

TOWN OF LITCHFIELD, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2013

TOWN OF LITCHFIELD, CONNECTICUT

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Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Finance
Town of Litchfield
Litchfield, Connecticut

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town of Litchfield, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the budgetary comparison information on pages 46 through 50 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Litchfield, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements, schedules and tables are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and tables are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013 on our consideration of the Town of Litchfield, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Litchfield, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 5, 2013

TOWN OF LITCHFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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, 2013. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The Town issued \$2.1 million in bonds and \$400 thousand in BANS (January 2013). The Town reaffirmed its bond rate at Aa2. See detailed discussion in Long-Term Debt (page 11, Management Discussion and Analysis).
- Total cost of all of the Town's programs was \$31.5 million.
- General Fund Property Tax revenues, including interest and lien fees, exceeded budget by \$204 thousand continuing the trend of strong collections.
- Unassigned fund balance of the General Fund increased by \$931 thousand from \$4.3 million at June 30, 2012 to \$5.2 million at June 30, 2013, due to cost savings from the Town and strong tax collections.
- The Town applied for FEMA reimbursement based on the Severe Winter Storm February 8-11, 2013 (\$40,581). The reimbursement covered the cost of overtime, equipment and materials related to the storm.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position 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 position 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 position and changes in them. One measure of the Town's financial health is the Town's net position, the difference between assets and liabilities, or financial position. Over time, increases or decreases in the Town's net position 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 position 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 position 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 position 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 position and changes in fiduciary net position. 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 position decreased from \$52.9 million to \$52.6 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town’s governmental activities.

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

	Governmental Activities	
	2013	2012
Current and other assets	\$ 18,750	\$ 18,292
Noncurrent assets	67,980	69,159
Total assets	<u>86,730</u>	<u>87,451</u>
Current liabilities	5,205	5,193
Noncurrent liabilities	28,899	29,282
Total liabilities	<u>34,104</u>	<u>34,475</u>
Net Position:		
Net investment in capital assets	37,713	38,518
Restricted	10	10
Unrestricted	<u>14,903</u>	<u>14,448</u>
Total Net Position	<u>\$ 52,626</u>	<u>\$ 52,976</u>

Total net position of the Town’s governmental activities decreased 0.01% (\$52.6 million compared to \$52.9 million).

Unrestricted net position - the part of net position that can be used to finance daily operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$455,000 from \$14.4 million at June 30, 2012 to \$14.9 million on June 30, 2013.

TABLE 2
CHANGE IN NET POSITION
(In Thousands)

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 1,520	\$ 2,088
Operating grants and contributions	4,058	4,111
Capital grants and contributions	511	1,499
General revenues:		
Property taxes	24,704	24,668
Grants not restricted to specific purposes	263	207
Unrestricted investment earnings and other	90	198
Total revenues	31,146	32,771
 Program expenses:		
General government	2,261	1,973
Public safety	1,464	1,269
Public works	6,613	4,372
Health and welfare	144	294
Libraries	339	333
Recreation	421	426
Education	19,485	19,048
Interest on long-term debt	769	1,050
Total program expenses	31,496	28,765
 Increase in Net Position	\$ (350)	\$ 4,006

The Town's total revenue was \$31.1 million. The total cost of all programs and services was \$31.4 million. There was a \$36 thousand increase in property tax revenue collected as compared to June 30, 2012. The \$1 million reduction from 2012 to 2013 for capital grants and contributions was due to prior year completion of one grant funded project in 2012 (Campville Road Bridge). Our analysis below separately considers the operations of governmental activities.

Governmental Activities

Approximately 79% of the revenues were derived from property tax. Restricted operating grants and contributions and restricted capital grants and contributions, accounted for 13% and 2% of revenues, respectively. Charges for services represented 5% 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 (22.2 for prior year) on the net taxable grand list of \$1.1 billion. There was negligible growth in the 2011 Grand List.
- Program operating grants and contributions of \$4.1 million a decrease of \$53 thousand.
- Program capital grants and contributions showed a decreased \$988 thousand to \$511 thousand from \$1.5 million a year earlier due to prior year grant completion of Campville Road Bridge.
- Grants not restricted to specific purposes increased 27% from the prior year to \$263 thousand due to the State of Connecticut Revenue Sharing Grant Revenue.

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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General government	\$ 2,261	\$ 1,973	\$ 1,597	\$ 1,240
Public safety	1,464	1,269	1,443	1,246
Public works	6,613	4,372	5,104	1,492
Health and welfare	144	294	107	281
Libraries	339	333	339	333
Recreation	421	426	346	273
Education	19,485	19,048	15,702	15,152
Interest on long-term debt	769	1,050	769	1,050
Total	\$ 31,496	\$ 28,765	\$ 25,407	\$ 21,067

For governmental activities, 62% of the Town’s expenditures related to education; 21% for public works; 5% for public safety, 7% for general government and 5% for health and welfare, libraries, recreation services, and interest on long-term debt.

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, 2013, the Town's governmental funds reported a combined fund balance of \$11.7 million, a 10% increase of \$1.1 million from June 30, 2012, of which \$502 thousand was in the Capital Projects Fund. The Capital Projects Fund increase was due to issuing of debt.

The Town's combined governmental fund balance of \$11.7 million is comprised of unassigned fund balance of \$4.5 million, assigned fund balance of \$245 thousand, committed fund balance of \$6.5 million, nonspendable fund balance of \$71 thousand and restricted fund balance of \$413 thousand.

The General Fund is the chief operating fund of the Town. At June 30, 2013, fund balance increased \$659 thousand to \$5.6 million. General Fund unassigned fund balance increased \$931 thousand from \$4.3 million at June 30, 2012 to \$5.2 million at June 30, 2013.

In the Capital Projects Fund, \$2.2 million was used to fund capital projects. Items included are \$676 thousand toward various bridge projects, \$285 thousand in spending toward the 10-year Road Program, and \$387 thousand in other road projects.

The total fund balance of the Sewer Assessment Fund decreased by \$106 thousand to \$643 thousand from \$749 thousand the previous year.

The Nonmajor Governmental Funds fund balance increased by \$63 thousand from \$1.2 million to \$1.3 million due mainly to strong tax collections by the Sewer Operations Tax Collector.

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 position of the fund at June 30, 2013 decreased \$5 thousand to \$1.9 million primarily due to claims of \$10 thousand more than contributions from the Town and BOE.

Pension Trust Funds

For fiscal year 2013, the net position of the Pension Trust Funds increased 15% from the year earlier to \$12.3 million. This was due to Town/BOE contributions of \$1.0 million, \$994 thousand appreciation of the fair value of its investments and \$279 thousand of investment earnings to provide \$698 thousand of benefits and expenses.

Other Post Employment Benefits

For fiscal year 2013, the Net OPEB obligation decreased by 7.8% to \$806 thousand. As in prior years, all expenses for postemployment benefits were paid out of the General Fund during the fiscal year ended June 30, 2013.

General Fund Budgetary Highlights

The original budget was approved at the Annual Budget Meeting on May 9, 2012 with appropriations of \$27.2 million. The budget was amended by actions of the Board of Finance and, as necessary, by the Town at various town meetings.

Actual expenditures and transfers out on a budgetary basis total \$26.8 million, which is \$377 thousand less than the final budget of \$27.2 million. The favorable variance was due to costs savings throughout the Town's various departments. The greatest savings from the final budget were: 1) a \$123 thousand reduction in the cost of fringe benefits for Town employees 1) \$93 thousand in cost savings achieved by transferring the school custodians from the control of the Board of Education to the Town resulting in a unified maintenance department.

On the revenue side, it was Taxes - \$204 thousand and Miscellaneous - \$113 thousand which offset the budget shortfalls in departmental revenues, Selectmen - \$(49) thousand and Investment Income - (\$16) thousand. The excess of revenues and other financing sources on a budgetary basis was \$426 thousand.

Of the General Fund's fund balance, 94.5% constitutes unassigned fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the Town had \$67.9 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 decrease (including additions and deductions) of \$1.2 million, or 1.7% over the previous fiscal year.

Machinery and equipment purchases of \$267 thousand were used to acquire a loader, dump truck, and computer servers for the schools.

Infrastructure additions of \$544 thousand were to improve the Town's 121 miles of roads and bridges.

Buildings and Improvements of \$164 thousand were for a fire rated stairwell at the Northfield Fire House and new tennis courts at the schools.

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

	Governmental	
	Activities	
	2013	2012
Land	\$ 1,296	\$ 1,296
Buildings and improvements	42,936	43,659
Machinery and equipment	2,859	2,597
Infrastructure	20,889	21,607
Total	\$ 67,980	\$ 69,159

The Town's fiscal year 2013-14 CIP budget authorizes spending \$2.9 million for capital projects, of which \$502 thousand is to be funded from grants and other local funding. This includes \$867 thousand for major road projects; \$255 thousand toward the replacement/restoration of bridges; \$225 thousand for public facilities; \$282 thousand for vehicle and equipment replacement, \$496 thousand for Fire Department equipment and building repairs

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. The project has been put on hold as Town officials contemplate regionalization of the town schools. If regionalization were to occur, one of the existing school buildings may be used as the Town Hall.

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, 2013, the Town had \$29.6 million in bonds outstanding versus \$29.9 million last year, a decrease of .01% or \$276 thousand as seen in Table 5.

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

	Governmental Activities	
	2013	2012
General obligation bonds (backed by the Town)	\$ <u>29,594</u>	\$ <u>29,870</u>

On February 7, 2013, as authorized at the Town’s Annual Meeting, the Town issued \$2.1 million in bonds and \$400 thousand in Bond Anticipation Notes (BANs). \$250 thousand of the bond issuance was for capital projects related to the 2012 CIP and \$1.9 million of the issuance was for new projects from the 2013 CIP. These projects include: \$629,430 for vehicle and equipment replacement, \$782,479 for bridge and road maintenance, \$402,500 for building and land improvements, and \$65,591 for debt administration.

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 the bond and BAN issuance in fiscal year 2013. 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, 2013.

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, 2013, employment in Litchfield was 3,973, a decrease of 95 from the prior year. The Town's unemployment rate at June 30, 2013 was 6.4%, down .6% over the prior year. This rate compares favorably to both the State and national unemployment rates of 8.1% and 7.6%, respectively. Inflation for the Northeast area for the year ended June 30, 2013 remained at 1.5%. The national Consumer Price Index - All Urban Consumers (CPI 1982-84=100) increased 1.8% at June 30, 2013 from the previous year.

The fiscal year 2014 budget was adopted by referendum on May 21, 2013. The Town's net taxable grand list rose .14% from the prior year. The Town's elected Board of Finance set the fiscal year 2013-2014 tax mill rate at 22.6, a 1.8% increase from the prior year. Amounts available for appropriation in the original fiscal 2014 General Fund budget are \$27.6 million, an increase of 1.5% from the original 2013 budget of \$27.2 million. The increase was necessary to fund the \$207 thousand increase for the Board of Education (mainly employee benefits and capital improvements-technology) and the \$153 thousand increase in the Selectman's budget (mainly salaries and employee benefits).

The Board of Finance appropriated \$1.125 million of unassigned fund balance as Pay As You Go Capital to reduce the 2013-14 CIP bonding by \$874 thousand and to fund the Town's Municipal Pension Plan by an additional \$240 thousand and the OPEB Trust by \$12 thousand on September 9, 2013. This reduction of fund balance will be reflected in the June 30, 2014 financial statements.

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 POSITION

JUNE 30, 2013
(In Thousands)

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 15,433
Receivables, net	2,468
Prepaid items	61
Net pension asset	490
Other assets	298
Capital assets not being depreciated	1,296
Capital assets being depreciated, net	66,684
Total assets	<u>86,730</u>
Liabilities:	
Accounts payable	2,201
Bond anticipation notes	400
Unearned revenue	64
Noncurrent liabilities:	
Due within one year	2,540
Due in more than one year	28,899
Total liabilities	<u>34,104</u>
Net Position:	
Net investment in capital assets	37,713
Restricted for trust purposes	10
Unrestricted	14,903
Total Net Position	<u>\$ 52,626</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, 2013

(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 Position
					Governmental Activities
Governmental activities:					
General government	\$ 2,261	\$ 386	\$ 267	\$ 11	\$ (1,597)
Public safety	1,464	21			(1,443)
Public works	6,613	1,009		500	(5,104)
Health and welfare	144	15	22		(107)
Libraries	339				(339)
Recreation	421	75			(346)
Education	19,485	14	3,769		(15,702)
Interest on long-term debt	769				(769)
Total	\$ 31,496	\$ 1,520	\$ 4,058	\$ 511	(25,407)
General revenues:					
Property taxes					24,704
Grants and contributions not restricted to specific programs					263
Unrestricted investment earnings					35
Miscellaneous					55
Total general revenues					25,057
Change in net position					(350)
Net Position at Beginning of Year					52,976
Net Position at End of Year					\$ 52,626

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013
(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	\$ 15,284	\$	\$	\$ 104	\$ 15,388
Receivables, net	973	994	209	292	2,468
Due from other funds	323	643	5,034	1,227	7,227
Other assets	61				61
Total Assets	\$ 16,641	\$ 1,637	\$ 5,243	\$ 1,623	\$ 25,144
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,433	\$	\$ 154	\$ 56	\$ 1,643
Due to other funds	9,021		323		9,344
Bond anticipation notes payable			400		400
Deferred revenue	633	994	131	263	2,021
Total liabilities	11,087	994	1,008	319	13,408
Fund balances:					
Nonspendable	61			10	71
Restricted				413	413
Committed		643	4,958	881	6,482
Assigned	245				245
Unassigned	5,248		(723)		4,525
Total fund balances	5,554	643	4,235	1,304	11,736
Total Liabilities and Fund Balances	\$ 16,641	\$ 1,637	\$ 5,243	\$ 1,623	\$ 25,144

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2013
(In Thousands)

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

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

Fund balances - total governmental funds	\$	11,736
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$	95,062
Less accumulated depreciation		<u>(27,082)</u>
Net capital assets		67,980
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Net pension asset		490
Property tax receivables greater than 60 days		467
Property tax interest receivables greater than 60 days		140
Assessments receivable		994
Housing loans		115
Sewer use receivables		134
Other receivables		107
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 position.		
		1,968
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		(29,594)
Premium on bonds		(1,202)
Deferred amount in refunding		631
Deferred bond issuance costs		298
Interest payable on bonds and notes		(364)
Compensated absences		(410)
Landfill closure		(29)
OPEB obligation		(806)
Claims and judgments		<u>(29)</u>
Net Position of Governmental Activities (Exhibit I)	\$	<u><u>52,626</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSFOR THE YEAR ENDED JUNE 30, 2013
(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	\$ 24,794	\$	\$	\$	\$ 24,794
Intergovernmental	3,502		226	1,028	4,756
Charges for services	441	81		1,516	2,038
Investment income	29	1		1	31
Other	111			99	210
Total revenues	<u>28,877</u>	<u>82</u>	<u>226</u>	<u>2,644</u>	<u>31,829</u>
Expenditures:					
Current:					
General government	1,412			369	1,781
Public safety	779				779
Public works	2,439		61	756	3,256
Health and welfare	116			11	127
Libraries	339				339
Recreation	260			78	338
Education	18,545			574	19,119
Employee benefits	1,448				1,448
Capital outlay			2,361		2,361
Debt service	3,293				3,293
Total expenditures	<u>28,631</u>	<u>-</u>	<u>2,422</u>	<u>1,788</u>	<u>32,841</u>
Excess (Deficiency) of Revenues over Expenditures	<u>246</u>	<u>82</u>	<u>(2,196)</u>	<u>856</u>	<u>(1,012)</u>
Other Financing Sources (Uses):					
Transfers in	438		568		1,006
Transfers out	(25)	(188)		(793)	(1,006)
Issuance of bonds			2,130		2,130
Total other financing sources (uses)	<u>413</u>	<u>(188)</u>	<u>2,698</u>	<u>(793)</u>	<u>2,130</u>
Net Change in Fund Balances	659	(106)	502	63	1,118
Fund Balances at Beginning of Year	<u>4,895</u>	<u>749</u>	<u>3,733</u>	<u>1,241</u>	<u>10,618</u>
Fund Balances at End of Year	<u>\$ 5,554</u>	<u>\$ 643</u>	<u>\$ 4,235</u>	<u>\$ 1,304</u>	<u>\$ 11,736</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, 2013
(In Thousands)Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 1,118
---	----------

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	1,009
Depreciation expense	(2,176)

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

(12)

Revenues in the statement of activities that do not provide current financial resources are not reported a revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Housing loans receivable - accrual basis change	(1)
Property tax receivable - accrual basis change	(73)
Property tax interest and lien revenue - accrual basis change	(17)
Sewer assessment receivable - accrual basis change	(66)
Sewer use receivable - accrual basis change	(472)
Net pension asset	(12)

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 position. 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	2,406
Proceeds from general obligation bonds	(2,130)
Premium on general obligation bonds	(56)
Deferred bond issuance costs	14

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	(61)
Claims and judgments	3
Amortization of deferred charge on refunding	(77)
Amortization of issuances costs and premiums, net	193
Accrued interest	(12)
OPEB obligation	68
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.

(5)

Change in Net Position of Governmental Activities (Exhibit II)

\$ (350)

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2013
(In Thousands)

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets:	
Cash and cash equivalents	\$ 45
Due from other funds	2,117
Total assets	<u>2,162</u>
Liabilities:	
Claims payable	<u>194</u>
Net Position:	
Unrestricted	\$ <u><u>1,968</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDFOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating Revenues:	
Charges for services	\$ 3,088
Operating Expenses:	
Claims incurred	<u>3,098</u>
Operating Loss	(10)
Nonoperating Revenue:	
Interest income	<u>5</u>
Change in Net Position	(5)
Net Position at Beginning of Year	<u>1,973</u>
Net Position at End of Year	<u>\$ 1,968</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, 2013
(In Thousands)

	Governmental Activities	Internal Service Fund
	<u> </u>	<u> </u>
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 3,081	
Payment to benefit providers	(3,070)	
Net cash provided by operating activities	<u> 11</u>	
Cash Flow from Investing Activities:		
Interest received on investments		<u> 5</u>
Net Increase in Cash and Cash Equivalents		16
Cash and Cash Equivalents at Beginning of Year		<u> 29</u>
Cash and Cash Equivalents at End of Year	\$	<u><u> 45</u></u>
Reconciliation of Operating Loss to Net Cash		
Provided by Operating Activities:		
Operating loss	\$ (10)	
Adjustments to reconcile operating loss to net cash		
provided by operating activities:		
Increase in due from other funds		(7)
Increase in incurred but not reported claims (IBNR)		<u> 28</u>
Net Cash Provided by Operating Activities:	\$	<u><u> 11</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2013
(In Thousands)

	Pension Trust Funds	OPEB Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 1,017	\$ 40	\$ 202
Investments:			
Common stock	497	40	
Mutual funds	10,805	644	
Receivables:			
Interest and dividends	41	2	
Other			546
	<u> </u>	<u> </u>	<u> </u>
Total assets	12,360	726	\$ <u>748</u>
Liabilities:			
Due to student groups and others			\$ <u>748</u>
Net Position:			
Held in Trust for Pension and OPEB Benefits	\$ <u>12,360</u>	\$ <u>726</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
PENSION AND OPEB TRUST FUNDSFOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	<u>Pension Trust Funds</u>	<u>OPEB Trust Fund</u>
Additions:		
Contributions:		
Employer	\$ <u>1,026</u>	\$ <u>50</u>
Investment income:		
Net appreciation in fair value of investments	994	46
Interest and dividends	<u>279</u>	<u>11</u>
Total investment income	1,273	57
Less investment expense:		
Investment management fees	<u>54</u>	
Net investment income	<u>1,219</u>	<u>57</u>
Total additions	2,245	107
Deductions:		
Benefits	<u>644</u>	<u>3</u>
Net Increase	1,601	104
Net Position, Beginning of Year	<u>10,759</u>	<u>622</u>
Net Position, End of Year	<u>\$ 12,360</u>	<u>\$ 726</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 position 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.

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, 2013 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 position. 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. Fund Equity

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

Net Investment in Capital Assets - This component of net position 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 Position - Restrictions on net position 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.

Unrestricted Net Position - This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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 no additional appropriations.
- 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*, \$8,716 of the Town’s bank balance of \$10,856 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	7,775
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name		<u>941</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>8,716</u></u>

Cash Equivalents

At June 30, 2013, the Town's cash equivalents amounted to \$10,894. 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, 2013, 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	\$ 664	\$	\$ 97	\$ 567
Corporate bonds and notes	N/Avail	2,207	<u> </u>	<u>1,869</u>	<u>338</u>
			<u>\$ -</u>	<u>\$ 1,966</u>	<u>\$ 905</u>
Other investments:					
Common stock		537			
Mutual funds		<u>8,578</u>			
Total Investments		<u>\$ 11,986</u>			

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, 2013, 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	\$ 768	\$	\$	\$	\$ 768
Interest	180				180
Accounts			107	217	324
Intergovernmental	40		102	10	152
Special assessments		994			994
Housing loans				115	115
Gross receivables	<u>988</u>	<u>994</u>	<u>209</u>	<u>342</u>	<u>2,533</u>
Less allowance for uncollectibles	<u>15</u>			<u>7</u>	<u>22</u>
Net Total Receivables	<u>\$ 973</u>	<u>\$ 994</u>	<u>\$ 209</u>	<u>\$ 335</u>	<u>\$ 2,511</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	\$ 467	\$
Delinquent property tax interest receivable	140	
Sewer use receivable	134	
Special assessments not yet due	994	
Advance tax collections		26
Grant drawdowns prior to meeting all eligibility requirements		36
Advance program fees		2
Housing loans	115	
Other	<u>107</u>	
Total Deferred Revenue for Governmental Funds	<u>\$ 1,957</u>	<u>\$ 64</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 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> </u>	\$ <u> </u>	\$ <u>1,296</u>
Capital assets being depreciated:				
Buildings and improvements	52,369	164		52,533
Machinery and equipment	8,094	267	(48)	8,313
Infrastructure	<u>32,342</u>	<u>578</u>	<u> </u>	<u>32,920</u>
Total capital assets being depreciated	<u>92,805</u>	<u>1,009</u>	<u>(48)</u>	<u>93,766</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,185)	(412)		(9,597)
Machinery and equipment	(5,022)	(468)	36	(5,454)
Infrastructure	<u>(10,735)</u>	<u>(1,296)</u>	<u> </u>	<u>(12,031)</u>
Total accumulated depreciation	<u>(24,942)</u>	<u>(2,176)</u>	<u>36</u>	<u>(27,082)</u>
Total capital assets being depreciated, net	<u>67,863</u>	<u>(1,167)</u>	<u>(12)</u>	<u>66,684</u>
Governmental Activities Capital Assets, Net	<u>\$ 69,159</u>	<u>\$ (1,167)</u>	<u>\$ (12)</u>	<u>\$ 67,980</u>

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

Governmental activities:

General government	\$	131
Public safety		193
Public works		1,628
Recreation		36
Education		188
		<u>188</u>

Total Depreciation Expense - Governmental Activities \$ 2,176

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, 2013 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Funds	\$ 323
Sewer Assessment Fund	General Fund	643
Capital Projects Funds	General Fund	5,034
Internal Service Fund	General Fund	2,117
Nonmajor Governmental Funds	General Fund	1,227
		<u>1,227</u>
Total		\$ <u><u>9,344</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	\$	\$ 25	\$ 25
Sewer Assessment	188		188
Nonmajor Governmental	<u>250</u>	<u>543</u>	<u>793</u>
Total Transfers In	\$ <u><u>438</u></u>	\$ <u><u>568</u></u>	\$ <u><u>1,006</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, 2013 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	\$ 29,870	\$ 2,130	\$ 2,406	\$ 29,594	\$ 2,445
Premium on refunding and general obligation bonds	1,381	56	235	1,202	
Deferred amount on refunding bonds	(708)		(77)	(631)	
Compensated absences	349	77	16	410	83
OPEB obligation	874		68	806	
Landfill monitoring closure and postclosure costs	38		9	29	9
Claims and judgments	32		3	29	3
	<u>32</u>	<u> </u>	<u>3</u>	<u>29</u>	<u>3</u>
Governmental Activity Long-Term Liabilities	<u>\$ 31,836</u>	<u>\$ 2,263</u>	<u>\$ 2,660</u>	<u>\$ 31,439</u>	<u>\$ 2,540</u>

General Obligation Bonds

A schedule of bonds outstanding at June 30, 2013 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, 2013</u>
Clean Water Fund Bond	1998	\$ 900	2	\$ 187
Clean Water Fund Bond	1999	570	2	165
Clean Water Fund Bond	2004	4,595	2	2,522
General Obligation Bonds	2009	3,820	3.75-5.00	255
General Refunding Bonds Series B	2010	2,655	2.00-3.375	1,580
General Refunding Bonds Series C	2010	8,405	2.00-4.00	7,250
General Obligation Bonds	2010	1,355	2.00-3.125	1,080
General Refunding Bonds	2012	7,555	3.00-4.00	7,180
General Obligation Bonds	2012	2,900	2.00-3.00	2,725
General Refunding Bonds	2012	4,555	2.00-4.00	4,520
General Obligation Bonds	2013	2,130	1.50-2.00	2,130
				<u>\$ 29,594</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>
2014	\$ 2,445	\$ 862	\$ 3,307
2015	2,466	794	3,260
2016	2,673	724	3,397
2017	2,732	645	3,377
2018	2,671	561	3,232
2019-2023	12,309	1,598	13,907
2024-2028	<u>4,298</u>	<u>172</u>	<u>4,470</u>
Total	\$ <u>29,594</u>	\$ <u>5,356</u>	\$ <u>34,950</u>

In the prior year, the Town issued \$4,555 in general obligations bonds to partially refund \$4,625 of outstanding 2007-2009 bonds. The balance of the defeased bonds outstanding at June 30, 2013 is \$2,600, and the amount in escrow is \$2,679.

Bonds authorized and unissued at June 30, 2013 is \$9,575 for school projects.

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	\$ 55,805	\$ 9,676	\$ 46,129
Schools	111,609	16,907	94,702
Sewers	93,008	3,804	89,204
Urban renewal	80,607	-	80,607
Pension deficit	74,406	-	74,406

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$174 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 four years are \$29 at June 30, 2013. 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, 2013, \$29 has been accrued as an estimate of the cost to provide water for the remaining 10 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, 2013:

Capital Projects Fund

<u>Date Issued</u>	<u>Maturity Date</u>	<u>Effective Interest Rate (%)</u>	<u>Balance July 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2013</u>
2/8/2012	2/7/2013	1.00	\$ 425	\$	\$ 425	\$ -
2/7/2013	2/6/2014	1.00	-	400		400
Total			\$ 425	\$ 400	\$ 425	\$ 400

The proceeds from the bond anticipation notes outstanding at June 30, 2013 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, 2013 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	61				61
Restricted for:					
Grants				360	360
Education				53	53
Committed to:					
Sewer assessment		643			643
Capital projects			4,958		4,958
General government				564	564
Public works				226	226
Recreation				91	91
Assigned to:					
General government	31				31
Public safety	6				6
Public works	45				45
Health and welfare	1				1
Recreation	3				3
Education	159				159
Unassigned	5,248		(723)		4,525
Total Fund Balances	\$ 5,554	\$ 643	\$ 4,235	\$ 1,304	\$ 11,736

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, 2012, the date of the last actuarial valuation:

	<u>Town Plan</u>	<u>Merit Service Plan</u>
Retirees and beneficiaries currently receiving benefits	55	46
Terminated plan members entitled to, but not yet receiving, benefits	32	44
Active plan members	<u>95</u>	<u>172</u>
Total	<u>182</u>	<u>262</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	\$ 838	\$ 188
Interest on net pension obligation	(21)	(14)
Adjustment to annual required contribution	<u>27</u>	<u>20</u>
Annual pension cost	844	194
Contributions made	<u>838</u>	<u>188</u>
Decrease in net pension asset	6	6
Net pension asset - beginning of year	<u>(305)</u>	<u>(197)</u>
Net Pension Asset - End of Year	<u>\$ (299)</u>	<u>\$ (191)</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, 2012	July 1, 2012
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, Open	Level Dollar, Open
Amortization period	20 Years, Open	15 Years, Open
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>
6/30/2013	\$ 844	99.3 %	\$ (299)
6/30/2012	830	99.3	(305)
6/30/2011	732	99.2	(311)

Merit Service Plan

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/2013	\$ 194	96.9 %	\$ (191)
6/30/2012	194	96.6	(197)
6/30/2011	219	96.9	(204)

C. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Town Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2012	\$ 8,192	\$ 13,085	\$ 4,893	63 %	\$ 4,229	116 %
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

Merit Service Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/1/2012	\$ 2,547	\$ 3,368	\$ 821	76 %	N/A	N/A
7/1/2010	1,937	3,121	1,506	62	N/A	N/A
7/1/2009	1,648	3,155	1,507	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	842	72	N/A	N/A
7/1/2006	1,715	2,556	841	67	N/A	N/A

Schedule of Employer Contributions

Town Plan				
Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage of ARC Contributed	
2013	\$ 838	\$ 838	100.0	%
2012	824	824	100.0	
2011	726	726	100.0	
2010	773	921	119.1	
2009	609	530	87.0	
2008	509	677	133.0	

Merit Service Plan				
Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage of ARC Contributed	
2013	\$ 188	\$ 188	100.0	%
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	

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 position held in trust for pension benefits at June 30, 2013 and the changes in net position for the year then ended.

Schedule of Plan Net Position

	Town Retirement Plan	Merit Service Retirement Plan	Total
Assets:			
Cash and cash equivalents	\$ 816	\$ 201	\$ 1,017
Investments	8,628	2,674	11,302
Accrued interest receivable	31	10	41
Net Assets Held in Trust for Pension Benefits	\$ 9,475	\$ 2,885	\$ 12,360

Schedule of Changes in Plan Net Position

	Town Retirement Plan	Merit Service Retirement Plan	Total
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer	\$ 838	\$ 188	\$ 1,026
Investment income:			
Net appreciation in fair value of investments	770	224	994
Interest and dividends	219	60	279
Total	<u>989</u>	<u>284</u>	<u>1,273</u>
Less investment expense:			
Investment management fees	41	13	54
Net investment income	<u>948</u>	<u>271</u>	<u>1,219</u>
Total additions	1,786	459	2,245
Deductions:			
Benefits	<u>518</u>	<u>126</u>	<u>644</u>
Net increase	1,268	333	1,601
Net Position, Beginning of Year	<u>8,207</u>	<u>2,552</u>	<u>10,759</u>
Net Position, End of Year	<u>\$ 9,475</u>	<u>\$ 2,885</u>	<u>\$ 12,360</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 \$1,665 for the year ended June 30, 2013.

Defined Contribution Retirement Plan

On July 1, 2012, the Town established a defined contribution retirement plan that covers employees of the Town and Board of Education hired on or after July 1, 2012. This plan was adopted and can be amended by the Board of Selectmen. Under this plan, the Town contributes 3% per year of an eligible employee’s wages into a 401(a) on the employee’s behalf. In addition, eligible employees may make an additional contribution up to the maximum allowed by law. There are currently no participants in the plan as of June 30, 2013, and no contributions have been made.

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, 2013. The plan does not issue a stand-alone financial report.

At July 1, 2012, plan participation consisted of the following (not rounded):

Actives	117
Retirees or continuing spouses	<u>28</u>
Total Participants	<u><u>145</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, 2013, the amount actually contributed to the plan and changes in the BOE's net OPEB obligation (asset):

Annual required contribution (ARC)	\$ 287
Interest on OPEB obligation	47
Adjustment to annual required contribution	<u>(258)</u>
Annual OPEB cost	76
Contributions made	<u>144</u>
Decrease in net OPEB obligation	(68)
Net OPEB obligation - beginning of year	<u>874</u>
Net OPEB Obligation - End of Year	<u><u>\$ 806</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, 2013, 2012 and 2011, 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>
6/30/2013	\$ 76	\$ 144	189.5 %	\$ 806
6/30/2012	542	583	107.6	874
6/30/2011	538	236	43.9	915

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	-	8,077	67
7/1/2012	621	3,124	2,504	20	7,986	31

E. Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>
2013	\$ 287	\$ 144	50.2 %
2012	549	537	97.8
2011	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, 2012 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, 2012 was 20 years, open.

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 \$194 included in the Internal Service Fund at June 30, 2013 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>
2013	\$ 166	\$ 3,126	\$ 3,098	\$ 194
2012	198	2,772	2,804	166

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, 2013
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Property taxes:				
Property taxes	\$ 24,440	\$ 24,440	\$ 24,591	\$ 151
Interest and lien fees	150	150	203	53
Total property taxes	<u>24,590</u>	<u>24,590</u>	<u>24,794</u>	<u>204</u>
Licenses, permits and fees:				
Selectmen:				
Resource recovery	28	28	5	(23)
Refuse collection permits	1	1	1	-
Demolition and brush fees	65	65	46	(19)
Tires	2	2		(2)
Public works labor	5	5		(5)
Total selectmen	<u>101</u>	<u>101</u>	<u>52</u>	<u>(49)</u>
Town Clerk:				
Town Clerk fees				-
Conveyance tax	105	105	98	(7)
Dog license fees	2	2	2	-
Licenses and permits	72	72	91	19
Total Town Clerk	<u>179</u>	<u>179</u>	<u>191</u>	<u>12</u>
Development and planning:				
Planning and zoning fees	19	19	49	30
Wetland fees	8	8	8	-
Zoning Board of Appeals	3	3	3	-
Total development and planning	<u>30</u>	<u>30</u>	<u>60</u>	<u>30</u>
Police Department:				
Private duty	18	18	11	(7)
Parking fines	5	5	6	1
Total Police Department	<u>23</u>	<u>23</u>	<u>17</u>	<u>(6)</u>
Building inspection:				
Building fees	60	60	66	6
Fire Marshal:				
Licenses and permits	3	3	2	(1)
Social services:				
Senior van donations	2	2	1	(1)
Elderly housing - Wells Run	15	15	21	6
Total social services	<u>17</u>	<u>17</u>	<u>22</u>	<u>5</u>
Special programs:				
Tax Assessor sale of maps	2	2	2	-
Parks and recreation	2	2	3	1
Probate court	12	12	12	-
Total special programs	<u>16</u>	<u>16</u>	<u>17</u>	<u>1</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, 2013
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Education:				
Tuition and fees	\$ <u>1</u>	\$ <u>1</u>	\$ <u>14</u>	\$ <u>13</u>
Total licenses, permits and fees	<u>430</u>	<u>430</u>	<u>441</u>	<u>11</u>
Intergovernmental:				
In lieu of taxes	77	77	150	73
Circuit breaker	55	55	58	3
Manufacturers' inventory	3	3		(3)
Veterans' exemption	3	3	4	1
Boat reimbursement				-
Mashantucket Pequot Fund	19	19	21	2
Educational transportation	33	33	30	(3)
Education cost sharing	1,480	1,480	1,502	22
Telephone access line grant	30	30	32	2
Municipal video training	23	23	40	17
Total intergovernmental	<u>1,723</u>	<u>1,723</u>	<u>1,837</u>	<u>114</u>
Investment income	<u>45</u>	<u>45</u>	<u>29</u>	<u>(16)</u>
Other revenues:				
Miscellaneous	<u>5</u>	<u>5</u>	<u>118</u>	<u>113</u>
Total revenues	<u>26,793</u>	<u>26,793</u>	<u>27,219</u>	<u>426</u>
Other financing sources:				
Transfers in:				
Sewer Operations	250	250	250	-
Sewer Assessment	188	188	188	-
Total other financing sources	<u>438</u>	<u>438</u>	<u>438</u>	<u>-</u>
Total	\$ <u>27,231</u>	\$ <u>27,231</u>	27,657	\$ <u>426</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted

1,665

Cancellation of prior year encumbrances are recognized as budgetary revenue

(7)

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

\$ 29,315

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, 2013
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Board of Finance	\$ 30	\$ 30	\$ 27	\$ 3
Board of Selectmen	26	27	26	1
Municipal Management	176	176	174	2
Finance Department	146	156	156	-
Treasurer	7	7	7	-
Tax Collector	107	109	105	4
Assessor	150	150	148	2
Board of Assessment Appeals	1	1		1
Planning and Zoning	11	14	14	-
Wetlands	8	9	9	-
Zoning Board of Appeals	7	7	3	4
Conservation Commission				-
Land Use Administration	117	117	116	1
Building Inspector	119	119	117	2
Economic Development Commission	1	1		1
Town Clerk	116	116	112	4
Elections	16	35	35	-
Registrars	26	26	26	-
Legal counsel	81	98	98	-
Probate	8	8	8	-
Technology	73	73	54	19
Central Services and Town buildings	174	174	168	6
Total general government	<u>1,400</u>	<u>1,453</u>	<u>1,403</u>	<u>50</u>
Public safety:				
Police protection	97	97	96	1
Patrol services	136	139	126	13
Fire Marshal	79	79	77	2
Fire protection service	362	365	365	-
E911 Emergency	82	82	80	2
Litchfield emergency management	6	6	3	3
Total public safety	<u>762</u>	<u>768</u>	<u>747</u>	<u>21</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, 2013

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Public works:				
Supervision	\$ 12	\$ 15	\$ 15	\$ -
Operations	1,037	1,084	1,084	-
Highways	542	542	466	76
Equipment maintenance	225	225	218	7
Building and grounds maintenance	103	103	102	1
Solid waste disposal and recycling	418	448	448	-
Director of Public Works	71	71	71	-
Total public works	<u>2,408</u>	<u>2,488</u>	<u>2,404</u>	<u>84</u>
Health and welfare:				
Social services	37	37	34	3
Ambulance services	63	78	78	-
OSHA mandated health	2	2	1	1
Total health and welfare	<u>102</u>	<u>117</u>	<u>113</u>	<u>4</u>
Libraries	<u>339</u>	<u>339</u>	<u>339</u>	<u>-</u>
Recreation:				
Recreation	109	109	97	12
Co-op programs	146	146	145	1
Total recreation	<u>255</u>	<u>255</u>	<u>242</u>	<u>13</u>
Board of Education:				
Board of Education	16,712	15,652	15,639	13
Maintenance by Town	187	1,247	1,154	93
Total Board of Education	<u>16,899</u>	<u>16,899</u>	<u>16,793</u>	<u>106</u>
Other:				
Cemetery services	20	20	20	-
Beautification Commission	2	2	1	1
Contingency	90			-
Fringe benefits	1,477	1,477	1,354	123
Municipal insurance	143	94	94	-
Total other	<u>1,732</u>	<u>1,593</u>	<u>1,469</u>	<u>124</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, 2013
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Debt service:				
Debt retirement principal	\$ 2,371	\$ 2,371	\$ 2,406	\$ (35)
Interest on long-term debt	907	892	885	7
Interest on bond anticipation notes	6	6	3	3
Total debt service	<u>3,284</u>	<u>3,269</u>	<u>3,294</u>	<u>(25)</u>
Total expenditures	<u>27,181</u>	<u>27,181</u>	<u>26,804</u>	<u>377</u>
Other financing uses:				
Transfers out:				
Capital improvements	25	25	25	-
Other	25	25	25	-
Total other financing uses	<u>50</u>	<u>50</u>	<u>50</u>	<u>-</u>
Total	<u>\$ 27,231</u>	<u>\$ 27,231</u>	26,854	<u>\$ 377</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 1,665

Dog Fund was combined with the General Fund (GASB Statement No. 54) (9)

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

146Total Expenditures and Other Financing Uses as Reported on the
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds - Exhibit IV\$ 28,656

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2013 AND 2012
(In Thousands)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 15,284	\$ 14,069
Receivables, net:		
Property taxes	753	703
Other	220	252
Due from other funds	323	140
Other assets	<u>61</u>	<u>56</u>
Total Assets	<u>\$ 16,641</u>	<u>\$ 15,220</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,433	\$ 1,271
Due to other funds	9,021	8,300
Deferred revenue	633	754
Total liabilities	<u>11,087</u>	<u>10,325</u>
Fund balance:		
Nonspendable	61	56
Assigned	245	522
Unassigned	5,248	4,317
Total fund balance	<u>5,554</u>	<u>4,895</u>
Total Liabilities and Fund Balance	<u>\$ 16,641</u>	<u>\$ 15,220</u>

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL FUND

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2013

(In Thousands)

52

Grand List	Uncollected Taxes July 1, 2012	Current Levy	Lawful Corrections		Transfers To Suspense	Refunds	Net Amount Collectible	Collections				Uncollected Taxes June 30, 2013
			Additions	Deductions				Taxes	Interest	Fees	Total	
2011	\$	\$ 24,691	\$ 11	\$ 49	\$	\$ 15	\$ 24,668	\$ 24,186	\$ 78	\$	\$ 24,264	\$ 482
2010	468			8		4	464	300	60	2	362	164
2009	153			3		2	152	79	34	1	114	73
2008	66				14		52	29	14		43	23
2007	18						18	2	2		4	16
2006	3						3		1		1	3
2005	4						4		1		1	4
2004	2						2		3		3	2
2003	2						2	2			2	-
2002							-				-	-
2001							-		1		1	-
2000							-		3		3	-
1999							-		1		1	-
1998							-		1		1	-
1997	1						1		2		2	1
1996	1					1	-				-	-
	<u>\$ 718</u>	<u>\$ 24,691</u>	<u>\$ 11</u>	<u>\$ 60</u>	<u>\$ 15</u>	<u>\$ 21</u>	<u>\$ 25,366</u>	<u>\$ 24,598</u>	<u>\$ 201</u>	<u>\$ 3</u>	<u>\$ 24,802</u>	<u>\$ 768</u>

TOWN OF LITCHFIELD, CONNECTICUT

BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

Program	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Art	\$ 20	\$ 20	\$ 17	\$ 3
Business Education	4	4	3	1
World Language	7	7	7	-
Family/consumer science	7	7	7	-
Technology education	16	16	12	4
Language arts	23	23	29	(6)
Mathematics	17	17	55	(38)
Music	22	22	21	1
Physical education	7	7	7	-
Science	19	19	19	-
Social studies	5	5	17	(12)
Kindergarten	1	1	1	-
Title I programs	2	2	2	-
Health education	1	1	1	-
Learning centers	6	6	3	3
Speech and language	23	23	11	12
Homebound instruction	2	2		2
Pre-school services	1	1		1
Psychological services	23	23	11	12
Guidance services	5	5	2	3
Health services	18	18	15	3
Career education	5	5	4	1
Occupational/physical therapy	90	90	70	20
Library/media services	32	32	38	(6)
Student activity support	110	110	115	(5)
Technology support	32	32	64	(32)
Salaries and wages	10,258	9,767	9,476	291
Employee benefits	2,721	2,412	2,493	(81)
Board of Education	54	54	53	1
Central administration	32	32	43	(11)
School administration	85	85	49	36
Staff development	43	43	126	(83)
Special ed administration	2	2	1	1
General instructional support	74	74	61	13
Fiscal services	16	16	50	(34)
Care and upkeep of buildings	213		39	(39)
Care and upkeep of equipment	33			-
Utilities	550	538	525	13
Vehicle maintenance	2			-
Building furniture	2	2	6	(4)
Technology maintenance	74	74	162	(88)
Special ed transportation	225	225	227	(2)
Athletic transportation	52	52	35	17
Special education tuition	770	770	806	(36)
Regular transportation	849	849	816	33
Magnet school tuition	21	21	27	(6)
Non-public transportation	2	2	2	-
Vo-Ag tuition	128	128	104	24
Adult education	8	8	7	1
Total	\$ 16,712	\$ 15,652	\$ 15,639	\$ 13

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

TOWN OF LITCHFIELD, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2013
(In Thousands)

		<u>Special Revenue Funds</u>						
		<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	\$	\$	\$	\$	\$	\$	\$
	Sewer usage receivable, net					134		
	Other receivables, net		10			33		
	Due from other funds	574	18	94	3	208	92	114
54	Total Assets	<u>\$ 574</u>	<u>\$ 28</u>	<u>\$ 94</u>	<u>\$ 3</u>	<u>\$ 375</u>	<u>\$ 92</u>	<u>\$ 114</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
	Accounts payable	\$ 10	\$ 27	\$ 1	\$	\$ 18	\$	\$
	Deferred revenue		1	2		134		
	Total liabilities	<u>10</u>	<u>28</u>	<u>3</u>	<u>-</u>	<u>152</u>	<u>-</u>	<u>-</u>
Fund balances:								
	Nonspendable							
	Restricted						92	114
	Committed	564		91	3	223		
	Total fund balance	<u>564</u>	<u>-</u>	<u>91</u>	<u>3</u>	<u>223</u>	<u>92</u>	<u>114</u>
	Total Liabilities and Fund Balances	<u>\$ 574</u>	<u>\$ 28</u>	<u>\$ 94</u>	<u>\$ 3</u>	<u>\$ 375</u>	<u>\$ 92</u>	<u>\$ 114</u>

(Continued on next page)

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

JUNE 30, 2013
(In Thousands)

	Special Revenue Funds				Permanent Fund	Total Nonmajor Governmental Funds
	Small Cities Grants	Miscellaneous Special Revenue	Scholarships	Total	Cemetery Trust	
ASSETS						
Cash and cash equivalents	\$ 32	\$ 18	\$ 44	\$ 94	\$ 10	\$ 104
Sewer usage receivable, net				134		134
Other receivables, net	115			158		158
Due from other funds		115	9	1,227		1,227
Total Assets	<u>\$ 147</u>	<u>\$ 133</u>	<u>\$ 53</u>	<u>\$ 1,613</u>	<u>\$ 10</u>	<u>\$ 1,623</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	\$	\$	\$ 56	\$	\$ 56
Deferred revenue	126			263		263
Total liabilities	<u>126</u>		<u>-</u>	<u>319</u>	<u>-</u>	<u>319</u>
Fund balances:						
Nonspendable				-	10	10
Restricted	21	133	53	413		413
Committed				881		881
Total fund balance	<u>21</u>	<u>133</u>	<u>53</u>	<u>1,294</u>	<u>10</u>	<u>1,304</u>
Total Liabilities and Fund Balances	<u>\$ 147</u>	<u>\$ 133</u>	<u>\$ 53</u>	<u>\$ 1,613</u>	<u>\$ 10</u>	<u>\$ 1,623</u>

TOWN OF LITCHFIELD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

		<u>Special Revenue Funds</u>						
		<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>
Revenues:								
Intergovernmental	\$	182	\$ 572	\$ 73	\$	\$ 1,398	\$ 83	\$ 191
Charges for services						6		
Investment income						1		
Other		58				12		
Total revenues		<u>240</u>	<u>572</u>	<u>73</u>	<u>-</u>	<u>1,411</u>	<u>89</u>	<u>191</u>
Expenditures:								
Current:								
General government		234						
Public works						756		
Health and welfare								
Recreation				73				
Education			572					
Total expenditures		<u>234</u>	<u>572</u>	<u>73</u>	<u>-</u>	<u>756</u>	<u>-</u>	<u>-</u>
Excess of Revenues over Expenditures		6	-	-	-	655	89	191
Other Financing Uses:								
Transfers out						(519)	(83)	(191)
Net Change in Fund Balances		6	-	-	-	136	6	-
Fund Balances at Beginning of Year		558	-	91	3	87	86	114
Fund Balances at End of Year	\$	<u>564</u>	<u>-</u>	<u>91</u>	<u>3</u>	<u>223</u>	<u>92</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, 2013
(In Thousands)**

	Special Revenue Funds				Permanent Fund	Total Nonmajor Governmental Funds
	Small Cities Grants	Miscellaneous Special Revenue	Scholarships	Total	Cemetery Trust	
Revenues:						
Intergovernmental	\$	\$	\$	\$ 1,028	\$	\$ 1,028
Charges for services		39		1,516		1,516
Investment income				1		1
Other	18	11		99		99
Total revenues	18	50	-	2,644	-	2,644
Expenditures:						
Current:						
General government	20	115		369		369
Public works				756		756
Health and welfare		11		11		11
Recreation		5		78		78
Education			2	574		574
Total expenditures	20	131	2	1,788	-	1,788
Excess of Revenues over Expenditures	(2)	(81)	(2)	856	-	856
Other Financing Uses:						
Transfers out				(793)		(793)
Net Change in Fund Balances	(2)	(81)	(2)	63	-	63
Fund Balances at Beginning of Year	23	214	55	1,231	10	1,241
Fund Balances at End of Year	\$ 21	\$ 133	\$ 53	\$ 1,294	\$ 10	\$ 1,304

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF SEWER USE CHARGES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

<u>Usage Year</u>	<u>Balance Uncollected July 1, 2012</u>	<u>Current Year Charges and Adjustments</u>	<u>Collections</u>	<u>Balance Uncollected June 30, 2013</u>
2013	\$	\$ 980	\$ 902	\$ 78
2012	155		128	27
2011	123	(46)	60	17
2010	95	(81)	4	10
2009	70	(60)	4	6
2008	65	(60)	3	2
2007	73	(72)		1
2006	70	(70)		
2005	70	(70)		
MISC	22	108	130	
Total	\$ <u>743</u>	\$ <u>629</u>	1,231	\$ <u>141</u>
Interest and lien fees			<u>42</u>	
Total Collection			<u>\$ 1,273</u>	

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

<u>Usage Year</u>	<u>Balance Uncollected July 1, 2012</u>	<u>Current Year Levy and Adjustments</u>	<u>Collections</u>	<u>Balance Uncollected June 30, 2013</u>
Contract No. 13	\$ 178	\$	\$ 23	\$ 155
Contract No. 14	128		7	121
Contract No. 15	11			11
Contract No. 17	302		17	285
Contract No. 18	441		19	422
Total	<u>\$ 1,060</u>	<u>\$ -</u>	66	<u>\$ 994</u>
Interest and lien fees			<u>31</u>	
Total Collection			<u>\$ 97</u>	

TOWN OF LITCHFIELD, CONNECTICUT

CAPITAL PROJECTS FUND

PROJECT COMBINING BALANCE SHEET

JUNE 30, 2013
(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	\$ 102	\$	\$	\$ 107	\$ 209
Due from other funds	<u>4,287</u>	<u>442</u>	<u></u>	<u>305</u>	<u>5,034</u>
Total Assets	<u>\$ 4,389</u>	<u>\$ 442</u>	<u>\$ -</u>	<u>\$ 412</u>	<u>\$ 5,243</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 154	\$	\$	\$	\$ 154
Due to other funds			323		323
Bond anticipation notes payable			400		400
Deferred revenue	24			107	131
Total liabilities	<u>178</u>	<u>-</u>	<u>723</u>	<u>107</u>	<u>1,008</u>
Fund Balances:					
Committed	4,211	442		305	4,958
Unassigned			(723)		(723)
Total fund balances	<u>4,211</u>	<u>442</u>	<u>(723)</u>	<u>305</u>	<u>4,235</u>
Total Liabilities and Fund Balances	<u>\$ 4,389</u>	<u>\$ 442</u>	<u>\$ -</u>	<u>\$ 412</u>	<u>\$ 5,243</u>

TOWN OF LITCHFIELD, CONNECTICUT

CAPITAL PROJECTS FUND

PROJECT COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCESFOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)

	<u>Capital Improvements</u>	<u>Capital and Nonrecurring</u>	<u>Renovation of Schools</u>	<u>WPCA Capital Reserve</u>	<u>Interfund Eliminations</u>	<u>Total</u>
Revenues:						
Intergovernmental	\$ 226	\$ -	\$ -	\$ -	\$ -	\$ 226
Total revenues	<u>226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226</u>
Expenditures:						
Other	61					61
Capital outlay	2,328			33		2,361
Total expenditures	<u>2,389</u>	<u>-</u>	<u>-</u>	<u>33</u>	<u>-</u>	<u>2,422</u>
Deficiency of Revenues over Expenditures	<u>(2,163)</u>	<u>-</u>	<u>-</u>	<u>(33)</u>	<u>-</u>	<u>(2,196)</u>
Other Financing Sources (Uses):						
Transfers in	282		25	268	(7)	568
Transfers out		(7)			7	-
Issuance of bonds	2,130					2,130
Total other financing sources (uses)	<u>2,412</u>	<u>(7)</u>	<u>25</u>	<u>268</u>	<u>-</u>	<u>2,698</u>
Net Change in Fund Balances	249	(7)	25	235	-	502
Fund Balances at Beginning of Year	<u>3,962</u>	<u>449</u>	<u>(748)</u>	<u>70</u>	<u>-</u>	<u>3,733</u>
Fund Balances at End of Year	<u>\$ 4,211</u>	<u>\$ 442</u>	<u>\$ (723)</u>	<u>\$ 305</u>	<u>\$ -</u>	<u>\$ 4,235</u>

TOWN OF LITCHFIELD, CONNECTICUT

AGENCY FUNDS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2013
(In Thousands)**

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Student Activity Funds				
Assets:				
Cash and cash equivalents	\$ 177	\$ 275	\$ 264	\$ 188
Liabilities:				
Due to student groups	\$ 177	\$ 275	\$ 264	\$ 188
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ 14	\$	\$	\$ 14
Accounts receivable	534	76	64	546
Total Assets	\$ 548	\$ 76	\$ 64	\$ 560
Liabilities:				
Performance bonds	\$ 548	\$ 76	\$ 64	\$ 560
Total All Funds				
Assets:				
Cash and cash equivalents	\$ 191	\$ 275	\$ 264	\$ 202
Accounts receivable	534	76	64	546
Total Assets	\$ 725	\$ 351	\$ 328	\$ 748
Liabilities:				
Due to student groups	\$ 191	\$ 275	\$ 264	\$ 202
Performance bonds	534	76	64	546
Total Liabilities	\$ 725	\$ 351	\$ 328	\$ 748

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

JUNE 30, 2013

(In Thousands)

Total tax collections, including interest and lien fees, received by Treasurer for the year ended June 30, 2013						\$ <u>24,802</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	\$ 55,805	\$	\$	\$		\$
4-1/2 times base		111,609				
3-3/4 times base			93,008			
3-1/4 times base				80,607		
3 times base						74,406
Total debt limitation	<u>55,805</u>	<u>111,609</u>	<u>93,008</u>	<u>80,607</u>		<u>74,406</u>
Indebtedness:						
Bonds payable	9,676	16,114	930			
Clean Water Fund PLO			2,874			
Bond anticipation notes payable		400				
Bonds authorized - unissued		9,575				
Less:						
School building grants - estimated		(9,182)				
Total indebtedness	<u>9,676</u>	<u>16,907</u>	<u>3,804</u>	<u>-</u>		<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	\$ <u>46,129</u>	\$ <u>94,702</u>	\$ <u>89,204</u>	\$ <u>80,607</u>		\$ <u>74,406</u>

Note: In no event shall total debt exceed seven times annual receipts from taxation (\$174 million).

TABLE 1

TOWN OF LITCHFIELD, CONNECTICUT

PRINCIPAL PROPERTY TAXPAYERS

<u>Taxpayer</u>	<u>Nature of Operations</u>	<u>Taxable Assessed Value as of 10/1/11</u>
Connecticut Light & Power	Power Company	\$ 9,959,890
White Memorial Foundation	Leased Land for Cottages	6,622,950
City of Waterbury	Watershed	6,185,200
CRP/BWN LLC (Sarah Pierce)	Health Care Facility	5,268,730
6645 Federal Square Realty LLC	Commercial Real Estate	3,428,980
C A Litchfield Land LLC	Real Estate	3,394,760
Arethusa Farm	Farming	3,220,450
George Malkemus & Anthony Yurgaitis	Private Land Owners	3,172,190
Aquarion Water Co.	Water Supply	2,735,390
Union Savings Bank	Bank	<u>2,694,500</u>
Total		<u>\$ 46,683,040</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>
10/1/2011	\$ 1,010,027,160	\$ 29,990,659	\$ 72,296,980	\$ 1,112,314,799	\$ 3,504,650	\$ 1,108,810,149

Source: Town of Litchfield, Office of Tax Assessor

TOWN OF LITCHFIELD, CONNECTICUT
CALCULATION OF DIRECT DEBT AND NET DIRECT DEBT
JUNE 30, 2013

Long-Term Indebtedness (1):	
Bonds:	
General Purpose	\$ 9,676,000
Schools	16,114,000
Sewers	930,000
State of Connecticut PLO (Clean Water Fund)	<u>2,874,512</u>
Total Long-Term Indebtedness	29,594,512
Short-Term Indebtedness:	
Bond Anticipation Notes	<u>400,000</u>
Total Direct Debt	29,994,512
Exclusions (2):	
Sewer assessments receivable	(933,977)
Sewer use charges receivable	<u>(169,813)</u>
Total Net Direct Debt	<u>\$ 28,890,722</u>

(1) Does not include authorized but unissued debt of \$4,668,111

(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, 2013

Total Direct Indebtedness	\$	29,994,512
Total Net Direct Indebtedness	\$	28,830,722
Population (7/1/09) (1)		8,466
Net Taxable Grand List (10/1/09)	\$	1,108,810,149
Estimated Full Value	\$	1,584,014,499
Equalized Net Taxable Grand List (2009) (2)	\$	1,109,219,639
Per Capita Income (1999) (3)	\$	82,155
Total Direct Indebtedness:		
Per Capita	\$	3,542.94
To Net Taxable Grand List		2.71%
To Estimated Full Value		1.89%
To Equalized Net Taxable Grand List		2.70%
Per Capita to Per Capita Income		4.31%
Total Net Direct Indebtedness:		
Per Capita	\$	3,405.47
To Net Taxable Grand List		2.60%
To Estimated Full Value		1.82%
To Equalized Net Taxable Grand List		2.60%
Per Capita to Per Capita Income		4.15%

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

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

(3) U.S. Census Bureau, 2007-2011 American Community Survey

Source: Town of Litchfield, Office of Director of Finance