

TOWN OF LITCHFIELD, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2012

TOWN OF LITCHFIELD, CONNECTICUT

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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, 2012, which collectively comprise the Town of Litchfield, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Litchfield, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Litchfield, Connecticut'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, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012 on our consideration of the Town of Litchfield, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the budgetary comparison information on pages 47 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Blum, Shapiro & Company, P.C.

December 6, 2012

TOWN OF LITCHFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

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, 2012. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The Town issued \$2.9 million in bonds and \$425 thousand in BANS (February 2012) and refunded \$12.1 million (July 2011 and March 2012) The Town reaffirmed its bond rate at Aa2. See detailed discussion in Long-Term Debt (page 11, Management Discussion and Analysis).
- Net assets of the Town's governmental activities increased by \$4.2 million, or 8.5%, primarily due to the continuing investment in its roads, schools and firehouses.
- During the year, the Town earned tax and other revenues for governmental programs of \$32.8 million that was \$4.0 million more than program expenses.
- Total cost of all of the Town's programs was \$28.7 million.
- General Fund Property Tax revenues, including interest and lien fees, exceeded budget by \$228 thousand continuing the trend of strong collections.
- Unassigned fund balance of the General Fund increased by \$644 thousand from \$3.67 million at June 30, 2011 to \$4.3 million at June 30, 2012, due to cost savings from the Town and the Board of Education. There was a \$327 thousand transfer to fund a portion of the Town's capital projects, and a transfer of \$200 thousand to the OPEB Fund.
- The Town applied for two FEMA reimbursements based on Tropical Storm Irene and Winter Storm Alfred (\$198,856). The reimbursement covered the cost of removing storm-damaged trees and debris.

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 net assets increased from \$49.0 million to \$53.0 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	
	2012	2011
Current and other assets	\$ 18,292	\$ 16,116
Noncurrent assets	69,159	68,063
Total assets	<u>87,451</u>	<u>84,179</u>
Current liabilities	5,193	6,587
Noncurrent liabilities	29,282	28,622
Total liabilities	<u>34,475</u>	<u>35,209</u>
Net Assets:		
Investment in capital assets, net of related debt	38,518	36,130
Restricted for trust purposes	10	10
Unrestricted	<u>14,448</u>	<u>12,830</u>
Total Net Assets	<u>\$ 52,976</u>	<u>\$ 48,970</u>

Total net assets of the Town's governmental activities increased 8.2% (\$53.0 million compared to \$49.0 million). This is reflected in the Town's investments in capital assets, net of related debt, which increased \$2.4 million from \$36.1 million at June 30, 2011 to \$38.5 million at June 30, 2012, primarily due to improvement and new 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 \$1.6 million from \$12.8 million at June 30, 2010 to \$14.4 million on June 30, 2012.

TABLE 2
CHANGE IN NET ASSETS
(In Thousands)

	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 2,088	\$ 1,697
Operating grants and contributions	4,111	4,492
Capital grants and contributions	1,499	980
General revenues:		
Property taxes	24,668	24,296
Grants not restricted to specific purposes	207	199
Unrestricted investment earnings and other	198	157
Total revenues	32,771	31,821
 Program expenses:		
General government	1,973	1,807
Public safety	1,269	1,309
Public works	4,372	4,932
Health and welfare	294	1,092
Libraries	333	334
Recreation	426	448
Education	19,048	18,499
Interest on long-term debt	1,050	1,008
Total program expenses	28,765	29,429
 Increase in Net Assets	\$ 4,006	\$ 2,392

The Town's total revenue was \$32.7 million. The total cost of all programs and services was \$28.8 million. There was a \$372 thousand increase in property tax revenue collected as compared to June 30, 2011 as well as a \$519 thousand increase in capital grants and contribution for June 30, 2012. The increase was due to added reimbursements for capital spending on bridges. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

Approximately 75% of the revenues were derived from property tax. Restricted operating grants and contributions and restricted capital grants and contributions, accounted for 13% and 5% of revenues, respectively. Charges for services represented 6% of revenues and the 1% remaining revenues were from unrestricted grants, investments earnings and miscellaneous revenue.

Major revenue factors included:

- Property tax revenues of \$24.7 million were generated from a mil rate of 22.2 mils (21.9 for prior year) on the net taxable grand list of \$1.1 billion. There was negligible growth in the 2010 Grand List.
- Restricted program operating grants and contributions of \$4.1 million a decrease of \$405 thousand.
- Restricted capital grants and contributions increased \$519 thousand to \$1.4 million from \$980 thousand a year earlier.
- Unrestricted investment earnings and other increased 26% from the prior year to \$198 thousand because of the FEMA reimbursements while investment income declined slightly.

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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General government	\$ 1,973	\$ 1,807	\$ 1,240	\$ 287
Public safety	1,269	1,309	1,246	1,276
Public works	4,372	4,932	1,492	2,948
Health and welfare	294	1,092	281	1,084
Libraries	333	334	333	334
Recreation	426	448	273	270
Education	19,048	18,499	15,152	15,053
Interest on long-term debt	1,050	1,008	1,050	1,008
Total	<u>\$ 28,765</u>	<u>\$ 29,429</u>	<u>\$ 21,067</u>	<u>\$ 22,260</u>

For governmental activities, 66% of the Town’s expenditures related to education; 15% for public works; 11% for general governmental activities and interest on long-term debt; and 8% for public safety, health and welfare, libraries and recreation services. The general government decrease of \$953 thousand in cost of service is mainly due to the decrease in Health and Welfare expense. Public Works cost of services decreased by \$1,456 thousand as road construction slowed. Additionally, except for Winter Storm Alfred, there was almost no snow, which reduced overtime and material expense related to snow removal. The Education total cost of services increased primarily due to the increased special education costs, in outplacement costs, transportation and OPEB payment.

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, 2012, the Town's governmental funds reported a combined fund balance of \$10.6 million, a 49% increase of \$3.5 million from June 30, 2011, of which \$2.6 million was in the Capital Projects Fund. The Capital Projects Fund increase was due to: refunding and issuing of debt.

The Town's combined governmental fund balance of \$10.6 million is comprised of unassigned fund balance of \$3.6 million, assigned fund balance of \$522 thousand, committed fund balance of \$6.0 million, nonspendable fund balance of \$67 thousand and restricted fund balance of \$478 thousand.

The General Fund is the chief operating fund of the Town. At June 30, 2012, fund balance increased \$718 thousand to \$4.9 million. General Fund unassigned fund balance increased \$644 thousand from \$3.7 million at June 30, 2011 to \$4.3 million at June 30, 2012. The change included a net transfer out of \$353 thousand transferred to fund the Town's capital projects and a \$200 thousand transfer to the Other Post Employment Fund for Board of Education retirees.

In the General Fund, expenditures were consistent with prior year. The Board of Education returned \$97 thousand was the largest variance during the period. In each category, the result was a small but steady operating surplus (General Government - \$69 thousand, Public Safety - \$62 thousand, Public Works - \$71 thousand and Other - \$61 thousand, all totaling \$408 thousand. On the revenue side, it was Taxes - \$228 thousand and Miscellaneous - \$186 thousand that eliminated deficit in departmental revenues, Town Clerk - \$(44) thousand and Investment Income - \$(13) thousand. The overall result was \$377 thousand favorable variance.

In the Capital Projects Fund, the 96% of the activity was in the CIP. The two refunding (\$12.9 million) and sale of bonds (\$2.9 million) had the most impact on FY2012. The three sales netted \$1.1 million in bond premiums. Campville Road Bridge project expended \$12 million of the 2.2 million in capital projects or 54%. The 10-year Road Program spent \$426K. After that it was schools at \$246K.

The total fund balance of the Sewer Assessment Fund decreased by \$36 thousand to \$749 thousand from \$785 thousand the previous year.

The Nonmajor Governmental Funds fund balance increased by \$209 thousand from \$1.03 million to \$1.24 million. During fiscal year 2011, an OPEB Trust was established with \$300 thousand transferred from the OPEB Fund to the OPEB Trust. The fund was converted into a Trust Fund of the Town (similar to the Pension Funds) when the taxpayers authorized a Trust for these funds on March 29, 2011 and established in June 2011. As result, the Special Revenue Fund appears without balances. An additional \$200 thousand was contributed to the OPEB Trust prior to June 30, 2012, which results in a total of \$602 thousand in the OPEB Trust Fund.

Proprietary Fund

The Town's proprietary fund is an Internal Service Fund which accounts for the health insurance costs of the Town and Board of Education (BOE) employees, including some retired BOE employees who are contractually eligible to participate in the plan. The total net assets of the fund at June 30, 2012 decreased \$69 thousand to \$1.9 million primarily due to claims of \$73 thousand more than contributions from the Town and BOE.

Pension Trust Funds

For fiscal year 2012, a new valuation was performed, the report is valued for July 1, 2012 and its values are not included in FY 2012 financial report. The net assets of the Pension Trust Funds increased less than 1% from the year earlier to \$10.8 million.

General Fund Budgetary Highlights

The original budget was approved at the Annual Budget Meeting on May 11, 2012 with appropriations of \$27.1 million. The budget was amended by actions of the Board of Finance and, as necessary, by the Town at various town meetings. Use of fund balance in the amount of \$328 thousand was authorized to increase the expenditure budget for a transfer of \$328 thousand to the Capital Projects Fund. The amount was used for the portion of the fiscal year 2011 Capital Improvement Program projects that were not funded with bonds. Thus, the final budget of \$27.4 million had \$328 thousand more in appropriations than resources.

The Board of Education returned \$97 thousand was the largest variance during the period. In each category, the result was a small but steady operating surplus (General Government - \$69 thousand, Public Safety - \$62 thousand, Public Works - \$71 thousand and Other - \$61 thousand, all totaling \$418 thousand.

On the revenue side, it was Taxes - \$228 thousand and Miscellaneous - \$186 thousand that eliminated deficit in departmental revenues, Town Clerk - \$(44) thousand and Investment Income - (\$13) thousand. The overall result was \$377 thousand favorable variance.

The excess of revenues and other financing sources under expenditures and other financing uses on a budgetary basis was \$377 thousand.

Of the General Fund's fund balance, 88.6% constitutes unassigned fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the Town had \$69.1 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 \$1 million, or 1.6% over the previous fiscal year.

Machinery and equipment purchases of \$83 thousand were used to acquire a school van, corrosion repair to a fire engine, and a truck conveyor belt.

Infrastructure additions of \$1.7 million were to improve the Town’s 121 miles of roads and bridges.

Buildings and Improvements of \$186 thousand were to improve the parking lot and carpets at Center School. Sidewalks, a security system, and handrails for parking lots were also installed.

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

	Governmental Activities	
	2012	2011
Land	\$ 1,296	\$ 1,296
Buildings and improvements	43,659	43,775
Machinery and equipment	2,597	2,668
Infrastructure	<u>21,607</u>	<u>20,324</u>
 Total	 <u>\$ 69,159</u>	 <u>\$ 68,063</u>

The Town’s fiscal year 2012-13 CIP budget authorizes spending \$5.1 million for capital projects, of which \$3.2 million is to be funded from grants and other local funding. This includes \$2.8 million toward the replacement/restoration of bridges; \$387 thousand for major road projects; \$170 thousand for public facilities; and \$285 thousand for work on the Town’s 121 miles of roads. The capital budget also includes \$575 thousand for a new fire apparatus (contingent upon grant funding) and a study of the Town’s Community Field.

The Town Hall Building Committee developed a plan to consolidate Town Hall and Town Hall Annex operations into one location. The project was postponed; however, the Town Hall Building Committee began meetings in fiscal year 2012 to re-consider designs for a new Town Hall which will ultimately culminate in a town wide voter referendum.

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, 2012, the Town had \$29.8 million in bonds outstanding versus \$29.7 million last year, an increase of .3% or \$100 thousand as seen in Table 5.

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

	Governmental Activities	
	2012	2011
General obligation bonds (backed by the Town)	\$ 29,870	\$ 29,720

On February 8, 2012, as authorized at the Town's Annual Meeting, the Town issued \$2.9 million in bonds and \$425 thousand in Bond Anticipation Notes (BANs). \$1.8 million of the bond issuance was for the capital projects that a BAN was issued for in 2011 and \$1.1 million of the issuance was for new projects from the 2012 CIP. These projects include: \$40,000 for Center School flooring, \$175,000 for vehicle and equipment replacement, \$846,637 for bridge and road maintenance, and \$38,363 for debt administration. Additional financing is expected to be obtained during fiscal year 2013 to fund the 2012-2013 CIP using a combination of bond proceeds and pay as you go capital.

In July 2011, the Town refunded \$7.5 million from bond proceeds dated February 1, 2007 with a net present value savings of \$388 thousand. In March 2012, the Town also refunded \$4.555 million with a net present value savings of \$385 thousand.

In May 2010, Moody's Investors Services Inc. recalibrated Connecticut municipal ratings to its Global Rating Scale. Accordingly, the Town's rating went to Aa3 from Aa2. Moody's does not believe the recalibration reflects credit quality improvement. The Town's rating of Aa2 by Moody's Investors Services Inc. was reaffirmed in both refinancing of past debt issuances and the bond and BAN issuance in fiscal year 2012. 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 \$164 million State-imposed limit at June 30, 2012.

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, 2012, employment in Litchfield was 4,052, a decrease of 150 from the prior year. The Town's unemployment rate at June 30, 2011 was 7.3%, down .2% over the prior year. This rate compares favorably to both the State and national unemployment rates of 9.0% and 8.2%, respectively. Inflation increased for the Northeast area for the year ended June 30, 2012 by 1.9% to 1.5%. Likewise, the national Consumer Price Index – All Urban Consumers (CPI 1982-84=100) increased 1.7% at June 30, 2012 from the previous year.

The fiscal year 2013 budget was adopted at the Town's Annual Budget Meeting on May 9, 2011. The Town's net taxable grand list rose .73% from the prior year. The Town's elected Board of Finance set the fiscal year 2012-2013 tax mill rate at 22.2, a 0% increase from the prior year. Amounts available for appropriation in the original fiscal 2013 General Fund budget are \$27.2 million, an increase of .57% from the original 2012 budget of \$27.1 million. The increase was necessary to fund the \$164 thousand increase for the Board of Education (mainly salaries) and the \$124 thousand increase in the Selectman's budget (mainly salaries and road maintenance increases). The fiscal year 2013 budget also contained a decrease of \$134 thousand in debt service payments due to the two bond refinancings. Because of this, the Town was able to keep a 0% mill rate increase.

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, 2012
(In Thousands)

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 14,194
Receivables, net	3,213
Prepaid items	56
Net pension asset	502
Other assets	327
Capital assets not being depreciated	1,296
Capital assets being depreciated, net	67,863
Total assets	<u>87,451</u>
Liabilities:	
Accounts payable	1,934
Bond anticipation notes	425
Unearned revenue	80
Due to fiduciary fund	200
Noncurrent liabilities:	
Due within one year	2,554
Due in more than one year	29,282
Total liabilities	<u>34,475</u>
Net Assets:	
Invested in capital assets, net of related debt	38,518
Restricted for trust purposes	10
Unrestricted	14,448
Total Net Assets	<u>\$ 52,976</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, 2012

(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
General government	\$ 1,973	\$ 547	\$ 186	\$	\$ (1,240)
Public safety	1,269	23			(1,246)
Public works	4,372	1,357	24	1,499	(1,492)
Health and welfare	294	13			(281)
Libraries	333				(333)
Recreation	426	142	11		(273)
Education	19,048	6	3,890		(15,152)
Interest on long-term debt	1,050				(1,050)
Total	\$ 28,765	\$ 2,088	\$ 4,111	\$ 1,499	(21,067)
General revenues:					
Property taxes					24,668
Grants and contributions not restricted to specific programs					207
Unrestricted investment earnings					47
Miscellaneous					151
Total general revenues					25,073
Change in net assets					4,006
Net Assets at Beginning of Year					48,970
Net Assets at End of Year					\$ 52,976

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012
(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	\$ 14,069	\$	\$	\$ 97	\$ 14,166
Receivables, net	955	1,060	326	872	3,213
Due from other funds	140	749	4,275	1,166	6,330
Other assets	56				56
Total Assets	<u>\$ 15,220</u>	<u>\$ 1,809</u>	<u>\$ 4,601</u>	<u>\$ 2,135</u>	<u>\$ 23,765</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,271	\$	\$ 103	\$ 42	\$ 1,416
Due to other funds	8,300		323	17	8,640
Bond anticipation notes payable			425		425
Deferred revenue	754	1,060	17	835	2,666
Total liabilities	<u>10,325</u>	<u>1,060</u>	<u>868</u>	<u>894</u>	<u>13,147</u>
Fund balances:					
Nonspendable	56			10	66
Restricted			223	255	478
Committed		749	4,258	976	5,983
Assigned	522				522
Unassigned	4,317		(748)		3,569
Total fund balances	<u>4,895</u>	<u>749</u>	<u>3,733</u>	<u>1,241</u>	<u>10,618</u>
Total Liabilities and Fund Balances	<u>\$ 15,220</u>	<u>\$ 1,809</u>	<u>\$ 4,601</u>	<u>\$ 2,135</u>	<u>\$ 23,765</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2012

(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	\$	10,618
--	----	--------

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	93,626	
Less accumulated depreciation		<u>(24,467)</u>	
Net capital assets			69,159

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are not recorded in the funds:

Net pension asset	502
Property tax receivables greater than 60 days	540
Property tax interest receivables greater than 60 days	157
Assessments receivable	1,060
Housing loans	116
Sewer use receivables	713

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.

1,973

Long-term liabilities, including bonds payable, are not due and payable
in the current period and, therefore, are not reported in the funds:

Bonds payable	(29,870)
Premium on refunding bonds	(1,381)
Deferred amount in refunding	708
Deferred bond issuance costs	327
Interest payable on bonds and notes	(353)
Compensated absences	(349)
Landfill closure	(38)
OPEB obligation	(874)
Claims and judgments	<u>(32)</u>

Net Assets of Governmental Activities (Exhibit I)	\$	<u><u>52,976</u></u>
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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 FUNDSFOR THE YEAR ENDED JUNE 30, 2012
(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	\$ 24,652	\$	\$	\$	\$ 24,652
Intergovernmental	3,352		1,083	1,200	5,635
Charges for services	363	158		1,460	1,981
Investment income	37	3	1	1	42
Other	128		143	100	371
Total revenues	<u>28,532</u>	<u>161</u>	<u>1,227</u>	<u>2,761</u>	<u>32,681</u>
Expenditures:					
Current:					
General government	1,252			195	1,447
Public safety	846				846
Public works	2,232			772	3,004
Health and welfare	105			180	285
Libraries	332				332
Recreation	263			114	377
Education	18,102			764	18,866
Employee benefits	1,422				1,422
Capital outlay			2,175		2,175
Debt service	3,354		228		3,582
Total expenditures	<u>27,908</u>	<u>-</u>	<u>2,403</u>	<u>2,025</u>	<u>32,336</u>
Excess (Deficiency) of Revenues over Expenditures	<u>624</u>	<u>161</u>	<u>(1,176)</u>	<u>736</u>	<u>345</u>
Other Financing Sources (Uses):					
Transfers in	447		630		1,077
Transfers out	(353)	(197)		(527)	(1,077)
Proceeds from refundings			12,110		12,110
Premiums from refundings			1,045		1,045
Payments to escrow agent on refundings			(12,943)		(12,943)
Proceeds from bonds			2,900		2,900
Premiums from bonds			46		46
Total other financing sources (uses)	<u>94</u>	<u>(197)</u>	<u>3,788</u>	<u>(527)</u>	<u>3,158</u>
Net Change in Fund Balances	718	(36)	2,612	209	3,503
Fund Balances at Beginning of Year	<u>4,177</u>	<u>785</u>	<u>1,121</u>	<u>1,032</u>	<u>7,115</u>
Fund Balances at End of Year	<u>\$ 4,895</u>	<u>\$ 749</u>	<u>\$ 3,733</u>	<u>\$ 1,241</u>	<u>\$ 10,618</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, 2012
(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)	\$ 3,503
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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	1,954
Depreciation expense	(858)

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:

Housing loans receivable - accrual basis change	(22)
Property tax receivable - accrual basis change	5
Property tax interest and lien revenue - accrual basis change	11
Sewer assessment receivable - accrual basis change	(107)
Sewer use receivable - accrual basis change	177
Net pension asset	(13)

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	2,435
Proceeds from general obligation bonds	(2,900)
Proceeds from refunding bonds	(12,110)
Premium on refunding bonds	(1,045)
Premium on general obligation bonds	(46)
Deferred bond issuance costs	212
Payments to escrow agent	12,943

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	(3)
Claims and judgments	3
Amortization of deferred charge on refunding	(42)
Amortization of issuances costs and premiums, net	60
Accrued interest	(132)
OPEB obligation	41
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.

(69)

Change in Net Assets of Governmental Activities (Exhibit II)

\$ 4,006

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUND

JUNE 30, 2012
(In Thousands)

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets:	
Cash and cash equivalents	\$ 29
Due from other funds	2,110
Total assets	<u>2,139</u>
Liabilities:	
Claims payable	<u>166</u>
Net Assets:	
Unrestricted	\$ <u><u>1,973</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 FUNDFOR THE YEAR ENDED JUNE 30, 2012
(In Thousands)

	<u>Governmental Activities</u>	<u>Internal Service Fund</u>
Operating Revenues:		
Charges for services	\$ 2,731	
Operating Expenses:		
Claims incurred		<u>2,804</u>
Operating Loss		(73)
Nonoperating Revenue:		
Interest income		<u>4</u>
Change in Net Assets		(69)
Net Assets at Beginning of Year		<u>2,042</u>
Net Assets at End of Year	\$	<u><u>1,973</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, 2012
(In Thousands)

	Governmental Activities
	Internal Service Fund
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 2,800
Payment to benefit providers	(2,836)
Net cash used in operating activities	(36)
Cash Flow from Investing Activities:	
Interest received on investments	4
Net Decrease in Cash and Cash Equivalents	(32)
Cash and Cash Equivalents at Beginning of Year	61
Cash and Cash Equivalents at End of Year	\$ 29
Reconciliation of Operating Loss to Net Cash	
Used in Operating Activities:	
Operating loss	\$ (73)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in due from other funds	69
Decrease in incurred but not reported claims (IBNR)	(32)
Net Cash Used in Operating Activities	\$ (36)

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2012
(In Thousands)

	<u>Pension Trust Funds</u>	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 818	\$ 12	\$ 191
Investments:			
Common stock	4,099	40	
Mutual funds	5,822	369	
Receivables:			
Interest and dividends	20	1	
Other			534
Due from other funds		<u>200</u>	
Total assets	<u>10,759</u>	<u>622</u>	<u>\$ 725</u>
Liabilities:			
Due to student groups and others			<u>\$ 725</u>
Net Assets:			
Held in Trust for Pension and OPEB Benefits	<u>\$ 10,759</u>	<u>\$ 622</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 AND OPEB TRUST FUNDSFOR THE YEAR ENDED JUNE 30, 2012
(In Thousands)

	<u>Pension Trust Funds</u>	<u>OPEB Trust Fund</u>
Additions:		
Contributions:		
Employer	\$ <u>1,013</u>	\$ <u>200</u>
Investment income (expense):		
Net appreciation (depreciation) in fair value of investments	(105)	16
Interest and dividends	<u>250</u>	<u>7</u>
Total investment income	145	23
Less investment expense:		
Investment management fees	<u>47</u>	
Net investment income	<u>98</u>	<u>23</u>
Total additions	1,111	223
Deductions:		
Benefits	<u>620</u>	<u>2</u>
Net Increase	491	221
Net Assets Held in Trust for Pension and OPEB Benefits at Beginning of Year	<u>10,268</u>	<u>401</u>
Net Assets Held in Trust for Pension and OPEB Benefits at End of Year	\$ <u><u>10,759</u></u>	\$ <u><u>622</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, the proprietary fund 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.

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 funds 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 major source of revenue for this fund is sewer assessment charges.

The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities. Most of the capital outlays are financed by the issuance of general obligation bonds. Other sources include capital grants and current tax revenues.

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 OPEB Trust Fund accounts for the activities of the Town's other postemployment benefits for Board of Education retirees and their beneficiaries.

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. Unrestricted resources are used in the following order: committed, assigned then unassigned.

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, 2012 that 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 \$15 allowance for estimated uncollectible balances.

F. 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.

G. 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.

H. 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.

I. 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.

J. Fund Equity

Equity in the government-wide financial statements is defined as “net assets” and is classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets - Net assets are restricted because they are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Town currently has no assets under restriction.

Unrestricted Net Assets - This component consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors, or laws and regulations of their governments.

Committed Fund Balance - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Litchfield Board of Selectmen).

Assigned Fund Balance - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the Town Charter.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

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 \$328.
- 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 Fund. 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 do 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*, \$9,523 of the Town’s bank balance of \$11,655 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	8,479
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name		<u>1,044</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>9,523</u></u>

Cash Equivalents

At June 30, 2012, the Town's cash equivalents amounted to \$8,255. 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 & Poor's</u>
State Short-Term Investment Fund (STIF)	AAAm
Cutwater Asset Management - Connecticut CLASS Plus	AAAm
Litchfield Bancorp Money Market Funds**	*

*Not rated

**Subject to coverage by Federal Depository Insurance and collateralization

Investments

As of June 30, 2012, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
U.S. Government obligations	N/A	\$ 918	\$	\$ 365	\$ 553
Corporate bonds and notes	N/Avail	1,545	<u> </u>	<u>978</u>	<u>567</u>
			<u>\$ -</u>	<u>\$ 1,343</u>	<u>\$ 1,120</u>
Other investments:					
Common stock		4,139			
Mutual funds		<u>3,728</u>			
Total Investments		<u>\$ 10,330</u>			

*Subject to coverage by Federal Depository Insurance and collateralization.

N/A - Not applicable

N/Avail - Not available

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 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, 2012, the Town’s noninterest-bearing 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	\$ 718	\$	\$	\$	\$ 718
Interest	157				157
Accounts				764	764
Intergovernmental	24		326	43	393
Special assessments		1,060			1,060
Housing loans				116	116
Other	71				71
Gross receivables	<u>970</u>	<u>1,060</u>	<u>326</u>	<u>923</u>	<u>3,279</u>
Less allowance for uncollectibles	<u>15</u>			<u>30</u>	<u>45</u>
Net Total Receivables	<u>\$ 955</u>	<u>\$ 1,060</u>	<u>\$ 326</u>	<u>\$ 893</u>	<u>\$ 3,234</u>

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	\$ 540	\$
Delinquent property tax interest receivable	157	
Sewer use receivable	713	
Special assessments not yet due	1,060	
Advance tax collections		57
Grant drawdowns prior to meeting all eligibility requirements		19
Advance program fees		4
Housing loans	<u>116</u>	
Total Deferred Revenue for Governmental Funds	<u>\$ 2,586</u>	<u>\$ 80</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 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	\$ <u>1,296</u>	\$ _____	\$ _____	\$ <u>1,296</u>
Capital assets being depreciated:				
Buildings and improvements	52,183	186		52,369
Machinery and equipment	7,538	81		7,619
Infrastructure	<u>30,655</u>	<u>1,687</u>		<u>32,342</u>
Total capital assets being depreciated	<u>90,376</u>	<u>1,954</u>	<u>-</u>	<u>92,330</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,408)	(302)		(8,710)
Machinery and equipment	(4,870)	(152)		(5,022)
Infrastructure	<u>(10,331)</u>	<u>(404)</u>		<u>(10,735)</u>
Total accumulated depreciation	<u>(23,609)</u>	<u>(858)</u>	<u>-</u>	<u>(24,467)</u>
Total capital assets being depreciated, net	<u>66,767</u>	<u>1,096</u>	<u>-</u>	<u>67,863</u>
Governmental Activities Capital Assets, Net	<u>\$ 68,063</u>	<u>\$ 1,096</u>	<u>\$ -</u>	<u>\$ 69,159</u>

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

Governmental activities:

General government	\$	8
Public safety		115
Public works		586
Recreation		10
Education		<u>139</u>

Total Depreciation Expense - Governmental Activities	\$	<u><u>858</u></u>
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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, 2012 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Funds	\$ 323
	Nonmajor Governmental Funds	<u>17</u>
		340
Sewer Assessment Fund	General Fund	749
Capital Projects Funds	General Fund	4,275
Internal Service Fund	General Fund	2,110
Nonmajor Governmental Funds	General Fund	<u>1,166</u>
Total		\$ <u><u>8,640</u></u>

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

Interfund transfers:

	<u>Transfers In</u>		<u>Total</u>
	<u>General</u>	<u>Capital</u>	<u>Transfers</u>
	<u>Fund</u>	<u>Projects</u>	<u>Out</u>
Transfers out:			
General Fund	\$	\$ 353	\$ 353
Sewer Assessment		197	197
Nonmajor Governmental	<u>447</u>	<u>80</u>	<u>527</u>
Total Transfers In	\$ <u><u>447</u></u>	\$ <u><u>630</u></u>	\$ <u><u>1,077</u></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, 2012 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	\$ 29,720	\$ 15,010	\$ 14,860	\$ 29,870	\$ 2,406
Premium on refunding and general obligation bonds	371	1,091	81	1,381	
Deferred amount on refunding bonds	(232)	(518)	(42)	(708)	
Compensated absences	346	136	133	349	136
OPEB obligation	915		41	874	
Landfill monitoring closure and postclosure costs	47		9	38	9
Claims and judgments	35		3	32	3
	<u>35</u>		<u>3</u>	<u>32</u>	<u>3</u>
Governmental Activity Long-Term Liabilities	<u>\$ 31,202</u>	<u>\$ 15,719</u>	<u>\$ 15,085</u>	<u>\$ 31,836</u>	<u>\$ 2,554</u>

General Obligation Bonds

A schedule of bonds outstanding at June 30, 2012 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Interest Rate (%)</u>	<u>Balance Outstanding June 30, 2012</u>
Sewer Bonds	1986	\$ 331	7.125	\$ 12
Clean Water Fund Bond	1998	900	2	237
Clean Water Fund Bond	1999	570	2	196
Clean Water Fund Bond	2004	4,595	2	2,745
General Obligation Bonds	2008	2,175	3.00-4.00	125
General Obligation Bonds	2009	3,820	3.75-5.00	520
General Refunding Bonds Series B	2010	2,655	2.00-3.375	1,985
General Refunding Bonds Series C	2010	8,405	2.00-4.00	7,810
General Obligation Bonds	2010	1,355	2.00-3.125	1,230
General Refunding Bonds	2012	7,555	3.00-4.00	7,555
General Obligation Bonds	2012	2,900	2.00-3.00	2,900
General Refunding Bonds	2012	4,555	2.00-4.00	4,555
				<u>\$ 29,870</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>
2013	\$ 2,406	\$ 871	\$ 3,277
2014	2,290	824	3,114
2015	2,241	759	3,000
2016	2,498	693	3,191
2017	2,507	618	3,125
2018-2022	11,472	1,915	13,387
2023-2027	<u>6,456</u>	<u>334</u>	<u>6,790</u>
Total	\$ <u>29,870</u>	\$ <u>6,014</u>	\$ <u>35,884</u>

On July 14, 2011, the Town issued \$7,555 in general obligations bonds with an interest rate of 3.00-4.00% to partially refund \$7,800 of outstanding 2007 bonds with interest rates of 3.75-5.00%. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$569 and resulted in a net present value savings of \$388. The net proceeds of \$8,098 (after payment of \$125 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased. The balance of the defeased bonds outstanding were called by June 30, 2012.

On March 15, 2012, the Town issued \$4,555 in general obligations bonds with an interest rate of 2.00-4.00% to partially refund \$4,625 of outstanding 2007-2009 bonds with interest rates of 2.50-4.25%. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$442 and resulted in a net present value savings of \$385. The net proceeds of \$4,845 (after payment of \$88 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased. The balance of the defeased bonds outstanding at June 30, 2012 is \$4,000, and the amount in escrow is \$4,222.

Bonds authorized and unissued at June 30, 2012 are presented below:

	<u>Total Authorization</u>
Schools	\$ <u>9,575</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	\$ 55,393	\$ 8,509	\$ 46,884
Schools	110,786	17,968	92,818
Sewers	92,321	4,211	88,110
Urban renewal	80,012	-	80,012
Pension deficit	73,857	-	73,857

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$172 million (amount not rounded). All long-term debt obligations are retired through General Fund appropriations. Net indebtedness includes bonds authorized and unissued and bond anticipation notes outstanding, net of estimated State building grant commitments.

Landfill Closure and Postclosure Care Costs

The Town's estimated costs to monitor the landfill for the next six years are \$38 at June 30, 2012. This amount is based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

Claims and Judgments

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, at June 30, 2012, \$32 has been accrued as an estimate of the cost to provide water for the remaining 11 years of the agreement.

8. BOND ANTICIPATION NOTES

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2012:

Capital Projects Fund

<u>Date Issued</u>	<u>Maturity Date</u>	<u>Effective Interest Rate (%)</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
2/8/2012	2/7/2013	1.00	\$ -	\$ 425	\$ -	\$ 425
2/9/2011	2/9/2012	.6997	2,210	-	2,210	-
Total			\$ 2,210	\$ 425	\$ 2,210	\$ 425

The proceeds from the bond anticipation notes outstanding at June 30, 2012 are to be used to fund the \$33 million school building project.

9. FUND BALANCES

The components of fund balance for the governmental funds at June 30, 2012 are as follows:

	<u>General Fund</u>	<u>Major Special Revenue Fund Sewer Assessment Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Endowment	\$	\$	\$	\$ 10	\$ 10
Inventories	56				56
Restricted for:					
Grants			223	200	423
Education				55	55
Committed to:					
Sewer assessment		749			749
Capital projects			4,258		4,258
General government				558	558
Public works				90	90
Health and welfare				23	23
Recreation				305	305
Assigned to:					
General government	50				50
Public safety	23				23
Public works	149				149
Health and welfare	5				5
Recreation	2				2
Education	293				293
Unassigned	<u>4,317</u>		<u>(748)</u>		<u>3,569</u>
Total Fund Balances	<u>\$ 4,895</u>	<u>\$ 749</u>	<u>\$ 3,733</u>	<u>\$ 1,241</u>	<u>\$ 10,618</u>

Encumbrances outstanding at year end are reported as either committed or assigned fund balance depending on the nature of the restriction.

10. 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 1 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, 2010, the date of the last actuarial valuation:

	<u>Town Plan</u>	<u>Merit Service Plan</u>
Retirees and beneficiaries currently receiving benefits	54	44
Terminated plan members entitled to, but not yet receiving, benefits	32	41
Active plan members	<u>92</u>	<u>167</u>
Total	<u><u>178</u></u>	<u><u>252</u></u>

Annual Pension Cost and Net Pension Asset

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

	<u>Town Plan</u>	<u>Merit Service Plan</u>
Annual required contribution	\$ 824	\$ 188
Interest on net pension obligation	(22)	(14)
Adjustment to annual required contribution	<u>28</u>	<u>21</u>
Annual pension cost	830	195
Contributions made	<u>824</u>	<u>188</u>
Decrease in net pension asset	6	7
Net pension asset - beginning of year	<u>(311)</u>	<u>(204)</u>
Net Pension Asset - End of Year	<u><u>\$ (305)</u></u>	<u><u>\$ (197)</u></u>

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

	<u>Town Plan</u>	<u>Merit Service Plan</u>
Actuarial valuation date	July 1, 2010	July 1, 2010
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, Open	Level Dollar, Open
Amortization period	20 years	15 years
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

<u>Town Plan</u>			
<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
6/30/2012	\$ 830	99.3 %	\$ (305)
6/30/2011	732	118.5	(311)
6/30/2010	777	86.5	(316)
<u>Merit Service Plan</u>			
<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
6/30/2012	\$ 195	96.4 %	\$ (197)
6/30/2011	219	85.3	(204)
6/30/2010	219	85.9	(245)

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)
7/1/2010	\$ 6,216	\$ 11,661	\$ 5,445	53 %	\$ 3,773	144 %
7/1/2009	5,044	10,517	5,473	48	3,578	153
7/1/2008	5,806	9,784	3,978	59	4,018	99
7/1/2007	5,799	8,708	2,909	67	3,611	81
7/1/2006	4,984	6,868	1,884	73	3,338	56
7/1/2005	4,662	6,316	1,654	74	3,501	47

Merit Service Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/1/2010	\$ 1,937	\$ 3,121	\$ 1,184	62 %	N/A	N/A
7/1/2009	1,648	3,155	1,506	52	N/A	N/A
7/1/2008	1,899	2,905	1,006	65	N/A	N/A
7/1/2007	1,983	2,754	771	72	N/A	N/A
7/1/2006	1,715	2,556	842	67	N/A	N/A
7/1/2005	1,433	2,262	829	63	N/A	N/A

Schedule of Employer Contributions

Town Plan			
Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage of ARC Contributed
2012	\$ 824	\$ 824	100.0 %
2011	726	726	100.0
2010	774	921	119.0
2009	609	530	87.0
2008	509	677	133.0
2007	360	391	108.6

Merit Service Plan

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage of ARC Contributed
2012	\$ 188	\$ 188	100.0 %
2011	212	212	100.0
2010	224	198	88.4
2009	160	145	90.6
2008	115	126	109.6
2007	106	109	102.8

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, 2012 and the changes in net assets for the year then ended.

Schedule of Plan Net Assets

	Town Retirement Plan	Merit Service Retirement Plan	Total
Assets:			
Cash and cash equivalents	\$ 708	\$ 110	\$ 818
Investments	7,484	2,437	9,921
Accrued interest receivable	15	5	20
Net Assets Held in Trust for Pension Benefits	\$ 8,207	\$ 2,552	\$ 10,759

Schedule of Changes in Plan Net Assets

	Town Retirement Plan	Merit Service Retirement Plan	Total
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer	\$ 825	\$ 188	\$ 1,013
	<u> </u>	<u> </u>	<u> </u>
Investment income:			
Net appreciation (depreciation) in fair value of investments	(112)	7	(105)
Interest and dividends	192	58	250
Total	<u>80</u>	<u>65</u>	<u>145</u>
Less investment expense:			
Investment management fees	36	11	47
Net investment income	<u>44</u>	<u>54</u>	<u>98</u>
	<u> </u>	<u> </u>	<u> </u>
Total additions	869	242	1,111
	<u> </u>	<u> </u>	<u> </u>
Deductions:			
Benefits	<u>493</u>	<u>127</u>	<u>620</u>
	<u> </u>	<u> </u>	<u> </u>
Net increase	376	115	491
	<u> </u>	<u> </u>	<u> </u>
Net assets held in trust for pension benefits, beginning of year	<u>7,831</u>	<u>2,437</u>	<u>10,268</u>
	<u> </u>	<u> </u>	<u> </u>
Net Assets Held in Trust for Pension Benefits, End of Year	<u>\$ 8,207</u>	<u>\$ 2,552</u>	<u>\$ 10,759</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 \$1,612 for the year ended June 30, 2012.

11. OTHER POSTEMPLOYMENT BENEFITS

A. Overview

The Retiree Health Plan (RHP) is a single-employer defined benefit healthcare plan administered by the Board of Education (BOE). The RHP provides medical and dental insurance benefits to eligible retirees and their spouses. All employees of the BOE are eligible to participate in the plan.

A trust was officially established on March 29, 2011 between the Town of Litchfield and the Litchfield Board of Education and the Town's Pension Commission. The monies in the OPEB special revenue fund were transferred to the OPEB trust fund at that date. As in prior years, all expenses for postemployment benefits were paid out of the General Fund during fiscal year ended June 30, 2012. The plan does not issue a stand-alone financial report.

At July 1, 2010, plan participation consisted of the following (not rounded):

Actives	117
Retirees or continuing spouses	39
Spouses of current retirees	<u>6</u>
Total Participants	<u><u>162</u></u>

B. Funding Policy

The BOE provides certain retirees with health care and lump-sum benefits, in accordance with Teacher and Administrators union contracts. 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 retired in either fiscal year 2008 or 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 5 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 in fiscal year 2010 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 4 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 Schools is at least 10 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 5 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, 2012, the amount actually contributed to the plan and changes in the BOE's net OPEB obligation (asset):

Annual required contribution (ARC)	\$	553
Interest on OPEB obligation		43
Adjustment to annual required contribution		<u>(54)</u>
Annual OPEB cost		542
Contributions made		<u>583</u>
Increase in net OPEB obligation		(41)
Net OPEB obligation - beginning of year		<u>915</u>
Net OPEB Obligation - End of Year	\$	<u><u>874</u></u>

The BOE's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2012, 2011 and 2010, are presented below.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 542	\$ 583	107.6 %	\$ 874
6/30/2011	538	236	43.9	915
6/30/2010	475	191	40.2	329

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	- %	N/A	N/A %
7/1/2010	-	5,373	5,373	-	9,795	55

E. Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>
2012	\$ 553	\$ 583	105.4 %
2011	549	537	97.8
2010	489	160	32.7

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 10% initially, decreasing 1% per year to an ultimate rate of 4% for 2016 and later. The actuarial value of assets was determined using the open group method. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2010 was 20 years.

12. 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 \$166 included in the Internal Service Fund at June 30, 2012 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</u>	<u>Accrued Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Accrued Liability Claim Payments</u>	<u>Accrued Liability End of Fiscal Year</u>
2012	\$ 198	\$ 2,772	\$ 2,804	\$ 166
2011	199	2,279	2,280	198

The Town is a member of 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 insurance. The Town pays annual premiums for its coverage. During fiscal year 2010, the Town's membership was with Municipal Interlocal Risk Management Agency that reinsured in excess of \$250 for each insured occurrence. Beginning July 1, 2010, the Town changed its membership to Connecticut Interlocal Risk Management Agency that reinsures in excess of \$500 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies.

13. 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 that would have a material adverse effect on the Town's financial position.

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, 2012
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Property taxes:				
Property taxes	\$ 24,274	\$ 24,274	\$ 24,444	\$ 170
Interest and lien fees	150	150	208	58
Total property taxes	<u>24,424</u>	<u>24,424</u>	<u>24,652</u>	<u>228</u>
Licenses, permits and fees:				
Selectmen:				
Resource recovery	13	13	12	(1)
Refuse collection permits	1	1	1	-
Demolition and brush fees	50	50	49	(1)
Tires	1	1		(1)
Public works labor	5	5	3	(2)
Total selectmen	<u>70</u>	<u>70</u>	<u>65</u>	<u>(5)</u>
Town Clerk:				
Town Clerk fees	78	78	68	(10)
Conveyance tax	105	105	71	(34)
Dog license fees	2	2	1	(1)
Licenses and permits	2	2	3	1
Total Town Clerk	<u>187</u>	<u>187</u>	<u>143</u>	<u>(44)</u>
Development and planning:				
Planning and zoning fees	19	19	20	1
Wetland fees	8	8	6	(2)
Zoning Board of Appeals	3	3	5	2
Total development and planning	<u>30</u>	<u>30</u>	<u>31</u>	<u>1</u>
Police Department:				
Private duty	18	18	13	(5)
Parking fines	9	9	6	(3)
Total Police Department	<u>27</u>	<u>27</u>	<u>19</u>	<u>(8)</u>
Building inspection:				
Building fees	<u>60</u>	<u>60</u>	<u>65</u>	<u>5</u>
Fire Marshal:				
Licenses and permits	<u>3</u>	<u>3</u>	<u>3</u>	<u>-</u>
Social services:				
Senior van donations	2	2	1	(1)
Elderly housing - Wells Run	15	15	16	1
Total social services	<u>17</u>	<u>17</u>	<u>17</u>	<u>-</u>
Special programs:				
Tax Assessor sale of maps	2	2	2	-
Parks and recreation	2	2	2	-
Probate court	11	11	11	-
Total special programs	<u>15</u>	<u>15</u>	<u>15</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, 2012

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Education:				
Tuition and fees	\$ 1	\$ 1	\$ 5	\$ 4
Total licenses, permits and fees	410	410	363	(47)
Intergovernmental:				
In lieu of taxes	77	77	88	11
Circuit breaker	50	50	62	12
Manufacturers' inventory	3	3		(3)
Veterans' exemption	3	3	3	-
Boat reimbursement	3	3		(3)
Mashantucket Pequot Fund	20	20	21	1
Educational transportation	34	34	34	-
Education cost sharing	1,480	1,480	1,476	(4)
Telephone access line grant	35	35	33	(2)
Municipal video training	36	36	23	(13)
Total intergovernmental	1,741	1,741	1,740	(1)
Investment income	50	50	37	(13)
Other revenues:				
Miscellaneous	5	5	215	210
Total revenues	26,630	26,630	27,007	377
Other financing sources:				
Transfers in:				
Sewer Operations				
Sewer Assessment	447	447	447	-
Total	\$ 27,077	\$ 27,077	27,454	\$ 377

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

1,612

Cancellation of prior year encumbrances are recognized as budgetary revenue

(87)

Total Revenues and Other Financing Sources as Reported on the Statement of
Revenues, Expenditures and Changes in Fund Balances - Governmental Funds -
Exhibit IV

\$ 28,979

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, 2012

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
General government:				
Board of Finance	\$ 29	\$ 29	\$ 29	\$ -
Board of Selectmen	26	26	26	-
Municipal Management	171	172	172	-
Finance Department	142	142	142	-
Treasurer	7	7	7	-
Tax Collector	107	107	99	8
Assessor	152	152	152	-
Board of Assessment Appeals	1	3	3	-
Planning and Zoning	12	12	8	4
Wetlands	9	9	2	7
Zoning Board of Appeals	9	9	9	-
Conservation Commission				-
Land Use Administration	114	114	112	2
Building Inspector	115	115	115	-
Economic Development Commission	1	1		1
Town Clerk	114	114	112	2
Elections	15	16	16	-
Registrars	28	28	28	-
Legal counsel	82	82	57	25
Probate	8	8	8	-
Technology	61	61	53	8
Central Services and Town buildings	167	167	155	12
Total general government	<u>1,370</u>	<u>1,374</u>	<u>1,305</u>	<u>69</u>
Public safety:				
Police protection	161	161	143	18
Patrol services	127	173	173	-
Parking enforcement	41	41	13	28
Fire Marshal	78	78	65	13
Fire protection service	355	371	371	-
E911 Emergency	82	82	82	-
Litchfield emergency management	7	7	4	3
Total public safety	<u>851</u>	<u>913</u>	<u>851</u>	<u>62</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, 2012

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Public works:				
Supervision	\$ 8	\$ 10	\$ 10	\$
Operations	1,013	1,013	997	16
Highways	519	519	478	41
Equipment maintenance	210	243	243	-
Building and grounds maintenance	82	82	68	14
Solid waste disposal and recycling	396	478	478	
Director of Public Works	69	69	69	
Total public works	<u>2,297</u>	<u>2,414</u>	<u>2,343</u>	<u>71</u>
Health and welfare:				
Social services	37	37	37	-
Ambulance services	63	73	73	-
OSHA mandated health	2	2	1	1
Total health and welfare	<u>102</u>	<u>112</u>	<u>111</u>	<u>1</u>
Libraries	<u>332</u>	<u>332</u>	<u>332</u>	<u>-</u>
Recreation:				
Recreation	104	104	101	3
Co-op programs	144	144	143	1
Total recreation	<u>248</u>	<u>248</u>	<u>244</u>	<u>4</u>
Board of Education:				
Board of Education	16,548	16,548	16,451	97
Maintenance by Town	163	163	190	(27)
Total Board of Education	<u>16,711</u>	<u>16,711</u>	<u>16,641</u>	<u>70</u>
Other:				
Cemetery services	20	20	20	-
Beautification Commission	3	3		3
Contingency	86			-
Fringe benefits	1,448	1,407	1,349	58
Municipal insurance	140	74	74	-
Total other	<u>1,697</u>	<u>1,504</u>	<u>1,443</u>	<u>61</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, 2012
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Debt service:				
Debt retirement principal	\$ 2,435	\$ 2,435	\$ 2,434	\$ 1
Interest on long-term debt	965	965	904	61
Interest on bond anticipation notes	19	19	15	4
Total debt service	<u>3,419</u>	<u>3,419</u>	<u>3,353</u>	<u>66</u>
Total expenditures	<u>27,027</u>	<u>27,027</u>	<u>26,623</u>	<u>404</u>
Other financing uses:				
Transfers out:				
Capital improvements	25	353	353	-
Other	<u>25</u>	<u>25</u>	<u>21</u>	<u>4</u>
Total other financing uses	<u>50</u>	<u>378</u>	<u>374</u>	<u>4</u>
Total	\$ <u>27,077</u>	\$ <u>27,405</u>	26,997	\$ <u>408</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 1,612
Dog Fund was combined with the General Fund (GASB Statement No. 54) (5)
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 (343)

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 28,261

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2012 AND 2011

(In Thousands)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 14,069	\$ 10,286
Investments		1,533
Receivables, net:		
Property taxes	703	803
Intergovernmental		34
Other	252	48
Due from other funds	140	326
Other assets	<u>56</u>	<u>31</u>
Total Assets	<u>\$ 15,220</u>	<u>\$ 13,061</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,271	\$ 979
Due to other funds	8,300	7,180
Deferred revenue	754	725
Total liabilities	<u>10,325</u>	<u>8,884</u>
Fund balance:		
Nonspendable	56	31
Restricted		34
Assigned	522	439
Unassigned	4,317	3,673
Total fund balance	<u>4,895</u>	<u>4,177</u>
Total Liabilities and Fund Balance	<u>\$ 15,220</u>	<u>\$ 13,061</u>

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL FUND

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2012

(In Thousands)

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Grand List	Uncollected Taxes July 1, 2011	Current Levy	Lawful Corrections		Transfers To Suspense	Refunds	Net Amount Collectible	Collections				Uncollected Taxes June 30, 2012
			Additions	Deductions				Taxes	Interest	Fees	Total	
2010	\$	\$ 24,501	\$ 16	\$ 46	\$	\$ 17	\$ 24,488	\$ 24,020	\$ 90	\$	\$ 24,110	\$ 468
2009	446		1	4		2	445	292	62	2	356	153
2008	135					2	137	71	28	1	100	66
2007	72		1		26		47	29	14		43	18
2006	7						7	4	2		6	3
2005	4						4		1		1	4
2004	2						2				-	2
2003	2						2		2		2	2
2002							-		1		1	-
2001							-				-	-
2000							-				-	-
1999							-				-	-
1998							-				-	-
1997	1						1				-	1
1996	1						1				-	1
1995	1				1		-				-	-
1994	1			1			-				-	-
	<u>\$ 672</u>	<u>\$ 24,501</u>	<u>\$ 18</u>	<u>\$ 51</u>	<u>\$ 27</u>	<u>\$ 21</u>	<u>\$ 25,134</u>	<u>\$ 24,416</u>	<u>\$ 200</u>	<u>\$ 3</u>	<u>\$ 24,619</u>	<u>\$ 718</u>

TOWN OF LITCHFIELD, CONNECTICUT

BOARD OF EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2012

(In Thousands)

Program	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Art	\$ 25	\$ 25	\$ 22	\$ 3
Business Education	3	3		3
World Language	9	9	9	-
Family/consumer science	9	9	9	-
Technology education	16	16	10	6
Language arts	25	25	27	(2)
Mathematics	17	17	15	2
Music	19	19	18	1
Physical education	7	7	7	-
Science	20	20	19	1
Social studies	8	8	6	2
Kindergarten	2	2	1	1
Title 1 programs	3	3	3	-
Health education	1	1	1	-
Learning centers	4	4	3	1
Speech and language	29	29	15	14
Homebound instruction	2	2	1	1
Pre-school services	1	1	1	-
Program evaluation	1	1		1
Psychological services	26	26	22	4
Guidance services	4	4	2	2
Health services	18	18	8	10
Career education	4	4	3	1
Occupational/physical therapy	96	96	73	23
Library/media services	33	33	36	(3)
Student activity support	108	108	108	-
Technology support	35	35	16	19
Salaries and wages	10,037	10,037	9,969	68
Employee benefits	2,787	2,787	2,680	107
Board of Education	59	59	59	-
Central administration	33	33	22	11
School administration	65	65	50	15
Staff development	29	29	39	(10)
Special ed administration	2	2	2	-
General instructional support	80	80	68	12
Fiscal services	17	17	25	(8)
Care and upkeep of buildings	224	224	239	(15)
Care and upkeep of equipment	35	35	59	(24)
Utilities	629	629	594	35
Vehicle maintenance	2	2	2	-
Building furniture			6	(6)
Technology maintenance	72	72	376	(304)
Special ed transportation	171	171	168	3
Athletic transportation	53	53	41	12
Special education tuition	744	744	643	101
Regular transportation	820	820	831	(11)
Magnet school tuition	4	4	21	(17)
Non-public transportation	1	1	2	(1)
Vo-Ag tuition	152	152	112	40
Adult education	7	7	8	(1)
Total	\$ 16,548	\$ 16,548	\$ 16,451	\$ 97

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

TOWN OF LITCHFIELD, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDSJUNE 30, 2012
(In Thousands)

	Special Revenue Funds						
	<u>Town Hall Annex</u>	<u>Special Education Grants</u>	<u>Parks and Recreation</u>	<u>Road Ordinance</u>	<u>Sewer Operations</u>	<u>Infrastructure</u>	<u>Town Aid Road</u>
ASSETS							
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$
Receivables, net	5	19			731		
Due from other funds	<u>576</u>		<u>96</u>	<u>3</u>	<u>86</u>	<u>86</u>	<u>114</u>
Total Assets	<u>\$ 581</u>	<u>\$ 19</u>	<u>\$ 96</u>	<u>\$ 3</u>	<u>\$ 817</u>	<u>\$ 86</u>	<u>\$ 114</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 23	\$	\$ 1	\$	\$ 17	\$	\$
Due to other funds		17					
Deferred revenue		<u>2</u>	<u>4</u>		<u>713</u>		
Total liabilities	<u>23</u>	<u>19</u>	<u>5</u>	<u>-</u>	<u>730</u>	<u>-</u>	<u>-</u>
Fund balances:							
Nonspendable							
Restricted						86	114
Committed	<u>558</u>		<u>91</u>	<u>3</u>	<u>87</u>		
Total fund balance	<u>558</u>	<u>-</u>	<u>91</u>	<u>3</u>	<u>87</u>	<u>86</u>	<u>114</u>
Total Liabilities and Fund Balances	<u>\$ 581</u>	<u>\$ 19</u>	<u>\$ 96</u>	<u>\$ 3</u>	<u>\$ 817</u>	<u>\$ 86</u>	<u>\$ 114</u>

(Continued on next page)

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

JUNE 30, 2012
(In Thousands)

	Special Revenue Funds					Permanent Fund	Total Nonmajor Governmental Funds
	Small Cities Grants	Miscellaneous Special Revenue	Scholarships	Other Post Employment Benefits	Total	Cemetery Trust	
ASSETS							
Cash and cash equivalents	\$ 23	\$ 18	\$ 46	\$ -	\$ 87	\$ 10	\$ 97
Receivables, net	116	1	-	-	872	-	872
Due from other funds	-	196	9	-	1,166	-	1,166
Total Assets	\$ 139	\$ 215	\$ 55	\$ -	\$ 2,125	\$ 10	\$ 2,135
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ 1	\$ -	\$ -	\$ 42	\$ -	\$ 42
Due to other funds	-	-	-	-	17	-	17
Deferred revenue	116	-	-	-	835	-	835
Total liabilities	116	1	-	-	894	-	894
Fund balances:							
Nonspendable	-	-	-	-	-	10	10
Restricted	-	-	55	-	255	-	255
Committed	23	214	-	-	976	-	976
Total fund balance	23	214	55	-	1,231	10	1,241
Total Liabilities and Fund Balances	\$ 139	\$ 215	\$ 55	\$ -	\$ 2,125	\$ 10	\$ 2,135

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TOWN OF LITCHFIELD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012
(In Thousands)

		Special Revenue Funds						
		Town Hall Annex	Special Education Grants	Parks and Recreation	Road Ordinance	Sewer Operations	Infrastructure	Town Aid Road
Revenues:								
Intergovernmental	\$		\$ 760	\$	\$	\$	\$ 84	\$ 192
Charges for services		251		78		1,057	5	
Investment income						1		
Other		5				42		
Total revenues		<u>256</u>	<u>760</u>	<u>78</u>	<u>-</u>	<u>1,100</u>	<u>89</u>	<u>192</u>
Expenditures:								
Current:								
General government		191						
Public works						772		
Health and welfare								
Recreation				72				
Education			760					
Total expenditures		<u>191</u>	<u>760</u>	<u>72</u>	<u>-</u>	<u>772</u>	<u>-</u>	<u>-</u>
Excess of Revenues over Expenditures		65	-	6	-	328	89	192
Other Financing Uses:								
Transfers out						(250)	(85)	(192)
Net Change in Fund Balances		65	-	6	-	78	4	-
Fund Balances at Beginning of Year		493	-	85	3	9	82	114
Fund Balances at End of Year	\$	<u>558</u>	<u>-</u>	<u>91</u>	<u>3</u>	<u>87</u>	<u>86</u>	<u>114</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2012
(In Thousands)

	Special Revenue Funds					Permanent Fund	Total Nonmajor Governmental Funds
	Small Cities Grants	Miscellaneous Special Revenue	Scholarships	Other Post Employment Benefits	Total	Cemetery Trust	
Revenues:							
Intergovernmental	\$ 148	\$ 16	\$	\$	\$ 1,200	\$	\$ 1,200
Charges for services		69			1,460		1,460
Investment income					1		1
Other	45		8		100		100
Total revenues	<u>193</u>	<u>85</u>	<u>8</u>	<u>-</u>	<u>2,761</u>	<u>-</u>	<u>2,761</u>
Expenditures:							
Current:							
General government		4			195		195
Public works					772		772
Health and welfare	172	8			180		180
Recreation		42			114		114
Education			4		764		764
Total expenditures	<u>172</u>	<u>54</u>	<u>4</u>	<u>-</u>	<u>2,025</u>	<u>-</u>	<u>2,025</u>
Excess of Revenues over Expenditures	21	31	4	-	736	-	736
Other Financing Uses:							
Transfers out					(527)		(527)
Net Change in Fund Balances	21	31	4	-	209	-	209
Fund Balances at Beginning of Year	<u>2</u>	<u>183</u>	<u>51</u>	<u>-</u>	<u>1,022</u>	<u>10</u>	<u>1,032</u>
Fund Balances at End of Year	<u>\$ 23</u>	<u>\$ 214</u>	<u>\$ 55</u>	<u>\$ -</u>	<u>\$ 1,231</u>	<u>\$ 10</u>	<u>\$ 1,241</u>

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF SEWER USE CHARGES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2012
(In Thousands)

<u>Usage Year</u>	<u>Balance Uncollected July 1, 2011</u>	<u>Current Year Charges and Adjustments</u>	<u>Collections</u>	<u>Balance Uncollected June 30, 2012</u>
2012	\$	\$ 940	\$ 785	\$ 155
2011	148		25	123
2010	101		6	95
2009	72		2	70
2008	67		2	65
2007	73			73
2006	70			70
2005	70			70
2004	67		45	22
	<u>668</u>	<u>940</u>	<u>865</u>	<u>743</u>
Total	\$	\$	865	\$
Interest and lien fees			<u>(106)</u>	
Total Collection			<u>\$ 759</u>	

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2012
(In Thousands)

<u>Usage Year</u>	<u>Balance Uncollected July 1, 2011</u>	<u>Current Year Levy and Adjustments</u>	<u>Collections</u>	<u>Balance Uncollected June 30, 2012</u>
Contract No. 13	\$ 211	\$	\$ 33	\$ 178
Contract No. 14	138		10	128
Contract No. 15	14		3	11
Contract No. 17	325		23	302
Contract No. 18	479		38	441
Total	<u>\$ 1,167</u>	<u>\$ -</u>	107	<u>\$ 1,060</u>
Interest and lien fees			<u> </u>	
Total Collection			<u>\$ 107</u>	

TOWN OF LITCHFIELD, CONNECTICUT

CAPITAL PROJECTS FUND

PROJECT COMBINING BALANCE SHEET

JUNE 30, 2012
(In Thousands)

	<u>Capital Improvements</u>	<u>Capital and Nonrecurring</u>	<u>Renovation of Schools</u>	<u>WPCA Capital Reserve</u>	<u>Total</u>
ASSETS					
Receivables, net	\$ 326	\$	\$	\$	\$ 326
Due from other funds	<u>3,756</u>	<u>449</u>	<u></u>	<u>70</u>	<u>4,275</u>
Total Assets	<u>\$ 4,082</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ 4,601</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 103	\$	\$	\$	\$ 103
Due to other funds			323		323
Bond anticipation notes payable			425		425
Deferred revenue	17				17
Total liabilities	<u>120</u>	<u>-</u>	<u>748</u>	<u>-</u>	<u>868</u>
Fund Balances (Deficit):					
Restricted	223				223
Committed	3,739	449		70	4,258
Unassigned			(748)		(748)
Total fund balances	<u>3,962</u>	<u>449</u>	<u>(748)</u>	<u>70</u>	<u>3,733</u>
Total Liabilities and Fund Balances	<u>\$ 4,082</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ 70</u>	<u>\$ 4,601</u>

TOWN OF LITCHFIELD, CONNECTICUT

CAPITAL PROJECTS FUND

PROJECT COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

(In Thousands)

	<u>Capital Improvements</u>	<u>Capital and Nonrecurring</u>	<u>Renovation of Schools</u>	<u>WPCA Capital Reserve</u>	<u>Total</u>
Revenues:					
Intergovernmental	\$ 1,083	\$	\$	\$	\$ 1,083
Investment income				1	1
Other	141			2	143
Total revenues	<u>1,224</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>1,227</u>
Expenditures:					
Debt service	228				228
Capital outlay	2,175		-		2,175
Total expenditures	<u>2,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,403</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,179)</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>(1,176)</u>
Other Financing Sources (Uses):					
Transfers in	526	79	25		630
Proceeds from refundings	12,110				12,110
Premiums from refundings	1,045				1,045
Payments to escrow agent on refundings	(12,943)				(12,943)
Proceeds from bonds	2,900				2,900
Premium on bonds	46				46
Total other financing sources	<u>3,684</u>	<u>79</u>	<u>25</u>	<u>-</u>	<u>3,788</u>
Net Change in Fund Balances	2,505	79	25	3	2,612
Fund Balances at Beginning of Year	<u>1,457</u>	<u>370</u>	<u>(773)</u>	<u>67</u>	<u>1,121</u>
Fund Balances at End of Year	<u>\$ 3,962</u>	<u>\$ 449</u>	<u>\$ (748)</u>	<u>\$ 70</u>	<u>\$ 3,733</u>

TOWN OF LITCHFIELD, CONNECTICUT

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2012
(In Thousands)**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Student Activity Funds				
Assets:				
Cash and cash equivalents	\$ 191	\$ 298	\$ 312	\$ 177
Liabilities:				
Due to student groups	\$ 191	\$ 298	\$ 312	\$ 177
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ 69	\$ 328	\$ 383	\$ 14
Accounts receivable	136	453	55	534
Total Assets	\$ 205	\$ 781	\$ 438	\$ 548
Liabilities:				
Performance bonds	\$ 205	\$ 781	\$ 438	\$ 548
Total All Funds				
Assets:				
Cash and cash equivalents	\$ 260	\$ 626	\$ 695	\$ 191
Accounts receivable	136	453	55	534
Total Assets	\$ 396	\$ 1,079	\$ 750	\$ 725
Liabilities:				
Due to student groups	\$ 260	\$ 626	\$ 695	\$ 191
Performance bonds	136	453	55	534
Total Liabilities	\$ 396	\$ 1,079	\$ 750	\$ 725

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

JUNE 30, 2012

(In Thousands)

Total tax collections, including interest and lien fees, received by Treasurer for the year ended June 30, 2012					\$ <u>24,619</u>
	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 55,393	\$	\$	\$	\$
4-1/2 times base		110,786			
3-3/4 times base			92,321		
3-1/4 times base				80,012	
3 times base					73,857
Total debt limitation	<u>55,393</u>	<u>110,786</u>	<u>92,321</u>	<u>80,012</u>	<u>73,857</u>
Indebtedness:					
Bonds payable	8,509	17,150	1,032		
Clean Water Fund PLO			3,179		
Bond anticipation notes payable		425			
Bonds authorized - unissued		9,575			
Less:					
School building grants - estimated		(9,182)			
Total indebtedness	<u>8,509</u>	<u>17,968</u>	<u>4,211</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	\$ <u>46,884</u>	\$ <u>92,818</u>	\$ <u>88,110</u>	\$ <u>80,012</u>	\$ <u>73,857</u>

Note: In no event shall total debt exceed seven times annual receipts from taxation (\$172 million).

TOWN OF LITCHFIELD, CONNECTICUT

PRINCIPAL PROPERTY TAXPAYERS

Taxpayer	Nature of Operations	Taxable Assessed Value as of 10/1/10
Connecticut Light & Power	Power Company	\$ 9,377,720
White Memorial Foundation	Leased Land for Cottages	6,623,790
City of Waterbury	Watershed	6,185,200
CRP/BWN LLC (Sarah Pierce)	Health Care Facility	5,268,730
C A Litchfield Land LLC	Real Estate	3,574,330
6645 Federal Square Realty LLC	Commercial Real Estate	3,428,980
Arethusa Farm	Farming	3,216,980
Union Savings Bank	Bank	2,644,630
Litchfield Developers	Commercial Real Estate	2,396,100
Aquarion Water Co.	Water Supply	<u>2,360,170</u>
Total		<u>\$ 45,076,630</u>

Source: Town of Litchfield, Office of Tax Assessor

TOWN OF LITCHFIELD, CONNECTICUT
TAXABLE GRAND LIST

<u>Grand List</u>	<u>Real Estate</u>	<u>Personal</u>	<u>Motor Vehicle</u>	<u>Gross Taxable Grand List</u>	<u>Less Exemptions</u>	<u>Net Taxable Grand List</u>
10/1/2010	\$ 1,008,741,470	\$ 26,300,793	\$ 68,507,350	\$ 1,103,549,613	\$ 2,954,760	\$ 1,100,594,853

Source: Town of Litchfield, Office of Tax Assessor

TOWN OF LITCHFIELD, CONNECTICUT
CALCULATION OF DIRECT DEBT AND NET DIRECT DEBT
JUNE 30, 2012

Long-Term Indebtedness (1):	
Bonds:	
General Purpose	\$ 8,509,400
Schools	17,150,600
Sewers	1,031,825
State of Connecticut PLO (Clean Water Fund)	<u>3,178,534</u>
Total Long-Term Indebtedness	29,870,359
Short-Term Indebtedness:	
Bond Anticipation Notes	<u>425,000</u>
Total Direct Debt	30,295,359
Exclusions (2):	
Sewer assessments receivable	(1,060,202)
Sewer use charges receivable	<u>(741,215)</u>
Total Net Direct Debt	<u>\$ 28,493,942</u>

(1) Does not include authorized but unissued debt of \$393,111

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

Note: The Town has no overlapping or underlying indebtedness.

TOWN OF LITCHFIELD, CONNECTICUT

CURRENT DEBT RATIOS

JUNE 30, 2012

Total Direct Indebtedness	\$	30,295,359
Total Net Direct Indebtedness	\$	28,493,942
Population (7/1/09) (1)		8,686
Net Taxable Grand List (10/1/09)	\$	1,100,594,853
Estimated Full Value	\$	1,572,278,361
Equalized Net Taxable Grand List (2009) (2)	\$	1,538,582,916
Per Capita Income (1999) (3)	\$	40,761
Total Direct Indebtedness:		
Per Capita	\$	3,487.84
To Net Taxable Grand List		2.75%
To Estimated Full Value		1.93%
To Equalized Net Taxable Grand List		1.97%
Per Capita to Per Capita Income		8.56%
Total Net Direct Indebtedness:		
Per Capita	\$	3,280.44
To Net Taxable Grand List		2.59%
To Estimated Full Value		1.81%
To Equalized Net Taxable Grand List		1.85%
Per Capita to Per Capita Income		8.05%

(1) U.S. Department of Commerce, Bureau of Census 2010

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

(3) U.S. Census Bureau, 2005-2009 American Community Survey

Source: Town of Litchfield, Office of Director of Finance