

TOWN OF LITCHFIELD, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2014

TOWN OF LITCHFIELD, CONNECTICUT

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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, 2014, 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, 2014 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 50 through 54 and supplementary pension information on pages 55 through 58 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 and schedules and statistical 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 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.

The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Litchfield, Connecticut, as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 5, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2013 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2013 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2014 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
November 22, 2014

TOWN OF LITCHFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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, 2014. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The Town issued \$1.64 million in BANs in January 2014. See detailed discussion in Long-Term Debt (page 11, Management Discussion and Analysis).
- Net assets of the Town's governmental activities increased by \$2.5 million, or 4.8%, primarily due to the continuing investment in its roads, schools and bridges.
- During the year, the Town earned tax and other revenues for governmental programs of \$33 million that was \$2.5 million more than program expenses.
- Total cost of all of the Town's programs was \$30.4 million.
- General Fund Property Tax revenues, including interest and lien fees, exceeded budget by \$164 thousand continuing the trend of strong collections.
- Unassigned fund balance of the General Fund decreased by \$321 thousand from \$5.2 million at June 30, 2013 to \$4.9 million at June 30, 2014, due to \$874 thousand transferred to fund a portion of the Town's capital projects; \$240 thousand for an extra contribution to the Town's Municipal Pension Plan; and \$12 thousand transfer to the Other Post Employment Benefits Fund for Board of Education retirees, offset by \$282 thousand in cost savings and \$549 thousand in additional revenue than budgeted.

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 increased from \$52.6 million to \$55.2 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	
	2014	2013
Current and other assets	\$ 17,493	\$ 18,750
Noncurrent assets	69,781	67,980
Total assets	<u>87,274</u>	<u>86,730</u>
Deferred Outflows of Resources	<u>574</u>	<u>631</u>
Current liabilities	5,834	5,205
Noncurrent liabilities	26,813	29,502
Total liabilities	<u>32,647</u>	<u>34,707</u>
Deferred Inflows of Resources	<u>28</u>	<u>28</u>
Net Position:		
Net investment in capital assets	40,477	37,713
Restricted	10	10
Unrestricted	<u>14,686</u>	<u>14,903</u>
Total Net Position	<u>\$ 55,173</u>	<u>\$ 52,626</u>

Total net position of the Town's governmental activities increased 4.84% (\$55.2 million compared to \$52.6 million). This is reflected in the Town's net investment in capital assets which increased \$2.8 million from \$37.7 million at June 30, 2013 to \$40.5 million at June 30, 2014 primarily due to construction and improvements of its capital assets.

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 - decreased \$217,000 from \$14.9 million at June 30, 2013 to \$14.7 million on June 30, 2014.

TABLE 2
CHANGE IN NET POSITION
(In Thousands)

	Governmental Activities	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 1,938	\$ 1,520
Operating grants and contributions	4,651	4,058
Capital grants and contributions	711	511
General revenues:		
Property taxes	25,359	24,704
Grants not restricted to specific purposes	236	263
Unrestricted investment earnings and other	60	90
Total revenues	<u>32,955</u>	<u>31,146</u>
Program expenses:		
General government	2,001	2,261
Public safety	1,642	1,464
Public works	4,948	6,613
Health and welfare	133	144
Libraries	347	339
Recreation	380	421
Education	19,929	19,485
Interest on long-term debt	1,028	769
Total program expenses	<u>30,408</u>	<u>31,496</u>
Increase (Decrease) in Net Position	<u>\$ 2,547</u>	<u>\$ (350)</u>

The Town's total revenue was \$33.0 million. The total cost of all programs and services was \$30.4 million. The \$418 thousand increase from 2013 to 2014 for charges for services was mainly due to \$185 thousand for the new food service program at the schools and \$111 thousand payment from the Town of Morris toward the sewer plant upgrade. The \$593 thousand increase in operating grants and contributions was primarily due to \$237 thousand in additional Small Cities grant funding and \$280 thousand in State Teachers' Retirement payments. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

Approximately 77% of the revenues were derived from property tax. Restricted operating grants and contributions and restricted capital grants and contributions, accounted for 14% and 2% of revenues, respectively. Charges for services represented 6% of revenues and the 1% remaining revenues were from unrestricted grants, investments earnings and miscellaneous revenue.

Major revenue factors included:

- Property tax revenues of \$25.4 million were generated from a mil rate of 22.6 mils (22.2 for prior year) on the net taxable grand list of \$1.1 billion. There was negligible growth in the 2012 Grand List.
- Charges for program services increased by \$418 thousand from the prior year to a total of \$1,938 thousand.
- Program operating grants and contributions of \$4.7 million, an increase of \$593 thousand.
- Program capital grants and contributions of \$711 thousand an increase of \$200 thousand.

Table 3 presents the cost of each of the Town’s programs, as well as each program’s netcost (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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General government	\$ 2,001	\$ 2,261	\$ 1,125	\$ 1,597
Public safety	1,642	1,464	1,612	1,443
Public works	4,948	6,613	3,014	5,104
Health and welfare	133	144	99	107
Libraries	347	339	347	339
Recreation	380	421	314	346
Education	19,929	19,485	15,569	15,702
Interest on long-term debt	1,028	769	1,028	769
Total	\$ 30,408	\$ 31,496	\$ 23,108	\$ 25,407

For governmental activities, 66% of the Town’s expenditures related to education; 16% for public works; 5% for public safety, 7% for general governmentand 6% 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, 2014, the Town's governmental funds reported a combined fund balance of \$9.4 million, a 20% decrease of \$2.3 million from June 30, 2013, of which \$1.5 million was in the Capital Projects Fund. The Capital Projects Fund decrease was due to temporarily financing the projects with Bond Anticipation Notes rather than issuing Bonds.

The Town's combined governmental fund balance of \$9.4 million is comprised of unassigned fund balance of \$4.2 million, assigned fund balance of \$69 thousand, committed fund balance of \$4.7 million, nonspendable fund balance of \$115 thousand and restricted fund balance of \$293 thousand.

The General Fund is the chief operating fund of the Town. At June 30, 2014, fund balance decreased \$453 thousand to \$5.1 million. General Fund unassigned fund balance decreased \$321 thousand from \$5.2 million at June 30, 2013 to \$4.9 million at June 30, 2014.

The total fund balance of the Sewer Assessment Fund decreased by \$60 thousand to \$583 thousand from \$643 thousand the previous year.

The Nonmajor Governmental Funds fund balance decreased by \$300 thousand from \$1.3 million to \$1.0 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, 2014 increased \$571 thousand to \$2.5 million primarily due to collections in excess of claims paid.

Pension Trust Funds

For fiscal year 2014, the net position of the Pension Trust Funds increased 17% from the year earlier to \$14.5 million. This was due to Town/BOE contributions of \$1.2 million, \$1.5 million appreciation of the fair value of its investments and \$241 thousand of investment earnings to provide \$833 thousand of benefits and expenses.

Other Post Employment Benefits

For fiscal year 2014, the Net OPEB obligation increased by 22.3% to \$888 thousand. As in prior years, all expenses for postemployment benefits were paid out of the General Fund during the fiscal year ended June 30, 2014.

General Fund Budgetary Highlights

The original budget was approved by referendum on May 21, 2013 with appropriations of \$27.6 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 \$28.5 million, which is \$282 thousand less than the final budget of \$28.8 million. The favorable variance was due to costs savings throughout the Town's various departments. The greatest savings from the final budget was \$157 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 - \$164 thousand, Intergovernmental - \$238 thousand, Miscellaneous - \$114 thousand which offset the budget shortfalls in departmental revenues, Selectmen -\$(47) thousand and Development and Planning - (\$19) thousand. The excess of revenues and other financing sources on a budgetary basis was \$549 thousand.

Of the General Fund's fund balance, 96.6% constitutes unassigned fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the Town had \$69.8 million invested in a broad range of capital assets, including land, buildings and improvements, machinery and equipment and infrastructure (Table 4). This amount represents a net increase (including additions and deductions) of \$1.8 million, or 2.6% over the previous fiscal year.

Machinery and equipment purchases of \$405 thousand were used to acquire student laptops and SMART boards, \$85 thousand for an ambulance, and an additional \$46 thousand toward the purchase of other town vehicles.

Infrastructure additions of \$646 thousand were to improve the Town's 121 miles of roads and bridges as well as to pave the Litchfield High School and Intermediate School parking lots.

Buildings and Improvement purchases of \$85 thousand were used for re-pointing of Litchfield High School, \$135 thousand for a WPCA upgrade, and an additional \$18 thousand for the new tennis courts at the schools.

An additional \$1.9 million in capital spending was used toward Construction in Progress.

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

	Governmental Activities	
	2014	2013
Land	\$ 1,296	\$ 1,296
CIP	1,966	-
Buildings and improvements	43,075	42,936
Machinery and equipment	2,551	2,859
Infrastructure	<u>20,893</u>	<u>20,889</u>
 Total	 <u>\$ 69,781</u>	 <u>\$ 67,980</u>

The Town's fiscal year 2014-15 CIP budget authorizes spending \$3.1 million for capital projects, of which \$481 thousand is to be funded from grants and other local funding. This includes \$1.1 million for major road projects; \$150 thousand toward the replacement/restoration of bridges; \$585 thousand for public facilities; \$412 thousand for vehicle and equipment replacement, \$552 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, 2014, the Town had \$27.1 million in bonds outstanding versus \$29.6 million last year, a decrease of 8.4% or \$2.4 million as seen in Table 5.

TABLE 5
OUTSTANDING DEBT
(In Thousands)

	Governmental Activities	
	2014	2013
General obligation bonds (backed by the Town)	\$ <u>27,149</u>	\$ <u>29,594</u>

On February 6, 2014, as authorized at the Town's Annual Meeting, the Town issued \$1.6 million in General Obligation Bond Anticipation Notes (BANs). \$955 thousand of the bond issuance was for capital projects related to the 2014 CIP. These projects include: \$106,150 for vehicle and equipment replacement, \$5,340 for bridges, \$842,074 for major road projects, \$1,436 for debt administration. In addition, the issuance included \$310,000 to fund Board of Education Technology projects and \$375,000 in notes related to School Building Projects not yet closed out.

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 \$174 million State-imposed limit at June 30, 2014.

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, 2014, employment in Litchfield was 4,062, an increase of 89 from the prior year. The Town's unemployment rate at June 30, 2014 was 5.0%, down 1.4% over the prior year. This rate compares favorably to both the State and national unemployment rates of 6.5% and 6.1%, respectively. Inflation for the Northeast area for the year ended June 30, 2014 increased from 1.5% to 1.9% over the prior year. The national Consumer Price Index - All Urban Consumers (CPI 1982-84=100) increased 2.1% at June 30, 2014 from the previous year.

The fiscal year 2015 budget was adopted at Town Meeting on May 7, 2014. The Town's net taxable grand list decreased 7.45% from the prior year due to revaluation. The Town's elected Board of Finance set the fiscal year 2014-2015 tax mil rate at 25.2, a 11.5% increase from the prior year. 1.7 of the mil rate increase was due to revaluation, and 0.9 of the increase was due to increased budget. Amounts available for appropriation in the original fiscal 2015 General Fund budget are \$28.6 million, an increase of 3.4% from the original 2014 budget of \$27.6 million. The increase was necessary to fund the \$722 thousand increase for the Board of Education (mainly employee benefits) and the \$242 thousand increase in the Selectman's budget (mainly salaries and employee benefits).

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, 2014

(In Thousands)

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 14,455
Receivables, net	2,215
Prepaid items	104
Net pension asset	719
Capital assets not being depreciated	3,262
Capital assets being depreciated, net	66,519
Total assets	<u>87,274</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	<u>574</u>
Liabilities:	
Accounts payable	1,594
Bond anticipation notes	1,640
Unearned revenue	53
Noncurrent liabilities:	
Due within one year	2,547
Due in more than one year	26,813
Total liabilities	<u>32,647</u>
Deferred Inflows of Resources:	
Advance property tax collections	26
Advance fee collections	2
Total deferred inflows of resources	<u>28</u>
Net Position:	
Net investment in capital assets	40,477
Restricted for trust purposes	10
Unrestricted	<u>14,686</u>
Total Net Position	<u>\$ 55,173</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, 2014

(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	\$ 2,001	\$ 407	\$ 469	\$	\$ (1,125)
Public safety	1,642	30			(1,612)
Public works	4,948	1,223		711	(3,014)
Health and welfare	133	14	20		(99)
Libraries	347				(347)
Recreation	380	64	2		(314)
Education	19,929	200	4,160		(15,569)
Interest on long-term debt	1,028				(1,028)
Total	\$ 30,408	\$ 1,938	\$ 4,651	\$ 711	(23,108)
General revenues:					
Property taxes					25,359
Grants and contributions not restricted to specific programs					236
Unrestricted investment earnings					35
Miscellaneous					25
Total general revenues					25,655
Change in net position					2,547
Net Position at Beginning of Year					52,626
Net Position at End of Year					\$ 55,173

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014
(In Thousands)

	<u>General</u>	<u>Sewer Assessment</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 14,215	\$	\$	\$ 95	\$ 14,310
Receivables, net	753	921	284	257	2,215
Due from other funds	323	583	4,571	994	6,471
Other assets	<u>105</u>				<u>105</u>
Total Assets	<u>\$ 15,396</u>	<u>\$ 1,504</u>	<u>\$ 4,855</u>	<u>\$ 1,346</u>	<u>\$ 23,101</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 922	\$	\$ 164	\$ 58	\$ 1,144
Due to other funds	8,705		323		9,028
Bond anticipation notes payable			1,640		1,640
Unearned revenue			24	29	53
Total liabilities	<u>9,627</u>	<u>-</u>	<u>2,151</u>	<u>87</u>	<u>11,865</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	642				642
Unavailable revenue - sewer receivables		921		132	1,053
Unavailable revenue - loans receivable				121	121
Advance property tax collections	26			2	28
Total deferred inflows of resources	<u>668</u>	<u>921</u>		<u>255</u>	<u>1,844</u>
Fund balances:					
Nonspendable	105			10	115
Restricted				293	293
Committed		583	3,402	731	4,716
Assigned	69				69
Unassigned	4,927		(698)	(30)	4,199
Total fund balances	<u>5,101</u>	<u>583</u>	<u>2,704</u>	<u>1,004</u>	<u>9,392</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,396</u>	<u>\$ 1,504</u>	<u>\$ 4,855</u>	<u>\$ 1,346</u>	<u>\$ 23,101</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2014
(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	\$	9,392
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$ 98,448	
Less accumulated depreciation	<u>(28,667)</u>	
Net capital assets		69,781
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Net pension asset		719
Property tax receivables greater than 60 days		502
Property tax interest receivables greater than 60 days		140
Assessments receivable		921
Housing loans		121
Sewer use receivables		132
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.		
		2,539
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		(27,149)
Premium on bonds		(1,089)
Deferred amount in refunding		574
Interest payable on bonds and notes		(288)
Compensated absences		(265)
Landfill closure		(20)
OPEB obligation		(811)
Claims and judgments		<u>(26)</u>
Net Position of Governmental Activities (Exhibit I)	\$	<u><u>55,173</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, 2014
(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	\$ 25,324	\$	\$	\$	\$ 25,324
Intergovernmental	3,729		331	1,499	5,559
Charges for services	507	117		1,372	1,996
Investment income	28	1	1	1	31
Other	24		111	54	189
Total revenues	<u>29,612</u>	<u>118</u>	<u>443</u>	<u>2,926</u>	<u>33,099</u>
Expenditures:					
Current:					
General government	1,397			515	1,912
Public safety	833				833
Public works	2,603			813	3,416
Health and welfare	104			12	116
Libraries	347				347
Recreation	255			57	312
Education	18,861			878	19,739
Employee benefits	1,886				1,886
Capital outlay			3,574		3,574
Debt service	3,308				3,308
Total expenditures	<u>29,594</u>	<u>-</u>	<u>3,574</u>	<u>2,275</u>	<u>35,443</u>
Excess (Deficiency) of Revenues over Expenditures	<u>18</u>	<u>118</u>	<u>(3,131)</u>	<u>651</u>	<u>(2,344)</u>
Other Financing Sources (Uses):					
Transfers in	428		1,600		2,028
Transfers out	(899)	(178)		(951)	(2,028)
Total other financing sources (uses)	<u>(471)</u>	<u>(178)</u>	<u>1,600</u>	<u>(951)</u>	<u>-</u>
Net Change in Fund Balances	(453)	(60)	(1,531)	(300)	(2,344)
Fund Balances at Beginning of Year	<u>5,554</u>	<u>643</u>	<u>4,235</u>	<u>1,304</u>	<u>11,736</u>
Fund Balances at End of Year	<u>\$ 5,101</u>	<u>\$ 583</u>	<u>\$ 2,704</u>	<u>\$ 1,004</u>	<u>\$ 9,392</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, 2014
(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)	\$ (2,344)
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	3,386
Depreciation expense	(1,585)

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

Housing loans receivable - accrual basis change	6
Property tax receivable - accrual basis change	35
Sewer assessment receivable - accrual basis change	(73)
Sewer use receivable - accrual basis change	(109)
Net pension asset	229

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 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	2,445
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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	145
Claims and judgments	3
Amortization of deferred charge on refunding	(57)
Amortization of issuances costs and premiums, net	(185)
Accrued interest	76
OPEB obligation	(5)
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.

571

Change in Net Position of Governmental Activities (Exhibit II)	\$ <u>2,547</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2014
(In Thousands)

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets:	
Cash and cash equivalents	\$ 145
Due from other funds	2,557
Total assets	<u>2,702</u>
Liabilities:	
Claims payable	<u>163</u>
Net Position:	
Unrestricted	\$ <u><u>2,539</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, 2014
(In Thousands)

	<u>Governmental Activities</u>	<u>Internal Service Fund</u>
Operating Revenues:		
Charges for services	\$ 3,590	
Operating Expenses:		
Claims incurred		<u>3,022</u>
Operating Income		568
Nonoperating Revenue:		
Interest income		<u>3</u>
Change in Net Position		571
Net Position at Beginning of Year		<u>1,968</u>
Net Position at End of Year	\$	<u><u>2,539</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

	Governmental Activities
	Internal Service Fund
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 3,150
Payment to benefit providers	(3,053)
Net cash provided by operating activities	97
Cash Flow from Investing Activities:	
Interest received on investments	3
Net Increase in Cash and Cash Equivalents	100
Cash and Cash Equivalents at Beginning of Year	45
Cash and Cash Equivalents at End of Year	\$ 145
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating income	\$ 568
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in due from other funds	(440)
Increase in incurred but not reported claims (IBNR)	(31)
Net Cash Provided by Operating Activities	\$ 97

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2014
(In Thousands)

	<u>Pension Trust Funds</u>	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 525	\$ 75	\$ 204
Investments:			
Common stock	4,830	278	
Mutual funds	9,104	533	
Receivables:			
Interest and dividends	34	2	
Other			91
	<u>14,493</u>	<u>888</u>	<u>\$ 295</u>
Total assets			
			<u>\$ 295</u>
Liabilities:			
Due to student groups and others			<u>\$ 295</u>
Net Position:			
Held in Trust for Pension and OPEB Benefits	<u>\$ 14,493</u>	<u>\$ 888</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, 2014
(In Thousands)

	<u>Pension Trust Funds</u>	<u>OPEB Trust Fund</u>
Additions:		
Contributions:		
Employer	\$ 1,218	\$ 62
Investment income:		
Net appreciation in fair value of investments	1,505	92
Interest and dividends	241	12
Total investment income	<u>1,746</u>	<u>104</u>
Less investment expense:		
Investment management fees	62	
Net investment income	<u>1,684</u>	<u>104</u>
Total additions	2,902	166
Deductions:		
Benefits	<u>769</u>	<u>4</u>
Net Increase	2,133	162
Net Position at Beginning of Year	<u>12,360</u>	<u>726</u>
Net Position at End of Year	<u>\$ 14,493</u>	<u>\$ 888</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 and OPEB trust funds and internal service 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, 2014 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections and advance fee collections in the government-wide statement of net position and in the governmental funds balance sheet. Both advance property tax collections and advance fee collections represent taxes and fees inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, special assessments and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

H. Compensated Absences

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

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

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

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. 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 - This balance represents 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.

B. Fund Deficits

The Cafeteria Fund had a deficit fund balance of \$30 and will be funded by future charges for services.

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*, \$8,323 of the Town’s bank balance of \$10,492 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	7,376
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name		<u>947</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>8,323</u></u>

Cash Equivalents

At June 30, 2014, the Town's cash equivalents amounted to \$9,595. 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.

	Standard & Poor's
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, 2014, the Town had the following investments:

Other investments:	
Common stock	\$ 5,108
Mutual funds	<u>9,637</u>
Total Investments	<u>\$ 14,745</u>

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

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Investment Policy (described in the preceding paragraph) further limits its investment choices. The Town's interest-bearing investments 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, 2014, 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	\$ 628	\$	\$	\$	\$ 628
Interest	140				140
Accounts				175	175
Intergovernmental			284	4	288
Special assessments		921			921
Housing loans				121	121
Gross receivables	<u>768</u>	<u>921</u>	<u>284</u>	<u>300</u>	<u>2,273</u>
Less allowance for uncollectibles	<u>15</u>			<u>7</u>	<u>22</u>
Net Total Receivables	<u>\$ 753</u>	<u>\$ 921</u>	<u>\$ 284</u>	<u>\$ 293</u>	<u>\$ 2,251</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,296	\$	\$	\$ 1,296
Construction in process	-	1,966		1,966
Total capital assets not being depreciated	<u>1,296</u>	<u>1,966</u>	<u>-</u>	<u>3,262</u>
Capital assets being depreciated:				
Buildings and improvements	52,533	238		52,771
Machinery and equipment	8,313	536		8,849
Infrastructure	<u>32,920</u>	<u>646</u>		<u>33,566</u>
Total capital assets being depreciated	<u>93,766</u>	<u>1,420</u>	<u>-</u>	<u>95,186</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,367)	(329)		(9,696)
Machinery and equipment	(5,630)	(668)		(6,298)
Infrastructure	<u>(12,085)</u>	<u>(588)</u>		<u>(12,673)</u>
Total accumulated depreciation	<u>(27,082)</u>	<u>(1,585)</u>	<u>-</u>	<u>(28,667)</u>
Total capital assets being depreciated, net	<u>66,684</u>	<u>(165)</u>	<u>-</u>	<u>66,519</u>
Governmental Activities Capital Assets, Net	<u>\$ 67,980</u>	<u>\$ 1,801</u>	<u>\$ -</u>	<u>\$ 69,781</u>

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

Governmental activities:	
General government	\$ 8
Public safety	367
Public works	862
Recreation	12
Education	<u>336</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,585</u>

6. INTERFUND RECEIVABLE AND PAYABLE BALANCES

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, funds make transfers to other funds to provide funding. A summary of interfund balances as of June 30, 2014 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	583
Capital Projects Funds	General Fund	4,571
Internal Service Fund	General Fund	2,557
Nonmajor Governmental Funds	General Fund	994
Total		<u>\$ 9,028</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	\$	\$ 899	\$ 899
Sewer Assessment	178		178
Nonmajor Governmental	250	701	951
Total Transfers In	<u>\$ 428</u>	<u>\$ 1,600</u>	<u>\$ 2,028</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, 2014 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	\$ 29,594	\$	\$ 2,445	\$ 27,149	\$ 2,466
Premium on refunding and general obligation bonds	1,202		113	1,089	
Total bonds payable	<u>30,796</u>	<u>-</u>	<u>2,558</u>	<u>28,238</u>	<u>2,466</u>
Compensated absences	410	65	210	265	69
OPEB obligation	806	5		811	
Landfill monitoring closure and postclosure costs	29		9	20	9
Claims and judgments	<u>29</u>		<u>3</u>	<u>26</u>	<u>3</u>
Governmental Activity Long-Term Liabilities	<u>\$ 32,070</u>	<u>\$ 70</u>	<u>\$ 2,780</u>	<u>\$ 29,360</u>	<u>\$ 2,547</u>

General Obligation Bonds

A schedule of bonds outstanding at June 30, 2014 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, 2014</u>
Clean Water Fund Bond	1998	\$ 900	2	\$ 136
Clean Water Fund Bond	1999	570	2	134
Clean Water Fund Bond	2004	4,595	2	2,294
General Refunding Bonds Series B	2010	2,655	2.00-3.375	1,230
General Refunding Bonds Series C	2010	8,405	2.00-4.00	6,615
General Obligation Bonds	2010	1,355	2.00-3.125	930
General Refunding Bonds	2012	7,555	3.00-4.00	6,820
General Obligation Bonds	2012	2,900	2.00-3.00	2,500
General Refunding Bonds	2012	4,555	2.00-4.00	4,515
General Obligation Bonds	2013	2,130	1.50-2.00	1,975
				<u>\$ 27,149</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>
2015	\$ 2,466	\$ 795	\$ 3,261
2016	2,673	724	3,397
2017	2,731	645	3,376
2018	2,671	561	3,232
2019	2,555	478	3,033
2020-2024	11,558	1,223	12,781
2025-2029	2,495	68	2,563
Total	<u>\$ 27,149</u>	<u>\$ 4,494</u>	<u>\$ 31,643</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, 2014 is \$2,600, and the amount in escrow is \$2,679.

Bonds authorized and unissued at June 30, 2014 is as follows:

	<u>Authorized</u>	<u>Bonds and BANs Issued</u>	<u>Authorized but Unissued Debt</u>
2012-13 Capital Improvements	\$ 3,709	\$ 489	\$ 3,220
2013-14 Capital Improvements	2,965	955	2,010
BOE Technology	420	310	110
Total	<u>\$ 7,094</u>	<u>\$ 1,754</u>	<u>\$ 5,340</u>

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

<u>Category</u>	<u>Debt Limitation</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 57,501	\$ 11,447	\$ 46,054
Schools	115,002	15,454	99,548
Sewers	95,835	3,399	92,436
Urban renewal	83,057	-	83,057
Pension deficit	76,668	-	76,668

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 \$20 at June 30, 2014. 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, 2014, \$26 has been accrued as an estimate of the cost to provide water for the remaining 9 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, 2014:

Capital Projects Fund

<u>Date Issued</u>	<u>Maturity Date</u>	<u>Effective Interest Rate (%)</u>	<u>Balance July 1, 2013</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2014</u>
2/7/2013	2/6/2014	1.00	\$ 400	\$	\$ 400	\$ -
2/6/2014	2/5/2015	1.00		<u>1,640</u>		<u>1,640</u>
Total			<u>\$ 400</u>	<u>\$ 1,640</u>	<u>\$ 400</u>	<u>\$ 1,640</u>

The proceeds from the bond anticipation notes outstanding at June 30, 2014 are to be used to fund the \$33 million school building project, school technology and 2014-2015 capital improvements.

9. FUND BALANCES

The components of fund balance for the governmental funds at June 30, 2014 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	105				105
Restricted for:					
Grants				244	244
Education				49	49
Committed to:					
Sewer assessment		583			583
Capital projects			3,402		3,402
General government				592	592
Public works				43	43
Recreation				96	96
Assigned to:					
General government	17				17
Public safety	3				3
Public works	16				16
Health and welfare	1				1
Recreation	1				1
Education	31				31
Unassigned	<u>4,927</u>		<u>(698)</u>	<u>(30)</u>	<u>4,199</u>
Total Fund Balances	<u>\$ 5,101</u>	<u>\$ 583</u>	<u>\$ 2,704</u>	<u>\$ 1,004</u>	<u>\$ 9,392</u>

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

10. PENSION PLANS

A. Plan Description

Town Retirement Plan

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

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

Management of the plans rests with the PERS Board, which consists of five voting members and two alternate members. Members of the Board are appointed by the Board of Selectman. The First Selectman serves as an ex-officio member.

All employees hired after July 1, 2012 will only be eligible to participate in the defined contribution plan for which the Town will contribute a sum equal to 3% of the employee's bi-weekly wages to a 401A account commencing the first payroll after the employee's one year anniversary.

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><u>182</u></u>	<u><u>262</u></u>

Summary of Significant Accounting Policies

Basis of Accounting: Financial statements are prepared using the accrual basis of accounting for the two defined benefit pension plans. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments: Investments are reported at market value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

Funding Policy

For the Town Plan, effective July 1, 2015 all active employees will be required to contribute 1% of their salary to the defined benefit plan. The Town is required to contribute amounts necessary to fund the Plan. State of Connecticut Statues assign the authority to establish and amend the contribution provisions of the Plan to the Town of Litchfield.

Investments

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the PERS Board by a majority vote of its members. It is the policy of the PERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy for both plans as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
US Equities	46%
REIT	3%
International Developed Economies	6%
International Emerging Economies	5%
High Quality Bond	33%
High Yield Bond	5%
Cash Equivalents	2%
Total	<u>100%</u>

Rate of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.76% for the Town Plan and 14.01% for the Merit Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

In accordance with Government Accounting Standards Board Statement No. 67, the components of the net pension liability of the Town at June 30, 2014, were as follows:

	Town Plan	Merit Plan
Total pension liability	\$ 14,613	\$ 3,719
Plan fiduciary net position	<u>11,203</u>	<u>3,290</u>
Net Pension Liability	<u>\$ 3,410</u>	<u>\$ 429</u>
Plan fiduciary net position as a percentage of the total pension liability	76.66%	88.46%

The Town's net pension liability will be required to be recorded on the government-wide statement of net position at June 30, 2015.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2012, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.4%
Salary increases	4.0%, average, including inflation
Investment rate of return	7.70%, per year

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table combined version for small plans - separate male and female rates.

The actuarial assumptions used in the July 1, 2012 valuation were based on the results of an actuarial experience study for the period July 1, 2011- June 30,2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in both pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
US equities	5.60%
REIT	4.10%
International developed economies	5.70%
International emerging economies	6.70%
High quality bond	2.30%
High yield bond	4.00%
Cash equivalents	1.10%

Discount Rate: The discount rate used to measure the total pension liability was 7.00% for both plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the Town, calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town Plan Net Pension Liability	\$ 5,018	\$ 3,410	\$ 2,072
Merit Plan Net Pension Liability	924	429	31

Annual Pension Cost and Net Pension Asset

In accordance with GASB Statement No. 27, 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	\$ 828	\$ 150
Interest on net pension obligation	(21)	(13)
Adjustment to annual required contribution	<u>26</u>	<u>19</u>
Annual pension cost	833	156
Contributions made	<u>1,068</u>	<u>150</u>
Increase (decrease) in net pension asset	(235)	6
Net pension asset - beginning of year	<u>(299)</u>	<u>(191)</u>
Net Pension Asset - End of Year	<u>\$ (534)</u>	<u>\$ (185)</u>

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

	Town Plan	Merit Service Plan
Actuarial valuation date	July 1, 2012	July 1, 2012
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Percentage	Level Percentage
Amortization period	20 Years, Closed	15 Years, Closed
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases	4.0% compounded annually	N/A

B. Trend Information

Town Plan				
Fiscal Year Ended		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/2014	\$	833	128.2 %	\$ (534)
6/30/2013		844	99.4	(299)
6/30/2012		830	99.3	(305)

Merit Service Plan				
Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/2014	\$	156	96.2 %	\$ (185)
6/30/2013		194	96.7	(191)
6/30/2012		194	96.6	(198)

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, 2014 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	\$ 439	\$ 86	\$ 525
Investments	10,738	3,196	13,934
Accrued interest receivable	26	8	34
	<u> </u>	<u> </u>	<u> </u>
Net Assets Held in Trust for Pension Benefits	\$ <u>11,203</u>	\$ <u>3,290</u>	\$ <u>14,493</u>

Schedule of Changes in Plan Net Position

	Town Retirement Plan	Merit Service Retirement Plan	Total
Additions:			
Contributions:			
Employer	\$ <u>1,068</u>	\$ <u>150</u>	\$ <u>1,218</u>
Investment income:			
Net appreciation in fair value of investments	1,151	354	1,505
Interest and dividends	187	54	241
Total	<u>1,338</u>	<u>408</u>	<u>1,746</u>
Less investment expense:			
Investment management fees	48	14	62
Net investment income	<u>1,290</u>	<u>394</u>	<u>1,684</u>
Total additions	2,358	544	2,902
Deductions:			
Benefits	<u>630</u>	<u>139</u>	<u>769</u>
Net increase	1,728	405	2,133
Net Position at Beginning of Year	<u>9,475</u>	<u>2,885</u>	<u>12,360</u>
Net Position at End of Year	\$ <u>11,203</u>	\$ <u>3,290</u>	\$ <u>14,493</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 \$1,944 for the year ended June 30, 2014.

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 an amount equal to 3% each 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 five participants in the plan as of June 30, 2014, and 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, 2014. The plan does not issue a stand-alone financial report.

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

Actives	114
Retirees or continuing spouses	<u>28</u>
Total Participants	<u><u>142</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, 2014, the amount actually contributed to the plan and changes in the BOE's net OPEB obligation (asset):

Annual required contribution (ARC)	\$	291
Interest on OPEB obligation		56
Adjustment to annual required contribution		<u>(71)</u>
Annual OPEB cost		276
Contributions made		<u>271</u>
Increase in net OPEB obligation		5
Net OPEB obligation - beginning of year		<u>806</u>
Net OPEB Obligation - End of Year	\$	<u><u>811</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, 2014, 2013 and 2012, 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>
6/30/2014	\$ 276	\$ 271	98.2 %	\$ 811
6/30/2013	275	144	52.4	806
6/30/2012	544	382	70.2	675

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

Fiscal Year Ended		Annual Required Contribution	Actual Contribution	Percentage of ARC Contributed
2014	\$	291	\$ 271	93.1 %
2013		287	144	50.2
2012		553	382	69.1

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 \$163 included in the Internal Service Fund at June 30, 2014 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>
2014	\$ 194	\$ 2,991	\$ 3,022	\$ 163
2013	166	3,126	3,098	194

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, 2014
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Property taxes:				
Property taxes	\$ 25,010	\$ 25,010	\$ 25,070	\$ 60
Interest and lien fees	150	150	254	104
Total property taxes	<u>25,160</u>	<u>25,160</u>	<u>25,324</u>	<u>164</u>
Licenses, permits and fees:				
Selectmen:				
Recycling recovery	17	17	17	-
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	2	(3)
Total selectmen	<u>118</u>	<u>118</u>	<u>71</u>	<u>(47)</u>
Town Clerk:				
Conveyance tax	105	105	131	26
Dog license fees	2	2	3	1
Licenses and permits	72	72	84	12
Total Town Clerk	<u>179</u>	<u>179</u>	<u>218</u>	<u>39</u>
Development and planning:				
Planning and zoning fees	30	30	21	(9)
Wetland fees	10	10	5	(5)
Zoning Board of Appeals	6	6	1	(5)
Total development and planning	<u>46</u>	<u>46</u>	<u>27</u>	<u>(19)</u>
Police Department:				
Private duty	11	11	13	2
Parking fines	5	5	5	-
Fingerprinting	1	1	1	-
Tickets	6	6	5	(1)
Total Police Department	<u>23</u>	<u>23</u>	<u>24</u>	<u>1</u>
Building inspection:				
Building fees	65	65	96	31
Fire Marshal:				
Licenses and permits	2	2	3	1
Social services:				
Senior van donations	2	2	1	(1)
Elderly housing - Wells Run	15	15	19	4
Total social services	<u>17</u>	<u>17</u>	<u>20</u>	<u>3</u>
Special programs:				
Tax Assessor sale of maps	2	2	1	(1)
Parks and recreation	2	2	2	-
Probate court	12	12	13	1
Total special programs	<u>16</u>	<u>16</u>	<u>16</u>	<u>-</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

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

**FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Education:				
Tuition and fees	\$ 1	\$ 1	\$ 32	\$ 31
Total licenses, permits and fees	467	467	507	40
Intergovernmental:				
Revenue sharing			46	46
In lieu of taxes			79	79
Circuit breaker	57	57	56	(1)
Veterans' exemption	4	4	4	-
Mashantucket Pequot Fund			20	20
Educational transportation			26	26
Education cost sharing	1,442	1,442	1,514	72
Telephone access line grant	32	32	32	-
Municipal video training	12	12	8	(4)
Total intergovernmental	1,547	1,547	1,785	238
Investment income	35	35	28	(7)
Other revenues:				
Miscellaneous	5	5	119	114
Total revenues	27,214	27,214	27,763	549
Other financing sources:				
Transfers in:				
Sewer Operations	428	428	428	-
Total	\$ 27,642	\$ 27,642	28,191	\$ 549

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

1,944

Cancellation of prior year encumbrances are recognized as budgetary revenue

(95)

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

\$ 30,040

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, 2014
(In Thousands)

	<u>Budgeted Amounts</u>		Actual	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Board of Finance	\$ 30	\$ 30	\$ 30	\$ -
Board of Selectmen	27	27	27	-
Municipal Management	178	178	178	-
Finance Department	147	148	148	-
Treasurer	7	7	7	-
Tax Collector	109	109	108	1
Assessor	158	158	156	2
Board of Assessment Appeals	1	1	1	-
Planning and Zoning	12	33	33	-
Wetlands	8	15	15	-
Zoning Board of Appeals	6	10	10	-
Land Use Administration	118	118	117	1
Building Inspector	121	121	121	-
Economic Development Commission	1	1		1
Town Clerk	124	124	119	5
Elections	18	18	11	7
Registrars	27	27	27	-
Legal counsel	81	78	66	12
Probate	8	8	8	-
Technology	73	73	59	14
Central Services and Town buildings	181	172	169	3
Total general government	<u>1,435</u>	<u>1,456</u>	<u>1,410</u>	<u>46</u>
Public safety:				
Police protection	101	111	111	-
Patrol services	139	139	130	9
Fire Marshal	79	79	77	2
Fire protection service	368	376	374	2
E911 Emergency	82	82	82	-
Litchfield emergency management	6	6	6	-
Total public safety	<u>775</u>	<u>793</u>	<u>780</u>	<u>13</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, 2014

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Public works:				
Supervision	\$ 11	\$ 11	\$ 10	\$ 1
Operations	1,068	1,132	1,132	-
Highways	551	583	583	-
Equipment maintenance	231	256	256	-
Building and grounds maintenance	97	88	84	4
Solid waste disposal and recycling	484	469	465	4
Director of Public Works	71	71	71	-
Total public works	<u>2,513</u>	<u>2,610</u>	<u>2,601</u>	<u>9</u>
Health and welfare:				
Social services	37	36	34	2
Ambulance services	65	75	73	2
OSHA mandated health	1	1		1
Total health and welfare	<u>103</u>	<u>112</u>	<u>107</u>	<u>5</u>
Libraries	<u>347</u>	<u>347</u>	<u>347</u>	<u>-</u>
Recreation:				
Recreation	108	108	106	2
Co-op programs	149	149	148	1
Total recreation	<u>257</u>	<u>257</u>	<u>254</u>	<u>3</u>
Board of Education:				
Board of Education	15,859	15,859	15,822	37
Maintenance by Town	1,181	1,181	1,024	157
Total Board of Education	<u>17,040</u>	<u>17,040</u>	<u>16,846</u>	<u>194</u>
Other:				
Cemetery services	21	21	21	-
Beautification Commission	2	2	1	1
Contingency	90			-
Fringe benefits	1,569	1,791	1,783	8
Municipal insurance	104	82	82	-
Total other	<u>1,786</u>	<u>1,896</u>	<u>1,887</u>	<u>9</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, 2014
(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	\$ 2,445	\$ 2,445	\$ 2,445	\$ -
Interest on long-term debt	862	862	862	-
Interest on bond anticipation notes	4	4	1	3
Total debt service	<u>3,311</u>	<u>3,311</u>	<u>3,308</u>	<u>3</u>
Total expenditures	<u>27,567</u>	<u>27,822</u>	<u>27,540</u>	<u>282</u>
Other financing uses:				
Transfers out:				
Capital improvements		874	874	-
Other	75	75	75	-
Total other financing uses	<u>75</u>	<u>949</u>	<u>949</u>	<u>-</u>
Total	<u>\$ 27,642</u>	<u>\$ 28,771</u>	28,489	<u>\$ 282</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

1,944

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

(4)

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

64Total Expenditures and Other Financing Uses as Reported on the
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds - Exhibit IV\$ 30,493

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST FISCAL YEAR

(In Thousands)

	Town Plan 2014	Merit Plan 2014
	<u>2014</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 396	\$ 66
Interest	977	248
Changes of benefit terms		
Differences between expected and actual experience		
Changes of assumptions		
Benefit payments, including refunds of member contributions	(630)	(139)
Net change in total pension liability	<u>743</u>	<u>175</u>
Total pension liability - beginning	<u>13,870</u>	<u>3,544</u>
Total pension liability - ending	<u>14,613</u>	<u>3,719</u>
Plan fiduciary net position:		
Contributions - employer	1,068	150
Net investment income	1,290	394
Benefit payments, including refunds of member contributions	(630)	(139)
Administrative expense		
Other		
Net change in plan fiduciary net position	<u>1,728</u>	<u>405</u>
Plan fiduciary net position - beginning	<u>9,475</u>	<u>2,885</u>
Plan fiduciary net position - ending	<u>11,203</u>	<u>3,290</u>
Net Pension Liability - Ending	<u>\$ 3,410</u>	<u>\$ 429</u>
Plan fiduciary net position as a percentage of the total pension liability	76.49%	88.26%
Covered-employee payroll	\$ 4,398	N/A
Net pension liability as a percentage of covered-employee payroll	78.12%	N/A

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MERIT SERVICE PLAN

LAST TEN FISCAL YEARS
(In Thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actuarially determined contribution	\$ 83	\$ 105	\$ 106	\$ 115	\$ 160	\$ 224	\$ 212	\$ 188	\$ 188	\$ 150
Contributions in relation to the actuarially determined contribution	<u>100</u>	<u>295</u>	<u>109</u>	<u>126</u>	<u>145</u>	<u>198</u>	<u>212</u>	<u>188</u>	<u>188</u>	<u>150</u>
Contribution (Excess) Deficiency	<u>\$ (17)</u>	<u>\$ (190)</u>	<u>\$ (3)</u>	<u>\$ (11)</u>	<u>\$ 15</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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Notes to Schedule

Valuation date: July 1, 2012

Measurement date: June 30, 2014

Actuarially determined contribution rates are calculated as of June 30,
two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age

Amortization method Level Dollar

Remaining amortization period 15 years

Asset valuation method Market Value of Assets

Inflation 2.4%

Salary increases 4.5%, average, including inflation

Investment rate of return 7.00%, net of pension plan investment expense, including inflation

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF EMPLOYER CONTRIBUTIONS - TOWN PLAN

LAST TEN FISCAL YEARS
(In Thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actuarially determined contribution	\$ 320	\$ 354	\$ 360	\$ 509	\$ 609	\$ 773	\$ 726	\$ 824	\$ 838	\$ 828
Contributions in relation to the actuarially determined contribution	<u>320</u>	<u>354</u>	<u>391</u>	<u>677</u>	<u>530</u>	<u>921</u>	<u>726</u>	<u>824</u>	<u>838</u>	<u>1,068</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31)</u>	<u>\$ (168)</u>	<u>\$ 79</u>	<u>\$ (148)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (240)</u>
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 274
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	24.28%

Notes to Schedule

Valuation date: July 1, 2012

Measurement date: 2014

Actuarially determined contribution rates are calculated as of June 3
two years prior to the end of the fiscal year in which contributions
are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age

Amortization method Level Dollar

Remaining amortization period 20 years

Asset valuation method Market Value of Assets

Inflation 2.4%

Salary increases 4.5%, average, including inflation

Investment rate of return 7.00%, net of pension plan investment expense, including inflation

TOWN OF LITCHFIELD, CONNECTICUT**SCHEDULE OF INVESTMENT RETURNS****LAST FISCAL YEAR**

	Town Plan 2014	Merit Plan 2014
Annual money-weighted rate of return, net of investment expense	13.76%	14.01%

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2014 AND 2013

(In Thousands)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 14,215	\$ 15,284
Receivables, net:		
Property taxes (net of allowance \$15 for 2013 and 2014)	613	753
Other	140	220
Due from other funds	323	323
Other assets	<u>105</u>	<u>61</u>
Total Assets	<u>\$ 15,396</u>	<u>\$ 16,641</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 922	\$ 1,433
Due to other funds	<u>8,705</u>	<u>9,021</u>
Total liabilities	<u>9,627</u>	<u>10,454</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	642	607
Advance property tax collections	<u>26</u>	<u>26</u>
Total deferred inflows of resources	<u>668</u>	<u>633</u>
Fund balance:		
Nonspendable	105	61
Assigned	69	245
Unassigned	<u>4,927</u>	<u>5,248</u>
Total fund balance	<u>5,101</u>	<u>5,554</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 15,396</u>	<u>\$ 16,641</u>

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL FUND

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2014

(In Thousands)

Grand List	Uncollected Taxes July 1, 2013	Current Levy	Lawful Corrections		Transfers To Suspense	Refunds	Net Amount Collectible	Collections				Uncollected Taxes June 30, 2014
			Additions	Deductions				Taxes	Interest	Fees	Total	
2012	\$	\$ 25,190	\$ 14	\$ 40	\$	\$ 19	\$ 25,183	\$ 24,783	\$ 88	\$	\$ 24,871	\$ 400
2011	482			7		5	480	344	83	1	428	136
2010	164			4		3	163	110	39	1	150	53
2009	73				16		57	40	16		56	17
2008	23						23	11	7		18	12
2007	16						16	6	6		12	10
2006	3						3	3	4		7	-
2005	4			1			3	3	5		8	-
2004	2		1				3	3	2		5	-
2003							-		-		-	-
2002							-		-		-	-
2001							-		1		1	-
2000							-		-		-	-
1999							-		-		-	-
1998							-		-		-	-
1997	1					1	-		-		-	-
	<u>\$ 768</u>	<u>\$ 25,190</u>	<u>\$ 15</u>	<u>\$ 52</u>	<u>\$ 17</u>	<u>\$ 27</u>	<u>\$ 25,931</u>	<u>\$ 25,303</u>	<u>\$ 251</u>	<u>\$ 2</u>	<u>\$ 25,556</u>	<u>\$ 628</u>

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TOWN OF LITCHFIELD, CONNECTICUT

BOARD OF EDUCATION

SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

Program	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Art	\$ 19	\$ 19	\$ 18	\$ 1
Business Education	4	4		4
World Language	4	4	3	1
Family/consumer science	7	7	7	-
Technology education	17	17	14	3
Language arts	20	20	20	-
Mathematics	40	40	17	23
Music	18	18	16	2
Physical education	7	7	7	-
Science	24	24	23	1
Social studies	17	17	7	10
Kindergarten	1	1	1	-
Title 1 programs	3	3	3	-
Health education	1	1	1	-
Learning centers	3	3	2	1
Speech and language	17	17	7	10
Homebound instruction	1	1	1	-
Psychological services	22	22	9	13
Guidance services	1	1	1	-
Health services	17	17	12	5
Career education	4	4	2	2
Occupational/physical therapy	86	86	55	31
Library/media services	17	17	17	-
Student activity support	118	118	117	1
Technology support	36	36	12	24
Salaries and wages	9,506	9,506	9,482	24
Employee benefits	2,689	2,689	2,877	(188)
Board of Education	63	63	53	10
Central administration	37	37	27	10
School administration	53	53	52	1
Staff development	47	47	61	(14)
Special ed administration	12	12	1	11
General instructional support	72	72	68	4
Fiscal services	14	14	19	(5)
Utilities	542	542	666	(124)
Technology maintenance	139	139	201	(62)
Special ed transportation	275	275	178	97
Athletic transportation	60	60	44	16
Special education tuition	807	807	742	65
Regular transportation	871	871	835	36
Magnet school tuition	26	26	14	12
Non-public transportation	2	2	1	1
Vo-Ag tuition	132	132	122	10
Adult education	8	8	7	1
Total	\$ 15,859	\$ 15,859	\$ 15,822	\$ 37

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, 2014
(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					132		
Other receivables, net		4					
Due from other funds	611	18	96	3	53		114
Total Assets	\$ 611	\$ 22	\$ 96	\$ 3	\$ 185	\$ -	\$ 114
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 19	\$	\$	\$	11	\$	\$
Unearned revenue		22					
Total liabilities	19	22	-	-	11	-	-
Deferred inflows of resources:							
Unavailable revenue - sewer receivables					132		
Unavailable revenue - loans receivable							
Advance property tax collections					2		
Total deferred inflows of resources	-	-	-	-	134	-	-
Fund balances:							
Nonspendable							
Restricted							114
Committed	592		96	3	40		
Unassigned							
Total fund balances	592	-	96	3	40	-	114
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 611	\$ 22	\$ 96	\$ 3	\$ 185	\$ -	\$ 114

(Continued on next page)

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

JUNE 30, 2014
(In Thousands)

	<u>Special Revenue Funds</u>					<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Small Cities Grants</u>	<u>Miscellaneous Special Revenue</u>	<u>Scholarships</u>	<u>Cafeteria</u>	<u>Total</u>	<u>Cemetery Trust</u>	
ASSETS							
Cash and cash equivalents	\$ 26	\$ 19	\$ 40	\$ -	\$ 85	\$ 10	\$ 95
Sewer usage receivable, net					132		132
Other receivables, net	121				125		125
Due from other funds		90	9		994		994
	<u>147</u>	<u>109</u>	<u>49</u>	<u>-</u>	<u>1,336</u>	<u>10</u>	<u>1,346</u>
Total Assets	\$ 147	\$ 109	\$ 49	\$ -	\$ 1,336	\$ 10	\$ 1,346
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 5			\$ 28	\$ 58		\$ 58
Unearned revenue	5			2	29		29
Total liabilities	<u>5</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>87</u>	<u>-</u>	<u>87</u>
Deferred inflows of resources:							
Unavailable revenue - sewer receivables					132		132
Unavailable revenue - loans receivable	121				121		121
Advance property tax collections					2		2
Total deferred inflows of resources	<u>121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255</u>	<u>-</u>	<u>255</u>
Fund balances:							
Nonspendable					-	10	10
Restricted	21	109	49		293		293
Committed					731		731
Unassigned				(30)	(30)		(30)
Total fund balances	<u>21</u>	<u>109</u>	<u>49</u>	<u>(30)</u>	<u>994</u>	<u>10</u>	<u>1,004</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 147	\$ 109	\$ 49	\$ -	\$ 1,336	\$ 10	\$ 1,346

TOWN OF LITCHFIELD, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

		Special Revenue Funds						
		Town Hall Annex	Special Education Grants	Parks and Recreation	Road Ordinance	Sewer Operations	Infrastructure	Town Aid Road
Revenues:								
	Intergovernmental	\$ 182	\$ 538	\$ 61	\$ -	\$ 1,102	\$ 4	\$ 382
	Charges for services					1		
	Investment income							
	Other	54						
	Total revenues	<u>236</u>	<u>538</u>	<u>61</u>	<u>-</u>	<u>1,103</u>	<u>4</u>	<u>382</u>
Expenditures:								
Current:								
	General government	208						
	Public works					813		
	Health and welfare							
	Recreation			56				
	Education		538					
	Total expenditures	<u>208</u>	<u>538</u>	<u>56</u>	<u>-</u>	<u>813</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures		28	-	5	-	290	4	382
Other Financing Uses:								
	Transfers out					(473)	(96)	(382)
Net Change in Fund Balances		28	-	5	-	(183)	(92)	-
Fund Balances at Beginning of Year		564	-	91	3	223	92	114
Fund Balances at End of Year		<u>\$ 592</u>	<u>\$ -</u>	<u>\$ 96</u>	<u>\$ 3</u>	<u>\$ 40</u>	<u>\$ -</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, 2014
(In Thousands)**

	Special Revenue Funds					Permanent Fund	Total Nonmajor Governmental Funds
	Small Cities Grants	Miscellaneous Special Revenue	Scholarships	Cafeteria	Total	Cemetery Trust	
Revenues:							
Intergovernmental	\$ 255	\$ 4	\$	\$ 138	\$ 1,499	\$	\$ 1,499
Charges for services		37		168	1,372		1,372
Investment income					1		1
Other					54		54
Total revenues	255	41	-	306	2,926	-	2,926
Expenditures:							
Current:							
General government	255	52			515		515
Public works					813		813
Health and welfare		12			12		12
Recreation		1			57		57
Education			4	336	878		878
Total expenditures	255	65	4	336	2,275	-	2,275
Excess (Deficiency) of Revenues over Expenditures	-	(24)	(4)	(30)	651	-	651
Other Financing Uses:							
Transfers out					(951)		(951)
Net Change in Fund Balances	-	(24)	(4)	(30)	(300)	-	(300)
Fund Balances at Beginning of Year	21	133	53	-	1,294	10	1,304
Fund Balances at End of Year	\$ 21	\$ 109	\$ 49	\$ (30)	\$ 994	\$ 10	\$ 1,004

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF SEWER USE CHARGES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

<u>Usage Year</u>	<u>Balance Uncollected July 1, 2013</u>	<u>Current Year Charges and Adjustments</u>	<u>Collections</u>	<u>Balance Uncollected June 30, 2014</u>
2014	\$	\$ 901	\$ 836	\$ 65
2013		78	46	32
2012		27	8	19
2011		17	6	11
2010		10	5	5
2009		6	2	4
2008		2		2
2007		1		1
2006				
MISC		163	163	
Total	\$	\$ <u>141</u>	1,066	\$ <u>139</u>
Interest and lien fees			<u>36</u>	
Total Collection			<u>\$ 1,102</u>	

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

<u>Usage Year</u>	<u>Balance Uncollected July 1, 2013</u>	<u>Current Year Levy and Adjustments</u>	<u>Collections</u>	<u>Balance Uncollected June 30, 2014</u>
Contract No. 13	\$ 155	\$	\$ 16	\$ 139
Contract No. 14	121			121
Contract No. 15	11			11
Contract No. 17	285		22	263
Contract No. 18	422		35	387
Total	<u>\$ 994</u>	<u>\$ -</u>	73	<u>\$ 921</u>
Interest and lien fees			<u>44</u>	
Total Collection			<u>\$ 117</u>	

TOWN OF LITCHFIELD, CONNECTICUT

CAPITAL PROJECTS FUND

PROJECT COMBINING BALANCE SHEET

JUNE 30, 2014
(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	\$ 284	\$	\$	\$	\$ 284
Due from other funds	<u>3,624</u>	<u>442</u>	<u></u>	<u>505</u>	<u>4,571</u>
Total Assets	<u>\$ 3,908</u>	<u>\$ 442</u>	<u>\$ -</u>	<u>\$ 505</u>	<u>\$ 4,855</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 164	\$	\$	\$	\$ 164
Due to other funds			323		323
Bond anticipation notes payable	1,265		375		1,640
Unearned revenue	<u>24</u>				<u>24</u>
Total liabilities	<u>1,453</u>	<u>-</u>	<u>698</u>	<u>-</u>	<u>2,151</u>
Fund Balances:					
Committed	2,455	442		505	3,402
Unassigned			(698)		(698)
Total fund balances	<u>2,455</u>	<u>442</u>	<u>(698)</u>	<u>505</u>	<u>2,704</u>
Total Liabilities and Fund Balances	<u>\$ 3,908</u>	<u>\$ 442</u>	<u>\$ -</u>	<u>\$ 505</u>	<u>\$ 4,855</u>

TOWN OF LITCHFIELD, CONNECTICUT

CAPITAL PROJECTS FUND

PROJECT COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCESFOR THE YEAR ENDED JUNE 30, 2014
(In Thousands)

	<u>Capital Improvements</u>	<u>Capital and Nonrecurring</u>	<u>Renovation of Schools</u>	<u>WPCA Capital Reserve</u>	<u>Total</u>
Revenues:					
Intergovernmental	\$ 331	\$	\$	\$	\$ 331
Investment income				1	1
Other	-			111	111
Total revenues	<u>331</u>	<u>-</u>	<u>-</u>	<u>112</u>	<u>443</u>
Expenditures:					
Capital outlay	<u>3,439</u>			<u>135</u>	<u>3,574</u>
Total expenditures	<u>3,439</u>	<u>-</u>	<u>-</u>	<u>135</u>	<u>3,574</u>
Deficiency of Revenues over Expenditures	(3,108)	-	-	(23)	(3,131)
Other Financing Sources:					
Transfers in	<u>1,352</u>		<u>25</u>	<u>223</u>	<u>1,600</u>
Net Change in Fund Balances	(1,756)	-	25	200	(1,531)
Fund Balances at Beginning of Year	<u>4,211</u>	<u>442</u>	<u>(723)</u>	<u>305</u>	<u>4,235</u>
Fund Balances at End of Year	<u>\$ 2,455</u>	<u>\$ 442</u>	<u>\$ (698)</u>	<u>\$ 505</u>	<u>\$ 2,704</u>

TOWN OF LITCHFIELD, CONNECTICUT

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

(In Thousands)

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Student Activity Funds				
Assets:				
Cash and cash equivalents	\$ 188	\$ 322	\$ 320	\$ 190
Liabilities:				
Due to student groups	\$ 188	\$ 322	\$ 320	\$ 190
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ 14	\$	\$	\$ 14
Accounts receivable	546	41	496	91
Total Assets	\$ 560	\$ 41	\$ 496	\$ 105
Liabilities:				
Performance bonds	\$ 560	\$ 41	\$ 496	\$ 105
Total All Funds				
Assets:				
Cash and cash equivalents	\$ 202	\$ 322	\$ 320	\$ 204
Accounts receivable	546	41	496	91
Total Assets	\$ 748	\$ 363	\$ 816	\$ 295
Liabilities:				
Due to student groups	\$ 202	\$ 322	\$ 320	\$ 204
Performance bonds	546	41	496	91
Total Liabilities	\$ 748	\$ 363	\$ 816	\$ 295

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

JUNE 30, 2014

(In Thousands)

Total tax collections, including interest and lien fees, received by Treasurer for the year ended June 30, 2014						\$ <u>25,556</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	\$ 57,501	\$	\$	\$		\$
4-1/2 times base		115,002				
3-3/4 times base			95,835			
3-1/4 times base				83,057		
3 times base						76,668
Total debt limitation	<u>57,501</u>	<u>115,002</u>	<u>95,835</u>	<u>83,057</u>		<u>76,668</u>
Indebtedness:						
Bonds payable	8,671	15,079	835			
Clean Water Fund PLO			2,564			
Bond anticipation notes payable	1,265	375				
Bonds authorized - unissued	5,230	110				
Less:						
Estimated grants applied	<u>(3,719)</u>	<u>(110)</u>				
Total indebtedness	<u>11,447</u>	<u>15,454</u>	<u>3,399</u>	<u>-</u>		<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	\$ <u>46,054</u>	\$ <u>99,548</u>	\$ <u>92,436</u>	\$ <u>83,057</u>		\$ <u>76,668</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 10/1/12</u>
Connecticut Light & Power	Power Company	\$ 10,296,240
White Memorial Foundation	Leased Land for Cottages	6,504,270
City of Waterbury	Watershed	6,185,200
CRP/BWN LLC and CRP/BWN Litchfield Operator LLC*	Health Care Facility	5,268,730
C A Litchfield LLC	Vacant Land	3,963,170
6645 Federal Square Realty	Commercial Real Estate	3,428,980
Aquarion Water Co.	Water Supply	3,317,470
Arethusa Farm	Farming	3,241,210
George Malkemus & Anthony Yurgaitis	Farming	3,211,200
Union Savings Bank	Bank	<u>2,585,070</u>
Total		\$ <u><u>48,001,540</u></u>

*Doing business as Brandywine Assisted Living at Litchfield (Sarah Pierce Community)

Source: Town of Litchfield, Office of Tax Assessor

TOWN OF LITCHFIELD, CONNECTICUT

TAXABLE GRAND LIST

Grand List	Real Estate	Personal	Motor Vehicle	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
10/1/2012	\$ 1,010,457,150	\$ 31,400,990	\$ 71,821,130	\$ 1,113,679,270	\$ 3,260,160	\$ 1,110,419,110

Source: Town of Litchfield, Office of Tax Assessor

TOWN OF LITCHFIELD, CONNECTICUT
CALCULATION OF DIRECT DEBT AND NET DIRECT DEBT
JUNE 30, 2014

Long-Term Indebtedness (1):	
Bonds:	
General Purpose	\$ 8,671,000
Schools	15,079,000
Sewers	835,000
State of Connecticut PLO (Clean Water Fund)	2,564,354
Urban Renewal	<u>-</u>
Total Long-Term Indebtedness	27,149,354
Short-Term Indebtedness:	
Bond Anticipation Notes	<u>1,640,000</u>
Total Direct Debt	28,789,354
Exclusions (2):	
Sewer assessments receivable	(921,147)
Sewer use charges receivable	<u>(138,541)</u>
Total Net Direct Debt	<u><u>\$ 27,729,666</u></u>

(1) Does not include authorized but unissued debt of \$9,698,111

(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, 2014

Total Direct Indebtedness	\$	28,879,354
Total Net Direct Indebtedness	\$	27,729,666
Population (1)		8,466
Net Taxable Grand List (10/1/12)	\$	1,110,419,110
Estimated Full Value	\$	1,586,313,014
Equalized Net Taxable Grand List (2012) (2)	\$	1,421,529,441
Per Capita Income (2012) (3)	\$	84,063
Total Direct Indebtedness:		
Per Capita	\$	3,400.59
To Net Taxable Grand List		2.59%
To Estimated Full Value		1.81%
To Equalized Net Taxable Grand List		2.03%
Per Capita to Per Capita Income		4.05%
Total Net Direct Indebtedness:		
Per Capita	\$	3,275.42
To Net Taxable Grand List		2.50%
To Estimated Full Value		1.75%
To Equalized Net Taxable Grand List		1.95%
Per Capita to Per Capita Income		3.90%

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

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

(3) U.S. Census Bureau, 2008-2012 American Community Survey

Source: Town of Litchfield, Office of Director of Finance