	<u>723</u>
Fund balances:							
Reserved for trust purposes						10	10
Unreserved and undesignated	<u>44</u>	<u>108</u>	<u>134</u>	<u>45</u>	<u>1,305</u>	<u> </u>	<u>1,305</u>
Total fund balance	<u>44</u>	<u>108</u>	<u>134</u>	<u>45</u>	<u>1,305</u>	<u>10</u>	<u>1,315</u>
Total Liabilities and Fund Balances	<u>\$ 44</u>	<u>\$ 250</u>	<u>\$ 134</u>	<u>\$ 45</u>	<u>\$ 2,028</u>	<u>\$ 10</u>	<u>\$ 2,038</u>

TOWN OF LITCHFIELD, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

		Special Revenue Funds						
		Town Hall Annex	Special Education Grants	Dog	Parks and Recreation	Road Ordinance	Sewer Operations	Infrastructure
Revenues:								
	Intergovernmental	\$	\$ 503	\$	\$	\$	\$	\$ 86
	Charges for services	230			86		856	4
	Investment income				1		10	
	Other							
	Total revenues	<u>230</u>	<u>503</u>	<u>-</u>	<u>87</u>	<u>-</u>	<u>866</u>	<u>90</u>
55	Expenditures:							
	Current:							
	General government	195						
	Public safety			17				
	Public works						698	
	Health and welfare							
	Recreation				68			
	Education		503					
	Total expenditures	<u>195</u>	<u>503</u>	<u>17</u>	<u>68</u>	<u>-</u>	<u>698</u>	<u>-</u>
	Excess (Deficiency) of Revenues over Expenditures	<u>35</u>	<u>-</u>	<u>(17)</u>	<u>19</u>	<u>-</u>	<u>168</u>	<u>90</u>
	Other Financing Sources (Uses):							
	Transfers in			20				
	Transfers out	(20)					(566)	(98)
	Total other financing sources (uses)	<u>(20)</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>(566)</u>	<u>(98)</u>
	Net Change in Fund Balances	15	-	3	19	-	(398)	(8)
	Fund Balances at Beginning of Year	<u>396</u>	<u>-</u>	<u>9</u>	<u>40</u>	<u>3</u>	<u>817</u>	<u>78</u>
	Fund Balances at End of Year	<u>\$ 411</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 59</u>	<u>\$ 3</u>	<u>\$ 419</u>	<u>\$ 70</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

	Special Revenue Funds					Permanent Fund	Total Nonmajor Governmental Funds
	Town Aid Road	Small Cities Grants	Miscellaneous Special Revenue	Scholarships	Total	Cemetery Trust	
Revenues:							
Intergovernmental	\$ 190	\$ 18	\$ 17	\$	\$ 814	\$	\$ 814
Charges for services			47		1,223		1,223
Investment income					11		11
Other				1	1		1
Total revenues	<u>190</u>	<u>18</u>	<u>64</u>	<u>1</u>	<u>2,049</u>	<u>-</u>	<u>2,049</u>
Expenditures:							
Current:							
General government		3	97		295		295
Public safety		18			35		35
Public works					698		698
Health and welfare			7		7		7
Recreation			1		69		69
Education				19	522		522
Total expenditures	<u>-</u>	<u>21</u>	<u>105</u>	<u>19</u>	<u>1,626</u>	<u>-</u>	<u>1,626</u>
Excess (Deficiency) of Revenues over Expenditures	<u>190</u>	<u>(3)</u>	<u>(41)</u>	<u>(18)</u>	<u>423</u>	<u>-</u>	<u>423</u>
Other Financing Sources (Uses):							
Transfers in					20		20
Transfers out	(221)				(905)		(905)
Total other financing sources (uses)	<u>(221)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(885)</u>	<u>-</u>	<u>(885)</u>
Net Change in Fund Balances	(31)	(3)	(41)	(18)	(462)	-	(462)
Fund Balances at Beginning of Year	<u>75</u>	<u>111</u>	<u>175</u>	<u>63</u>	<u>1,767</u>	<u>10</u>	<u>1,777</u>
Fund Balances at End of Year	<u>\$ 44</u>	<u>\$ 108</u>	<u>\$ 134</u>	<u>\$ 45</u>	<u>\$ 1,305</u>	<u>\$ 10</u>	<u>\$ 1,315</u>

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF SEWER USE CHARGES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2009
(In Thousands)

<u>Usage Year</u>	<u>Balance Uncollected July 1, 2008</u>	<u>Current Year Charges and Adjustments</u>	<u>Collections</u>	<u>Balance Uncollected June 30, 2009</u>
2009	\$	\$ 770	\$ 684	\$ 86
2008	81		12	69
2007	77		3	74
2006	73		2	71
2005	71		1	70
2004	68		1	67
2003	45		1	44
2002	15		15	-
Total	\$ <u>430</u>	\$ <u>770</u>	719	\$ <u>481</u>
Interest and lien fees			<u>64</u>	
Total Collection			<u>\$ 783</u>	

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2009
(In Thousands)

<u>Usage Year</u>	<u>Balance Uncollected July 1, 2008</u>	<u>Current Year Levy and Adjustments</u>	<u>Collections</u>	<u>Balance Uncollected June 30, 2009</u>
Contract No. 13	\$ 283	\$	\$ 18	\$ 265
Contract No. 14	192		12	180
Contract No. 15	16		1	15
Contract No. 17	415		19	396
Contract No. 18	<u>593</u>		<u>28</u>	<u>565</u>
Total	<u>\$ 1,499</u>	<u>\$ -</u>	78	<u>\$ 1,421</u>
Interest and lien fees			<u>68</u>	
Total Collection			<u>\$ 146</u>	

TOWN OF LITCHFIELD, CONNECTICUT

CAPITAL PROJECTS FUND

PROJECT COMBINING BALANCE SHEET

JUNE 30, 2009

(In Thousands)

	<u>Capital Improvements</u>	<u>Sewer Treatment Upgrade</u>	<u>Capital and Nonrecurring</u>	<u>Renovation of Schools</u>	<u>WPCA Capital Reserve</u>	<u>Total</u>
ASSETS						
Receivables, net	\$ 902	\$	\$	\$	\$	\$ 902
Due from other funds	1,795		538		100	2,433
Other assets	195					195
	<u>195</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>195</u>
Total Assets	<u>\$ 2,892</u>	<u>\$ -</u>	<u>\$ 538</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 3,530</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 803	\$	\$	41	\$	\$ 844
Due to other funds				123		123
Bond anticipation notes payable				500		500
Deferred revenue	49					49
Total liabilities	<u>852</u>	<u>-</u>	<u>-</u>	<u>664</u>	<u>-</u>	<u>1,516</u>
Fund Balances (Deficit):						
Reserved for encumbrances				36		36
Unreserved and undesignated	2,040		538	(700)	100	1,978
Total fund balances	<u>2,040</u>	<u>-</u>	<u>538</u>	<u>(664)</u>	<u>100</u>	<u>2,014</u>
Total Liabilities and Fund Balances	<u>\$ 2,892</u>	<u>\$ -</u>	<u>\$ 538</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 3,530</u>

TOWN OF LITCHFIELD, CONNECTICUT

CAPITAL PROJECTS FUND

PROJECT COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCESFOR THE YEAR ENDED JUNE 30, 2009
(In Thousands)

	<u>Capital Improvements</u>	<u>Sewer Treatment Upgrade</u>	<u>Capital and Nonrecurring</u>	<u>Renovation of Schools</u>	<u>WPCA Capital Reserve</u>	<u>Interfund Eliminations</u>	<u>Total</u>
Revenues:							
Intergovernmental	\$ 1,771	\$	\$	543	\$	\$	2,314
Expenditures:							
Capital outlay	5,016			700			5,716
⊗ Deficiency of Revenues over Expenditures	(3,245)	-	-	(157)	-	-	(3,402)
Other Financing Sources (Uses):							
Transfers in	971	269	797		100	(1,071)	1,066
Transfers out	(797)		(274)			1,071	-
Bonds issued	3,320			500			3,820
Total other financing sources (uses)	3,494	269	523	500	100	-	4,886
Net Change in Fund Balances	249	269	523	343	100	-	1,484
Fund Balances at Beginning of Year	1,791	(269)	15	(1,007)	-	-	530
Fund Balances at End of Year	\$ 2,040	\$ -	\$ 538	\$ (664)	\$ 100	\$ -	\$ 2,014

TOWN OF LITCHFIELD, CONNECTICUT

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2009
(In Thousands)**

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Student Activity Funds				
Assets:				
Cash and cash equivalents	\$ 192	\$ 418	\$ 439	\$ 171
Liabilities:				
Due to student groups	\$ 192	\$ 418	\$ 439	\$ 171
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ 2	\$	\$	\$ 2
Due from other funds	170	11	39	142
Total Assets	\$ 172	\$ 11	\$ 39	\$ 144
Liabilities:				
Performance bonds	\$ 172	\$ 11	\$ 39	\$ 144
Total All Funds				
Assets:				
Cash and cash equivalents	\$ 194	\$ 418	\$ 439	\$ 173
Due from other funds	170	11	39	142
Total Assets	\$ 364	\$ 429	\$ 478	\$ 315
Liabilities:				
Due to student groups	\$ 192	\$ 418	\$ 439	\$ 171
Performance bonds	172	11	39	144
Total Liabilities	\$ 364	\$ 429	\$ 478	\$ 315

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

JUNE 30, 2009

(In Thousands)

Total tax collections, including interest and lien fees, received by
Treasurer for year ended June 30, 2009 \$ 23,033

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 51,824	\$	\$	\$	\$
4-1/2 times base		103,649			
3-3/4 times base			86,374		
3-1/4 times base				74,857	
3 times base					69,099
Total debt limitation	<u>51,824</u>	<u>103,649</u>	<u>86,374</u>	<u>74,857</u>	<u>69,099</u>
Indebtedness:					
Bonds payable	7,135	20,156	5,496		
Bonds authorized - unissued	1,055	9,500			
Less:					
School building grants - estimated		(9,107)			
Total indebtedness	<u>8,190</u>	<u>20,549</u>	<u>5,496</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 43,634</u>	<u>\$ 83,100</u>	<u>\$ 80,878</u>	<u>\$ 74,857</u>	<u>\$ 69,099</u>

Notes:

(1) In no event shall total debt exceed seven times annual receipts from taxation (\$161 million).

(2) Bonds authorized - unissued represents bond authorizations for projects which have bond anticipation notes outstanding at June 30, 2009.

TOWN OF LITCHFIELD, CONNECTICUT

PRINCIPAL PROPERTY TAXPAYERS

<u>Taxpayer</u>	<u>Nature of Operations</u>	<u>Taxable Assessed Value as of 10/1/07</u>
Connecticut Light and Power	Power Company	\$ 7,909,540
CRP/BWN Litchfield LLC *	Health Care Facility	4,496,025
City of Waterbury	Watershed	4,434,540
Aquarion Water Co.	Water Supply	3,410,680
6645 Federal Square Realty	Commercial Real Estate	2,679,740
First National Bank of Litchfield	Bank	2,359,890
J.R.J. Inc.	Litchfield Inn	2,279,210
White Memorial Foundation	Leased Land for Cottages	2,246,980
Litchfield Housing Trust, Inc.	Commercial Real Estate	2,086,410
Litchfield Developers	Residential Real Estate	<u>2,030,160</u>
 TOTAL		 <u>\$ 33,933,175</u>

* and CRP/BWN Litchfield Operator LLC d/b/a Brandywine Assisted
Living at Litchfield (Sarah Pierce Community)

Source: Town of Litchfield, Office of Tax Assessor

TABLE 2

TOWN OF LITCHFIELD, CONNECTICUT
TAXABLE GRAND LIST

<u>Grand List</u>	<u>Real Estate</u>	<u>Personal</u>	<u>Motor Vehicle</u>	<u>Gross Taxable Grand List</u>	<u>Less Exemptions</u>	<u>Net Taxable Grand List</u>
10/1/2007	\$805,692,775	\$24,593,239	\$71,457,581	\$901,743,595	\$3,259,084	\$898,484,511

Source: Town of Litchfield, Office of Tax Assessor

TOWN OF LITCHFIELD, CONNECTICUT
CALCULATION OF DIRECT DEBT AND NET DIRECT DEBT

JUNE 30, 2009

Long-Term Indebtedness (1):	
Bonds:	
General Purpose	\$ 7,134,501
Schools	20,156,599
Sewers	1,441,200
State of Connecticut PLO (Clean Water Fund)	4,054,986
Urban Renewal	-
Total Long-Term Indebtedness	<u>32,787,286</u>
Short-Term Indebtedness:	
Bond Anticipation Notes	<u>500,000</u>
Total Direct Debt	33,287,286
Exclusions (2):	
Sewer assessments receivable	(1,421,134)
Sewer use charges receivable	<u>(481,314)</u>
Total Net Direct Debt	<u><u>\$ 31,384,838</u></u>

(1) Does not include authorized but unissued debt of \$1,448,111.

(2) Grants and receivables applicable to authorized and unissued debt are not included.

Note: The Town has no overlapping or underlying indebtedness.

TOWN OF LITCHFIELD, CONNECTICUT

CURRENT DEBT RATIOS

JUNE 30, 2009

Total Direct Indebtedness	\$	33,287,286
Total Net Direct Indebtedness	\$	31,384,838
Population (7/1/07) (1)		8,671
Net Taxable Grand List (10/1/07)	\$	898,484,511
Estimated Full Value	\$	1,283,549,301
Equalized Net Taxable Grand List (2007) (2)	\$	1,770,768,034
Per Capita Income (1999) (3)	\$	30,096
Total Direct Indebtedness:		
Per Capita	\$	3,838.92
To Net Taxable Grand List		3.70%
To Estimated Full Value		2.59%
To Equalized Net Taxable Grand List		1.88%
Per Capita to Per Capita Income		12.76%
Total Net Direct Indebtedness:		
Per Capita	\$	3,619.52
To Net Taxable Grand List		3.49%
To Estimated Full Value		2.45%
To Equalized Net Taxable Grand List		1.77%
Per Capita to Per Capita Income		12.03%

(1) U.S. Bureau of Census.

(2) Office of Policy and Management, State of Connecticut.

(3) U.S. Department of Commerce, Bureau of Census, Census 2000.

Source: Town of Litchfield, Office of Director of Finance