

Official Statement Dated January 27, 2010

NEW ISSUE

MOODY'S RATING: Aa3

(See "Ratings" herein)

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming the material accuracy of representations and continuing compliance by the Town with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds and Notes is not included in gross income of the owners thereof for purposes of Federal income taxation, is not treated as a preference item for purposes of computing the Federal alternative minimum tax, and is not includable in adjusted current earnings for purposes of calculating the Federal alternative minimum tax on corporations (as defined for federal income tax purposes). In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and Notes is excluded from taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendices B-1 and B-2 "Forms of Opinion of Bond Counsel and Tax Exemption" herein.)

TOWN OF LITCHFIELD, CONNECTICUT

\$1,355,000

GENERAL OBLIGATION BONDS, ISSUE OF 2010

**(BANK QUALIFIED)
BOOK-ENTRY-ONLY**

Dated: February 1, 2010

Due: Serially, February 1, as shown herein

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

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity, commencing August 1, 2010.

The Bonds are subject to optional redemption prior to maturity as described herein. (See "Optional Redemption" herein.)

MOODY'S RATING: MIG 1

(See "Ratings" herein)

\$475,000

GENERAL OBLIGATION BOND ANTICIPATION NOTES

**(BANK QUALIFIED)
BOOK-ENTRY-ONLY**

Dated: February 10, 2010

Due: February 9, 2011

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

Interest on the Notes will be payable at maturity.

The Bonds and Notes will be issued by means of a book-entry system and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. The Beneficial Owners of the Bonds and Notes will not receive certificates representing their ownership interest in the Bonds or the Notes. Principal of, redemption premium, if any, and interest on the Bonds and Notes will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds or the Notes. Ownership of the Bonds and Notes may be in principal amounts of \$5,000 or integral multiples thereof. DTC will act as security depository for the Bonds and Notes. So long as Cede & Co. is the Bondowner or Noteowner, as nominee for DTC, reference herein to the Bondowner, Noteowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds or Notes. (See "Book-Entry Transfer System" herein.)

The Certifying Bank, Registrar, Transfer and Paying Agent for the Bonds and Notes will be U.S. Bank National Association, of Hartford, Connecticut.

The Bonds and Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Murtha Cullina LLP, Bond Counsel, of Hartford and New Haven, Connecticut. It is expected that delivery of the Bonds and Notes in definitive book-entry form will be made on or about February 10, 2010.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKE AN INFORMED INVESTMENT DECISION.

TOWN OF LITCHFIELD, CONNECTICUT

\$1,355,000

**GENERAL OBLIGATION BONDS, ISSUE OF 2010
(BANK QUALIFIED)
BOOK-ENTRY-ONLY**

Dated: February 1, 2010

Due: Serially, February 1, as shown below

MATURITY SCHEDULE AND AMOUNTS

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2012	\$125,000	2.000%	0.600%	536597ME4	2017	\$150,000	2.500%	2.450%*	536597MK0
2013	150,000	3.000	0.900	536597MF1	2018	150,000	2.750	2.750	536597ML8
2014	150,000	2.500	1.200	536597MG9	2019	150,000	3.000	3.000	536597MM6
2015	150,000	2.000	1.650	536597MH7	2020	180,000	3.125	3.125	536597MN4
2016	150,000	2.125	2.100*	536597MJ3					

* Priced assuming redemption on February 1, 2015; however any such redemption is at the election of the Town. (See "Optional Redemption" herein).

***ROOSEVELT & CROSS, INC.
AND ASSOCIATES***

TOWN OF LITCHFIELD, CONNECTICUT

\$475,000

**GENERAL OBLIGATION BOND ANTICIPATION NOTES
(BANK QUALIFIED)
BOOK-ENTRY-ONLY**

Dated: February 10, 2010

Due: February 9, 2011

Interest
Rate
1.500%

Yield
0.750%

CUSIP
536597MP9

PiperJaffray.

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

This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any of the Bonds or Notes. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. The presentation of information in this Official Statement is intended to show recent historic trends and is not intended to indicate future or continuing trends in financial or other positions of the Issuer. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale of the Bonds or Notes shall, under any circumstances, create any implication that there has been no material change in the affairs of the Issuer since the date of the Official Statement.

The information, estimates and expressions of opinion in this Official Statement are subject to change without notice.

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Issuer contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and Notes and the proceedings of the Issuer relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and Notes and such proceedings.

The independent auditors for the Issuer are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in Appendix A, "Financial Statements" herein), and make no representation that it has independently verified the same. The auditors have not been engaged nor performed audit procedures regarding the post audit period. The auditors have not provided their written consent to use their Independent Auditors' Report.

Bond Counsel is not passing upon and does not assume responsibility for the sufficiency, accuracy or completeness of the statements made or financial information presented in this Official Statement (other than matters expressly set forth as its opinion in Appendices B-1 and B-2 "Forms of Opinion of Bond Counsel and Tax Exemption" herein) and makes no representation that it has independently verified the same.

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

Independent Bond and Investment Consultants LLC ("IBIC LLC"), the Town's Financial Advisor, has assisted the Town in the preparation of this Official Statement from information supplied by Town officials and other sources. IBIC LLC does not assume responsibility for the sufficiency, accuracy or completeness of the statements made herein and makes no representation that it has independently verified the same.

BOND COUNSEL

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Hartford and New Haven, Connecticut
(860) 240-6080

INDEPENDENT FINANCIAL ADVISOR

INDEPENDENT
BOND AND INVESTMENT
CONSULTANTS LLC ("IBIC LLC")

Madison, Connecticut
(203) 245-8715

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BOND SALE SUMMARY

The information in this Bond Sale Summary is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The Official Statement speaks only as of its date and the information herein is subject to change.

Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the Town.

Date of Sale:	Wednesday, January 27, 2010, at 11:30 A.M. (E.S.T).
Location of Sale:	Office of the First Selectman, Town of Litchfield, Town Hall, 74 West Street, Litchfield, Connecticut, 06759.
Issuer:	Town of Litchfield, Connecticut (the "Town").
Issue:	\$1,355,000 General Obligation Bonds, Issue of 2010.
Dated Date:	February 1, 2010.
Interest Due:	February 1 and August 1 in each year of maturity, commencing August 1, 2010.
Principal Due:	Serially February 1, 2012 - 2020.
Purpose and Authority:	The Bonds are being issued to finance certain school and capital projects undertaken by the Town. (See "Authorization and Purpose of the Bonds and Notes" herein).
Redemption:	The Bonds are subject to redemption prior to maturity, as more fully described herein.
Security:	The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Bonds when due. (See "Security and Remedies" herein).
Credit rating:	The Town's bond rating has recently been affirmed as "Aa3" by Moody's Investors Service, Inc. ("Moody's"). (See "Ratings" herein).
Basis for Award:	Lowest True Interest Cost ("TIC") as of the dated date.
Tax Exemption:	See Appendix B-1, "Form of Opinion of Bond Counsel and Tax Exemption – The Bonds".
Continuing Disclosure:	See Appendix C-1, "Form of Continuing Disclosure Agreement – The Bonds".
Bank Qualification:	The Bonds SHALL be designated by the Town as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Certifying Bank, Registrar, Transfer and Paying Agent:	U.S. Bank National Association of Hartford, Connecticut.
Legal Opinion:	Murtha Cullina LLP, of Hartford and New Haven, Connecticut are Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry form will be made to the Depository Trust Company via "FAST" on or about February 10, 2010, against payment in Federal Funds.
Issuer Official:	Questions concerning the Town and this Official Statement should be directed to Cynthia G. Politano, Director of Finance, Town of Litchfield, Connecticut - Telephone (860) 567-7554.

NOTE SALE SUMMARY

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

Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the Town.

Date of Sale:	Wednesday, January 27, 2010, at 11:00 A.M. (E.S.T).
Location of Sale:	Office of the First Selectman, Town of Litchfield, Town Hall, 74 West Street, Litchfield, Connecticut, 06759.
Issuer:	Town of Litchfield, Connecticut (the "Town").
Issue:	\$475,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	February 10, 2010.
Interest Due:	February 9, 2011.
Principal Due:	February 9, 2011.
Purpose and Authority:	The Notes are being issued to finance a portion of the school building project undertaken by the Town. (See "Authorization and Purpose of the Bonds and Notes" herein).
Redemption:	The Notes are NOT subject to redemption prior to maturity.
Security:	The Notes will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Notes when due. (See "Security and Remedies" herein).
Credit Rating	The Notes have been rated "MIG 1" by Moody's Investors Service, Inc. ("Moody's"). The Town's bond rating has recently been affirmed as "Aa3" by Moody's. (See "Ratings" herein).
Basis of Award:	Lowest Net Interest Cost ("NIC") as of the dated date.
Tax Exemption:	See Appendix B-2, "Form of Opinion of Bond Counsel and Tax Exemption" herein.
Continuing Disclosure Agreement:	See Appendix C-2, "Form of Continuing Disclosure Agreement" herein.
Bank Qualification:	The Notes SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocation to the Notes.
Certifying Bank, Registrar, Transfer and Paying Agent:	U.S. Bank National Association of Hartford, Connecticut.
Legal Opinion:	Murtha Cullina LLP, of Hartford and New Haven, Connecticut is Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Notes in book-entry form will be made to the Depository Trust Company via "FAST" on or about February 10, 2010, against payment in Federal Funds.
Issuer Official:	Questions concerning the Town and this Official Statement should be directed to Cynthia G. Politano, Director of Finance, Town of Litchfield, Connecticut - Telephone (860) 567-7554.

SECTION I - SECURITIES OFFERED

Introduction

This Official Statement, including the cover page, inside cover and appendices, is provided only in connection with the initial offering and sale of \$1,355,000 General Obligation Bonds, Issue of 2010 (the "Bonds") and \$475,000 General Obligation Bond Anticipation Notes (the "Notes") to present certain financial and supplementary economic and demographic data relevant to the Town of Litchfield, Connecticut (the "Town"), and may not be reproduced or used in whole or in part for any other purpose.

The Bonds and Notes are being offered for sale at public bidding. A Notice of Sale dated January 15, 2010 has been furnished to prospective bidders. Reference is made to the Notice of Sale, which is included as Appendix D, for the terms and conditions of the bidding.

The Bonds and Notes will be general obligations of the Town for which its full faith and credit are pledged. They are not guaranteed by the State of Connecticut (the "State") or any other entity. The security for the Bonds and Notes is more fully described under the caption "Security and Remedies" below. (See also "Form of Opinion of Bond Counsel and Tax Exemption", Appendices B-1 and B-2).

Description of the Bonds

The Bonds will be dated February 1, 2010 and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds will be payable August 1, 2010 and semiannually thereafter on February 1 and August 1 in each year until the date of maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months at the rate or rates per annum specified by the successful bidder. A book-entry system will be employed evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein). The Certifying Bank, Registrar, Transfer Agent and Paying Agent will be U.S. Bank National Association of Hartford, Connecticut. The Bonds are subject to optional redemption prior to maturity. (See "Optional Redemption" herein.) The legal opinion on the Bonds will be rendered by Murtha Cullina LLP, of Hartford and New Haven, Connecticut, as set forth in Appendix B-1. The Bonds SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended and described herein.

Optional Redemption

The Bonds maturing on or before February 1, 2015 are not subject to redemption prior to maturity. The Bonds maturing on February 1, 2016, and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after February 1, 2015, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption price or prices (expressed as a percentage of the principal amount of Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
February 1, 2015 and thereafter	100%

Notice of Redemption

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail not less than thirty (30) days prior to the redemption date to the registered owner of the Bonds at the address of such registered owner as the same shall last appear on the registration books for the Bonds kept for such purpose. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine; provided, however, that the portion of any Bonds to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption.

Redemption of a portion of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by or the responsibility of the Town, the Registrar or Paying Agent.

Description of the Notes

The Notes will be dated February 10, 2010 and principal and interest on the Notes are due at maturity on February 9, 2011. The Notes are not subject to redemption prior to maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months at the rate or rates per annum specified by the successful bidder. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York, ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein). The Certifying Bank, Registrar, Transfer Agent and Paying Agent will be U.S. Bank National Association of Hartford, Connecticut. The legal opinion on the Notes will be rendered by Murtha Cullina LLP, of Hartford and New Haven, Connecticut, as set forth in Appendix B-2. The Notes are being issued for a portion of the school building project undertaken by the Town as described herein under "Authorization and Use of Proceeds of the Bonds and Notes". The Notes SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended and described herein.

Authorization and Use of Proceeds of the Bonds and Notes

The Bonds and Notes are being issued pursuant to Title 7 of the Connecticut General Statutes, as amended, and certain bond resolutions adopted by the voters at a referendum and Town Meetings described herein.

Authorization:

Town Schools Expansion and Renovation Projects: A \$33,000,000 appropriation and bond authorization was approved at a referendum vote at an adjourned Town Meeting held on April 7, 2004 for the expansion and renovation of the Litchfield High School-Middle School Complex and the Litchfield Intermediate School.

2009-2010 Capital Improvement Program: A \$1,355,000 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2009-2010 was approved at the Annual Town Meeting held on January 12, 2010.

Use of Proceeds: Proceeds of the Bonds and Notes will be used to finance the following capital projects: (1)

	Total Bond <u>Authorization</u>	Amount of Notes <u>Outstanding</u>	The Bonds <i>(This Issue)</i>	The Notes <i>(This Issue)</i>
Town Schools Expansion & Renovation Projects	\$33,000,000	\$500,000	\$ -0-	\$475,000
2009-2010 Capital Improvement Program				
School Improvements	420,000	-0-	420,000	-0-
Board of Fire Commissioners and EMS	475,000	-0-	475,000	-0-
Bridge, Road and Building Improvements	395,300	-0-	395,300	-0-
Debt Administration	<u>64,700</u>	<u>-0-</u>	<u>64,700</u>	<u>-0-</u>
Total	<u>\$34,355,000</u>	<u>\$500,000</u>	<u>\$1,355,000</u>	<u>\$475,000</u>

(1) Expected use, however, the Town may spend proceeds on other capital projects to meet its capital cash flow needs.

School Projects

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

For all projects approved prior to July 1, 1996, a municipality issues bonds for the entire amount of the school construction project and the State of Connecticut reimburses the municipality for the principal and interest costs for eligible school construction projects over the life of outstanding school bonds and subsequent bond issues necessary to completely fund the approved school project. The Town does not have any debt reimbursed under this program.

Under the Current Program, the State of Connecticut is making proportional progress payments for eligible construction costs during project construction. The State grants are being paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for its share of project costs.

The following projects are being reimbursed at the estimated reimbursement rate shown below:

<u>Project</u>	Amount of Total <u>Authorization</u>	Estimated Non-reimbursable <u>Costs</u>	Estimated Eligible Cost <u>For Reimbursement</u>	Reimbursement <u>Rate %</u> (1)	Estimated <u>Grants</u> (1)
Town Schools Expansion and Renovation Projects	\$33,000,000	\$10,234,727	\$22,765,273	41.43%	\$9,431,653

(1) Estimated grants for total project. Eligible costs to be determined upon completion of the project audit, and are likely to change.

Ratings

The Town's bond rating has recently been affirmed as "Aa3" by Moody's Investors Services, Inc. ("Moody's"). The Notes have been rated "MIG 1" by Moody's. Such rating reflects only the views of such organization and any explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Town furnished certain information and materials to the rating agency, some of which may not have been included in this Official Statement. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the Town's outstanding bonds and notes, including the Bonds and Notes.

Security and Remedies

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

Unless paid from other sources, the Bonds and Notes are payable from the general property tax revenues of the Town. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all property subject to taxation by the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. There were 100 acres of such certified forest land on the last completed grand list of the Town. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses.

Payment of the Bonds and Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds and Notes. There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues or property to secure the Bonds and Notes or judgments thereon, in priority to other claims.

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

Enforcement of a claim for payment of principal of or interest on such bonds or notes of the Town would also be subject to the applicable provisions of Federal bankruptcy laws, as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, heretofore or hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor.

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

Qualification for Financial Institutions

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

Book-Entry Transfer System

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds and Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC. The Town takes no responsibility for the accuracy thereof.

Replacement Bonds and Notes

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

DTC Practices

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

SECTION II - THE ISSUER

Description of the Town

The Town of Litchfield was incorporated in 1719 by an act of the Colonial Assembly of Connecticut on the lands bought in 1716 from Tunxis Indians. Litchfield is located in Litchfield County, approximately thirty-three miles west of Hartford and sixteen miles north of Waterbury. Litchfield covers a 57.3 square mile area and is bordered by the Towns of Goshen, Torrington, Harwinton, Thomaston, Morris, Washington and Warren. To the east of Litchfield is Connecticut Route 8 which provides north-south interstate connections from Bridgeport to the Massachusetts border. Connecticut Routes 63, 118, 202 and 254 also serve the Town. Rail service is available connecting with Waterbury and the south, while coach and motor freight companies serve the Town's residents and businesses.

The Town is primarily residential; however, there are several commercial and industrial companies. The Town offers exceptional cultural and recreational opportunities. The Town's educational system consists of one elementary school for Pre K through 3rd grade, one intermediate school for 4th through 6th grades and one middle/high school for 7th through 12th grades.

Litchfield is a community predominantly composed of owner-occupied, single-family dwellings. Single-family dwellings comprise over 80% of all housing units in the Town. During the 2000 U. S. Census, the Town population was 8,316. The U.S. Census Bureau estimates the Town population at 8,625 as of July 1, 2008.

In 1959, a special act of the Connecticut General Assembly established the Litchfield Historic District as the first in the state to be registered on the U. S. National Register of Historic Places. The entire district includes more than 475 buildings constructed primarily during the 18th and 19th centuries.

Form of Government

The Town of Litchfield is governed by a five-person Board of Selectmen with the First Selectman serving as the full-time Chief Executive. The Town Meeting is the legislative body. The Board of Education, Board of Finance, Board of Assessment Appeals and Planning and Zoning are elective boards, while members of all other boards and commissions are appointed by the Board of Selectmen. The Board of Finance is the budget making authority and sets the mill rate after the budget has been adopted by the Town Meeting.

The Boroughs of Litchfield and Bantam lie entirely within the Town of Litchfield as independent units of government. Created by the Connecticut Legislature in 1915 and granted Special Charters, they exercise certain municipal powers within their respective jurisdictions including taxing and financing powers. Governed by a biennially elected Warden and Council of Burgesses, the Boroughs are responsible for sidewalk and street light maintenance as well as other services. Bantam has largely relinquished these responsibilities to the Town, but it does continue to enact its own zoning regulations and has its own Inland Wetlands Commission.

Municipal Officials

<u>Name</u>	<u>Position</u>	<u>Term</u>	<u>Length of Service</u>
Leo Paul, Jr.	First Selectman	2 years – Elected	6.5 years
R. Christopher Blake*	Selectman	2 years – Elected	Less than 1 year
Ernest C. Bunnell	Selectman	2 years – Elected	4.5 years
William F. Dranginis	Selectman	2 years – Elected	6.5 years
Paul J. Parsons	Selectman	2 years – Elected	Less than 1 year
David T. Wilson	Treasurer	2 years – Elected	22.0 years
Lisa A. Losee	Town Clerk	4 years – Elected	2.0 years
Nancy W. Southard	Tax Collector	4 years – Elected	20.0 years
Cynthia G. Politano	Director of Finance	Appointed	5.5 years

* Also served as Selectman from November 2001 to November 2003.

Summary of Municipal Services

Police. The Town is serviced by the Connecticut State Police, Troop L, located in Litchfield and two Resident Troopers are assigned to Litchfield. The Town employs three Constables: one full-time; one regular part-time; and, one part-time, as needed. The Town also employs a full-time Parking Enforcement Officer. Safety Officers are hired on an as-needed basis for various circumstances and events. The Town has patrol vehicles that are dispatched and supervised by the State Police.

Fire/Ambulance. Fire protection is provided by four volunteer fire companies and one volunteer ambulance company. One of the fire companies also provides ambulance services while another fire company also provides first responders services. A six member Board of Fire and Emergency Medical Services Commission, appointed by the Board of Selectmen, serve as a supervisory and coordinating body. The combined membership of the four fire companies and one ambulance company equals approximately 180 members. The Town has two utility vehicles, four tankers, seven pumpers, one ladder truck, two pickup trucks, three rescue vehicles and four ambulances.

Public Health Nursing. Public Health Nursing programs in Litchfield are provided by Visiting Nurse and Homecare Northwest, Inc. and the Visiting Nurse Services of Connecticut, Inc. Skilled nursing, physical therapy, occupational therapy, speech therapy, home health aides and homemaking services are available. A very successful Hospice Program for the terminally ill and their families is easily accessible. Several private nursing organizations within the Town also offer services. The community is served by an assisted living facility named Brandywine Assisted Living at Litchfield (Sarah Pierce Community), an assisted living/nursing home called Rose Haven, and an independent/assisted living facility called Fernwood.

Senior Citizens. The Litchfield Housing Authority presently oversees both the Wells Run Housing Project comprised of 30 housing units, and Bantam Falls which has 36 units. Wells Run was built in 1975 with a grant provided by the Connecticut Department of Housing and in October 2009 a Small Cities Grant for \$700,000 was awarded from the state for renovations. Rent is based on income and is adjusted to allow for the resident-paid cost of electricity. Bantam Falls was funded in conjunction with the State of Connecticut Department of Housing and a Small Cities Grant. Rent is based on income and electricity is included in the payment. Privately owned senior housing facilities are located in Litchfield and Bantam Boroughs and in the Northfield Village area.

The Northwest Connecticut Transit District ("NWCTD") administers rural transit bus services to the elderly and disabled. NWCTD is supported by municipal funding, Western Connecticut Area Agency on Aging, the Federal Transit Administration and a ConnDOT Elderly and Disabled Transportation Grant. The Town has been providing bus service since 1998 to serve seniors and disabled with its twelve passenger mini-bus. The bus serves as a supplemental link for special events and healthcare. The NWCTD also provides transportation each weekday from Litchfield to Torrington, where residents may connect with other Torrington routes at the Torrington City Hall building. Combined passenger trips between Northwest Transit and the Town bus currently averages 1,263 per month.

An elderly nutrition program offers seniors sixty years of age or older nutritionally sound meals at a specified town location. A "Meals on Wheels" program for those unable to prepare their meals is also available. Monthly elderly health screenings are provided at a central location within the Town. The Litchfield Hills Chore Service helps elderly residents with household chores and errands. The Town employs a half-time Social Services Coordinator to respond to both senior and other public needs.

Libraries. The Oliver Wolcott Library (OWL) is the principal public library for the Town with more than 75% of its residents holding library cards. The Library is now open seven days a week all year long. For the fiscal year ended June 30, 2009, more than 119,654 items were borrowed, an increase of 20% over the prior year and a 65% increase in circulation over the last five years. For the same year, the Library recorded 76,952 visits, an increase of 9% from the prior year and a 70% increase in visits over the last five years. Circulation per employee is the standard measure of library efficiency. OWL is the leader in the area and 15% higher than the state average. Another standard measure of library efficiency is patron visits per employee. OWL's patron visits per employee was in the top 30% of all libraries reporting actual in the state. In addition to its aggressive recycling program, OWL is a committed leader in energy efficiency. In the last five years, it has reduced its fuel and electricity usage by 68% and 17%, respectively.

OWL offers bestsellers, adult and children's books, DVDs, music CDs, audio books, downloadable audio books, newspapers, magazines, and museum passes. It provides a weekly e-newsletter, bi-monthly print newsletter, weekly blog, online access to a variety of resources, high-speed and wireless internet access, LCD rentals, a quiet room for study, a meeting room for meetings, monthly book discussion groups, literary events, author readings, musical and theatrical programs, lectures on a range of topics, writing and poetry workshops, weekly story hour programs for babies through age seven, after-school programs, art and literature programs for children. Annual events are the Kindergarten Social, Family Day, and Festival of Trees. Also, offered are ½ hour one-on-one basic computer classes called "book a librarian"; a weekly blog that discusses books, films, and music; and, a website that offers 24/7 access at www.owlibrary.org. The website also includes several subscription-based online research tools like *Price It: Antiques and Collectibles*, *Novelist*, and much more.

The Gilbert Library in Northfield is a private library open to the public with a collection of books and audio materials that may be borrowed.

Recreation. The Parks and Recreation Department offers a variety of programs for the entire community, ranging from pre-school activities to programs for seniors. The summer camp program enrolls children from ages 3 to 14 that include swimming, trips and surprise days. Day camps emphasizing individual or team sports are also offered throughout the summer, including Baseball, Soccer, Basketball, Field Hockey, and Tennis to name a few. These camps provide training from beginner to advanced levels in each sport. Summer swim lessons are offered for ages two through adult at Wisdom House.

There are year-round activities that cater to the diverse aspect of the community. Four running races and a triathlon are sponsored annually. Other activities include: Gymnastics; Mixed-Martial Arts; Introduction to Dance; Hip-Hop Classes; Country Line Dancing Class; Karate; American Red Cross Babysitting Classes; Acting; and, Filmmaking Classes. A weekly series of Cross Country Races are held on Thursday evenings throughout the summer at White Memorial, along with two "Nights of Miles" and a "Race for Relays" held at the Plumb Hill track. The Department oversees these club sports: Ski Club; and, High School Ski Racing Team. The Department is associated with these cooperating groups: Little League Baseball commonly known as Tri-Town; the Litchfield Soccer Club; the Litchfield Track Club, and, the Litchfield Lacrosse Club. Boys and Girls have competitive basketball leagues in the winter months and the 3rd and 4th graders have basketball workshops at the Forman School. There are winter and summer galas for senior citizens that include dining and dancing with a live band. There is also a free Summer Concert Series on Wednesday nights on the Green.

The Recreation Department oversees a large Community Field that has a track, two Little League baseball fields, one Babe Ruth baseball field, two tennis courts, a pavilion, an outdoor basketball court, a smaller basketball court for younger children, and a Playscape playground. At another site, there is a smaller community field with a playground, one Little League baseball field, one outdoor basketball court, a pavilion and small playground. On Bantam Lake, the Recreation Department oversees the Town Beach with a boat launch, picnic tables and docks. Ice skaters enjoy unsupervised use of the outdoor rink behind Town Hall, weather permitting, which is also under the umbrella of the Recreation Department.

Sanitary Sewers. Litchfield's first sanitary sewers date back to the 1880s. The existing sanitary sewer system is comprised of more than 26 miles of collection systems. The majority of the Litchfield sewerage is treated at its wastewater treatment plant located in the south western portion of town adjacent to the Bantam River. Utilizing inter municipal agreements, portions of Litchfield's flows discharge to treatment plants in Torrington and Thomaston and Litchfield accepts flows from the West Shore of Bantam Lake in Morris. Litchfield's treatment plant was constructed in 1971 and was upgraded between 2002 and 2004. The plants current design flow is 0.800 MGD (million gallons per day) with 0.950 MGD wet weather flow and 2.17 MGD peak flow. Total flow for 2008-2009 was 188,880,000 gallons or 0.517 MGD which represents 65% of capacity.

The sanitary sewer operating expense for 2008-2009 was \$957,338 including \$250,491 in debt service payments primarily for 2% financing for the plant upgrade. The sanitary sewer operating budgeted expense for 2009-2010 is \$1,064,987 including \$250,491 in debt service payments primarily for 2% financing for the plant upgrade. Additionally, for 2008-2009, \$215,168 was transferred to the upgrade fund to pay for the balance not financed. For the first time, unspent operating funds budgeted for capital replacement were transferred to the new WPCA Capital Reserve Fund to provide for future capital projects. The treatment facility has 4 full time employees.

Solid Waste. The Town has executed a Service Contract (the "Service Contract") with Connecticut Resources Recovery Authority (the "Authority") for disposal of solid waste through the Mid-Connecticut System (the "System"). The Service Contract became effective upon execution and will remain in effect so long as any bonds issued by the Authority remain outstanding, provided the last installment of principal on any bond shall become due no later than 30 years from the effective date of the Service Contract.

Each municipality signing a Service Contract, including the Town, has agreed to cause to be delivered to the Mid-Connecticut System a specific amount of solid waste under the legal control of the municipality. The Authority is required to impose service payments at a uniform rate per ton for all municipalities. If the municipality delivers less than its minimum commitment (as defined in the Service Contract) such rates shall be applied to its minimum commitment amount. The Town is obligated to deliver to the Mid-Connecticut System a minimum of 3,744 tons per year of solid waste.

The Authority is required to accept and dispose of solid waste in accordance with the Service Contract and with acceptable business standards. Each municipality retains the responsibility for the collection, disposal and treatment of solid waste which does not meet the requirements of or which the Authority refuses or is unable to accept under the Service Contract.

The Authority is required to calculate and impose Service Payments for all solid waste accepted at the System, such that the aggregate of all such Service Payments received by the Authority shall be sufficient to pay for the net cost of operation of the System as defined in the Service Contract. Service Payments shall be at a uniform rate per ton for all municipalities. If a municipality delivers less than its Minimum Commitment (as defined in the Service Contract) such rate shall be applied to its Minimum Commitment amount. The Authority is required to submit bills to the participating municipalities' on or before the fifteenth day following the end of a billing period. Municipalities are required to pay Service Payments within 30 days of the date of invoice. The service payments fee that the Town pays to the Authority for solid waste has been: \$69 for July 1, 2007 to October 24, 2007; \$60.96 for October 25, 2007 to June 30, 2008; \$72 for July 1, 2008 to December 31, 2008; \$62 for January 1, 2009 to June 30, 2009; and \$69 for July 1, 2009 to June 30, 2010. For every ton delivered in fiscal 2010, the Authority is providing a \$6 per ton credit. The Town has deferred receipt of the credit until the following fiscal year. For fiscal years 2008 and 2009, the Authority rebated the Town for recycling tons delivered, at \$10 and \$5 per ton, respectively.

All municipalities, including the Town, pledge their full faith and credit for the payments of all Service Payments and any delayed-payment charges and costs and expenses of the Authority and its representatives in collecting overdue Service Payments. Each municipality agrees that its obligation to make any such Service Payments and other such payments, in the amounts and at the time specified in the Service Contract, whether to the Authority or the trustee, shall be absolute and unconditional, shall not be subject to any setoff, counterclaim, recoupment, defense (other than payment itself) or other right which the municipality may have against the Authority, the trustee of the Authority's Bonds or any other person for any reason whatsoever, shall not be affected by any defect in title, compliance with the plans and specifications, condition, design, fitness for use of or damage to or loss or destruction of, the System or any part thereof and so long as the Authority shall accept solid waste delivered by the municipality pursuant to the Service Contract, shall not be affected by any interruption or cessation in the possession, uses or operation of the System or any part thereof by the Authority or the operator of the System or any reason whatever.

To the extent that a municipality does not make provisions or appropriations necessary to provide for and authorize the payment by such municipality to the Authority of the payments required to be made by it under the Service Contract, the remaining municipalities, including the Town, must levy and collect such general or special taxes or cost sharing or other assessments as may be necessary to make such payments in full when due thereunder. In the event of any disputes as to any portion of any bill, the disputing municipality will nevertheless pay the full amount of the disputed charges when due and will within 30 days from the date of the disputed bill, give written notice of the dispute to the Authority. The dispute will then be resolved under the dispute resolution provisions of the Service Contract.

Water. Aquarion Water Company of Connecticut ("Aquarion") provides water for public water supply and fire protection to approximately 2,400 Town residents within a limited area predominately located within the Town's historic/business district and along Route 202 westerly to the Borough of Bantam. Aquarion is the largest investor-owned water utility in New England. The Company is regulated by the State of Connecticut Departments of Public Health, Environmental Protection, and Public Utilities Control. Aquarion has a formal program for identifying and prioritizing investments to improve product and service quality in its water systems, including Litchfield. Part of this program is regular updates to its Water Supply Plan which compares available supply to demand over a 50-year period and identifies system deficiencies and improvement plans. The Water Supply Plan is updated and approved by the Connecticut Department of Public Health every five years. The remainder of the Town is serviced by private wells. Fire ponds are strategically located to enhance fire protection services. An aquifer protection plan is in place to identify, preserve, and protect the Town's ground water.

Utilities. The Town is serviced by AT&T for telephone service. Electrical service is provided by Connecticut Light & Power Company (CL&P). In 2005, CL&P relamped all the street lighting in the Town. The Sewer treatment plant and Town Hall Annex participate in the CL&P emergency back-up generator program. As a result, CL&P provides the Town monthly incentive credits that reduce its electricity cost.

Public Works. The Department of Public Works has the responsibility of providing maintenance, repair and construction services for the efficient management of public properties and physical resources. The Department presently has seventeen personnel in operations and four in administrative and engineering areas.

The municipal infrastructure managed by the Department includes 123 miles of roadway, 21 bridges, 24 major culverts, 21 miles of storm drainage, .5 miles of sidewalks, 6 buildings, a municipal parking lot, 30 acres of parks (including Litchfield Community Field and Northfield Community Field), property and recreational facilities, and construction equipment and Town vehicles.

Educational System

The Town's elementary school system consists of: one school for pupils in grades Pre K through 3; one school for pupils in grades 4 through 6; and one middle/high school for pupils in grades 7 through 12.

Educational Facilities

<u>School</u>	<u>Grades</u>	<u>Occupied</u>	<u>Renovation</u>	<u>Classrooms</u>	<u>Enrollment 10/1/09</u>	<u>Capacity</u>
Center School	Pre K-3	1925	1945, 1965, 1988	22	346	468
Intermediate School	4-6	1967	2007	18	290	360
Middle/High School	7-12	1956	1963, 1976 & 2007	<u>31</u>	<u>573</u>	<u>620</u>
Total				<u>71</u>	<u>1,209</u>	<u>1,448</u>

Source: Director of Business Operations for the Schools.

Educational Enrollment History and Projections

Actual (1)					
<u>School Year</u>	<u>Pre K-3</u>	<u>4-6</u>	<u>7-12</u>	<u>Total</u>	
2000-01	443	372	598	1,413	
2001-02	409	368	621	1,398	
2002-03	371	377	662	1,410	
2003-04	344	346	683	1,373	
2004-05	357	316	700	1,373	
2005-06	349	276	684	1,309	
2006-07	350	242	667	1,259	
2007-08	338	252	627	1,217	
2008-09	346	276	580	1,202	
2009-10	346	290	573	1,209	
Projected (2)					
2010-11	325	267	572	1,164	
2011-12	367	252	521	1,140	
2012-13	351	266	495	1,112	
2013-14	342	280	484	1,106	

(1) As of October 1.

(2) Projections based on Survival Factor Ratio Technique.

Source: Director of Business Operations for the Schools.

Municipal Employment

<u>Fiscal Year</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Government	105	106	106	106	105	105	107	108	108
Board of Education	<u>172</u>	<u>177</u>	<u>180</u>	<u>178</u>	<u>182</u>	<u>185</u>	<u>184</u>	<u>188</u>	<u>190</u>
Total	<u>277</u>	<u>283</u>	<u>286</u>	<u>284</u>	<u>287</u>	<u>290</u>	<u>291</u>	<u>296</u>	<u>298</u>

Source: Town Officials and Director of Business Operations for the Schools.

Municipal Employees Bargaining Organizations (1)

As of December 17, 2009, the Town employs 277 persons. The following table sets forth a breakdown of employee representation by collective bargaining agent and the dates of expiration of the various collective bargaining agreements:

<u>Employees</u>	<u>Organization</u>	<u>Employees Covered</u>	<u>Current Contract Expiration Date</u>
<u>General Government</u>			
Public Works	Council; 4, AFSCME	20	6/30/09 (2)
Department Heads	Town of Litchfield Supervisors Association	8	6/30/12
Clerical	Town of Litchfield Municipal Employees Assoc.	10	6/30/12
	Non-Bargaining Employees	<u>67</u>	
Sub-total - General Government		<u>105</u>	
<u>Board of Education</u>			
Teachers	Litchfield Education Association	108	6/30/11
Administrators	Litchfield Administrators' Association	5	6/30/11
Classified Employees	Council; 4, AFSCME	45	6/30/12
	Non-Bargaining Employees	<u>14</u>	
Sub-total - Board of Education		<u>172</u>	
Total - Town of Litchfield		<u>277</u>	

(1) The negotiation of collective bargaining agreements is subject to binding arbitration under Connecticut General Statutes.

(2) Contract negotiations are in process.

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

Economic Development

The Economic Development Commission appointed in December of 1993, is charged with conducting research into the economic conditions and trends in the Town of Litchfield. The Commission currently makes recommendations to the appropriate officials and agencies regarding action to improve the Town's economic environment. It also seeks to coordinate the activities of and cooperate with unofficial bodies organized to promote economic activity. The Commission also assists in bringing business and industries into the Town as well as improving existing business and industry relationships.

The Litchfield Planning and Zoning Commission began to update the Plan of Conservation and Development ("POCAD") in late 2002 to replace the last such plan, called the Vision Plan, adopted in 1994. The Planning and Zoning Commission, after considering the advisement of other municipal commissions and Town Planner, developed the POCAD document with the assistance of community volunteers. The final Plan of Conservation and Development was adopted by the Planning and Zoning Commission on June 4, 2007.

The Board of Selectmen appointed a Long-Range Capital Improvements Committee in November of 1993 to review all proposed capital expenditures submitted for Town Meeting approval as part of the Annual Budget or as part of a special appropriation. The Committee makes recommendations based upon the following considerations: (a) the extent to which the proposed expenditure is needed; (b) what alternatives to proceeding with the proposed expenditure exist; (c) the soundness of the proposal in terms of the need to be fulfilled; and (d) the likely consequences of the cost of the proposed expenditures on the Town's financial position and mill rate. This continues to be an annual and ongoing review committee.

SECTION III - ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

<u>Year</u>	<u>Town of Litchfield</u>	<u>Litchfield County</u>	<u>State of Connecticut</u>
1960	6,264	119,856	2,535,234
1970	7,399	144,091	3,032,217
1980	7,605	156,769	3,107,576
1990	8,391	174,092	3,287,116
2000	8,316	182,193	3,405,565
2008	8,625	187,745	3,501,252

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

Age Characteristics of the Population

	<u>Town of Litchfield</u>	<u>State of Connecticut</u>
Under 5 years of age	414	223,344
5-19 years of age	1,791	702,358
20-64 years of age	4,698	2,009,680
Over 65 years of age	<u>1,413</u>	<u>470,183</u>
Total	<u>8,316</u>	<u>3,405,565</u>

Source: U.S. Department of Commerce, Bureau of the Census, Census 2000.

Selected Wealth and Income Indicators

	<u>Median Family Income</u>		<u>Per Capita Income</u>	
	<u>(1990)</u>	<u>(2000)</u>	<u>(1990)</u>	<u>(2000)</u>
Town of Litchfield	\$52,445	\$70,594	\$21,698	\$30,096
Litchfield County	49,061	66,445	19,971	24,408
Connecticut	49,199	65,521	20,189	28,766
United States	35,353	49,600	14,617	21,690

Source: U.S. Department of Commerce, Bureau of Census, Censuses 1990 and 2000.

Income Distribution

	<u>Town of Litchfield</u>	
	<u>Families</u>	<u>Percent</u>
\$ 0 to 9,999	44	1.9
\$10,000 to 14,999	36	1.5
\$15,000 to 24,999	76	3.3
\$25,000 to 34,999	200	8.6
\$35,000 to 49,999	299	12.8
\$50,000 to 74,999	620	26.7
\$75,000 to 99,999	362	15.7
\$100,000 or more	<u>688</u>	<u>29.5</u>
	<u>2,325</u>	<u>100.0</u>

Source: U.S. Department of Commerce, Bureau of the Census, Census 2000.

Educational Attainment – Years of School Completed, Age 25 & Over

Years of School Completed, Age 25 & Over	Town of Litchfield		State of Connecticut	
	Number	Percent	Number	Percent
Elementary				
0-8 Years	211	3.6	132,917	5.8
High School				
1-3 Years	393	6.7	234,739	10.2
4 Years	1,571	26.6	653,300	28.5
College				
1-3 Years	1,605	27.2	553,667	24.1
4 Years or More	<u>2,119</u>	<u>35.9</u>	<u>720,994</u>	<u>31.4</u>
Total	<u>5,899</u>	<u>100.0</u>	<u>2,295,617</u>	<u>100.0</u>
Total high school graduate or higher (%)		89.8		84.0
Total bachelor's degree or higher (%)		35.9		31.4

Source: U.S. Department of Commerce, Bureau of the Census, Census 2000.

Employment by Industry

	Town of Litchfield		Litchfield County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fisheries	44	1.1	817	0.9	7,445	0.5
Construction	386	9.4	8,524	8.9	99,913	6.0
Manufacturing	589	14.4	17,357	18.2	246,607	14.8
Wholesale trade	127	3.1	2,539	2.7	53,231	3.2
Retail trade	463	11.3	11,291	11.8	185,633	11.2
Transportation & warehousing, and utilities	172	4.2	3,113	3.3	64,662	3.9
Information	119	2.9	2,684	2.8	55,202	3.3
Finance, insurance, real estate	242	5.9	7,021	7.3	163,568	9.8
Professional, scientific, management, administrative, and waste management services	412	10.1	8,049	8.4	168,334	10.1
Educational, health & social services	898	21.9	20,575	21.5	366,568	22.0
Arts, entertainment, recreation, accommodation and food services	239	5.8	5,532	5.8	111,424	6.7
Other professional services	198	4.8	4,434	4.6	74,499	4.5
Public Administration	<u>210</u>	<u>5.1</u>	<u>3,690</u>	<u>3.9</u>	<u>67,354</u>	<u>4.0</u>
TOTAL	<u>4,099</u>	<u>100.0</u>	<u>95,626</u>	<u>100.0</u>	<u>1,664,440</u>	<u>100.0</u>

Source: U. S. Department of Commerce, Bureau of Census, 2000 Census.

Major Employers

Name of Employer	Nature of Entity	Estimated Number of Employees
Town of Litchfield	Local Government & Board of Education	277
State Police & State Department of Transportation	State Employees	107
Forman School	Education	107
Regional School District 6	Education	97
Stop & Shop	Grocery Chain	91
Brandywine Assisted Living (Sarah Pierce Community)	Assisted Living	87
First National Bank of Litchfield	Banking	80
Education Connection	State Government, Education Services	75
Rosehaven, Ltd.	Skilled Nursing Facility & Home for Aged	49
Cablevision	Cable Services	42

Source: Town of Litchfield

Unemployment Rate Statistics

Yearly Average	Town of Litchfield	Torrington Labor Market	State of Connecticut	United States
1999	2.2%	2.5%	3.2%	4.2%
2000	1.6	1.8	2.3	4.0
2001	2.4	2.9	3.3	4.8
2002	3.3	4.2	4.3	5.8
2003	4.1	4.7	5.5	5.8
2004	4.1	4.7	4.9	5.5
2005	4.3	4.7	4.9	5.1
2006	3.5	4.0	4.3	4.6
2007	3.9	4.3	4.6	4.6
2008	4.7	5.3	5.7	5.8

2009 Monthly				
January	7.0%	8.1%	7.9%	8.5%
February	6.9	8.3	8.0	8.9
March	6.7	8.2	7.8	9.0
April	6.5	7.9	7.8	8.6
May	6.5	7.8	7.9	8.1
June	6.5	7.7	8.1	9.7
July	6.6	7.9	8.0	9.7
August	6.5	8.0	8.0	9.6
September	6.8	7.9	8.2	9.5
October	6.8	8.2	8.3	9.5
November	6.3	7.7	7.9	9.4

Source: State of Connecticut, Department of Labor; United States Department of Labor, Bureau of Labor Statistics.

Number and Value of Building Permits

Fiscal Year Ending 6/30	Residential		Industrial/Commercial	Total	
	New Homes Number	Renovations / Additions Number	Number	Number	Value
2010 (1)	4	73	11	88	\$ 1,623,543
2009	15	266	47	328	12,179,143
2008	8	228	35	271	11,035,559
2007	17	247	49	313	13,781,010
2006 (2)	49	309	55	413	48,913,466
2005 (3)	54	260	36	350	21,478,775
2004	29	328	34	391	17,357,126
2003	29	174	53	256	15,578,867
2002	33	251	48	332	20,228,572
2001	31	271	52	354	21,529,524

(1) As of October 14, 2009.

(2) Fiscal Year 2006, the New Homes Number includes 30 condominiums at Hunter's Chase and the Value includes \$25,147,278 for the School Renovation Projects.

(3) Fiscal Year 2005, the New Homes Number includes 20 condominiums at Hunter's Chase.

Source: Town of Litchfield, Building Official.

Number of Dwelling Units

<u>2000</u>	<u>1990</u>	<u>1980</u>	% Increase <u>1980-2000</u>	% Increase <u>1990-2000</u>
3,629	3,430	2,760	34.8%	5.8%

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

SECTION IV - INDEBTEDNESS

Computation of Statutory Debt Limit

As of February 10, 2010 (Pro Forma)

Total Fiscal Year 2009 tax collections (including interest and lien fees)	\$23,033,000
State Reimbursement for Revenue Loss on:	
Local Property tax relief for the elderly	<u>-0-</u>
Base for Establishing Debt Limit	<u>\$23,033,000</u>

Debt Limit:

	<u>General Purpose</u>	<u>School</u>	<u>Sewer</u>	<u>Urban Renewal</u>	<u>Unfunded Pension Obligation</u>	<u>Total Debt</u>
(2.25 times base)	\$51,824,250					
(4.50 times base)		\$103,648,500				
(3.75 times base)			\$86,373,750			
(3.25 times base)				\$74,857,250		
(3.00 times base)					\$69,099,000	
(7.00 times base) (1)						\$161,231,000

Indebtedness (Including The Bonds)

Bonds Payable	\$ 6,770,401	\$ 20,225,599	\$ 1,226,300	\$ -0-	\$ -0-	\$ 28,222,300
The Bonds (<i>This Issue</i>)	420,000	935,000	-0-	-0-	-0-	1,355,000
The Notes (<i>This Issue</i>)	-0-	475,000	-0-	-0-	-0-	475,000
State of Connecticut						
Permanent Loan						
Obligation (PLO)	-0-	-0-	3,910,124	-0-	-0-	3,910,124
Authorized but						
Unissued Debt (2)	<u>1,055,000</u>	<u>393,111</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,448,111</u>
Total Indebtedness	8,245,401	22,028,710	5,136,424	-0-	-0-	35,410,535
Grants/Assessments						
Receivable (3)	<u>-0-</u>	<u>(324,764)</u>	<u>(1,421,134)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,745,898)</u>
Total Net Indebtedness	<u>8,245,401</u>	<u>21,703,946</u>	<u>3,715,290</u>	<u>-0-</u>	<u>-0-</u>	<u>33,664,637</u>
Excess of Limit Over						
Outstanding and						
Authorized Debt	<u>\$43,578,849</u>	<u>\$ 81,944,554</u>	<u>\$82,658,460</u>	<u>\$74,857,250</u>	<u>\$69,099,000</u>	<u>\$127,566,363</u>

(1) Under Connecticut General Statutes, total indebtedness for all classes cannot exceed seven times the base, or \$161,231,000.

(2) See footnote 2 to "Authorized but Unissued Debt" herein.

(3) It is estimated that the Town will receive State of Connecticut School Construction grant progress payments in the amount of \$9,431,653 during the construction of the project. As of February 10, 2010, the Town has received progress payments in the amount of \$9,106,889. (See "School Projects" herein). As of June 30, 2009, the Town's unaudited sewer assessments receivable for the payment of sewer debt was \$1,421,134.

Source: Town Officials.

Calculation of Net Direct Debt

As of February 10, 2010 (Pro Forma)

Long-Term Indebtedness (1)	
The Bonds (<i>This Issue</i>)	\$ 1,355,000
General Purpose	6,770,401
Schools	20,225,599
Sewers	1,226,300
State of Connecticut PLO (Clean Water Fund)	<u>3,910,124</u>
Total Long-Term Indebtedness	33,487,424
Short-Term Indebtedness	
The Notes (<i>This Issue</i>) (2)	<u>475,000</u>
Total Direct Indebtedness	33,962,424
Exclusions (3)	
(Sewer assessments and Sewer use charges receivable)	<u>(1,902,447)</u>
Total Net Direct Debt	<u>\$32,059,977</u>

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

(2) See "Outstanding Short-Term Indebtedness".

(3) Grants and receivables applicable to authorized and unissued debt are not included. As of June 30, 2009, the Town's unaudited sewer assessments receivable was \$1,421,134 and sewer use charges receivable was \$481,313 for the payment of sewer debt.

Current Debt Ratios

As of February 10, 2010 (Pro Forma)

Total Direct Indebtedness	\$33,962,424
Total Net Direct Indebtedness	\$32,059,977
Population (1)	8,625
Net Taxable Grand List (10/1/08)	\$1,089,925,297
Estimated Full Value	\$1,557,036,139
Equalized Net Taxable Grand List (2007) (2)	\$1,770,768,034
Per Capita Income (1999) (3)	\$30,096
Total Direct Indebtedness:	
Per Capita	\$3,937.67
To Net Taxable Grand List	3.12%
To Estimated Full Value	2.18%
To Equalized Net Taxable Grand List	1.92%
Per Capita to Per Capita Income	13.08%
Total Net Direct Indebtedness:	
Per Capita	\$3,717.10
To Net Taxable Grand List	2.94%
To Estimated Full Value	2.06%
To Equalized Net Taxable Grand List	1.81%
Per Capita to Per Capita Income	12.35%

(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.

Historical Debt Statement

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Population (1)	8,625	8,625	8,643	8,647	8,587
Net taxable grand list	\$ 898,484,511	\$ 885,239,305	\$ 872,853,828	\$ 850,256,958	\$ 833,558,176
Estimated full value	\$1,283,549,301	\$1,264,627,579	\$1,246,934,040	\$1,214,652,797	\$1,190,797,394
Equalized net taxable grand list (2)	\$1,770,768,034	\$1,752,551,589	\$1,723,182,546	\$1,605,433,716	\$1,191,187,709
Per capita income (1999) (3)	\$30,096	\$30,096	\$30,096	\$30,096	\$30,096
Short-term debt	\$ 500,000	\$ 2,670,000	\$ 3,175,000	\$ 6,925,000	\$ 9,385,000
Long-term debt	<u>32,787,282</u>	<u>31,234,773</u>	<u>31,351,711</u>	<u>21,038,206</u>	<u>10,899,365</u>
Total Direct Indebtedness	\$33,287,282	\$33,904,773	\$34,526,711	\$27,963,206	\$20,284,365
Net Direct Indebtedness	\$31,866,148	\$32,405,458	\$32,948,641	\$26,236,206	\$18,387,365

(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.

Historical Debt Ratios

	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>
Total Direct Indebtedness:					
Per capita	\$3,859.40	\$3,930.99	\$3,994.76	\$3,233.86	\$2,362.22
To net taxable grand list	3.70%	3.83%	3.96%	3.29%	2.43%
To estimated full value	2.59%	2.68%	2.77%	2.30%	1.70%
To equalized net taxable grand list	1.88%	1.93%	2.00%	1.74%	1.70%
Debt per capita to per capita income	12.82%	13.06%	13.27%	10.75%	7.85%
Net Direct Indebtedness:					
Per capita	\$3,694.63	\$3,757.15	\$3,812.18	\$3,034.14	\$2,141.30
To net taxable grand list	3.55%	3.66%	3.77%	3.09%	2.21%
To estimated full value	2.48%	2.56%	2.64%	2.16%	1.54%
To equalized net taxable grand list	1.80%	1.85%	1.91%	1.63%	1.54%
Debt per capita to per capita Income	12.28%	12.48%	12.67%	10.08%	7.11%

Outstanding Short-Term Indebtedness

The Town will have \$475,000 outstanding in short-term bond anticipation notes with this issue.

Overlapping and Underlying Indebtedness

The Town has no overlapping or underlying indebtedness.

Clean Water Fund Program

The Town of Litchfield is a participant in the State of Connecticut Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan.)

Loans to the Town are made pursuant to Project Grant and Project Loan Agreements. The Town is obligated to repay only that amount which it draws down for the payment of project costs ("Loan Agreements"). The Town must permanently finance its draws under the Interim Funding Obligation ("IFO") through the issuance of a Project Loan Agreement ("PLO") at the conclusion of the project secured by the full faith and credit of the Town, and/or a dedicated source of revenue of the Town.

Amortization of each loan is required to begin one year from the earlier of the scheduled completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are made (1) in equal monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the scheduled completion date specified in the Loan Agreement repayable thereafter in monthly installments. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

The Town has the following Clean Water Fund loans outstanding:

<u>Project</u>	<u>Date of Issue</u>	<u>Original 2% Loan Amount</u>	<u>Amount Outstanding for the Sewer Construction Projects As of 2/10/10</u>
CWF PLO 181-C	07/29/1999	\$ 570,427	\$ 267,959
CWF PLO 396-C	01/30/1998	900,340	357,340
CWF PLO 499-C	07/31/2004	<u>4,595,198</u>	<u>3,284,825</u>
		<u>\$6,065,965</u>	<u>\$3,910,124</u>

Legal Requirements for Approval of Borrowing

The Town has the power to incur indebtedness by issuing its bonds or notes as authorized by the Connecticut General Statutes subject to statutory debt limitations. All capital projects which are financed by the issuance of bonds or notes must be approved by voters of the Town at a Town Meeting or Referendum, except for refunding bonds which only need to be approved by the Board of Selectmen.

Temporary Financing

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

Temporary notes may be funded beyond ten years from their initial borrowing date, if written commitment exists for State and/or Federal grants for terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

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

Authorized but Unissued Debt

	Total Bond <u>Authorization</u>	Prior <u>Bonds Issued</u>	Amount of Notes <u>Outstanding</u> (1)	Paydowns / <u>Grants</u>	The Bonds <u>(This Issue)</u>	The Notes <u>(This Issue)</u>	Authorized <u>But Unissued</u>
High Bridge Road Bridge Improvements	\$ 1,055,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$1,055,000 (2)
Town Schools Expansion & Renovation Projects	33,000,000	23,000,000	500,000	9,131,889	-0-	475,000	393,111 (3)
2009-2010 Capital Improvement Program							
School Improvements	420,000	-0-	-0-	-0-	420,000	-0-	-0-
Board of Fire Commissioners and EMS	475,000	-0-	-0-	-0-	475,000	-0-	-0-
Bridge, Road and Building Improvements	395,300	-0-	-0-	-0-	395,300	-0-	-0-
Debt Administration	<u>64,700</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>64,700</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$35,410,000</u>	<u>\$23,000,000</u>	<u>\$500,000</u>	<u>\$9,131,889</u>	<u>\$1,355,000</u>	<u>\$ 475,000</u>	<u>\$1,448,111</u>

- (1) The Notes in this column will be retired by the Notes and a 1/20th (\$25,000) statutory paydown. (See "Temporary Financing" herein).
- (2) The High Bridge Road Bridge Improvements program is expected to be funded with 80% grants and 20% of Town funds.
- (3) It is estimated that the Town will receive State of Connecticut School Construction grant progress payments in the amount of \$9,431,653 during the construction of the project financed in part by the Bonds and Notes. The grants received will reduce the authorized but unissued debt by a similar amount. (See "School Projects" herein).

Combined Schedule of Long Term Debt through Maturity – General Fund and Sewer Assessment Fund

As of February 10, 2010 (Pro Forma)

Fiscal Year	Principal Payments (1)	Interest Payments	Total Debt Service (1)	Bonds Principal	Total Principal All Issues (1)
2010	\$ 2,203,156	\$ 980,166	\$ 3,183,322	\$ -0-	\$ 2,203,156
2011	2,213,935	1,082,264	3,296,199	-0-	2,213,935
2012	2,309,831	930,036	3,239,867	125,000	2,434,831
2013	2,270,847	854,697	3,125,544	150,000	2,420,847
2014	2,275,158	783,980	3,059,138	150,000	2,425,158
2015	2,136,418	715,957	2,852,375	150,000	2,286,418
2016	2,142,805	656,657	2,799,462	150,000	2,292,805
2017	2,116,684	596,936	2,713,620	150,000	2,266,684
2018	2,055,865	531,756	2,587,621	150,000	2,205,865
2019	1,934,822	467,358	2,402,180	150,000	2,084,822
2020	1,917,054	405,291	2,322,345	180,000	2,097,054
2021	1,922,243	339,068	2,261,311	-0-	1,922,243
2022	1,902,536	269,217	2,171,753	-0-	1,902,536
2023	1,907,936	198,564	2,106,500	-0-	1,907,936
2024	1,567,991	130,601	1,698,592	-0-	1,567,991
2025	1,280,000	67,663	1,347,663	-0-	1,280,000
2026	<u>625,000</u>	<u>26,563</u>	<u>651,563</u>	<u>-0-</u>	<u>625,000</u>
	<u>\$32,787,281</u>	<u>\$9,036,774</u>	<u>\$41,819,055</u>	<u>\$1,355,000</u>	<u>\$34,137,281</u>

- (1) Does not reflect fiscal year 2009-10 principal payments of \$649,858 made as of February 10, 2010.

Source: Director of Finance's Office, Town of Litchfield.

SECTION V - FINANCIAL DATA

Accounting Policies

The Town's accounting policies are summarized in Note 1 "Summary of Significant Accounting Policies" in the Notes to Financial Statements (Appendix A).

Basis of Accounting

See Note 1-C "Measurement Focus, Basis of Accounting and Financial Statement Presentation" in the Notes to Financial Statements (Appendix A).

Audit

Pursuant to the provisions as delineated in the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes), the Town is obligated to undergo an annual examination by an independent certified public accountant. The firm of Blum, Shapiro & Company, P.C., of West Hartford, Connecticut, is the auditors, and is required to conduct an examination under the guidelines issued by the State of Connecticut, Office of Policy & Management, who receive a copy of said audit report when completed.

The most recent annual audit covers the fiscal year ended June 30, 2009, a portion of which is included in this document and made a part hereof as Appendix A. Included in Appendix A are the Independent Auditor's Report, Management's Discussion and Analysis, the Town's Basic Financial Statements, the Notes to the Financial Statements and the Required Supplementary Information, together with the report of the independent auditor as prepared by Blum, Shapiro & Company, P.C., Independent Certified Public Accountants. The information contained in "Appendix A" is not the whole audit report. A full report is available from the Director of Finance, Town of Litchfield, upon request.

Budgetary Procedures

The Town adheres to the following procedures in establishing the annual budget. 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. Per the Connecticut General Statutes, the Annual Town Meeting may be adjourned to a referendum vote within 14 days of the Town Meeting Date.

<u>On or About</u>	<u>Action</u>
First week in February	The Board of Selectmen holds a series of public workshops on each departmental budget.
March	The Board of Finance receives the Selectmen's recommended operating and capital budget and Board of Education budget.
Early April	Board of Finance conducts public hearing on budget.
Early May	Town Meeting votes on budget or it is adjourned to referendum.

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 fiscal year.

Supplemental Appropriations

The Town annually budgets a contingency fund against unexpected supplementary appropriations. The Board of Selectmen may recommend contingency fund transfers of up to \$20,000 to the Board of Finance without a Town Meeting. The Board of Finance is authorized to transfer budgeted amounts between appropriations and can approve additional appropriations up to an aggregate of \$20,000 per department per year. Transfers and additional appropriations aggregating more than \$20,000 for any one department per year must be approved by the Town Meeting.

Employee Pension Systems

The Town of Litchfield has a non-contributory defined benefit retirement plan (the "Town Plan") that covers 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 (5) years of credited service.

The Town has an additional non-contributory defined benefit retirement plan (the "Merit Service Plan") that covers all volunteer fireman who belong to the volunteer fire departments and, as of July 1, 1992, the members of the volunteer ambulance corps. Volunteer fireman and ambulance corps members are eligible to participate in the plan on July 1 following the date on which one year of eligible service has been completed.

The eligible faculty and professional personnel of the Board of Education ("BOE") participate in a multiple employer cost sharing contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes. The BOE plan is administered by the Connecticut State Teachers' Retirement Board. 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 Town audit report dated June 30, 2009 summarizes actuarial information, funding, pension cost and net pension asset amounts as of June 30, 2009 for the Town Plan and the Merit Service Plan. The Audit Report also provides information on eligibility and additional information on the BOE plan. (See Appendix A, Note 12, "Employee Retirement Plans", of the "Notes to Financial Statements").

Based upon a July 1, 2009 actual valuation, the actuarial value of assets and actuarial liabilities for the Town Plan and Merit Service Plan were as follows:

Schedule of Funding Progress in Thousands (Town Plan)

Actuarial Valuation July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (c)	Funded Ratio (a) / (b)
2004	\$4,680,000	\$ 5,930,000	\$1,250,000	78.9%
2005	4,662,000	6,316,000	1,654,000	73.8
2006	4,984,000	6,868,000	1,884,000	72.6
2007	5,799,000	8,708,000	2,909,000	66.6
2008	5,806,000	9,784,000	3,978,000	59.3
2009	5,051,000	10,517,000	5,466,000	48.0

(Merit Service Plan)

Actuarial Valuation July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (c)	Funded Ratio (a) / (b)
2004	\$1,428,000	\$2,290,000	\$ 862,000	62.4%
2005	1,433,000	2,262,000	829,000	63.4
2006	1,715,000	2,556,000	841,000	67.1
2007	1,983,000	2,754,000	771,000	72.0
2008	1,899,000	2,905,000	1,006,000	65.4
2009	1,641,000	3,155,000	1,514,000	52.0

**Schedule of Employer Contributions in Thousands
(Town Plan)**

Fiscal Year	Actuarial Required Contribution	Actual Contribution	Percentage Contributed
2004	\$306,000	\$306,000	100.0%
2005	320,000	320,000	100.0
2006	354,000	354,000	100.0
2007	360,000	391,000	108.6
2008	509,000	677,000	132.6
2009	609,000	530,000	87.0
2010	774,000	697,000	90.1

(Merit Service Plan)

Fiscal Year	Actuarial Required Contribution	Actual Contribution	Percentage Contributed
2004	\$ 78,000	\$ 99,000	126.9%
2005	83,000	100,000	120.5
2006	105,000	295,000	280.9
2007	106,000	109,000	102.8
2008	115,000	126,000	109.6
2009	160,000	146,000	91.3
2010	224,000	198,000	88.4

The market value of the Town's two pension funds at June 30, 2009 was \$6,692,000, 13% less than a year earlier due to the recent global financial market conditions. At December 31, 2009, the market value of the funds increased 12% from June 30, 2009 to \$7,537,000. In January 2011, the \$895,000 current year contribution is being made to the Plans. An additional contribution of \$224,000 to the Town Plan was approved at the January 12, 2010 Annual Town Meeting.

For further details on the plans, see Appendix A, Note 12 "Pension Plans" of the "Notes to General Purpose Financial Statements".

Other Post Employment Benefits

As disclosed in the audited financial statements for the year ended June 30, 2009, the Board of Education ("BOE") provides certain retirees with health care, life insurance and lump sum benefits, in accordance with certain union contracts.

For further details on the plans, see Appendix A, Note 10 "Other Post Employment Benefits" of the "Notes to General Purpose Financial Statements".

For the year ended June 30, 2009, the BOE implemented Governmental Accounting Standards Board ("GASB") Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions." This Statement establishes standards for the measurement, recognition and display of other post employment benefits ("OPEB") expenses and related liabilities or assets and note disclosure in the financial reports. In accordance with that Statement, the Statement of Activities for the year ended June 30, 2009 includes \$489,000 as the annual required contribution ("ARC") expense for these OPEB benefits. To the extent the OPEB ARC is in excess of the pay-as-you-go amount of \$160,000, a net OPEB obligation of \$329,000 will be recorded on the Town's Statement of Net Assets.

As of July 1, 2007, the most recent actuarial valuation date, the actuarial liability amount for OPEB was \$3,199,000. At that same date, there were 114 vested and 41 non-vested participants. The BOE expects to establish a Trust Fund to segregate assets to fund the liability during the fiscal year ending June 30, 2010. Initial funding of \$100,000 to the OPEB special revenue fund was approved at the January 12, 2010 Annual Town Meeting.

Investment Policies and Procedures

The Town's investment practices have been to invest only in the following investments: (1) certificates of deposit; (2) overnight repurchase agreements collateralized by U.S. government agency obligations which are priced daily; (3) the State of Connecticut Short-Term Investment Fund ("STIF"); and (4) MBIA Class, an investment fund managed by MBIA Municipal Investors Service Corporation, which, according to MBIA Class, invests only in (i) high grade short-term federal securities and variable rate obligations backed by federal agencies having monthly or quarterly assets based on indices like the prime rate, LIBOR, or a combination of the two, and (ii) very short-term (usually overnight) repurchase agreements secured by high quality collateral which is valued daily and fully delivered to the programs' custodial bank to be held for the benefit of the pool's participants. Additional information on the Town's investment policies and investments related to the Pension Trust Funds are available upon request to the Director of Finance. (See Appendix A, Note 3, "Cash, Cash Equivalents and Investments" of the "Notes to Financial Statements").

Assessment Practices

The Town of Litchfield last revalued its real property effective October 1, 2008. Section 12-62 of the Connecticut General Statutes establishes the revaluation cycle for Connecticut municipalities. The law requires a revaluation every five years, and the Assessor shall perform a full inspection of all parcels once every ten years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may choose to phase-in real property assessment increases resulting from a revaluation, but such phase-in must be implemented in less than five assessment years. The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Every year the Board of Assessment Appeals (BAA) determines whether each taxpayer petition for assessment reduction on the current grand list is warranted. BAA also has the authority to increase assessments.

Tax Collection Procedure

Taxes for the fiscal year are paid on the grand list of the prior October 1, and are due July 1, payable in two installments, one half on July 1 and one half on January 1. Payments not received by August 1 and February 1, respectively, become delinquent.

According to the provisions of Sections 12-146 of the Connecticut General Statutes, delinquent property taxes are subject to an interest rate of 1.5% per month (18% per annum).

Property Tax Levies and Collections

FY Ending 6/30	Net Taxable Grand List	Tax Rate (In Mills)	Total Adjusted Tax Levy	Collected End of Each FY	Uncollected Taxes End of Each FY	Uncollected Taxes As of 6/30/09
2010 (2)	\$1,089,925,297	21.20	\$23,159,095	In Process	In Process	In Process
2009	898,484,511	25.50	23,032,859	98.1%	\$445,000	\$445,000
2008	885,239,305	25.10	22,337,147	98.5	332,000	113,000
2007	872,853,828	23.90	20,962,135	98.8	254,787	42,000
2006	850,256,958	22.90	19,598,563	98.7	259,037	10,000
2005	833,558,176	21.40	17,945,972	98.6	253,981	8,000
2004	639,354,526	27.37	17,650,533	98.2	325,705	500
2003	629,048,119	25.41	16,128,121	97.8	351,228	500
2002	618,926,066	24.86	15,514,929	97.8	335,210	500
2001	617,997,169	24.25	14,916,571	97.7	347,288	500

(1) The Town last revalued property effective with the grand list of October 1, 2008.

(2) Adopted Budget.

Source: Town Officials.

Taxable Grand List (1)

Grand List Dated	Real Property	Personal Property	Motor Vehicle Property	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
10/01/08	\$1,002,767,850	\$25,039,165	\$65,281,752	\$1,093,088,767	\$3,163,470	\$1,089,925,297
10/01/07	805,692,775	24,593,239	71,457,581	901,743,595	3,259,084	898,484,511
10/01/06	795,424,936	24,129,859	69,135,390	888,690,185	3,450,880	885,239,305
10/01/05	784,995,628	23,521,039	67,573,721	876,090,388	3,236,560	872,853,828
10/01/04	766,710,565	22,019,423	63,395,520	852,125,508	1,868,550	850,256,958
10/01/03	755,575,145	21,798,276	58,052,705	835,426,126	1,867,950	833,558,176
10/01/02	561,093,391	20,013,465	60,122,910	641,229,766	1,875,240	639,354,526
10/01/01	550,738,295	23,217,164	57,498,780	631,454,239	2,406,120	629,048,119
10/01/00	542,599,257	23,570,604	55,298,077	621,467,938	2,541,872	618,926,066
10/01/99	543,199,436	23,702,795	53,317,150	620,219,381	2,222,212	617,997,169

(1) The Grand List represents the total of assessed value for all taxable real and personal property located within the Town as of October 1. The Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments are computed at seventy percent (70%) of market value at the time of the last revaluation (Grand List of 10/1/08).

Source: Town Officials

Largest Taxpayers

The following table sets forth the ten largest taxpayers in the Town per the Grand List dated October 1, 2008.

Name of Taxpayer	Nature of Operations	Total Assessment As of 10/1/08
Connecticut Light & Power	Power Company	\$ 8,184,530
City of Waterbury	Watershed	6,185,200
CRP/BWN LLC (Sarah Pierce)	Health Care Facility	5,361,280
White Memorial Foundation	Leased Land for Cottages	3,919,720
6645 Federal Square Realty	Commercial Real Estate	3,428,970
Aquarion Water Co.	Water Supply	3,320,630
Arethusa Farm	Farming	3,061,750
First National Bank of Litchfield	Bank	2,704,760
Litchfield Developers	Commercial Real Estate	2,396,100
Laurel Ridge	Rental of Property and Farming	2,275,110
Total		<u>\$40,838,050</u> (1)

(1) Represents 3.75% of the net taxable grand list dated October 1, 2008 of \$1,089,925,297.

Source: Tax Assessor.

Revenues

The Town derives its revenues from a direct tax levy on property, State and Federal aid, various fees and charges, and certain miscellaneous sources. Town revenues are summarized for fiscal years ended 2005 – 2009, see "Statement of Revenues, Expenditures, and Changes in Fund Balance" herein. The prior year's appropriated surplus is also available to support current operating expenditures.

Property Tax Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Property Tax Revenues</u>	<u>Property Tax As a % of General Fund Revenues</u>
2010 (Adopted Budget)	\$25,508,060 (1)	\$23,147,477	90.7%
2009	26,634,000	23,034,000	86.5
2008	31,070,000 (2)	22,370,000	72.0
2007	25,220,000	21,115,000	83.7
2006	23,766,000	19,801,000	83.3
2005 (3)	21,041,000	18,192,000	86.5
2004	20,579,303	17,974,150	87.3
2003	19,248,550	16,412,138	85.3
2002	18,346,337	15,546,711	84.7
2001	18,119,491	15,120,676	83.4

(1) Does not include on-behalf payments for state teachers' retirement.

(2) Includes one-time pass-through state funding for the state teachers' retirement system pension liability in the amount of \$5,602,000 an increase of \$4,681,000.

(3) Beginning with the fiscal year ended June 30, 2005, the Town's audited results are reported to the nearest thousand dollars.

Source: Annual audited financial statements; Fiscal year 2009-10 adopted budget.

Intergovernmental Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Intergovernmental Revenues</u>	<u>Intergovernmental Revenue as a Percentage of General Fund Revenue</u>
2010 (Adopted Budget)	\$25,508,060 (1)	\$1,807,577 (1)	7.1%
2009	26,634,000	2,973,000	11.2
2008	31,070,000 (2)	7,408,000 (2)	23.8
2007	25,220,000	2,448,000	9.7
2006	23,766,000	2,419,000	10.2
2005 (3)	21,041,000	1,883,000	8.9
2004	20,579,303	1,891,638	9.2
2003	19,248,550	2,293,180	11.9
2002	18,346,337	2,136,555	11.6
2001	18,119,491	1,948,958	10.8

(1) Does not include on-behalf payments for state teachers' retirement.

(2) Includes one-time pass-through state funding for the state teachers' retirement system pension liability in the amount of \$5,602,000 an increase of \$4,681,000.

(3) Beginning with the fiscal year ended June 30, 2005, the Town's audited results are reported to the nearest thousand dollars.

Source: Annual audited financial statements; Fiscal year 2009-10 adopted budget.

Expenditures

<u>Fiscal Year</u>	<u>Board of Education</u>	<u>Debt Service</u>	<u>Public Works</u>	<u>Benefits and Insurance</u>	<u>General Government</u>	<u>Public Safety</u>
2010 (Adopted Budget)	61.9%	13.3%	7.6%	5.7%	5.2%	3.3%
2009	64.0	13.1	7.5	4.7	4.6	3.1
2008 (1)	68.6	11.4	6.8	4.6	4.1	2.4
2007	64.6	11.6	7.5	4.9	5.6	3.1
2006	66.2	8.3	7.7	5.9	6.1	3.2
2005	68.5	6.3	8.0	4.9	6.2	3.4
2004	69.6	3.7	8.7	5.0	7.2	3.5
2003	68.3	4.2	9.8	3.6	8.1	3.4
2002	66.1	4.6	10.2	3.5	6.1	3.2
2001	69.6	5.0	9.6	3.5	6.2	3.3

(1) Includes one-time pass-through state funding for the state teachers' retirement system pension liability in the amount of \$5,602,000 an increase of \$4,681,000.

Source: Annual audited financial statements; Fiscal year 2009-10 adopted budget.

Comparative General Fund Operating Statement
(Budget and Actual – Budgetary Basis)

	<u>Fiscal Year 2008-09</u> (1)			Fiscal Year 2009-10
	<u>Final Budget</u>	<u>Actual Operations</u>	<u>Favorable (Unfavorable)</u>	<u>Adopted Budget</u>
REVENUES:				
Property Taxes	\$22,956,000	\$23,034,000	\$ 78,000	\$23,147,477
Intergovernmental	1,827,000	1,805,000	(22,000)	1,807,577
Licenses, permits and fees	512,000	389,000	(123,000)	437,445
Income from investments	280,000	209,000	(71,000)	105,000
Other revenues	<u>19,000</u>	<u>106,000</u>	<u>87,000</u>	<u>10,561</u>
TOTAL REVENUES	<u>25,594,000</u>	<u>25,543,000</u>	<u>(51,000)</u>	<u>25,508,060</u>
EXPENDITURES:				
Current:				
General government	1,406,000	1,242,000	164,000	1,344,010
Public safety	845,000	825,000	20,000	848,629
Public works	2,134,000	2,129,000	5,000	1,976,595
Health and welfare	101,000	96,000	5,000	101,130
Libraries	315,000	315,000	-0-	316,919
Recreation	268,000	227,000	41,000	246,930
Board of education	16,075,000	15,802,000	273,000	16,071,711
Other	1,366,000	1,266,000	100,000	1,599,919 (2)
Debt Service	<u>3,481,000</u>	<u>3,470,000</u>	<u>11,000</u>	<u>3,437,790</u>
TOTAL EXPENDITURES	<u>25,991,000</u>	<u>25,372,000</u>	<u>619,000</u>	<u>25,943,633</u>
Revenues over (under) expenditures	<u>(397,000)</u>	<u>171,000</u>	<u>568,000</u>	<u>(435,573)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	482,000	482,000	-0-	458,073
Operating transfers out	(463,000)	(452,000)	11,000	(22,500)
Appropriation of fund balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>19,000</u>	<u>30,000</u>	<u>11,000</u>	<u>435,573</u>
Revenues and other financing sources over (under) expenditures and other financing (uses)	<u><u>\$ (378,000)</u></u>	<u><u>\$ 201,000</u></u>	<u><u>\$ 579,000</u></u>	<u><u>\$ -0-</u></u>

(1) The fiscal year ended June 30, 2009 audited financials are reported to the nearest thousand dollars.

(2) Includes contingency of \$110,000.

Source: Audited financial statements; Fiscal year 2009-10 adopted budget.

**Comparative Balance Sheets - General Fund
(In Thousands)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
ASSETS					
Cash and cash equivalents	\$16,817,000	\$23,782,000	\$16,156,000	\$12,802,000	\$10,345,000
Receivables, net	530,000	425,000	437,000	479,000	494,000
Other assets	13,000	41,000	43,000	38,000	28,000
Due from other funds	<u>312,000</u>	<u>269,000</u>	<u>282,000</u>	<u>269,000</u>	<u>215,000</u>
TOTAL ASSETS	<u>\$17,672,000</u>	<u>\$24,517,000</u>	<u>\$16,918,000</u>	<u>\$13,588,000</u>	<u>\$11,182,000</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 314,000	\$ 707,000	\$ 403,000	\$ 536,000	\$ 576,000
Due to other funds	13,843,000	19,766,000	11,924,000	8,680,000	5,967,000
Deferred revenue	<u>437,000</u>	<u>372,000</u>	<u>331,000</u>	<u>462,000</u>	<u>583,000</u>
TOTAL LIABILITIES	<u>14,594,000</u>	<u>20,845,000</u>	<u>12,658,000</u>	<u>9,678,000</u>	<u>7,126,000</u>
FUND BALANCES					
Reserved	192,000	215,000	247,000	159,000	104,000
Unreserved	<u>2,886,000</u>	<u>3,457,000</u>	<u>4,013,000</u>	<u>3,751,000</u>	<u>3,952,000</u>
TOTAL FUND BALANCES	<u>3,078,000</u>	<u>3,672,000</u>	<u>4,260,000</u>	<u>3,910,000</u>	<u>4,056,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$17,672,000</u>	<u>\$24,517,000</u>	<u>\$16,918,000</u>	<u>\$13,588,000</u>	<u>\$11,182,000</u>

Source: Annual audited financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund (1)
(GAAP BASIS)
(In Thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
REVENUES:					
Property taxes and assessments	\$18,192,000	\$19,801,000	\$21,115,000	\$22,370,000	\$23,034,000
Intergovernmental	1,883,000	2,419,000	2,448,000	7,408,000	2,973,000
Charges for services	732,000	691,000	605,000	511,000	389,000
Income from investments	228,000	855,000	963,000	589,000	209,000
Other revenues	<u>6,000</u>	<u>-0-</u>	<u>89,000</u>	<u>192,000</u>	<u>29,000</u>
TOTAL REVENUES	<u>21,041,000</u>	<u>23,766,000</u>	<u>25,220,000</u>	<u>31,070,000</u>	<u>26,634,000</u>
EXPENDITURES:					
Current:					
General government	1,291,000	1,410,000	1,371,000	1,268,000	1,223,000
Public safety	711,000	753,000	770,000	757,000	816,000
Public works	1,673,000	1,792,000	1,839,000	2,089,000	1,998,000
Health and welfare	153,000	151,000	102,000	88,000	96,000
Libraries	261,000	267,000	280,000	292,000	315,000
Recreation	125,000	182,000	277,000	277,000	246,000
Education	14,242,000	15,428,000	15,836,000	21,225,000	16,978,000
Employee benefits	1,029,000	1,385,000	1,209,000	1,429,000	1,245,000
Capital Outlay	-0-	-0-	-0-	-0-	131,000
Debt service	<u>1,309,000</u>	<u>1,932,000</u>	<u>2,835,000</u>	<u>3,523,000</u>	<u>3,470,000</u>
TOTAL EXPENDITURES	<u>20,794,000</u>	<u>23,300,000</u>	<u>24,519,000</u>	<u>30,948,000</u>	<u>26,518,000</u>
Revenues over (under) expenditures	<u>247,000</u>	<u>466,000</u>	<u>701,000</u>	<u>122,000</u>	<u>116,000</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	640,000	466,000	473,000	470,000	482,000
Operating transfers out	<u>(324,000)</u>	<u>(338,000)</u>	<u>(586,000)</u>	<u>(942,000)</u>	<u>(452,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>316,000</u>	<u>128,000</u>	<u>(113,000)</u>	<u>(472,000)</u>	<u>30,000</u>
Net change in fund balances	563,000	594,000	588,000	(350,000)	146,000
Fund Balances, beginning of year	<u>2,515,000</u>	<u>3,078,000</u>	<u>3,672,000</u>	<u>4,260,000</u>	<u>3,910,000</u>
Fund Balances, end of year	<u>\$ 3,078,000</u>	<u>\$ 3,672,000</u>	<u>\$ 4,260,000</u>	<u>\$ 3,910,000</u>	<u>\$ 4,056,000</u>

Source: Annual audited financial statements.

SECTION VI – ADDITIONAL INFORMATION

Litigation

The Town of Litchfield, its officers, employees, boards and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. It is the Town Attorney's opinion that such pending litigation will not be finally determined, individually or in the aggregate, so as to result in final judgments against the Town which would have a material adverse effect on the Town's financial position.

Legal Matters

Murtha Cullina LLP, of Hartford and New Haven, Connecticut is serving as bond counsel with respect to the authorization and issuance of the Bonds and Notes and will render its opinion with respect to the Bonds and Notes in substantially the form attached to the Official Statement as Appendices B-1 and B-2, respectively.

Financial Advisor

The Town has retained Independent Bond and Investment Consultants LLC ("IBIC LLC") of Madison, Connecticut, as financial advisor in connection with the issuance and sale of the Bonds and Notes. Although IBIC LLC has assisted in the preparation of the Official Statement, IBIC LLC is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. IBIC LLC is an independent municipal bond advisory firm and is not engaged in the business of providing investment advice, underwriting, trading or distributing municipal securities or other public securities.

Availability of Continuing Disclosure Information

The Town prepares, in accordance with State law, annual audited financial statements and operating statements and files such annual audits with the State Office of Policy and Management within six months of the end of its fiscal year. The Town provides, and will continue to provide, to the rating agencies ongoing disclosure in the form of the annual financial reports, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

With respect to the Bonds, the Issuer will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide, with respect to the Bonds (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain material events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. The Issuer will undertake in a Continuing Disclosure Agreement with respect to the Notes, to provide timely notice of the occurrence of certain material events. The winning bidder's obligation to purchase the Bonds or Notes shall be conditioned upon its receiving, at or prior to the delivery of the Bonds or Notes, an executed copy of the Continuing Disclosure Agreements for the Bonds or Notes. (See Appendices C-1 and C-2 "Forms of Continuing Disclosure Agreement").

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and events of notices pursuant to Rule 15c2-12(b)(5). To date the Town has not failed to meet any of its undertakings under such agreements.

Documents Accompanying Delivery of the Bonds and Notes

Upon delivery of the Bonds and Notes, the purchaser(s) will be furnished with the following:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds and Notes or the levy or collection of taxes to pay them;
2. A certificate on behalf of the Town signed by the First Selectman, Town Treasurer, and the Director of Finance, which will be dated the date of delivery and attached to a confirmed copy of the Official Statement, and which will certify to the best of said officials' knowledge and belief, that the descriptions and statements in the Official Statement relating to the Town of Litchfield and its finances were true and correct in all material respects and did not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statement therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement;

3. A Receipt for the purchase price of the Bonds and Notes;
4. The approving opinion of Murtha Cullina LLP of Hartford and New Haven, Connecticut;
5. Executed Continuing Disclosure Agreements for the Bonds and Notes in substantially the forms attached to the Official Statement as Appendices C-1 and C-2, respectively; and
6. The Town will provide the winning bidder of the Bonds 100 copies of the Official Statement, and the winning bidder of the Notes 15 copies of the Official Statement, as prepared for this issue at the Town's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by a winning bidder at its own expense by arrangement with the printer. If the Issuer's financial advisor is provided with the necessary information from the winning bidders by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds and Notes.

A record of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the office of the U.S. Bank National Association of Hartford, Connecticut and will be available for examination upon reasonable request.

Concluding Statement

Additional information may be obtained upon request from the office of the Director of Finance at (860) 567-7554 or from Independent Bond and Investment Consultants LLC at (203) 245-8715.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds or the Notes.

TOWN OF LITCHFIELD, CONNECTICUT

BY: / s / Leo Paul, Jr. _____
LEO PAUL, JR.
First Selectman

BY: / s / David T. Wilson _____
DAVID T. WILSON
Town Treasurer

BY: / s / Cynthia G. Politano _____
CYNTHIA G. POLITANO
Director of Finance

Dated: January 27, 2010

APPENDIX A - AUDITED FINANCIAL STATEMENTS

TOWN OF LITCHFIELD, CONNECTICUT

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Appendix A - Financial Statements - is taken from the Annual Financial Report of the Town of Litchfield for the Fiscal Year ended June 30, 2009 as presented by the Auditors. This appendix does not include all of the schedules made in such report. A copy of the complete report is available upon request to the Director of Finance, Town of Litchfield, Connecticut.

The independent auditors for the Issuer are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in this Official Statement, and make no representation that they have independently verified the same. The auditors have not been engaged nor performed audit procedures regarding the post audit period. The auditors have not provided their consent for the use of the audit report in this Official Statement.

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. 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.

Blum, Shapiro & Company, P.C.

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Management's discussion and analysis on pages A-3 through A-12 and budgetary comparison information on pages A-45 through A-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.

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	<u>\$ 66,320</u>	<u>\$ 61,796</u>

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
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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>
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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)

	Governmental Activities
	Internal Service Fund
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	90
Cash Flow from Investing Activities:	
Interest received on investments	17
Net Increase in Cash and Cash Equivalents	107
Cash and Cash Equivalents at Beginning of Year	71
Cash and Cash Equivalents at End of Year	\$ 178
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)	1
Net Cash Provided by Operating Activities	\$ 90

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>174</u>	<u>249</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>\$ (171)</u>	<u>\$ (245)</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 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

MURTHA CULLINA LLP

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FORM OF OPINION OF BOND COUNSEL – Bonds

Town of Litchfield
Litchfield, Connecticut

Ladies and Gentlemen:

We have examined a record of the proceedings of the Town of Litchfield, a Tax Regulatory Agreement of the Town dated February 10, 2010 (the "Tax Regulatory Agreement") and other proofs submitted to us relative to the issuance and sale of \$1,355,000 Town of Litchfield General Obligation Bonds, Issue of 2010, bearing a Dated Date of February 1, 2010 and an Original Issue Date of February 10, 2010 (the "bonds"). The bonds are subject to redemption prior to maturity as therein provided.

The bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the bonds, and are certified by U.S. Bank National Association, Hartford, Connecticut (the "Certifying Agent").

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the bonds under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the bonds are valid general obligations of the Town of Litchfield payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There were 100 acres of such certified forest land on the last completed grand list of the Town and under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the bonds in order that interest on the bonds not be included in gross income under Section 103 of the Code. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the bonds shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code, is not treated as a preference item for purposes of computing the Federal alternative minimum tax, and is not includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the alternative minimum tax imposed on corporations. We express no opinion regarding other Federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the bonds.

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

We are further of the opinion that, under existing statutes, interest on the bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by ownership or disposition of the bonds.

Respectfully yours,

MURTHA CULLINA LLP

MURTHA CULLINA LLP

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FORM OF OPINION OF BOND COUNSEL – Notes

Town of Litchfield
Litchfield, Connecticut

Ladies and Gentlemen:

We have examined a record of the proceedings of the Town of Litchfield, a Tax Regulatory Agreement of the Town dated February 10, 2010 (the "Tax Regulatory Agreement"), and other proofs submitted to us relative to the issuance and sale of \$475,000 Town of Litchfield General Obligation Bond Anticipation Notes, bearing a Dated Date and an Original Issue Date of February 10, 2010, maturing February 9, 2011 (the "notes").

The notes are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the notes, and are certified by U.S. Bank National Association, Hartford, Connecticut (the "Certifying Agent").

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the notes (except to the extent, if any, stated in such Official Statement) and we express no opinion relating thereto.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the notes under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the notes are a valid general obligation of the Town of Litchfield payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There were 100 acres of such certified forest land on the last completed grand list of the Town and under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the notes in order that interest on the notes not be included in gross income under Section 103 of the Code. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the notes shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the notes is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code, is not treated as a preference item for purposes of computing the Federal alternative minimum tax, and is not includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the alternative minimum tax imposed on corporations. We express no opinion regarding other Federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the notes.

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

We are further of the opinion that, under existing statutes, interest on the notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by ownership or disposition of the notes.

Respectfully yours,

MURTHA CULLINA LLP

TAX EXEMPTION – Bonds and Notes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Bonds and Notes in order that interest on the Bonds and Notes not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer concurrently with the Bonds and Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds and Notes in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Issuer also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds and Notes shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Issuer with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds and Notes is not included in the gross income of the owners thereof for purposes of Federal income taxation, is not treated as a preference item for purposes of computing the Federal alternative minimum tax, and is not includable in the adjusted current earnings of corporations (as defined for federal income tax purposes) for purposes of computing the alternative minimum tax on corporations.

Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds and Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds and Notes irrespective of the date on which non compliance occurs.

Ownership of the Bonds and Notes may also result in certain collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds and Notes. Prospective purchasers of the Bonds and Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of ownership and disposition of the Bonds and Notes.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Prospective purchasers of the Bonds and Notes are advised to consult their own tax advisors regarding the state and local tax consequences of ownership and disposition of the Bonds and Notes.

ORIGINAL ISSUE DISCOUNT

The initial public offering prices of certain maturities of the Bonds (the "OID Bonds") may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount ("OID"). The offering prices relating to the yields set forth on the cover page of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law OID on the Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Bonds is not included in gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner's basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation's federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds, should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

ORIGINAL ISSUE PREMIUM

The initial public offering prices of certain maturities of the Bonds (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

APPENDIX C-1 – FORM OF CONTINUING DISCLOSURE AGREEMENT – THE BONDS

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF LITCHFIELD, CONNECTICUT

Dated As Of February 10, 2010

In Connection With The Issuance And Sale Of

\$1,355,000 Town Of Litchfield, Connecticut

General Obligation Bonds, Dated February 1, 2010

WHEREAS, the Town of Litchfield, Connecticut (the "Issuer") has heretofore authorized the issuance of \$1,355,000 in aggregate principal amount of its General Obligation Bonds (the "Bonds") to be dated February 1, 2010 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

WHEREAS, the Issuer acknowledges that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5) as amended from time to time (the "Rule"), and the Issuer desires to assist the underwriter of the Bonds in complying with the Rule; and

WHEREAS, the Issuer is authorized pursuant to Public Act 95-270 enacted by the Connecticut General Assembly to make representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Bonds in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Bonds, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 2 and 3 of this Continuing Disclosure Agreement.

"Fiscal Year End" shall mean the last day of the Issuer's fiscal year, currently June 30.

"Listed Events" shall mean any of the events listed in Section 4 of this Continuing Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. For purposes of this agreement, continuing disclosure information will be filed where approved from time to time by the MSRB, and which as of the date hereof means:

<http://emma.msrb.org>

Section 2. Annual Reports.

A. The Issuer shall provide or cause to be provided to the MSRB, the following annual financial information and operating data regarding the Issuer:

1) Audited financial statements as of and for the year ending on its Fiscal Year End for the general fund, capital projects funds and special revenue funds, prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and

2) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in 1) above:

- (a) the amounts of the gross and net taxable grand list;
- (b) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;
- (c) the percentage or amount of the annual property tax levy collected and uncollected;
- (d) a schedule of the annual debt service on outstanding long-term bonded indebtedness;
- (e) a calculation of the direct debt, net direct debt and overall net debt (reflecting overlapping and underlying debt);
- (f) the direct debt and overall net debt of the Issuer per capita;
- (g) the ratios of direct debt and overall net debt of the Issuer to the Issuer's equalized net (taxable) grand list;
- (h) a statement of statutory debt limitations and debt margins;
- (i) the funding status of the Issuer's pension benefit obligation.

B. The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's Annual Report. The information may be provided in whole or in part by cross-reference to other documents provided to the MSRB, including official statements of the Issuer which will be available from the MSRB. The information will be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

C. Subject to the requirements of Section 8 hereof, the Issuer reserves the right to modify from time to time the specific types of information or data provided or the format of the presentation of such information or data, to the extent necessary or appropriate; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Issuer also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Issuer shall provide the information and data referenced in Section 2(A) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the bonds, provided, however, that if such financial information and data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Issuer shall provide such information and data no later than eight months after the close of such preceding Fiscal Year End. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information within a reasonable time.

Section 4. Event Notices. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of the occurrence of any of the following events, if material:

- a) principal and interest payment delinquencies;
- b) non-payment related defaults;
- c) unscheduled draws on debt service reserves reflecting financial difficulties;
- d) unscheduled draws on credit enhancements reflecting financial difficulties;
- e) substitution of credit or liquidity providers, or their failure to perform;
- f) adverse tax opinions or events affecting the tax-exempt status of the security;
- g) modifications to rights of security holders;
- h) bond calls;
- i) defeasances;
- j) release, substitution or sale of property securing repayment of the securities; and
- k) rating changes.

Section 5. Notice of Failure. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of any failure by the Issuer to provide the annual financial information described in Section 2.A of this Continuing Disclosure Agreement.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Bonds.

Section 11. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit and enforceable by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF LITCHFIELD, CONNECTICUT

Dated As Of February 10, 2010

In Connection With The Issuance And Sale Of

\$1,355,000 Town Of Litchfield, Connecticut

General Obligation Bonds, Dated February 1, 2010

IN WITNESS WHEREOF, the Issuer has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

TOWN OF LITCHFIELD, CONNECTICUT

By _____
Leo Paul, Jr.
First Selectman

By _____
David T. Wilson
Town Treasurer

By _____
Cynthia G. Politano
Director of Finance

APPENDIX C-2 – FORM OF CONTINUING DISCLOSURE AGREEMENT – NOTES

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF LITCHFIELD, CONNECTICUT

Dated As Of February 10, 2010

In Connection With The Issuance And Sale Of

\$475,000 Town Of Litchfield, Connecticut

General Obligation Bond Anticipation Notes, Dated February 10, 2010

WHEREAS, the Town of Litchfield, Connecticut (the "Issuer") has heretofore authorized the issuance of \$475,000 in aggregate principal amount of its General Obligation Bond Anticipation Notes (the "Notes") bearing a Dated Date of February 10, 2010, maturing on February 9, 2011, said Notes as more fully described in the Issuer's Final Official Statement describing the Notes and prepared in connection with their sale (the "Official Statement"); and

WHEREAS, the Issuer acknowledges that an underwriter may not purchase or sell the Notes unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the notes to provide notices of material events as required by Securities and Exchange Commission Rule 15c2-12(b)(5) as amended from time to time (the "Rule"), and the Issuer desires to assist the underwriter of the notes in complying with the Rule; and

WHEREAS, the Issuer is authorized pursuant to Public Act 95-270 enacted by the Connecticut General Assembly to make representations and agreements for the benefit of the beneficial owners of the Notes to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Notes in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Notes, all for the benefit of the beneficial owners of the Notes, as they may be from time to time;

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

"Listed Events" shall mean any of the events listed in Section 2 of this Continuing Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. For purposes of this agreement, continuing disclosure information will be filed where approved from time to time by the MSRB, and which as of the date hereof means:

<http://emma.msrb.org>

Section 2. Event Notices. The Issuer agrees to provide or cause to be provided in a timely manner, to the MSRB, notice of the occurrence of any of the following events, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities; and
- (xi) rating changes.

Section 3. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

Section 4. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 5. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not adversely affect the beneficial owners of the Notes and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB.

Section 6. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

Section 7. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Notes.

Section 8. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit of the beneficial owners of the Notes and shall be enforceable by them. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Notes of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Notes to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Notes.

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF LITCHFIELD, CONNECTICUT

Dated As Of February 10, 2010

In Connection With The Issuance And Sale Of

\$475,000 Town Of Litchfield, Connecticut

General Obligation Bond Anticipation Notes, Dated February 10, 2010

IN WITNESS WHEREOF, the Issuer has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

TOWN OF LITCHFIELD, CONNECTICUT

By _____
Leo Paul, Jr.
First Selectman

By _____
David T. Wilson
Town Treasurer

By _____
Cynthia G. Politano
Director of Finance

APPENDIX D – NOTICE OF SALE

NOTICE OF SALE

TOWN OF LITCHFIELD, CONNECTICUT

\$1,355,000

GENERAL OBLIGATION BONDS, ISSUE OF 2010

AND

\$475,000

GENERAL OBLIGATION BOND ANTICIPATION NOTES

SEALED PROPOSALS and Electronic Bids via **PARITY**[®] will be received by the Town of Litchfield, Connecticut (the "Issuer"), at the Office of the First Selectman, Town of Litchfield, Town Hall, 74 West Street, Litchfield, Connecticut 06759 on **Wednesday, January 27, 2010** for the purchase of:

\$1,355,000 General Obligation Bonds
(the "Bonds")

BANK QUALIFIED

until 11:30 A.M. (E.S.T.)

\$475,000 General Obligation Bond Anticipation Notes

Dated: February 10, 2010

Due: February 9, 2011

(the "Notes")

BANK QUALIFIED

until 11:00 A.M. (E.S.T.)

Separate forms of proposal will be provided for the Bonds and the Notes. Bidders may submit proposals for either the Bonds or the Notes, and are not required to submit proposals for each.

The Notes

The Notes will be dated February 10, 2010, will be payable to the registered owner on February 9, 2011 and are not subject to redemption prior to maturity. They will bear interest (which interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months) payable at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

The Bonds

The Bonds will be dated February 1, 2010, maturing February 1 in each of the years as follows: \$125,000 in the year 2012; \$150,000 in each of the years 2013 through 2019, both inclusive; and \$180,000 in the year 2020, bearing interest payable semi-annually on February 1 and August 1 in each year until maturity, commencing August 1, 2010.

Redemption – The Bonds

The Bonds maturing on or before February 1, 2015 are not subject to redemption prior to maturity. The Bonds maturing on February 1, 2016 and thereafter are subject to redemption prior to maturity, at the election of the Issuer, on and after February 1, 2015, at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Issuer may determine, at the redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

	<u>Redemption Dates</u>	<u>Redemption Price</u>
From:	February 1, 2015 and thereafter	100%

The Bonds and Notes will be issued by means of a book-entry system with no physical distribution of bond or note certificates made to the public. The Bonds and Notes will be issued in registered form and one bond certificate for each maturity and one note certificate for each interest rate will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. The book-entry system will evidence ownership of the Bonds and Notes in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidders, as a condition to delivery of the Bonds and Notes, will be required to deposit the bond and note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds and Notes will be payable by the Issuer or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds and Notes. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Submitting Proposals - Notes

Proposals for the purchase of said Notes must be in the form of proposal for purchase attached hereto. A proposal may be for all or any part of the Notes but any proposal for a part must be for a minimum of \$100,000, of principal amount per interest rate bid, or a whole multiple thereof, except that one such proposal for a part may include the odd \$175,000, of the principal per interest rate bid, and the total of all principal amounts bid shall not exceed \$475,000.

Unless all bids are rejected the Notes will be awarded to the bidder or bidders offering to purchase the Notes at the lowest net interest cost, computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom the premium offered, if any. As between proposals resulting in the same lowest net interest cost to the Issuer, the award will be made on the basis of the highest principal amount of the Notes specified. No bid for less than par and accrued interest, if any, will be considered and the Issuer reserves the right to award to any bidder all or any part of the Notes bid for in his proposal. If a bidder is awarded only a part of the Notes bid for in his proposal, any premium offered in such proposal will be proportionately reduced so that the resulting net interest cost to the Issuer with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, carried to four places. The purchase price must be paid in Federal Funds.

Submitting Proposals - Bonds

Proposals for the purchase of said Bonds must be in the form of proposal for purchase attached hereto. Each bid must be for the entire \$1,355,000 of bonds, must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum; provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of 360-day year consisting of twelve 30-day months. No bid for less than par and accrued interest will be considered. Unless all bids are rejected the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

For the purposes of determining the successful bidder, the true interest cost to the Issuer will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to February 1, 2010, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to February 10, 2010, the delivery date of the Bonds. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to four decimal places. Such statement shall not be considered as a part of the proposal. The purchase price must be paid in Federal Funds.

Sealed proposals for the Bonds or Notes, or both, must be enclosed in sealed envelopes marked "Proposal for Bonds" or "Proposal for Notes", as applicable, and addressed to Leo Paul, Jr., First Selectman, David T. Wilson, Town Treasurer and Cynthia G. Politano, Director of Finance, c/o Office of the First Selectman, Town of Litchfield, Town Hall, 74 West Street, Litchfield, Connecticut 06759.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds and/or Notes must be submitted through the facilities of *PARITY*[®] until 11:00 A.M. (E.S.T.) for the Notes and until 11:30 A.M. (E.S.T.) for the Bonds on Wednesday, January 27, 2010. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about *PARITY*[®], including any fee charged, may be obtained from *PARITY*[®], c/o i-Deal LLC, 1359 Broadway, 2nd Floor New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

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

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

For the purpose of the electronic bidding process, the time maintained on *PARITY*[®] shall constitute the official time.

The Bonds and Notes will be general obligations of the Issuer payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There were 100 acres of such certified forest land on the last completed grand list of the Issuer and under existing statutes the State of Connecticut is obligated to pay to the Issuer the amount of tax revenue which the Issuer would have received except for the limitation upon its power to tax such dwelling houses.

The Bonds and Notes will be certified by U.S. Bank National Association. The legality of the issue will be passed upon by Murtha Cullina LLP, Bond Counsel, of Hartford and New Haven, Connecticut, and the winning bidders will be furnished with their opinion without charge. The winning bidders will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to said firm, a confirmed copy of the Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Issuer relating to the accuracy and completeness of information contained in the Official Statement, and an executed continuing disclosure agreement.

The legal opinion will further state that, under existing statutes and court decisions interest on the Bonds and the Notes (i) is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) is not treated as a preference item for purposes of computing the Federal alternative minimum tax, and (iii) is not includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the alternative minimum tax imposed on corporations under the Code.

Under existing statutes, the interest on the Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay Federal alternative minimum tax.

In rendering the legal opinion, Murtha Cullina LLP will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the Issuer for the benefit of the owners of the Bonds and Notes, and further, will assume continuing compliance by the Issuer with the covenants and procedures set forth in such Tax Regulatory Agreement. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank National Association, in Hartford, Connecticut, and will be available for examination upon request.

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

IT SHALL BE THE RESPONSIBILITY OF THE WINNING BIDDER OF THE BONDS AND OF THE NOTES TO CERTIFY TO THE ISSUER BEFORE DELIVERY OF THE BONDS AND OF THE NOTES AND IN A MANNER SATISFACTORY TO BOND COUNSEL THE PRICES AT WHICH A SUBSTANTIAL AMOUNT OF THE BONDS OF EACH MATURITY AND OF THE NOTES WERE INITIALLY OFFERED AND SOLD TO THE PUBLIC.

The Bonds and Notes will be delivered to DTC or its Agent via "Fast" on or about February 10, 2010. The deposit of the Bonds and Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds and Notes prior to delivery, and the Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds and Notes with DTC due to the failure of the winning bidder to obtain such numbers and to supply them to the Issuer in a timely manner. The Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for the purchaser.

The Bonds and Notes will be awarded or all bids will be rejected promptly after the bid opening and not later than 4:00 P.M. (Hartford time) on January 27, 2010. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

For more information regarding this issue and the Issuer, reference is made to the Official Statement. Bid forms and copies of the Official Statement dated January 15, 2010, may be obtained from Mark Chapman, Municipal Analyst, Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, (203) 245-7264. The Official Statement is in a form "deemed final" by the Issuer for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The Issuer will provide to the winning bidder of the Bonds 100 copies of the Official Statement and to the winning bidder of the Notes 15 copies of the Official Statement, prepared for this Bond and Note issue at the Issuer's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. If the Issuer's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds and Notes.

With respect to the Bonds, the Issuer will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain material events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. With respect to the Notes, the Issuer will undertake in a Continuing Disclosure Agreement to provide timely notice of the occurrence of certain material events.

The winning bidder's obligation to purchase the Bonds or Notes shall be conditioned upon its receiving, at or prior to the delivery of the Bonds or Notes, an executed copy of the Continuing Disclosure Agreement, as applicable.

Leo Paul, Jr.
First Selectman

David T. Wilson
Town Treasurer

Cynthia G. Politano
Director of Finance

January 15, 2010

(See attached for forms of Proposal for Purchase)

PROPOSAL FOR BONDS

January 27, 2010

Leo Paul, Jr., First Selectman
 David T. Wilson, Town Treasurer
 Cynthia G. Politano, Director of Finance
 c/o Office of the First Selectman
 Town of Litchfield
 Town Hall
 74 West Street
 Litchfield, Connecticut 06759

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated January 15, 2010, which Notice is made a part of this proposal, we offer to purchase all \$1,355,000 bonds of the Town of Litchfield comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$_____, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2012	\$125,000	_____%	2017	\$150,000	_____%
2013	\$150,000	_____%	2018	\$150,000	_____%
2014	\$150,000	_____%	2019	\$150,000	_____%
2015	\$150,000	_____%	2020	\$180,000	_____%
2016	\$150,000	_____%			

 (Name of Bidder)

 (Mailing Address)

 (Telephone Number)

 (Authorized Signature)

 (Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of \$1,355,000 bonds under the foregoing proposal:

Gross Interest	\$ _____
Less Premium Bid Over Par	\$ _____
Net Interest Cost	\$ _____
Percent True Interest Cost	_____%
	(Four Decimals)

PROPOSAL FOR NOTES

January 27, 2010

Leo Paul, Jr., First Selectman
David T. Wilson, Town Treasurer
Cynthia G. Politano, Director of Finance
c/o Office of the First Selectman
Town of Litchfield
Town Hall
74 West Street
Litchfield, Connecticut 06759

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated January 15, 2010, which Notice is made a part of this proposal, we offer to purchase the indicated principal amount of \$475,000 of Town of Litchfield General Obligation Bond Anticipation Notes and to pay therefor par and accrued interest, if any, to the date of delivery, and pay the premium specified below, if any (and we provide our computations of net interest cost carried to four decimals and made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal) as follows:

Principal amount	_____	_____%
Stated interest rate	_____	Percent Net Interest Cost
Premium	_____	(Four Decimals)

Principal amount	_____	_____%
Stated interest rate	_____	Percent Net Interest Cost
Premium	_____	(Four Decimals)

Principal amount	_____	_____%
Stated interest rate	_____	Percent Net Interest Cost
Premium	_____	(Four Decimals)

Principal amount	_____	_____%
Stated interest rate	_____	Percent Net Interest Cost
Premium	_____	(Four Decimals)

The undersigned hereby agrees to accept delivery of and make payment for the indicated principal amount of Notes in Federal Funds on the date of the Notes or as soon thereafter (but no later than 30 days thereafter) as such Notes may be prepared and ready for delivery by the Issuer.

(Name of Bidder)

(Mailing Address)

(Telephone Number)

(Authorized Signature)

(Facsimile Number)