

Official Statement Dated July 28, 2016

NEW ISSUE

MOODY'S RATING: Aa2
(See "Ratings" herein)

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming the material accuracy of representations and continuing compliance by the Town with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is not included in gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code, and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Bonds may be includable in the calculation of certain taxes under the Code, including adjusted current earnings of corporations (as defined for federal income tax purposes) for purposes of computing the alternative minimum tax on corporations. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendix B "Form of Opinion of Bond Counsel and Tax Exemption" herein.)

TOWN OF LITCHFIELD, CONNECTICUT

\$6,438,000

GENERAL OBLIGATION BONDS, ISSUE OF 2016

(BANK QUALIFIED)
BOOK-ENTRY-ONLY

Dated: Date of Delivery

Due: Serially, August 1, as shown herein

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

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity, commencing February 1, 2017.

The Bonds will be issued by means of a book-entry system and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. The Beneficial Owners of the Bonds will not receive certificates representing their ownership interest in the Bonds. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. Ownership of the Bonds may be in principal amounts of \$1,000 or integral multiples thereof. DTC will act as security depository for the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

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

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

MATURITY SCHEDULE AND AMOUNTS

<u>Maturity</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP (1)</u>	<u>Maturity</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP (1)</u>
2017	\$ 425,000	3.000%	0.600%	536597QH3	2025	\$ 430,000	2.000%	1.450%*	536597QR1
2018	425,000	3.000	0.760	536597QJ9	2026	430,000	2.000	1.550*	536597QS9
2019	428,000	3.000	0.840	536597QK6	2027	430,000	2.000	1.650*	536597QT7
2020	430,000	2.000	0.920	536597QL4	2028	430,000	2.000	1.750*	536597QU4
2021	430,000	3.000	0.980	536597QM2	2029	430,000	2.000	1.850*	536597QV2
2022	430,000	2.000	1.150	536597QN0	2030	430,000	2.000	2.000	536597QW0
2023	430,000	2.000	1.250*	536597QP5	2031	430,000	2.100	2.100	536597QX8
2024	430,000	2.000	1.350*	536597QQ3					

* Priced assuming redemption on August 1, 2022; however any such redemption is at the election of the Town. (See "Optional Redemption" herein).

FTN FINANCIAL CAPITAL MARKETS

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in definitive book-entry form will be made on or about August 11, 2016.

- (1) Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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

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

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

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

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

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

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

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

BOND COUNSEL

JOSEPH FASI LLC

Joseph P. Fasi, Esq.

Hartford, Connecticut
(860) 296-0510

INDEPENDENT FINANCIAL ADVISOR

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

Madison, Connecticut
(203) 245-8715

TABLE OF CONTENTS

Page #

Bond Sale Summary i

SECTION I – SECURITIES OFFERED

Introduction 1
Description of the Bonds 1
Optional Redemption 1
Notice of Redemption 1
Authorization and Use of Proceeds of the Bonds 2
Ratings 3
Security and Remedies 3
Qualification for Financial Institutions 4
Book-Entry Transfer System 4
Replacement Bonds 5
DTC Practices 5

SECTION II – THE ISSUER

Description of the Town 6
Form of Government 6
Municipal Officials 6
Summary of Municipal Services 6
Educational System 10
Educational Facilities 10
Educational Enrollment History and Projections 10
Municipal Employment 10
Municipal Employees Bargaining Organizations 11
Economic Development 11

SECTION III – ECONOMIC AND DEMOGRAPHIC DATA

Population Trends 13
Age Characteristics of the Population 13
Selected Wealth and Income Indicators 13
Income Distribution 14
Educational Attainment 14
Employment by Industry 14
Major Employers 15
Unemployment Rate Statistics 15
Number and Value of Building Permits 15
Number of Dwelling Units 16
Characteristics of Housing Units 16
Age Distribution of Housing 16
Breakdown of Land Use 16

SECTION IV – INDEBTEDNESS

Computation of Statutory Debt Limit 17
Calculation of Net Direct Debt 18
Current Debt Ratios 18
Historical Debt Statement 19
Historical Debt Ratios 19
Outstanding Short-Term Indebtedness 19

Overlapping and Underlying Indebtedness	19
Clean Water Fund Program	19
Legal Requirements for Approval of Borrowing	20
Temporary Financing	20
School Projects	20
Authorized but Unissued Debt	21
Combined Schedule of Long Term Debt through Maturity – General Fund and Sewer Assessment Fund	22

SECTION V – FINANCIAL DATA

Accounting Policies	23
Basis of Accounting	23
Audit	23
Budgetary Procedures	23
Supplemental Appropriations	24
Employee Pension Systems	24
Other Post-Employment Benefits	27
Investment Policies and Procedures	27
Assessment Practices	28
Motor Vehicle Property Taxes	28
Tax Collection Procedure	28
Property Tax Levies and Collections	28
Taxable Grand List	29
Largest Taxpayers	29
Revenues	29
Property Tax Revenues	30
Intergovernmental Revenues	30
Expenditures	30
Comparative General Fund Operating Statement – Budget and Actual (Budgetary Basis)	31
Comparative Balance Sheets – General Fund	32
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund (GAAP Basis)	33

SECTION VI – ADDITIONAL INFORMATION

Litigation	34
Legal Matters	34
Financial Advisor	34
Availability of Continuing Disclosure Information	34
Documents Accompanying Delivery of the Bonds	34
Concluding Statement	35

APPENDICES

Appendix A – Audited Financial Statements	A-1
Appendix B – Form of Opinion of Bond Counsel and Tax Exemption	B-1
Appendix C-1 – Form of Continuing Disclosure Agreement	C-1
Appendix D – Notice of Sale	D-1

BOND SALE SUMMARY

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

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

Date of Sale:	Thursday, July 28, 2016, at 11:30 A.M. (E.S.T).
Location of Sale:	Office of the First Selectman, Town of Litchfield, Town Hall, 74 West Street, Litchfield, Connecticut 06759.
Issuer:	Town of Litchfield, Connecticut (the "Town").
Issue:	\$6,438,000 General Obligation Bonds, Issue of 2016.
Dated Date:	August 11, 2016.
Interest Due:	February 1 and August 1 in each year of maturity, commencing February 1, 2017.
Principal Due:	Serially August 1, 2017 - 2031.
Purpose and Authority:	The Bonds are being issued to finance certain school and capital projects undertaken by the Town. (See "Authorization and Purpose of the Bonds" herein).
Redemption:	The Bonds are subject to redemption prior to maturity, as more fully described herein.
Security:	The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Bonds when due. (See "Security and Remedies" herein).
Credit rating:	The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"). The rating on the Town's outstanding bonds has been affirmed as "Aa2" by Moody's. (See "Ratings" herein).
Basis for Award:	Lowest True Interest Cost ("TIC") as of the dated date.
Tax Exemption:	See Appendix B, "Form of Opinion of Bond Counsel and Tax Exemption".
Continuing Disclosure:	See Appendix C, "Form of Continuing Disclosure Agreement".
Bank Qualification:	The Bonds SHALL be designated by the Town as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Certifying Bank, Registrar, Transfer and Paying Agent:	U.S. Bank National Association of Hartford, Connecticut.
Legal Opinion:	Joseph Fasi LLC of Hartford, Connecticut is Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry form will be made to the Depository Trust Company via "FAST" on or about August 11, 2016, against payment in Federal Funds.
Issuer Official:	Questions concerning the Town and this Official Statement should be directed to Amaechi E. Obi, Interim Director of Finance, Town of Litchfield, Connecticut - Telephone (860) 567-7554.

SECTION I - SECURITIES OFFERED

Introduction

This Official Statement, including the cover page and appendices, is provided only in connection with the initial offering and sale of \$6,438,000 General Obligation Bonds, Issue of 2016 (the "Bonds") to present certain financial and supplementary economic and demographic data relevant to the Town of Litchfield, Connecticut (the "Town"), and may not be reproduced or used in whole or in part for any other purpose.

The Bonds are being offered for sale at public bidding. A Notice of Sale dated July 19, 2016 has been furnished to prospective bidders. Reference is made to the Notice of Sale, which is included as Appendix D, for the terms and conditions of the bidding.

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

Description of the Bonds

The Bonds will be dated the date of delivery and will mature on the dates and in the principal amounts set forth on the cover page hereof. Interest on the Bonds will be payable February 1, 2017 and semiannually thereafter on February 1 and August 1 in each year until the date of maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months at the rate or rates per annum specified by the successful bidder. A book-entry system will be employed evidencing ownership of the Bonds in principal amounts of \$1,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein). The Certifying Bank, Registrar, Transfer and Paying Agent will be U.S. Bank National Association of Hartford, Connecticut. The legal opinion on the Bonds will be rendered by Joseph Fasi LLC of Hartford, Connecticut, as set forth in Appendix B. The Bonds SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended and described herein. **The Bonds are subject to redemption prior to maturity as described herein. (See "Optional Redemption" herein.)**

Optional Redemption

The Bonds maturing on or before August 1, 2022 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2023, and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after August 1, 2022, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption price or prices (expressed as a percentage of the principal amount of Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
August 1, 2022 and thereafter	100%

Notice of Redemption

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

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

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

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

Authorization and Use of Proceeds of the Bonds

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

Authorization:

2007-2008 Capital Improvement Program: A \$1,099,000 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2007-2008 was approved at a Town Meeting held on January 8, 2008.

2008-2009 Capital Improvement Program: A \$1,650,000 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2008-2009 was approved at a Town Meeting held on December 9, 2008.

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

2010-2011 Capital Improvement Program: A \$1,800,000 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2010-2011 was approved at a Town Meeting held on January 11, 2011.

2013-2014 Capital Improvement Program: A \$2,580,000 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2013-2014 was approved at a Town Meeting held on May 8, 2013 and as amended to \$2,965,000 at a Special Town Meeting held on November 20, 2013.

2014-2015 Capital Improvement Program: A \$3,020,000 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2014-2015 was approved at a Town Meeting held on May 7, 2014.

2015-2016 Capital Improvement Program: A \$5,745,000 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2015-2016 was approved at a Town Meeting held on May 13, 2015.

2016-2017 Capital Improvement Program: A \$2,903,528 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2016-2017 was approved at a Town Meeting held on June 27, 2016.

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

Projects	Total Bond Authorization	Amount of Notes Outstanding	Additions (Reductions)	The Bonds (This Issue)
Town Schools Expansion & Renovation Projects	\$ 33,000,000	\$ 95,000	\$ (95,000)	\$ -
2007-08 Capital Improvement Program	1,099,000	732	-	732
2008-09 Capital Improvement Program	1,650,000	30,000	-	30,000
2009-10 Capital Improvement Program	1,355,000	56,099	-	56,099
2010-11 Capital Improvement Program	1,800,000	84,354	-	84,354
2013-14 Capital Improvement Program	2,965,000	225,000	100,665	325,665
Board of Education Technology	420,000	110,000	(110,000)	-
2014-15 Capital Improvement Program	3,020,000	575,523	390,988	966,511
2015-16 Capital Improvement Program	5,745,000	16,292	3,055,927	3,072,219
2016-17 Capital Improvement Program	2,903,528	-	1,902,420	1,902,420
Total	<u>\$ 53,957,528</u>	<u>\$ 1,193,000</u>	<u>\$ 5,245,000</u>	<u>\$ 6,438,000</u>

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

Ratings

The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"). The rating on the Town's outstanding bonds has been affirmed as "Aa2" by Moody's. Such rating reflects only the views of such organization and any explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Town furnished certain information and materials to the rating agency, some of which may not have been included in this Official Statement. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of such ratings may have an effect on the market price of the Town's outstanding bonds and notes, including the Bonds.

Security and Remedies

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

Unless paid from other sources, the Bonds are payable from the general property tax revenues of the Town. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all property subject to taxation by the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. There were 927.8 acres of such certified forest land on the last completed grand list of the Town. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses.

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

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

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

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

Qualification for Financial Institutions

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

Book-Entry Transfer System

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

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

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

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

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

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

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

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Replacement Bonds

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

DTC Practices

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

SECTION II - THE ISSUER

Description of the Town

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

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

Litchfield is a community predominantly composed of owner-occupied, single-family dwellings. Single-family dwellings comprise over 80% of all housing units in the Town. During the 2010 U. S. Census, the Town population was 8,466.

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

Form of Government

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

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

Municipal Officials

Name	Position	Term	Length of Service
Leo Paul, Jr.	First Selectman	2 Years -- Elected	12.0 years
Diane Knox	Selectman	2 Years -- Elected	5.0 years
Paul J. Parsons	Selectman	2 Years -- Elected	6.5 years
Jonathan E. Tarrant	Selectman	2 Years -- Elected	4.0 years
Jeffrey J. Zullo	Selectman	2 Years -- Elected	4.0 years
David T. Wilson	Town Treasurer	2 Years -- Elected	27.5 years
Lisa A. Losee	Town Clerk	4 Years -- Elected	7.5 years
Nancy W. Southard	Tax Collector	4 Years -- Elected	25.5 years
Amaechi E. Obi	Interim Director of Finance	Appointed	1.5 years

Summary of Municipal Services

Police. The Town is serviced by the Connecticut State Police, Troop L, located in Litchfield, and one Resident Trooper is assigned to Litchfield. The Town employs two full-time Constables. Safety Officers are hired on an as-needed basis for various circumstances and events. The Town has patrol vehicles that are dispatched and supervised by the State Police.

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

Affordable Housing. To foster development of housing for families with incomes below 80% of median, the Town works closely with the Litchfield Housing Trust, a not for profit organization. The Housing Trust began operations 25 years ago and has sponsored 47 homes. Most are single family, owner occupied properties scattered throughout Litchfield. In the process of developing housing, the Housing Trust carries out housing related goals of Town's Plan of Conservation and Development.

Typically owned by younger families, the housing developed by the Housing Trust provides residences for locally employed workers, families wishing to live in Litchfield, and volunteers in the Town's emergency services.

All property developed by the Housing Trust is assessed property tax. The Town has donated unused Town owned property to the Housing Trust, generating opportunities for additional housing and placing the property on the tax rolls.

The Housing Trust's most recent development has been the adaptive reuse of an abandoned small fire house, donated by the Town. This new housing utilizes state of the art energy efficient features such as geothermal heating and cooling and has won national acclaim.

Although the Town cooperates closely with the Housing Trust, no Town budget funds are spent on the Housing Trust's activity. The Housing Trust generates its funds through private contributions, fees paid by homeowners plus State and Federal Grants. The local banking community has been especially active in providing mortgage financing for the individual homeowners.

By affording housing opportunities for families who could not afford to locate to Litchfield or who otherwise would have to relocate, the Housing Trust offers additional stability to the community.

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

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

The Northwest Connecticut Transit District ("NWCTD") administers rural transit bus services to the elderly and disabled. NWCTD is supported by municipal funding, Western Connecticut Area Agency on Aging, the Federal Transit Administration and a ConnDOT Elderly and Disabled Transportation Grant. The Town has been providing bus service since 1998 to serve seniors and disabled with its fourteen passenger mini-bus. The bus serves as a supplemental link for special events and healthcare. The NWCTD also provides transportation each weekday from Litchfield to Torrington, where residents may connect with other Torrington routes at the Municipal Parking Lot behind the Torrington Public Library on Daycoeten Place. Combined passenger trips between Northwest Transit and the Town bus currently averages 291 per month.

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

Libraries. The Oliver Wolcott Library is the principal public library for the Town. In the fiscal year ending June 30, 2014, the Library circulated 156,360 items. Print books continue to represent the largest segment of circulation with more than 94,350 books circulating last fiscal year. The Oliver Wolcott Library averaged about 240 visits each day and an average of 234 patrons logging in to view, use or visit one of our online resources each day. Each month, an average of 934 children and 375 adults attended a program at the library. The Oliver Wolcott Library is open seven days.

The Oliver Wolcott Library was the first library in the State of Connecticut, and remains one of the few in New England, to offer an outreach lending machine. The "OWL Box" is located inside the Bantam Market in Bantam, offering patrons additional access to library materials. Every month an average of 210 items were borrowed from the OWL Box.

The Oliver Wolcott Library is committed to being a leader in energy efficiency. In addition to our aggressive recycle program, over the last ten years, the Library has continued to look for ways to reduce its electrical and oil usage.

Our materials include bestsellers, adult and children's books, DVDs, music CDs, audio books, downloadable audio books and ebooks, newspapers, magazines, and museum passes. We offer services and programs including a weekly e-newsletter, bi-monthly print newsletter, staff recommended reading/watching blog, online access to a variety of resources, high-speed internet and wireless access, LCD rentals, quiet room for study, meeting room for meetings, monthly book discussion groups, literary events and author readings, podcast recordings of all of our author events. musical and theatrical programs, lectures on a range of topics, writing and poetry workshops, weekly story hour programs for babies through age seven, after-school programs, art and literature programs for children, annual Kindergarten Social, annual Family Day, and the annual Festival of Trees.

The Library also offers ½ hour one-on-one basic computer classes that we term "Book a Librarian". This past fiscal year, we initiated more senior outreach by providing monthly visits to the senior lunch and introducing our "senior bags" filled with information about services available to seniors in the area. The Library also offers preschool outreach with regular visits to all area preschools, day care centers and Headstart programs. The website is www.owlibrary.org. The website also includes several subscription-based online research tools like *Consumer Reports Online*, *Morningstar*, *Price It: Antiques and Collectibles*, and much more.

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

There are year-round activities that cater to the diverse aspect of the community. Four running races and a triathlon are sponsored annually. Other activities include: gymnastics; mixed-martial arts; introduction to dance; hip-hop classes; country line dancing class; karate; American Red Cross babysitting classes; acting; and, filmmaking classes. A weekly series of cross country races are held on Thursday evenings throughout the summer at White Memorial, along with two "Nights of Miles" and a "Race for Relays" held at the Plumb Hill track. The Department oversees the ski club. The Department is associated with these cooperating groups: Little League Baseball commonly known as Tri-Town; the Litchfield Soccer Club; the Litchfield Track Club, and, the Litchfield Lacrosse Club. Boys and girls have competitive basketball leagues in the winter months and the 3rd and 4th graders have basketball workshops at the Forman School. There are winter and summer galas for senior citizens that include dining and dancing with a live band. There is also a free Summer Concert Series on Wednesday nights on the Green and a block party for the Litchfield Hills Road Race.

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

Sanitary Sewers. Litchfield's first sanitary sewers date back to the 1880s. The existing sanitary sewer system is comprised of more than 26 miles of collection systems. The majority of the Litchfield sewerage is treated at its wastewater treatment plant located in the south western portion of town adjacent to the Bantam River. Utilizing inter municipal agreements, portions of Litchfield's flows discharge to treatment plants in Torrington and Thomaston and Litchfield accepts flows from the West Shore of Bantam Lake in Morris. Litchfield's treatment plant was constructed in 1971 and was upgraded between 2002 and 2004. The plants current design flow is 0.910 MGD (million gallons per day) with 1.280 MGD wet weather flow. Total flow for 2008-2009 was 188,880,000 gallons or 0.517 MGD which represents 65% of capacity.

The sanitary sewer operating expenses for 2013-2014 were \$1,295,082, including \$250,492 in debt service payments and \$223,000 in transfers to WPCA Capital Reserve fund for future plant improvements. The sanitary sewer operating budgeted expenses for 2014-15 are \$1,089,837, including \$250,492 in debt service. The treatment facility has 4 full time employees.

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

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

Public Works has added a facilities director effective August 26, 2012, who is in charge of the maintenance for the three Litchfield Schools and has a staff of 15.

Solid Waste. The Town signed a Tier 2 contract with MIRA on July 29, 2015 for a term ending June 30, 2027 for waste disposal. The fees are as follows: July 1, 2016 through June 30, 2017 - \$64/Ton.

All solid waste and recyclables (as listed and accepted by MIRA) are to be delivered to MIRA.

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

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

Water. Aquarion Water Company of Connecticut ("Aquarion") provides water for public water supply and fire protection to approximately 2,300 people primarily in Litchfield, and also some in Torrington and Goshen. In Litchfield, Aquarion serves a limited area predominately located within the Town's historic/business district and along Route 202 westerly to the Borough of Bantam. Aquarion is the largest investor-owned water utility in New England and the seventh largest in the country. The Company is regulated by the State of Connecticut Departments of Public Health, Environmental Protection, and Public Utilities Control. Aquarion has a formal program for identifying and prioritizing investments to improve product and service quality in its water systems, including Litchfield. Part of this program is regular updates to its Water Supply Plan which compares available supply to demand over a 50-year period and identifies system deficiencies and improvement plans. The Water Supply Plan is updated and approved by the Connecticut Department of Public Health every five years. The remainder of the Town is serviced by private wells. Fire ponds are strategically located to enhance fire protection services. An aquifer protection plan is in place to identify, preserve, and protect the Town's ground water.

Utilities. The Town is serviced by Frontier Communications for telephone service. The delivery of electricity for the Town and Board of Education is through Eversource. Beginning in fiscal 2011, the Town participated in a Connecticut Conference of Municipalities bidding process to lower its electrical supply cost. As a result, the Town purchases its electrical supply from Trans Canada. The Litchfield school system purchases its electrical supply from Secure Energy Solutions.

Educational System

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

Educational Facilities

<u>School</u>	<u>Grades</u>	<u>Occupied</u>	<u>Renovation</u>	<u>Classrooms</u>	<u>Enrollment 10/01/15</u>	<u>Capacity</u>
Center School	Pre K-3	1925	1945, 1965, 1988	22	271	468
Intermediate School	4 - 6	1967	2007	18	220	360
Middle/High School	7 - 12	1956	1963, 1976 & 2007	31	471	620
Total				<u>71</u>	<u>962</u>	<u>1,448</u>

Source: Director of Business Operations for the Schools.

Educational Enrollment History and Projections

Actual (1)				
<u>School Year</u>	<u>Pre K - 3</u>	<u>4 - 6</u>	<u>7 - 12</u>	<u>Total</u>
2006-07	352	242	667	1,261
2007-08	337	250	624	1,211
2008-09	348	276	578	1,202
2009-10	342	289	569	1,200
2010-11	339	267	560	1,166
2011-12	316	262	544	1,122
2012-13	280	251	498	1,029
2013-14	267	245	471	983
2014-15	272	229	477	978
2015-16	271	220	471	962
Projected (2)				
2016-17	276	207	470	953
2017-18	268	198	459	925
2018-19	253	192	449	894
2019-20	247	178	420	845

(1) As of October 1.

(2) Projections based on Covert Survival Method.

Source: Director of Business Operations for the Schools.

Municipal Employment

<u>Fiscal Year</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Government	108	108	105	108	117	103	103	105	106	106
Board of Education	161	165	153	157	157	171	170	172	177	180
Total	<u>269</u>	<u>273</u>	<u>258</u>	<u>265</u>	<u>274</u>	<u>274</u>	<u>273</u>	<u>277</u>	<u>283</u>	<u>286</u>

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

Municipal Employees Bargaining Organizations

As of June 30, 2016, the Town employs 269 persons. The following table sets forth a breakdown of employee representation by collective bargaining agent and the dates of expiration of the various collective bargaining agreements:

<u>Employees</u>	<u>Organization</u>	<u>Employees Covered</u>	<u>Current Contract Expiration Date</u>
<u>General Government</u>			
Public Works	Council; 4, AFSCME	19	6/30/2017
Department Heads	Town of Litchfield Supervisors Association	6	6/30/2016 (1)
Clerical	Town of Litchfield Municipal Employees Assoc.	9	6/30/2016 (1)
Custodians	AFSCME	10	6/30/2016 (1)
	Non-Bargaining Employees	64	
Sub-total - General Government		108	
<u>Board of Education</u>			
Teachers	Litchfield Education Association	108	6/30/2017
Administrators	Litchfield Administrators' Association	5	6/30/2017
Classified Employees	Council; 4, AFSCME	35	6/30/2016 (1)
	Non-Bargaining Employees	13	
Sub-total - Board of Education		161	
Total - Town of Litchfield		269	

(1) In negotiations.

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

Economic Development

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

The Litchfield Planning and Zoning Commission adopted its 10-year Plan of Conservation and Development (POCAD) on June 4, 2007. As supplements to POCAD, the Commission adopted a set of maps on August 4, 2008 and the zoning map on November 2, 2009. On January 10, 2010, the Commission revised POCAD primarily to incorporate a sewer service area map that had been reviewed with the Litchfield Water Pollution Control Authority.

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

In May of 2012, the Economic Development Commission updated their mission statement to read as follows:

The Economic Development Commission will stay informed on economic conditions and monitor trends within the Town of Litchfield and make recommendations to appropriate officials and agencies. The commission shall also take action to improve said economic conditions and seek to coordinate with the activities of various related commissions and unofficial organizations to further Litchfield's economic development well being.

[The remainder of this page intentionally left blank]

SECTION III - ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

Year	Town of Litchfield	Litchfield County	State of Connecticut
1980	7,605	156,769	3,107,576
1990	8,391	174,092	3,287,116
2000	8,316	182,193	3,405,565
2010	8,466	189,927	3,574,097
2014	8,365	187,542	3,592,053

Source: U. S. Census Bureau, American Community Survey, 2010-2014.

Age Characteristics of the Population

	Town of Litchfield	Litchfield County	State of Connecticut
Under 5 years of age	349	8,384	194,338
5 - 9 years of age	451	10,301	217,491
10 - 14 years of age	623	11,824	234,666
15 - 19 years of age	520	12,004	255,499
20 - 24 years of age	371	9,335	234,482
25 - 34 years of age	568	18,035	433,145
35 - 44 years of age	1,003	22,715	459,130
45 - 54 years of age	1,546	32,898	563,772
55 - 59 years of age	755	16,686	253,952
60 - 64 years of age	641	13,209	214,499
65 - 74 years of age	757	17,785	280,541
75 - 84 years of age	507	9,477	162,971
Over 85 years of age	274	4,889	87,567
Total	<u>8,365</u>	<u>187,542</u>	<u>3,592,053</u>

Source: U. S. Census Bureau, American Community Survey, 2010-2014.

Selected Wealth and Income Indicators

	Median Family Income		Per Capita Income	
	(2000)	(2014)	(2000)	(2014)
Town of Litchfield	\$ 70,594	\$ 106,094	\$ 30,096	\$ 45,939
Litchfield County	66,445	89,047	24,408	37,696
Connecticut	65,521	88,217	28,766	28,480
United States	49,600	65,443	21,690	28,555

Source: U.S. Census Bureau, Census 2000 and 2010-2014 American Community Survey.

[The remainder of this page intentionally left blank]

Income Distribution

	Town of Litchfield		Litchfield County		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
\$ -0- to 9,999	51	2.3	1,105	2.2	30,584	3.4
10,000 to 14,999	0	0.0	547	1.1	18,591	2.1
15,000 to 24,999	76	3.4	1,805	3.6	46,537	5.2
25,000 to 34,999	141	6.3	2,598	5.1	56,473	6.3
35,000 to 49,999	161	7.2	5,295	10.5	85,206	9.5
50,000 to 74,999	298	13.3	9,011	17.8	140,776	15.6
75,000 to 99,999	320	14.3	8,584	17.0	129,656	14.4
100,000 to 149,999	635	28.3	12,197	24.1	184,327	20.5
150,000 to 199,999	322	14.3	5,312	10.5	93,100	10.3
200,000 or more	240	10.7	4,183	8.3	114,307	12.7
	<u>2,244</u>	<u>100.0</u>	<u>50,637</u>	<u>100.0</u>	<u>899,557</u>	<u>100.0</u>

Source: U.S. Census Bureau, 2010-2014 American Community Survey.

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

Educational Attainment Group	Town of Litchfield		Litchfield County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade	123	2.0	4,011	3.0	106,784	4.3
9th to 12th grade	176	2.9	7,850	5.8	150,227	6.1
High School graduate	1,534	25.4	39,994	29.5	677,887	27.6
Some college - no degree	1,107	18.3	26,000	19.2	431,807	17.6
Associates degree	545	9.0	12,152	9.0	180,321	7.3
Bachelor's degree	1,341	22.2	27,027	19.9	506,662	20.6
Graduate or professional degree	1,225	20.2	18,660	13.8	401,889	16.4
Total	<u>6,051</u>	<u>100.0</u>	<u>135,694</u>	<u>100.0</u>	<u>2,455,577</u>	<u>100.0</u>
Total high school graduate or higher (%)		95.1%		91.3%		89.5%
Total bachelor degree or higher (%)		42.4%		33.7%		37.0%

Source: U.S. Census Bureau, 2010-2014 American Community Survey.

Employment by Industry

	Town of Litchfield		Litchfield County		State of Connecticut	
	Number	%	Number	%	Number	%
Agriculture, forestry, fisheries	31	0.7	1,094	1.1	7,413	0.4
Construction	382	8.7	7,603	7.7	97,974	5.5
Manufacturing	416	9.4	12,159	12.3	191,057	10.8
Wholesale trade	55	1.2	2,034	2.1	44,195	2.5
Retail trade	341	7.7	10,679	10.8	191,267	10.8
Transportation & warehousing, utilities	118	2.7	3,299	3.3	65,068	3.7
Information	79	1.8	2,074	2.1	41,905	2.4
Finance, insurance, real estate	358	8.1	6,998	7.1	161,926	9.2
Professional, scientific, management	578	13.1	10,127	10.3	197,880	11.2
Educational, health and social services	1,291	29.3	26,543	26.9	467,574	26.5
Arts, entertainment, recreation, food	349	7.9	7,770	7.9	154,005	8.7
Other professional services	224	5.1	4,653	4.7	80,179	4.5
Public Administration	188	4.3	3,628	3.7	66,491	3.8
Total	<u>4,410</u>	<u>100.0</u>	<u>98,661</u>	<u>100.0</u>	<u>1,766,934</u>	<u>100.0</u>

Source: U.S. Census Bureau, 2010-2014 American Community Survey.

Major Employers

Name of Employer	Nature of Entity	Estimated Number of Employees
Connecticut Junior Republic	Special Needs Education, including Residential	302
Town of Litchfield	Local Government and Board of Education	269
Regional School District 6	Education	170
Forman School	Education	117
State Police & State Department of Transportation	State Employees	116
Stop & Shop	Grocery Chain	96
Brandywine Assisted Living (Sarah Pierce Community)	Assisted Living	83
Education Connection	State Government, Education Services	75
Rosehaven, Ltd.	Skilled Nursing Facility & Home for Aged	60

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

Unemployment Rate Statistics

Yearly Average	Town of Litchfield %	Torrington Labor Market %	State of Connecticut %	United States %
2006	3.5	4.1	4.4	4.6
2007	3.9	4.4	4.6	4.6
2008	4.7	5.2	5.6	5.8
2009	7.1	8.3	8.3	9.3
2010	7.2	9.1	9.1	9.6
2011	6.8	8.4	8.8	9.0
2012	6.1	7.8	8.3	8.1
2013	5.7	7.2	7.8	7.4
2014	5.0	6.1	6.6	6.2
2015	4.3	5.2	5.6	5.3

2016 Monthly				
January	5.2	6.0	6.0	5.3
February	5.4	6.3	6.0	5.2
March	5.5	6.3	6.2	5.1
April	4.3	5.3	5.6	4.7
May	4.1	4.7	5.4	4.5

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

Number and Value of Building Permits

Fiscal Year Ending 6/30	Residential		Industrial/Commercial	Total	
	New Homes Number	Renovations/Additions Number	Number	Number	Value
2016 (1)	16	268	56	340	\$ 13,979,640
2015	15	229	56	300	12,758,497
2014	18	298	51	367	15,279,767
2013	11	286	53	350	9,884,996
2012	7	287	49	343	10,674,033
2011	3	219	44	266	7,289,436
2010	9	227	48	284	6,143,254
2009	15	266	47	328	12,179,143
2008	8	228	35	271	11,035,559
2007	17	247	49	313	13,781,010

(1) As of June 22, 2016.

Source: Town of Litchfield, Building Official.

Number of Dwelling Units

<u>2014</u>	<u>2010</u>	<u>2000</u>	<u>1990</u>	<u>% Increase 1990-2014</u>	<u>% Increase 2000-2014</u>	<u>% Increase 2010-2014</u>
4,166	3,975	3,629	3,430	21.5%	14.8%	4.8%

Source: U. S. Census Bureau, American Community Survey, 2010-2014.

Characteristics of Housing Units

<u>Sales Price Category</u>	<u>Town of Litchfield</u>		<u>Litchfield County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$50,000	64	2.4	1,248	2.1	24,122	2.6
50,000 to 99,999	4	0.1	1,696	2.9	26,438	2.9
100,000 to 149,999	129	4.8	5,991	10.3	72,756	8.0
150,000 to 199,999	330	12.2	10,115	17.4	137,797	15.1
200,000 to 299,999	840	31.0	16,557	28.5	257,364	28.2
300,000 to 499,999	851	31.4	14,794	25.5	243,882	26.7
500,000 to 999,999	419	15.5	5,961	10.3	109,918	12.0
1,000,000 and over	70	2.6	1,765	3.0	40,766	4.5
	<u>2,707</u>	<u>100.0</u>	<u>58,127</u>	<u>100.0</u>	<u>913,043</u>	<u>100.0</u>
Median Value	\$ 298,600		\$ 250,800		\$ 274,500	

Source: U.S. Census Bureau, 2010-2014 American Community Survey.

Age Distribution of Housing

<u>Year Built</u>	<u>Town of Litchfield</u>		<u>Litchfield County</u>		<u>State of Connecticut</u>	
	<u>Units</u>	<u>Percent</u>	<u>Units</u>	<u>Percent</u>	<u>Units</u>	<u>Percent</u>
1939 or earlier	1,346	32.3	22,131	25.3	7,423	0.5
1940 – 1949	275	6.6	5,031	5.8	104,093	7.0
1950 – 1959	562	13.5	11,309	12.9	113,875	7.6
1960 – 1969	261	6.3	9,170	10.5	193,794	13.0
1970 – 1979	523	12.6	12,237	14.0	200,288	13.4
1980 – 1989	583	14.0	12,634	14.4	199,413	13.4
1990 – 1999	322	7.7	7,843	9.0	232,682	15.6
2000 – 2009	284	6.8	6,878	7.9	104,523	7.0
2010 or later	10	0.2	257	0.3	334,290	22.4
Total Housing	<u>4,166</u>	<u>100.0</u>	<u>87,490</u>	<u>100.0</u>	<u>1,490,381</u>	<u>100.0</u>

Source: U.S. Census Bureau, 2010-2014 American Community Survey.

Breakdown of Land Use

<u>Land Use Type</u>	<u>Total Acreage</u>	
	<u>By Use</u>	<u>Percent</u>
Predominantly undeveloped land	26,250	71.58
Low to Medium Density Residential (1/2 – 2 acres per dwelling unit)	2,240	6.11
High Density (less than 1/2 acre per dwelling unit)	50	0.14
Commercial Centers	167	0.45
Industrial Centers	0	0.00
Mixed use and other developed areas	232	0.63
Institutional	139	0.38
Water Bodies	505	1.38
Protected Open Space	6,851	18.68
Other	238	0.65
Total Area	<u>36,672</u>	<u>100.00</u>

Source: Town of Litchfield, Connecticut Wastewater Facilities Plan dated February 13, 1998.

SECTION IV - INDEBTEDNESS

Computation of Statutory Debt Limit

As of August 11, 2016 (Pro Forma)

Total Fiscal Year 2015 tax collections (including interest and lien fees)	\$ 26,114,000
State Reimbursement for Revenue Loss on:	
Local Property tax relief for elderly	-
Base for Establishing Debt Limit	<u>\$ 26,114,000</u>

Debt Limit

	<u>General Purpose</u>	<u>School</u>	<u>Sewer</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>	<u>Total Debt</u>
(2.25 times base)	\$ 58,756,500					
(4.50 times base)		\$ 117,513,000				
(3.75 times base)			\$ 97,927,500			
(3.25 times base)				\$ 84,870,500		
(3.00 times base)					\$ 78,342,000	
(7.00 times base) (1)						\$ 182,798,000

Indebtedness (Including the Bonds)

Bonds Payable	\$ 8,007,000	\$ 12,298,000	\$ 645,000	\$ -	\$ -	\$ 20,950,000
The Bonds (<i>This Issue</i>)	6,411,400	26,600	-	-	-	6,438,000
State of Connecticut Permanent Loan Obligation ("PLO")	-	-	1,897,938	-	-	1,897,938
Authorized but Unissued Debt	<u>1,967,708</u>	<u>618,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,586,319</u>
Total Indebtedness	16,386,108	12,943,211	2,542,938	-	-	31,872,257
Grants/Assessments Receivable (2)	<u>-</u>	<u>(392,486)</u>	<u>(760,927)</u>	<u>-</u>	<u>-</u>	<u>(1,153,413)</u>
Total Net Indebtedness	<u>16,386,108</u>	<u>12,550,725</u>	<u>1,782,011</u>	<u>-</u>	<u>-</u>	<u>30,718,844</u>
Excess of Limit Over Outstanding and Authorized Debt	<u>\$ 42,370,392</u>	<u>\$ 104,962,275</u>	<u>\$ 96,145,489</u>	<u>\$ 84,870,500</u>	<u>\$ 78,342,000</u>	<u>\$ 152,079,156</u>

(1) Under Connecticut General Statutes, total indebtedness for all classes cannot exceed seven times the base, or \$182,798,000.

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

(3) It is estimated that the Town will receive State of Connecticut School Construction grant progress payments in the amount of \$9,726,000 during the construction of the project. As of August 11, 2016, the Town has received progress payments in the amount of \$9,333,514. (See "School Projects" herein). As of June 30, 2016, the Town's sewer assessments receivable for the payment of sewer debt was \$760,927.

Source: Town Officials.

[The remainder of this page intentionally left blank]

Calculation of Net Direct Debt

As of August 11, 2016 (Pro Forma)

Long-Term Indebtedness (1)	
The Bonds (<i>This Issue</i>)	\$ 6,438,000
General Purpose	8,007,000
Schools	12,298,000
Sewers	645,000
State of Connecticut PLO (Clean Water Fund)	1,897,938
Total Long-Term Indebtedness	<u>29,285,938</u>
Short-Term Indebtedness: Notes Payable	<u>-</u>
Total Direct Indebtedness	29,285,938
Exclusions: Sewer assessments and Sewer use charges receivable (2)	<u>(900,629)</u>
Total Net Direct Indebtedness	<u>\$ 28,385,309</u>

(1) Does not include authorized but unissued debt of \$2,586,319.

(2) Grants and receivables applicable to authorized and unissued debt are not included. As of June 30, 2016, the Town's sewer assessments receivable was \$760,927 and sewer use charges receivable was \$139,702 for the payment of sewer debt.

Current Debt Ratios

As of August 11, 2016 (Pro Forma)

Total Direct Indebtedness	\$ 29,285,938
Total Net Direct Indebtedness	\$ 28,385,309
Population (1)	8,365
Net Taxable Grand List (10/1/15)	\$ 1,029,457,478
Estimated Full Value	\$ 1,470,653,540
Equalized Net Taxable Grand List (2013) (2)	\$ 1,468,964,101
Per Capita Income (2014) (1)	\$ 45,939
Total Direct Indebtedness:	
Per Capita	\$3,501.01
To Net Taxable Grand List	2.84%
To Estimated Full Value	1.99%
To Equalized Net Taxable Grand List	1.99%
Per Capita to Per Capita Income	7.62%
Total Net Direct Indebtedness:	
Per Capita	\$3,393.34
To Net Taxable Grand List	2.76%
To Estimated Full Value	1.93%
To Equalized Net Taxable Grand List	1.93%
Per Capita to Per Capita Income	7.39%

(1) U.S. Census Bureau, 2010-2014 American Community Survey.

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

Historical Debt Statement

	<u>2015-16 (1)</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Population (2)	8,365	8,365	8,365	8,365	8,365
Net taxable grand list	\$ 1,024,379,738	\$ 1,030,897,219	\$ 1,110,419,110	\$ 1,108,810,149	\$ 1,100,594,853
Estimated full value	\$ 1,463,399,626	\$ 1,472,710,313	\$ 1,586,313,014	\$ 1,584,014,499	\$ 1,572,278,361
Equalized net taxable grand list (3)	\$ 1,468,964,101	\$ 1,468,964,101	\$ 1,421,529,441	\$ 1,425,894,469	\$ 1,425,528,147
Per capita income (2014) (2)	\$ 45,939	\$ 45,939	\$ 45,939	\$ 45,939	\$ 45,939
Short-term debt	\$ 1,193,000	\$ 330,000	\$ 1,640,000	\$ 400,000	\$ 425,000
Long-term debt	23,280,130	25,952,935	27,149,354	29,994,512	29,870,359
Total Direct Indebtedness	\$ 24,473,130	\$ 26,282,935	\$ 28,789,354	\$ 30,394,512	\$ 30,295,359
Net Direct Indebtedness	\$ 23,712,203	\$ 25,446,233	\$ 27,867,460	\$ 29,400,535	\$ 29,235,157

(1) Unaudited estimates.

(2) U.S. Census Bureau, 2010-2014 American Community Survey.

(3) Office of Policy and Management, State of Connecticut, Grand List Year.

Historical Debt Ratios

	<u>2015-16 (1)</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Total Direct Indebtedness:					
Per capita	\$2,925.66	\$3,142.01	\$3,441.64	\$3,633.53	\$3,621.68
To net taxable grand list	2.39%	2.55%	2.59%	2.74%	2.75%
To estimated full value	1.67%	1.78%	1.81%	1.92%	1.93%
To equalized net taxable grand list	1.67%	1.79%	2.03%	2.13%	2.13%
Debt per capita to per capita income	6.52%	7.00%	7.66%	8.09%	8.07%
Net Direct Indebtedness:					
Per capita	\$2,834.69	\$3,041.99	\$3,331.44	\$3,514.71	\$3,494.94
To net taxable grand list	2.31%	2.47%	2.51%	2.65%	2.66%
To estimated full value	1.62%	1.73%	1.76%	1.86%	1.86%
To equalized net taxable grand list	1.61%	1.73%	1.96%	2.06%	2.05%
Debt per capita to per capita income	6.31%	6.77%	7.42%	7.83%	7.78%

(1) Unaudited estimates.

Outstanding Short-Term Indebtedness

As of August 11, 2016, the Town will have no outstanding in short-term indebtedness.

Overlapping and Underlying Indebtedness

The Town has no overlapping or underlying indebtedness.

Clean Water Fund Program

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

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

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

The Town has the following Clean Water Fund loans outstanding:

<u>Project</u>	<u>Date of Issue</u>	<u>Original 2% Loan Amount</u>	<u>Amount Outstanding for the Sewer Construction Projects As of August 11, 2016</u>
CWF PLO 181-C	07/29/1999	\$ 570,427	\$ 67,203
CWF PLO 396-C	01/30/1998	900,340	26,917
CWF PLO 499-C	07/31/2004	4,595,198	1,803,818
		<u>\$ 6,065,965</u>	<u>\$ 1,897,938</u>

Legal Requirements for Approval of Borrowing

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

Temporary Financing

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

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

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

School Projects

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

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

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

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

<u>Project</u>	<u>Amount of Total Authorization</u>	<u>Estimated Non-reimbursable Costs</u>	<u>Estimated Eligible Cost For Reimbursement</u>	<u>Reimbursement Rate % (1)</u>	<u>Estimated Grants (1)</u>
Town Schools Expansion and Renovation Projects	\$ 33,000,000	\$ 7,183,252	\$ 25,816,748	41.43%	\$ 9,726,000

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

Authorized but Unissued Debt

<u>Projects</u>	<u>Total Bond Authorization</u>	<u>Prior Bonds Issued</u>	<u>Amount of Notes Outstanding</u>	<u>Paydowns/ Grants</u>	<u>The Bonds (This Issue)</u>	<u>Authorized But Unissued</u>
Town Schools Expansion & Renovation Projects	\$ 33,000,000	\$ 23,000,000	\$ 95,000	\$ 9,606,889	\$ -	\$ 393,111 (1)
2007-08 Capital Improvement Program	1,099,000	1,098,268	732	-	732	-
2008-09 Capital Improvement Program	1,650,000	1,620,000	30,000	-	30,000	-
2009-10 Capital Improvement Program	1,355,000	1,298,901	56,099	-	56,099	-
2010-11 Capital Improvement Program	1,800,000	1,715,646	84,354	-	84,354	-
2012-13 Capital Improvement Program	5,100,000	1,883,569	-	2,049,275	-	1,167,156
2013-14 Capital Improvement Program	2,965,000	1,172,432	225,000	1,378,321	325,665	88,582
Board of Education Technology	420,000	-	110,000	420,000	-	-
2014-15 Capital Improvement Program	3,020,000	267,054	575,523	1,717,637	966,511	68,798
2015-16 Capital Improvement Program	5,745,000	-	16,292	2,421,573	3,072,219	251,208
2016-17 Capital Improvement Program	2,903,528	-	-	383,644	1,902,420	617,464
Total	\$ 59,057,528	\$ 32,055,870	\$ 1,193,000	\$ 17,977,339	\$ 6,438,000	\$ 2,586,319

(1) It is estimated that the Town will receive State of Connecticut School Construction grant progress payments in the amount of \$9,726,000 during the construction of the project. The grants received will reduce the authorized but unissued debt by a similar amount. (See "School Projects" herein).

[The remainder of this page intentionally left blank]

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

As of August 11, 2016 (Pro Forma)

Fiscal Year	Principal Payments (1)	Interest Payments	Total Debt Service (1)	The Bonds Principal	Total Principal All Issues (1)
2017	\$ 2,876,684	\$ 679,374	\$ 3,556,058		\$ 2,876,684
2018	2,845,864	591,907	3,437,771	425,000	3,270,864
2019	2,729,822	504,553	3,234,375	425,000	3,154,822
2020	2,752,054	418,261	3,170,315	428,000	3,180,054
2021	2,607,243	327,710	2,934,953	430,000	3,037,243
2022	2,587,536	245,761	2,833,297	430,000	3,017,536
2023	2,582,936	170,804	2,753,740	430,000	3,012,936
2024	1,802,992	103,331	1,906,323	430,000	2,232,992
2025	1,505,000	49,847	1,554,847	430,000	1,935,000
2026	815,000	14,588	829,588	430,000	1,245,000
2027	175,000	3,938	178,938	430,000	605,000
2028	-	-	-	430,000	430,000
2029	-	-	-	430,000	430,000
2030	-	-	-	430,000	430,000
2031	-	-	-	430,000	430,000
2032	-	-	-	430,000	430,000
	<u>\$ 23,280,130</u>	<u>\$ 3,110,074</u>	<u>\$ 26,390,204</u>	<u>\$ 6,438,000</u>	<u>\$ 29,718,130</u>

(1) Does not reflect fiscal year 2016-17 principal payments of \$432,192 made as of August 11, 2016.

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

[The remainder of this page intentionally left blank]

SECTION V - FINANCIAL DATA

Accounting Policies

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

Basis of Accounting

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

Audit

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

The most recent annual audit covers the fiscal year ended June 30, 2014, a portion of which is included in this document and made a part hereof as Appendix A. Included in Appendix A are the Independent Auditor's Report, Management's Discussion and Analysis, the Town's Basic Financial Statements, the Notes to Financial Statements and the Required Supplementary Information, together with the report of the independent auditor as prepared by Blum, Shapiro & Company, P.C., Independent Certified Public Accountants. The information contained in "Appendix A" is not the whole audit report. A full report is available from the Director of Finance, Town of Litchfield, upon request.

Budgetary Procedures

The Town adheres to the following procedures in establishing the annual budget. In May, the Board of Finance submits to the annual Town Meeting, at which taxpayer comments are obtained, a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Per the Connecticut General Statutes, the Annual Town Meeting may be adjourned to a referendum vote within 14 days of the Town Meeting Date.

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

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

Public Act No. 15-244 (the "Act") reduces a municipalities revenue sharing grant if its general budget expenditures (as modified by the Act) in any fiscal year exceeds a threshold set forth in the Act. As a result of utilizing modified budget growth to reduce a municipalities revenue sharing grant the Act is sometimes popularly referred to as imposing a "spending cap". Beginning in fiscal year 2018, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose spending, with certain exceptions, exceeds the spending limits specified in the Act. Each fiscal year, OPM must determine the municipality's percentage growth in spending over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. However, for municipalities that taxed motor vehicles at more than 32.00 mills for the 2013 assessment year (for taxes levied in FY 15), the reduction may not exceed the difference between the amount of property taxes the municipality levied on motor vehicles for the 2013 assessment year and the amount the levy would have been had the motor vehicle mill rate been 32.00 mills. (See "Assessments" herein).

The Act requires that each municipality will be required to annually certify to the Secretary of OPM whether the municipality exceeded the spending cap and if so, the amount over the cap.

Under the Act, municipal spending does not include expenditures: (1) for debt service, special education, costs to implement court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities; (2) associated with a major disaster or emergency declaration by the President or disaster emergency declaration issued by the Governor under the civil preparedness law; or (3) for any municipal revenue sharing grant the municipality disburses to a special taxing district, up to the difference between the amount of property taxes the district levied on motor vehicles in the 2013 assessment year and the amount the levy would have been had the motor vehicle mill rate been 32 mills, for FY 17 disbursements, or 29.63 mills, for FY 18 disbursements and thereafter. In addition, if budget expenditures exceed the 2.5% cap, but are proportional to population growth from the previous year, the municipal; revenue sharing grant will not be reduced.

Supplemental Appropriations

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

Employee Pension Systems

The Town of Litchfield has a defined benefit retirement plan (the "Town Plan") that covers substantially all employees of the Town and Board of Education hired before July 1, 2012, except certified staff of the Board of Education covered by the State Teachers' Retirement Board Plan. The Town is the administrator of this single-employer public employee retirement system ("PERS") established and administered to provide pension benefits for its employees. The Town Plan provides retirement, disability and death benefits to plan members and beneficiaries.

Employees are eligible to participate in the Town Plan when they complete one year of eligible service, have completed 1,000 hours during the first 12 months of employment and have attained the age of 18. For employees who do not complete 1,000 hours of service during the first 12 months of employment, eligibility begins on the first day of the plan year during which 1,000 hours were completed. Employees are 100% vested after five (5) years of credited service. Effective July 1, 2015, all employees eligible for the defined pension plan will begin to contribute 1% of their salary.

Employees hired on or after July 1, 2012 will no longer be eligible to participate in the defined benefit pension plan and will 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.

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

The eligible faculty and professional personnel of the Board of Education ("BOE") participate in a multiple employer cost sharing contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes. The BOE plan is administered by the Connecticut State Teachers' Retirement Board. The Town does not and is not legally responsible to contribute to the plan. The State of Connecticut contributes based on actuarially determined amounts.

The Town's audit report dated June 30, 2015 summarizes actuarial information based upon the July 1, 2014 actuarial valuation, funding, pension cost and net pension asset amounts for the Town Plan and the Merit Service Plan. The Audit Report also provides information on eligibility and additional information on the BOE plan. (See Appendix A, Note 10 "Pension Plans and Benefits Provided", of the "Notes to Financial Statements").

As of Fiscal Year 2011, the firm of Hooker and Holcombe, Inc. has provided actuarial services for the Town.

In accordance with Government Accounting Standards Board's (GASB) Statement No. 67, the components of the net pension liability of the Town plans as of June 30, 2015 were as follows:

Fiscal Year Ending June 30	Town Plan	
	2015	2014
Total pension liability	\$ 15,601,000	\$ 14,613,000
Plan fiduciary net position	11,903,000	11,203,000
Net pension liability	<u>\$ 3,698,000</u>	<u>\$ 3,410,000</u>
Plan fiduciary net position as a % of total pension liability	76.3%	76.7%

Fiscal Year Ending June 30	Merit Service Plan	
	2015	2014
Total pension liability	\$ 3,903,000	\$ 3,719,000
Plan fiduciary net position	3,362,000	3,290,000
Net pension liability	<u>\$ 541,000</u>	<u>\$ 429,000</u>
Plan fiduciary net position as a % of total pension liability	86.1%	88.5%

The following represents the net pension liability of the Town, calculated using the current discount rate of each plan, 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 or 1 percentage point higher than the current rate:

	Town Plan		
	Current		
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 5,341,000	\$ 3,698,000	\$ 2,285,000

	Merit Service Plan		
	Current		
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 1,038,000	\$ 541,000	\$ 127,000

Based upon a July 1, 2014 actuarial valuation, the actuarial value of assets and actuarial liabilities for the Town Plan and Merit Service Plan were as follows:

**Schedule of Funding Progress in Thousands
(Town Plan)**

Actuarial Valuation July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)
2008	\$ 5,806,000	\$ 9,784,000	\$ 3,978,000	59.3%
2009	5,044,224	10,516,645	5,472,421	48.0
2010	6,216,987	11,660,746	5,443,759	53.3
2012	8,192,297	13,085,274	4,892,977	62.6
2014	11,177,311	14,910,311	3,733,000	75.0

(Merit Service Plan)

Actuarial Valuation July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)
2008	\$ 1,899,000	\$ 2,905,000	\$ 1,006,000	65.4%
2009	1,648,251	3,154,608	1,506,357	52.2
2010	1,937,389	3,121,487	1,184,098	62.1
2012	2,546,572	3,367,567	820,995	75.6
2014	3,282,069	3,749,977	467,908	87.5

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

Fiscal Year	Actuarial Determined Employer Contribution	Actual Contribution	Percentage Contributed
2013	\$ 838,116	838,116	100.0
2014	827,885	1,067,885	129.0
2015	843,734	843,734	100.0

The following table represents a prospective forecast of the Town Plan's Actuarial Determined Employer Contribution ("ADEC") based on the July 1, 2014 valuation and assumes (i) that the Town will pay the ADEC each year; and (ii) the method for amortizing the unfunded liability has been changed from an open amortization period of 20 years beginning July 1, 2012 to closed amortization period of 20 years beginning July 1, 2012. As of July 1, 2014 there are 18 years remaining.

Fiscal Year	Actuarial Determined Employer Contribution	Actual Contribution	Percentage Contributed
2016	\$ 669,415	\$ 852,334	127.3
2017 (1)	682,320	736,650	108.0

(1) As budgeted and to be made for fiscal year 2016-17.

(Merit Service Plan)

Fiscal Year	Actuarial Determined Employer Contribution	Actual Contribution	Percentage Contributed
2013	\$ 187,729	\$ 187,729	100.0
2014	150,102	150,102	100.0
2015	150,102	150,102	100.0

The following table represents a prospective forecast of the Town Plan's Actuarial Determined Employer Contribution ("ADEC") based on the July 1, 2014 valuation and assumes that the Town will pay the ADEC each year.

Fiscal Year	Actuarial Determined Employer Contribution	Actual Contribution	Percentage Contributed
2016	\$ 107,425	\$ 150,102	139.7
2017	107,425	150,102	139.7

(1) As budgeted and to be made for fiscal year 2016-17.

For further details on the plans, see Appendix A, Note 10 "Pension Plans and Benefits Provided" of the "Notes to Financial Statements".

Other Post Employment Benefits

As disclosed in the audited financial statements for the year ended June 30, 2014, the Board of Education ("BOE") provides certain retirees with health care, life insurance and lump sum benefits, in accordance with certain union contracts.

For further details on the plans, see Appendix A, Note 11 "Other Post Employment Benefits" of the "Notes to Financial Statements".

The Retiree Health Plan ("RHP") is a single-employer defined benefit healthcare plan administered by the 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 the 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.

As of July 1, 2014, the most recent actuarial valuation date, the actuarial liability amount for OPEB was \$2,570,923. At that same date, there were 122 active participants and 27 retirees or continuing spouses.

Based upon a July 1, 2014 actuarial valuation, the actuarial value of assets and actuarial liabilities were as follows:

Schedule of Funding Progress in Thousands

Actuarial Valuation July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)
2007	\$ -	\$ 3,199,000	\$ 3,199,000	0.0%
2010	-	5,373,000	5,373,000	0.0%
2012	620,872	3,124,371	2,503,499	19.9%
2014	886,171	2,570,923	1,684,752	34.5%

The following table represents a prospective forecast of the Plan's accrued liability and corresponding ARC based on the July 1, 2014 valuation and assumes (i) that the Town will pay the ARC each year; (ii) that assets will return 7.0% on a market value basis and (iii) that there are no future changes in the actuarial methods, assumption or plan provisions.

Schedule of Employer Contributions in Thousands

Fiscal Year	Actuarial Required Contribution	Actual Contribution	Percentage Contributed
2013	\$ 287,017	\$ 144,492	50.3
2014	290,566	270,642	93.1
2015	294,364	100,000	34.0
2016	206,921	N/A	
2017	210,274	N/A	

Investment Policies and Procedures

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

Assessment Practices

The Town of Litchfield last revalued its real property effective October 1, 2013. Section 12-62 of the Connecticut General Statutes establishes the revaluation cycle for Connecticut municipalities. The law requires a revaluation every five years, and the Assessor shall perform a full inspection of all parcels once every ten years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may choose to phase-in real property assessment increases resulting from a revaluation, but such phase-in must be implemented in less than five assessment years. The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Every year the Board of Assessment Appeals ("BAA") determines whether each taxpayer petition for assessment reduction on the current grand list is warranted. BAA also has the authority to increase assessments.

Motor Vehicle Property Taxes

Public Act No. 16-3, May Special Session (the "Act"), allows municipalities to tax motor vehicles at a different rate than other taxable property but caps the motor vehicle tax rate at (1) 37.00 mills for the 2015 assessment year and (2) 32.00 mills for the 2016 assessment year and thereafter. The Act also diverts a portion of state collected sales tax revenue to provide funding to municipalities to mitigate the revenue loss attributed to the motor vehicle property tax cap.

All business personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually. Assessments for both personal property and motor vehicles are computed at seventy percent (70%) of present market value.

Tax Collection Procedure

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

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

Property Tax Levies and Collections

FY			Total	Collected	Uncollected	Uncollected
Ending	Net Taxable	Tax Rate	Adjusted	End of	Taxes	Uncollected
6/30	Grand List (1)	(In Mills)	Tax Levy	Each FY	End of	Taxes
					Each FY	As of 6/30/15
2017 (2)	\$ 1,029,457,478	26.70	\$ 26,957,885	In Process	In Process	In Process
2016	1,024,379,738	26.20	27,143,858	In Process	In Process	In Process
2015 (2)	1,030,897,219	25.20	25,906,000	98.9%	\$ 295,000	\$ 295,000
2014	1,110,419,110	22.60	25,183,000	98.4	400,000	136,000
2013	1,108,810,149	22.20	24,668,000	98.1	482,000	57,000
2012	1,100,594,853	22.20	24,488,000	98.1	468,000	18,000
2011	1,099,965,435	21.90	24,097,000	98.2	446,000	14,000
2010	1,089,925,297	21.20	23,154,000	98.3	387,000	10,000
2009	898,484,511	25.50	23,032,859	98.1	445,000	8,000
2008	885,239,305	25.10	22,337,147	98.5	332,000	1,000

(1) The Town last revalued property effective with the grand list of October 1, 2013.

(2) Adopted Budget.

Source: Town Officials.

Taxable Grand List (1)

Grand List Dated	Real Property	Personal Property	Motor Vehicle Property	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
10/01/15	\$ 928,350,490	\$31,299,638	\$72,243,800	\$ 1,031,893,928	\$2,436,450	\$ 1,029,457,478
10/01/14	925,274,240	29,380,893	72,257,740	1,026,912,873	2,533,135	1,024,379,738
10/01/13	929,016,160	32,380,659	73,083,990	1,034,480,809	3,583,590	1,030,897,219
10/01/12	1,010,457,150	31,400,990	71,821,130	1,113,679,270	3,260,160	1,110,419,110
10/01/11	1,010,027,160	29,990,659	72,296,980	1,112,314,799	3,504,650	1,108,810,149
10/01/10	1,008,741,470	26,300,793	68,507,350	1,103,549,613	2,954,760	1,100,594,853
10/01/09	1,009,412,020	26,812,897	66,633,028	1,102,857,945	2,892,510	1,099,965,435
10/01/08	1,002,767,850	25,039,165	65,281,752	1,093,088,767	3,163,470	1,089,925,297
10/01/07	805,692,775	24,593,239	71,457,581	901,743,595	3,259,084	898,484,511
10/01/06	795,424,936	24,129,859	69,135,390	888,690,185	3,450,880	885,239,305
10/01/05	784,995,628	23,521,039	67,573,721	876,090,388	3,236,560	872,853,828
10/01/04	766,710,565	22,019,423	63,395,520	852,125,508	1,868,550	850,256,958

(1) The Grand List represents the total of assessed value for all taxable real and personal property located within the Town as of October 1. The Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments are computed at seventy percent (70%) of market value at the time of the last revaluation (Grand List of 10/1/13).

Source: Town Officials

Largest Taxpayers

The following table sets forth the ten largest taxpayers in the Town per the Grand List dated October 1, 2015.

Name of Taxpayer	Nature of Operations	Total As of 10/1/15
Eversource	Power Company	\$ 11,410,540
CRP/BWN LLC (Sarah Pierce)	Health Care Facility	6,279,650
City of Waterbury	Watershed	5,818,050
C A Litchfield Land LLC	Real Estate	3,793,480
White Memorial Foundation	Leased Land for Cottages	3,523,640
Aquarion Water Co.	Water Supply	3,362,980
6645 Federal Square Realty LLC	Commercial Real Estate	2,574,950
Arethusa Farm	Farming	2,515,110
Union Savings Bank	Bank	2,433,800
Litchfield Developers LLC	Real Estate	2,176,850
Total		<u>\$ 43,889,050</u> (1)

(1) Represents 4.26% of the net taxable grand list dated October 1, 2015 of \$1,029,457,478.

Source: Tax Assessor.

Revenues

The Town derives its revenues from a direct tax levy on property, State and Federal aid, various fees and charges, and certain miscellaneous sources. Town revenues are summarized for fiscal years ended 2011 – 2015, see "Statement of Revenues, Expenditures, and Changes in Fund Balance" herein. The prior year's appropriated surplus is also available to support current operating expenditures.

Property Tax Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues</u>		<u>Property Tax Revenues</u>	<u>Property Tax As a % of General Fund Revenues</u>
2017 (Adopted Budget)	\$ 29,967,772	(1)	\$ 26,957,885	90.0
2016 (Unaudited Estimates)	29,372,775	(1)	27,143,858	92.4
2015	30,108,000		26,908,000	89.4
2014	29,612,000		25,324,000	85.5
2013	28,877,000		24,794,000	85.9
2012	28,532,000		24,652,000	86.4
2011	27,523,000		24,221,000	88.0
2010	26,565,000		23,398,000	88.1
2009	26,634,000		23,034,000	86.5
2008	31,070,000	(2)	22,370,000	72.0

- (1) Adopted budget for fiscal year 2016-17 and unaudited estimates for fiscal year 2015-16. Does not include on-behalf payments for state teachers' retirement.
- (2) Includes one-time pass-through state funding for the state teachers' retirement system pension liability in the amount of \$5,602,000 an increase of \$4,681,000.

Intergovernmental Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues</u>		<u>Intergovernmental Revenues</u>		<u>Intergovernmental Revenues as a % of General Fund Revenues</u>
2017 (Adopted Budget)	\$ 29,967,772	(1)	\$ 1,769,501	(1)	5.9
2016 (Unaudited Estimates)	29,372,775	(1)	1,695,321	(1)	5.8
2015	30,108,000		3,426,000		11.4
2014	29,612,000		3,729,000		12.6
2013	28,877,000		3,502,000		12.1
2012	28,532,000		3,352,000		11.7
2011	27,523,000		2,846,000		10.3
2010	26,565,000		2,703,000		10.2
2009	26,634,000		2,973,000		11.2
2008	31,070,000	(2)	7,408,000	(2)	23.8

- (1) Adopted budget for fiscal year 2016-17 and unaudited estimates for fiscal year 2015-16. Does not include on-behalf payments for state teachers' retirement.
- (2) Includes one-time pass-through state funding for the state teachers' retirement system pension liability in the amount of \$5,602,000 an increase of \$4,681,000.

Expenditures

<u>Fiscal Year</u>	<u>Board of Education %</u>	<u>Debt Service %</u>	<u>Public Works %</u>	<u>Benefits and Insurance %</u>	<u>General Government %</u>	<u>Public Safety %</u>
2017 (Adopted Budget)	61.4	12.1	9.8	6.4	5.0	2.8
2016 (Unaudited Estimates)	62.3	11.8	9.9	5.3	5.4	3.0
2015	64.0	10.6	9.5	6.3	4.4	2.7
2014	63.7	11.2	8.8	6.4	4.7	2.8
2013	64.8	11.5	8.5	5.1	4.9	2.7
2012	64.9	12.0	8.0	5.1	4.5	3.0
2011	63.2	12.3	8.6	5.2	5.1	3.1
2010	62.9	12.8	7.7	6.1	4.9	3.1
2009	64.0	13.1	7.5	4.7	4.6	3.1
2008 (1)	68.6	11.4	6.8	4.6	4.1	2.4

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

Source: Annual audited financial statements; Fiscal year 2016-17 adopted budget and 2015-16 unaudited estimates.

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

	Fiscal Year 2014-15			Fiscal Year	Fiscal Year
	Final Budget	Actual Operations	Favorable (Unfavorable)	2015-16 Unaudited Estimates	2016-17 Adopted Budget
REVENUES					
Property taxes	\$ 25,976,000	\$ 26,098,000	\$ 122,000	\$ 27,143,858	\$ 27,701,361
Intergovernmental	1,671,000	1,736,000	65,000	1,695,321	1,769,501
Licenses, permits and fees	454,000	504,000	50,000	452,667	436,210
Income from investments	25,000	29,000	4,000	31,652	25,000
Other revenues	23,000	60,000	37,000	49,277	35,700
TOTAL REVENUES	<u>28,149,000</u>	<u>28,427,000</u>	<u>278,000</u>	<u>29,372,775</u>	<u>29,967,772</u>
EXPENDITURES					
Current:					
General government	1,366,000	1,318,000	48,000	1,559,474	1,518,312
Public safety	805,000	773,000	32,000	869,795	855,367
Public works	2,912,000	2,855,000	57,000	2,878,862	2,963,206
Health and welfare	115,000	109,000	6,000	133,757	170,327
Libraries	355,000	355,000	-	363,319	371,969
Recreation	261,000	257,000	4,000	184,121	200,674
Board of education	17,689,000	17,503,000	186,000	18,111,216	18,583,463
Other	1,904,000	1,889,000	15,000	1,552,100	1,947,287
Debt service	3,276,000	3,176,000	100,000	3,434,817	3,667,255
TOTAL EXPENDITURES	<u>28,683,000</u>	<u>28,235,000</u>	<u>448,000</u>	<u>29,087,461</u>	<u>30,277,860</u>
Revenues over (under) expenditures	<u>(534,000)</u>	<u>192,000</u>	<u>726,000</u>	<u>285,314</u>	<u>(310,088)</u>
OTHER FINANCING SOURCES					
(USES):					
Operating transfers in	427,000	427,000	-	424,668	400,088
Operating transfers out	(1,131,000)	(1,131,000)	-	(75,000)	(90,000)
Premium on bonds	-	70,000	70,000	-	-
Appropriation of fund balance	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(704,000)</u>	<u>(634,000)</u>	<u>70,000</u>	<u>349,668</u>	<u>310,088</u>
Revenues and other financing sources over (under) expenditures and other financing (uses)	<u>\$ (1,238,000)</u>	<u>\$ (442,000)</u>	<u>\$ 796,000</u>	<u>\$ 634,982</u>	<u>\$ -</u>

Source: Audited financial statements; Fiscal year 2015-16 unaudited estimates and 2016-17 adopted budget.

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
ASSETS					
Cash and cash equivalents	\$ 11,819,000	\$ 14,069,000	\$ 15,284,000	\$ 14,215,000	\$ 14,263,000
Receivables, net	885,000	955,000	973,000	753,000	669,000
Other assets	31,000	56,000	61,000	105,000	71,000
Due from other funds	326,000	140,000	323,000	323,000	323,000
TOTAL ASSETS	<u>\$ 13,061,000</u>	<u>\$ 15,220,000</u>	<u>\$ 16,641,000</u>	<u>\$ 15,396,000</u>	<u>\$ 15,326,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 979,000	\$ 1,271,000	\$ 1,433,000	\$ 922,000	\$ 1,363,000
Due to other funds	7,180,000	8,300,000	9,021,000	8,705,000	8,437,000
Deferred revenue	725,000	754,000	633,000	-	-
Total liabilities	<u>8,884,000</u>	<u>10,325,000</u>	<u>11,087,000</u>	<u>9,627,000</u>	<u>9,800,000</u>
Deferred inflows of resources:					
Unavailable revenue					
Property taxes	-	-	-	642,000	560,000
Advanced property tax collections	-	-	-	26,000	193,000
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>668,000</u>	<u>753,000</u>
Fund balances:					
Nonspendable	31,000	56,000	61,000	105,000	71,000
Restricted	34,000	-	-	-	-
Assigned	439,000	522,000	245,000	69,000	226,000
Unassigned	3,673,000	4,317,000	5,248,000	4,927,000	4,476,000
Total fund balances	<u>4,177,000</u>	<u>4,895,000</u>	<u>5,554,000</u>	<u>5,101,000</u>	<u>4,773,000</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,061,000</u>	<u>\$ 15,220,000</u>	<u>\$ 16,641,000</u>	<u>\$ 15,396,000</u>	<u>\$ 15,326,000</u>

Source: Annual audited financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund

(GAAP Basis)

(In Thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
REVENUES:					
Property taxes and assessments	\$ 24,221,000	\$ 24,652,000	\$ 24,794,000	\$ 25,324,000	\$ 26,098,000
Intergovernmental	2,846,000	3,352,000	3,502,000	3,729,000	3,426,000
Charges for services	410,000	363,000	441,000	507,000	504,000
Income from investments	44,000	37,000	29,000	28,000	29,000
Other revenues	2,000	128,000	111,000	24,000	51,000
TOTAL REVENUES	<u>27,523,000</u>	<u>28,532,000</u>	<u>28,877,000</u>	<u>29,612,000</u>	<u>30,108,000</u>
EXPENDITURES					
Current:					
General government	1,377,000	1,252,000	1,412,000	1,397,000	1,308,000
Public safety	845,000	846,000	779,000	833,000	811,000
Public works	2,344,000	2,232,000	2,439,000	2,603,000	2,834,000
Health and welfare	105,000	105,000	116,000	104,000	106,000
Libraries	326,000	332,000	339,000	347,000	355,000
Recreation	258,000	263,000	260,000	255,000	257,000
Education	17,177,000	18,102,000	18,545,000	18,861,000	19,117,000
Employee Benefits	1,425,000	1,422,000	1,448,000	1,886,000	1,887,000
Debt service	3,335,000	3,354,000	3,293,000	3,308,000	3,177,000
TOTAL EXPENDITURES	<u>27,192,000</u>	<u>27,908,000</u>	<u>28,631,000</u>	<u>29,594,000</u>	<u>29,852,000</u>
Revenues over (under) expenditures	<u>331,000</u>	<u>624,000</u>	<u>246,000</u>	<u>18,000</u>	<u>256,000</u>
OTHER FINANCING SOURCES (USES)					
Premium on bonds	-	-	-	-	70,000
Operating transfers in	424,000	447,000	438,000	428,000	427,000
Operating transfers out	(649,000)	(353,000)	(25,000)	(899,000)	(1,081,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(225,000)</u>	<u>94,000</u>	<u>413,000</u>	<u>(471,000)</u>	<u>(584,000)</u>
Net change in fund balances	106,000	718,000	659,000	(453,000)	(328,000)
Fund Balances - beginning of year	<u>4,071,000</u> (1)	<u>4,177,000</u>	<u>4,895,000</u>	<u>5,554,000</u>	<u>5,101,000</u>
Fund Balances - end of year	<u>\$ 4,177,000</u>	<u>\$ 4,895,000</u>	<u>\$ 5,554,000</u>	<u>\$ 5,101,000</u>	<u>\$ 4,773,000</u>

(1) As restated.

Source: Annual audited financial statements.

SECTION VI – ADDITIONAL INFORMATION

Litigation

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

Legal Matters

Joseph Fasi LLC of Hartford, Connecticut is serving as bond counsel with respect to the authorization and issuance of the Bonds and will render its opinion with respect to the Bonds in substantially the form attached to the Official Statement as Appendix B.

Financial Advisor

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

Availability of Continuing Disclosure Information

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) annual financial information and operating data, (ii) notice of the occurrence of certain material events within 10 days of the occurrence of such events; and (iii) timely notice of a failure by the Town to provide the required annual financial information. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds. (See Appendix C "Form of Continuing Disclosure Agreement").

The Town has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). In the past five years, the Town has not failed to comply in any material respect with its undertakings under such agreements.

Documents Accompanying Delivery of the Bonds

Upon delivery of the Bonds, the purchaser will be furnished with the following:

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

4. The approving opinion of Joseph Fasi LLC of Hartford, Connecticut;
5. Executed Continuing Disclosure Agreement for the Bonds in substantially the form attached to the Official Statement as Appendix C; and
6. The Town will provide the winning bidder of the Bonds 50 copies of the Official Statement, as prepared for this issue at the Town's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by a winning bidder at its own expense by arrangement with the printer. If the Issuer's financial advisor is provided with the necessary information from the winning bidders by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

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

Concluding Statement

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

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

TOWN OF LITCHFIELD, CONNECTICUT

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

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

BY: / s / Amaechi E. Obi
AMAECHI E. OBI
Interim Director of Finance

Dated: July 28, 2016

APPENDIX A - AUDITED FINANCIAL STATEMENTS

TOWN OF LITCHFIELD, CONNECTICUT

TABLE OF CONTENTS

JUNE 30, 2015

	<u>Page</u>
<i>Independent Auditors' Report</i>	A-1
<i>Management's Discussion and Analysis</i>	A-3
Basic Financial Statements:	
<u>Exhibits</u>	
I Statement of Net Position	A-12
II Statement of Activities	A-13
III Balance Sheet – Governmental Funds	A-14
IV Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	A-16
V Statement of Net Position – Proprietary Fund	A-18
VI Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund -	A-19
VII Statement of Cash Flows – Proprietary Fund	A-20
VIII Statement of Fiduciary Net Position – Fiduciary Funds	A-21
IX Statement of Changes in Plan Net Position – Fiduciary Funds	A-22
<i>Notes to Financial Statements</i>	A-23
RSI-1 Schedule of Revenues and Other Financing Sources – Budget and Actual (Non-GAAP Budgetary Basis)	A-54
RSI-2 Schedule of Expenditures and Other Financing Uses – Budget and Actual (Non-GAAP Budgetary Basis)	A-56
RSI 3a Schedule of Changes in Net Pension Liability and Related Ratios – Town Plan – Last Two Fiscal Years	A-59
RSI 3b Schedule of Changes in Net Pension Liability and Related Ratios – Merit Service Plan – Last Two Fiscal Years	A-60
RSI 4a Schedule of Employer Contributions – Town Plan – Last Ten Fiscal Years	A-61
RSI 4b Schedule of Employer Contributions – Merit Service Plan – Last Ten Fiscal Years	A-62
RSI 5a Schedule of Investment Returns – Town Plan – Last Two Fiscal Years	A-63
RSI 5b Schedule of Investment Returns – Merit Service Plan – Last Two Fiscal Years	A-64
RSI 6 Schedule of the Town's Proportionate Share of the Net Pension Liability – Teachers' Retirement Plan – Last Fiscal Year	A-65

Appendix A - Financial Statements - is taken from the Annual Financial Report of the Town of Litchfield for the Fiscal Year ended June 30, 2015 as presented by the Auditors. This appendix does not include all of the schedules made in such report. A copy of the complete report is available upon request to the Interim Director of Finance, Town of Litchfield, Connecticut.

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

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Finance
Town of Litchfield, 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, 2015, 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. 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, 2015 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.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, during the fiscal year ended June 30, 2015, the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the Town has been restated to recognize the net pension liability required in implementing GASB No. 68. Our opinion is not modified with respect to this matter.

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 A-3 through A-11, the budgetary comparison information on pages A-54 through A-58 and the pension schedules on pages A-59 through A-65 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.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 9, 2015

TOWN OF LITCHFIELD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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, 2015. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The Town issued \$1.27 million in Bonds and \$330,000 in BANs in February 2015. See detailed discussion in Long-Term Debt (page 11, Management Discussion and Analysis).
- Net assets of the Town's governmental activities increased by \$3.7 million, or 7.4%, 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 \$34 million that was \$3.7 million more than program expenses.
- Total cost of all of the Town's programs was \$29.9 million.
- General Fund Property Tax revenues, including interest and lien fees was 99.5% of the budget, continuing the trend of strong collections.
- Unassigned fund balance of the General Fund decreased by \$451 thousand from \$4.9 million at June 30, 2014 to \$4.4 million at June 30, 2015, due to \$1M transfer to capital projects and \$250,000 to pension.

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 \$50.6 million to \$54.4 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	
	2015	2014
Current and other assets	\$ 16,385	\$ 17,493
Noncurrent assets	71,904	69,061
Total assets	<u>88,289</u>	<u>86,554</u>
Deferred Outflows of Resources	<u>1,276</u>	<u>574</u>
Current liabilities	5,232	5,834
Noncurrent liabilities	29,779	30,651
Total liabilities	<u>35,011</u>	<u>36,485</u>
Deferred Inflows of Resources	<u>194</u>	<u>28</u>
Net Position:		
Net investment in capital assets	45,092	40,477
Restricted	10	10
Unrestricted	<u>9,258</u>	<u>10,128</u>
Total Net Position	<u>\$ 54,360</u>	<u>\$ 50,615</u>

Total net position of the Town's governmental activities increased 7.40% (\$54.4 million compared to \$50.6 million). This is reflected in the Town's net position investment in capital assets which increased \$4.6 million from \$40.5 million at June 30, 2014 to \$45.1 million at June 30, 2015 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 \$870,000 from \$10.1 million at June 30, 2014 to \$9.3 million on June 30, 2015.

**TABLE 2
CHANGE IN NET POSITION
(In Thousands)**

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 2,018	\$ 1,938
Operating grants and contributions	4,007	4,651
Capital grants and contributions	1,284	711
General revenues:		
Property taxes	26,016	25,359
Grants not restricted to specific purposes	206	236
Unrestricted investment earnings and other	91	60
Total revenues	33,622	32,955
Program expenses:		
General government	1,812	2,001
Public safety	1,127	1,642
Public works	5,136	4,948
Health and welfare	137	133
Libraries	355	347
Recreation	395	380
Education	20,277	19,929
Interest on long-term debt	638	1,028
Total program expenses	29,877	30,408
Increase (Decrease) in Net Position	\$ 3,745	\$ 2,547

The Town's total revenue was \$33.6 million. The total cost of all programs and services was \$29.9 million. The \$80 thousand increase from 2014 to 2015 for charges for services was mainly due to payment from the Town of Morris toward the sewer plant upgrade. The \$573 thousand increase in capital grants and contributions was primarily due to Small Cities grant funding. 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 11% and 4% of revenues, respectively. Charges for services represented 6% of revenues and the 2% remaining revenues were from unrestricted grants, investments earnings and miscellaneous revenue.

Major revenue factors included:

- Property tax revenues of \$26.0 million were generated from a mill rate of 25.2 mills (22.6 for prior year) on the net taxable grand list of \$1.0 billion. There was negligible growth in the 2013 Grand List.
- Charges for program services increased by \$80 thousand from the prior year to a total of \$1,938 thousand.
- Program capital grants and contributions of \$1,284 thousand an increase of \$573 thousand.

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

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General government	\$ 1,812	\$ 2,001	\$ 1,107	\$ 1,125
Public safety	1,127	1,642	1,101	1,612
Public works	5,136	4,948	2,797	3,014
Health and welfare	137	133	100	99
Libraries	355	347	355	347
Recreation	395	380	321	314
Education	20,277	19,929	16,149	15,569
Interest on long-term debt	<u>638</u>	<u>1,028</u>	<u>638</u>	<u>1,028</u>
Total	\$ <u>29,877</u>	\$ <u>30,408</u>	\$ <u>22,568</u>	\$ <u>23,108</u>

For governmental activities, 68% of the Town's expenditures related to education; 17% for public works; 4% for public safety, 6% for general government and 4% 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, 2015, the Town's governmental funds reported a combined fund balance of \$9.5 million, a 2% increase of \$144 thousand from June 30, 2014, of which 318 thousand increase was in the Capital Projects Fund, \$205 thousand increase was in the Non-major Governmental Fund, \$328 thousand decrease was in General and \$51 thousand decrease was in Sewer Assessment.

The Town's combined governmental fund balance of \$9.5 million is comprised of unassigned fund balance of \$4.0 million, assigned fund balance of \$226 thousand, committed fund balance of \$4.9 million, non-spendable fund balance of \$81 thousand and restricted fund balance of \$308 thousand.

The General Fund is the chief operating fund of the Town. At June 30, 2015, fund balance decreased \$328 thousand to \$4.8 million. General Fund unassigned fund balance decreased \$451 thousand from \$4.9 million at June 30, 2014 to \$4.5 million at June 30, 2015.

The total fund balance of the Sewer Assessment Fund decreased by \$51 thousand to \$532 thousand from \$583 thousand the previous year.

The Non-major Governmental Funds fund balance increased by \$205 thousand from \$1.0 million to \$1.2 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, 2015 increased \$304 thousand to \$2.8 million primarily due to collections in excess of claims paid.

Pension Trust Funds

For fiscal year 2015, the net position of the Pension Trust Funds increased 5% from the year earlier to \$11.9 million. This was due to gain in investments and contributions.

Other Post-Employment Benefits

For fiscal year 2015, the Net OPEB obligation increased by 13.7% to \$1,010 thousand. As in prior years, most expenses for postemployment benefits were paid out of the General Fund during the fiscal year ended June 30, 2015.

General Fund Budgetary Highlights

The original budget was approved by referendum on May 7, 2014 with appropriations of \$28.6 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 \$29.2 million, which is \$639 thousand less than the final budget of \$29.8 million. The favorable variance was due to costs savings throughout the Town's various departments.

On the revenue side, it was Intergovernmental - \$96 thousand, Town Clerk - \$55 thousand which offset the budget shortfalls in departmental revenues. The excess of revenues and other financing sources on a budgetary basis was \$143 thousand.

Of the General Fund's fund balance, 93.8% constitutes unassigned fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the Town had \$71.9 million invested in a broad range of capital assets, including land, buildings and improvements, machinery and equipment and infrastructure (Table 4). This amount represents a net increase (including additions and deductions) of \$2.1 million, or 3.04% over the previous fiscal year.

Machinery and equipment purchases were \$259 thousand, Building and Improvement were \$498 thousand, Capital Improvement Projects were \$1.7 million and Infrastructure were \$693 thousand.

Infrastructure additions of \$693 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 \$498 thousand were used for various improvements.

An additional \$1.7 million in capital spending was used toward Construction in Progress.

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

	Governmental Activities	
	2015	2014
Land	\$ 1,296	\$ 1,296
CIP	3,679	1,966
Buildings and improvements	43,300	43,075
Machinery and equipment	2,612	2,551
Infrastructure	21,017	20,893
Total	\$ 71,904	\$ 69,781

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, 2015, the Town had \$26.0 million in bonds outstanding versus \$27.1 million last year, a decrease of 4.4% or \$1.1 million as seen in Table 5.

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

	Governmental Activities	
	2015	2014
General obligation bonds (backed by the Town)	\$ 25,953	\$ 27,149

On February 5, 2015, as authorized at the Town's Annual Meeting, the Town issued \$330,000 thousand in General Obligation Bond Anticipation Notes (BANs). \$120,000 thousand of the BANs issuance was for Town Schools Expansion & Renovation Projects and \$210,000 was for Board of Education Technology. General Obligation Bonds of \$1,270,000 was also issued. This Bond issue were for the 2013-14 Capital Improvement Program for \$1,122,432 and 2014-15 Capital Improvement Program for \$143,999.

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, 2015, employment in Litchfield was 4,400, an increase of 338 from the prior year. The Town's unemployment rate at June 30, 2015 was 5.2%, down 4% over the prior year. This rate compares favorably to both the State and national unemployment rates of 6.3% and 5.5%, respectively. Inflation for the Northeast area for the year ended June 30, 2015 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, 2015 from the previous year.

The fiscal year 2016 budget was adopted at Town Meeting on May 13, 2015. The Town's net taxable grand list decreased .15% from the prior. The Town's elected Board of Finance set the fiscal year 2015-2016 tax mil rate at 26.2, an 4.0% increase from the prior year. The increase was due to increased budget. Amounts available for appropriation in the original fiscal 2016 General Fund budget are \$29.5 million, an increase of 3.4% from the original 2015 budget of \$28.6 million. The increase was necessary to fund the \$419 thousand increase for the Board of Education (mainly employee benefits) and the \$394 thousand increase in the Selectman's budget (mainly Public Works Expenditures).

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, 2015
(In Thousands)

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 14,550
Receivables, net	1,764
Prepaid items	71
Capital assets not being depreciated	4,975
Capital assets being depreciated, net	66,929
Total assets	<u>88,289</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	517
Changes in projected investment earnings	278
Changes related to pension actuarial experience	481
Total Deferred Outflows	<u>1,276</u>
Liabilities:	
Accounts payable	1,836
Bond anticipation notes	330
Unearned revenue	203
Due to fiduciary fund	97
Noncurrent liabilities:	
Due within one year	2,766
Due in more than one year	29,779
Total liabilities	<u>35,011</u>
Deferred Inflows of Resources:	
Advance property tax collections	193
Advance fee collections	1
Total deferred inflows of resources	<u>194</u>
Net Position:	
Net investment in capital assets	45,092
Restricted for trust purposes	10
Unrestricted	9,258
Total Net Position	<u>\$ 54,360</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, 2015
(In Thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
				Governmental Activities
Governmental activities:				
General government	\$ 1,812	\$ 401	\$ 304	\$ (1,107)
Public safety	1,127	26		(1,101)
Public works	5,136	1,282		(2,797)
Health and welfare	137	13	24	(100)
Libraries	355			(355)
Recreation	395	74		(321)
Education	20,277	222	3,679	(16,149)
Interest on long-term debt	638			(638)
Total	\$ 29,877	\$ 2,018	\$ 4,007	\$ (22,568)
General revenues:				
Property taxes				26,016
Grants and contributions not restricted to specific programs				206
Unrestricted investment earnings				37
Miscellaneous				54
Total general revenues				26,313
Change in net position				3,745
Net Position at Beginning of Year, as Restated				50,615
Net Position at End of Year				\$ 54,360

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015
(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	\$ 14,263	\$	\$	\$ 80	\$ 14,343
Receivables, net	669	829	28	238	1,764
Due from other funds	323	532	3,647	1,371	5,873
Other assets	71				71
Total Assets	<u>\$ 15,326</u>	<u>\$ 1,361</u>	<u>\$ 3,675</u>	<u>\$ 1,689</u>	<u>\$ 22,051</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,363	\$	\$	\$ 47	\$ 1,410
Due to other funds	8,437		323		8,760
Bond anticipation notes payable			330		330
Unearned revenue				203	203
Total liabilities	<u>9,800</u>	<u>-</u>	<u>653</u>	<u>250</u>	<u>10,703</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	560				560
Unavailable revenue - sewer receivables		829		118	947
Unavailable revenue - loans receivable				111	111
Advance property tax collections	193			1	194
Total deferred inflows of resources	<u>753</u>	<u>829</u>	<u>-</u>	<u>230</u>	<u>1,812</u>
Fund balances:					
Nonspendable	71			10	81
Restricted				308	308
Committed		532	3,465	912	4,909
Assigned	226				226
Unassigned	4,476		(443)	(21)	4,012
Total fund balances	<u>4,773</u>	<u>532</u>	<u>3,022</u>	<u>1,209</u>	<u>9,536</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,326</u>	<u>\$ 1,361</u>	<u>\$ 3,675</u>	<u>\$ 1,689</u>	<u>\$ 22,051</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2015
(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	\$ 9,536
--	----------

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

Governmental capital assets	\$ 101,611	
Less accumulated depreciation	<u>(29,707)</u>	
Net capital assets		71,904

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

Property tax receivables greater than 60 days	416
Property tax interest receivables greater than 60 days	144
Assessments receivable	829
Housing loans	111
Sewer use receivables	118
Deferred outflows related to pension actuarial experience	278
Deferred outflows related to changes in actuarial experience	481

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.

2,843

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	(25,953)
Premium on bonds	(1,046)
Deferred amount in refunding	517
Interest payable on bonds and notes	(272)
Compensated absences	(283)
Landfill closure	(11)
OPEB obligation	(990)
Net pension liability	(4,239)
Claims and judgments	<u>(23)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 54,360</u>
---	------------------

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(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	\$ 26,098	\$	\$	\$	\$ 26,098
Intergovernmental	3,426		905	1,143	5,474
Charges for services	504	124		1,467	2,095
Investment income	29	1	1	1	32
Other	51			56	107
Total revenues	<u>30,108</u>	<u>125</u>	<u>906</u>	<u>2,667</u>	<u>33,806</u>
Expenditures:					
Current:					
General government	1,308			298	1,606
Public safety	811			10	821
Public works	2,834			750	3,584
Health and welfare	106			12	118
Libraries	355				355
Recreation	257			68	325
Education	19,117			717	19,834
Employee benefits	1,887				1,887
Capital outlay			3,295		3,295
Debt service	3,177				3,177
Total expenditures	<u>29,852</u>	<u>-</u>	<u>3,295</u>	<u>1,855</u>	<u>35,002</u>
Excess (Deficiency) of Revenues over Expenditures	<u>256</u>	<u>125</u>	<u>(2,389)</u>	<u>812</u>	<u>(1,196)</u>
Other Financing Sources (Uses):					
Transfers in	427		1,437	65	1,929
Transfers out	(1,081)	(176)		(672)	(1,929)
Issuance of bonds			1,270		1,270
Premium on bonds	70				70
Total other financing sources (uses)	<u>(584)</u>	<u>(176)</u>	<u>2,707</u>	<u>(607)</u>	<u>1,340</u>
Net Change in Fund Balances	(328)	(51)	318	205	144
Fund Balances at Beginning of Year	<u>5,101</u>	<u>583</u>	<u>2,704</u>	<u>1,004</u>	<u>9,392</u>
Fund Balances at End of Year	\$ <u>4,773</u>	\$ <u>532</u>	\$ <u>3,022</u>	\$ <u>1,209</u>	\$ <u>9,536</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(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)	\$ 144
---	--------

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	3,163
Depreciation expense	(1,040)

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	(10)
Property tax receivable - accrual basis change	(86)
Property tax interest and lien revenue - accrual basis change	4
Sewer assessment receivable - accrual basis change	(92)
Sewer use receivable - accrual basis change	(14)
Change in deferred outflows related to pension actuarial experience	278
Change in deferred outflows related to changes in projected investment earnings	481

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	2,466
Proceeds from general obligation bonds	(1,270)
Premium on general obligation bonds	(70)

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	(18)
Claims and judgments	3
Amortization of deferred charge on refunding	(57)
Amortization of premiums	113
Accrued interest	16
Change in net pension liability	(400)
OPEB obligation	(179)
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.

304

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 3,745</u>
--	-----------------

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2015
(In Thousands)

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets:	
Cash and cash equivalents	\$ 207
Due from other funds	<u>2,790</u>
Total assets	2,997
Liabilities:	
Claims payable	<u>154</u>
Net Position:	
Unrestricted	\$ <u><u>2,843</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 FUND
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Operating Revenues:	
Charges for services	\$ 3,100
Operating Expenses:	
Claims incurred	<u>2,801</u>
Operating Income	299
Nonoperating Revenue:	
Interest income	<u>5</u>
Change in Net Position	304
Net Position at Beginning of Year	<u>2,539</u>
Net Position at End of Year	\$ <u><u>2,843</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, 2015
(In Thousands)**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 2,867
Payment to benefit providers	(2,810)
Net cash provided by operating activities	<u>57</u>
Cash Flow from Investing Activities:	
Interest received on investments	<u>5</u>
Net Increase in Cash and Cash Equivalents	62
Cash and Cash Equivalents at Beginning of Year	<u>145</u>
Cash and Cash Equivalents at End of Year	<u>\$ 207</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 299
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in due from other funds	(233)
Decrease in incurred but not reported claims (IBNR)	<u>(9)</u>
Net Cash Provided by Operating Activities	<u>\$ 57</u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015
(In Thousands)

	<u>Trust Funds</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ 237	\$ 187
Investments:		
Equities	9,628	
Common stock	4,822	
Mutual funds	1,487	
Receivables:		
Interest and dividends	4	
Other		91
Due from other funds	<u>97</u>	
Total assets	16,275	<u><u>\$ 278</u></u>
Liabilities:		
Due to student groups and others		<u><u>\$ 278</u></u>
Net Position:		
Held in Trust for Pension and OPEB Benefits	<u><u>\$ 16,275</u></u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)**

	<u>Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ <u>1,344</u>
Investment income:	
Net appreciation in fair value of investments	167
Interest and dividends	<u>325</u>
Total investment income	492
Less investment expense:	
Investment management fees	<u>70</u>
Net investment income	<u>422</u>
Total additions	1,766
Deductions:	
Benefits	<u>872</u>
Net Increase	894
Net Position at Beginning of Year	<u>15,381</u>
Net Position at End of Year	\$ <u><u>16,275</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 requires 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.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015 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 \$15,000 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

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 and deferred outflows related to pensions 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. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

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. 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. 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.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

I. Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

J. Net OPEB Assets/Obligations

The net OPEB asset/obligation represents the cumulative difference between the annual pension/OPEB cost and the Town's contributions to the plans. These amounts are calculated on an actuarial basis and are recorded as noncurrent assets and/or noncurrent liabilities, accordingly, in the government-wide financial statements.

K. 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.

L. 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."

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

- 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 \$21 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

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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*, \$8,245 of the Town's bank balance of \$10,390 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 7,270
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>975</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 8,245</u>

Cash Equivalents

At June 30, 2015, the Town's cash equivalents amounted to \$5,227. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by a nationally recognized statistical rating organization. The pools all have maturities of less than one year.

	<u>Standard & Poor's</u>
State Short-Term Investment Fund (STIF)	AAAm
*Not rated	

Investments

As of June 30, 2015, the Town had the following investments:

Other investments:	
Common stock	\$ 4,822
Mutual funds	<u>11,115</u>
Total Investments	<u>\$ 15,937</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.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, 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	\$ 540	\$	\$	\$	\$ 540
Interest	144				144
Accounts				129	129
Intergovernmental			28	4	32
Special assessments		829			829
Housing loans				116	116
Gross receivables	<u>684</u>	<u>829</u>	<u>28</u>	<u>249</u>	<u>1,790</u>
Less allowance for uncollectibles	<u>15</u>			<u>7</u>	<u>22</u>
Net Total Receivables	<u>\$ 669</u>	<u>\$ 829</u>	<u>\$ 28</u>	<u>\$ 242</u>	<u>\$ 1,768</u>

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 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	1,713		3,679
Total capital assets not being depreciated	<u>3,262</u>	<u>1,713</u>	<u>-</u>	<u>4,975</u>
Capital assets being depreciated:				
Buildings and improvements	52,771	498		53,269
Machinery and equipment	8,849	259		9,108
Infrastructure	33,566	693		34,259
Total capital assets being depreciated	<u>95,186</u>	<u>1,450</u>	<u>-</u>	<u>96,636</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,696)	(273)		(9,969)
Machinery and equipment	(6,298)	(198)		(6,496)
Infrastructure	(12,673)	(569)		(13,242)
Total accumulated depreciation	<u>(28,667)</u>	<u>(1,040)</u>	<u>-</u>	<u>(29,707)</u>
Total capital assets being depreciated, net	<u>66,519</u>	<u>410</u>	<u>-</u>	<u>66,929</u>
Governmental Activities Capital Assets, Net	<u>\$ 69,781</u>	<u>\$ 2,123</u>	<u>\$ -</u>	<u>\$ 71,904</u>

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

Governmental activities:	
General government	\$ 7
Public safety	85
Public works	767
Recreation	12
Education	<u>169</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,040</u>

**TOWN OF LITCHFIELD, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

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, 2015 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	532
Capital Projects Funds	General Fund	3,647
Internal Service Fund	General Fund	2,790
Fiduciary Fund	General Fund	97
Nonmajor Governmental Funds	General Fund	<u>1,371</u>
Total		<u>\$ 8,760</u>

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

Interfund transfers:

	<u>Transfers In</u>			<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	
Transfers out:				
General Fund	\$	\$ 1,016	\$ 65	\$ 1,081
Sewer Assessment	176			176
Nonmajor Governmental	<u>251</u>	<u>421</u>		<u>672</u>
Total Transfers In	<u>\$ 427</u>	<u>\$ 1,437</u>	<u>\$ 65</u>	<u>\$ 1,929</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.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015 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	\$ 27,149	\$ 1,270	\$ 2,466	\$ 25,953	\$ 2,673
Premium on refunding and general obligation bonds	<u>1,089</u>	<u>70</u>	<u>113</u>	<u>1,046</u>	
Total bonds payable	28,238	1,340	2,579	26,999	2,673
Compensated absences	265	20	2	283	79
OPEB obligation	811	179		990	
Landfill monitoring closure and postclosure costs	20		9	11	11
Claims and judgments	26		3	23	3
Net pension liability	<u>3,839</u>	<u>400</u>		<u>4,239</u>	
Governmental Activity Long-Term Liabilities	<u>\$ 33,199</u>	<u>\$ 1,939</u>	<u>\$ 2,593</u>	<u>\$ 32,545</u>	<u>\$ 2,766</u>

General Obligation Bonds

A schedule of bonds outstanding at June 30, 2015 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, 2015</u>
Clean Water Fund Bond	1998	\$ 900	2	\$ 84
Clean Water Fund Bond	1999	570	2	103
Clean Water Fund Bond	2004	4,595	2	2,061
General Refunding Bonds Series B	2010	2,655	2.00-3.375	1,030
General Refunding Bonds Series C	2010	8,405	2.00-4.00	5,980
General Obligation Bonds	2010	1,355	2.00-3.125	780
General Refunding Bonds	2012	7,555	3.00-4.00	6,200
General Obligation Bonds	2012	2,900	2.00-3.00	2,325
General Refunding Bonds	2012	4,555	2.00-4.00	4,370
General Obligation Bonds	2013	2,130	1.50-2.00	1,750
General Obligation Bonds	2015	1,270	2.00-4.00	1,270
				<u>\$ 25,953</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.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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>
2016	\$ 2,673	\$ 758	\$ 3,431
2017	2,877	679	3,556
2018	2,846	592	3,438
2019	2,730	505	3,235
2020	2,752	418	3,170
2021-2025	11,086	879	11,965
2026-2030	989	19	1,008
Total	<u>\$ 25,953</u>	<u>\$ 3,850</u>	<u>\$ 29,803</u>

Bonds authorized and unissued at June 30, 2015 is as follows:

	<u>Authorized</u>	<u>Bonds and BANs Issued</u>	<u>Authorized but Unissued Debt</u>
2012-13 Capital Improvements	\$ 5,100	\$ 1,884	\$ 3,216
2013-14 Capital Improvements	2,965	2,127	838
2014-15 Capital Improvements	<u>3,020</u>	<u>267</u>	<u>2,753</u>
Total	<u>\$ 11,085</u>	<u>\$ 4,278</u>	<u>\$ 6,807</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	\$ 58,757	\$ 11,770	\$ 46,987
Schools	117,513	14,142	103,371
Sewers	97,928	2,988	94,940
Urban renewal	84,871		84,871
Pension deficit	78,342		78,342

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$183 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 \$11 at June 30, 2015. This amount is based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, \$23 has been accrued as an estimate of the cost to provide water for the remaining 8 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, 2015:

<u>Date Issued</u>	<u>Maturity Date</u>	<u>Effective Interest Rate (%)</u>	<u>Balance July 1, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2015</u>
2/6/2014	2/5/2015	1.00	\$ 1,640	\$	\$ 1,640	\$ -
2/6/2014	2/5/2015	1.00		330		330
Total			\$ 1,640	\$ 330	\$ 1,640	\$ 330

Capital Projects Fund

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

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

9. FUND BALANCES

The components of fund balance for the governmental funds at June 30, 2015 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	71				71
Restricted for:					
Grants				263	263
Education				45	45
Committed to:					
Sewer assessment		532			532
Capital projects			3,465		3,465
General government				630	630
Public works				184	184
Recreation				98	98
Assigned to:					
General government	30				30
Public safety	5				5
Public works	6				6
Health and welfare	2				2
Education	180				180
Employee benefits	3				3
Unassigned	<u>4,476</u>		<u>(443)</u>	<u>(21)</u>	<u>4,012</u>
Total Fund Balances	\$ <u>4,773</u>	\$ <u>532</u>	\$ <u>3,022</u>	\$ <u>1,209</u>	\$ <u>9,536</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 and Benefits Provided

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.

**TOWN OF LITCHFIELD, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

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, 2014, the date of the last actuarial valuation:

	<u>Town Plan</u>	<u>Merit Service Plan</u>
Retirees and beneficiaries currently receiving benefits	63	53
Terminated plan members entitled to, but not yet receiving, benefits	34	50
Active plan members	<u>80</u>	<u>170</u>
Total	<u><u>177</u></u>	<u><u>273</u></u>

B. 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 fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

C. 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 Statutes assign the authority to establish and amend the contribution provisions of the Plan to the Town of Litchfield.

D. 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, 2015:

<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	<u>2%</u>
Total	<u><u>100%</u></u>

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.91% for the Town Plan and 2.97% for the Merit Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Net Pension Liability of the Town

The Town's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

The components of the net pension liability of the Town at June 30, 2015 were as follows:

	<u>Town Plan</u>	<u>Merit Service Plan</u>
Total pension liability	\$ 15,601	\$ 3,903
Plan fiduciary net position	<u>11,903</u>	<u>3,362</u>
Net Pension Liability	<u>\$ 3,698</u>	<u>\$ 541</u>
Plan fiduciary net position as a percentage of the total pension liability	76.30%	86.14%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	4.0%, average, including inflation
Investment rate of return	7.00%, 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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2014.

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, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US equities	5.60%
REIT	4.50%
International developed economies	5.90%
International emerging economies	7.20%
High quality bond	2.10%
High yield bond	4.00%
Cash equivalents	0.80%

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

Changes in the Net Pension Liability

Town Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2014	\$ 14,613	\$ 11,203	\$ 3,410
Changes for the year:			
Service cost	345		345
Interest on total pension liability	1,023		1,023
Differences between expected and actual experience	318		318
Employer contributions		1,094	(1,094)
Net investment income		304	(304)
Benefit payments, including refund to employee contributions	(698)	(698)	-
Net changes	988	700	288
Balances as of June 30, 2015	\$ 15,601	\$ 11,903	\$ 3,698

Merit Service Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2014	\$ 3,719	\$ 3,290	\$ 429
Changes for the year:			
Service cost	59		59
Interest on total pension liability	259		259
Differences between expected and actual experience	33		33
Employer contributions		150	(150)
Net investment income		89	(89)
Benefit payments, including refund to employee contributions	(167)	(167)	-
Net changes	184	72	112
Balances as of June 30, 2015	\$ 3,903	\$ 3,362	\$ 541

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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	\$ 5,341	\$ 3,698	\$ 2,285
Merit Service Plan Net Pension Liability	1,038	541	127

F. 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, 2015 and the changes in net position for the year then ended.

Schedule of Plan Net Position

	<u>Town Retirement Plan</u>	<u>Merit Service Retirement Plan</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 176	\$ 48	\$ 224
Investments	11,724	3,313	15,037
Accrued interest receivable	<u>3</u>	<u>1</u>	<u>4</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 11,903</u>	<u>\$ 3,362</u>	<u>\$ 15,265</u>

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Schedule of Changes in Plan Net Position

	<u>Town Retirement Plan</u>	<u>Merit Service Retirement Plan</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 1,094	\$ 150	\$ 1,244
Investment income:			
Net appreciation in fair value of investments	120	36	156
Interest and dividends	238	69	307
Total	<u>358</u>	<u>105</u>	<u>463</u>
Less investment expense:			
Investment management fees	<u>54</u>	<u>16</u>	<u>70</u>
Net investment income	<u>304</u>	<u>89</u>	<u>393</u>
Total additions	1,398	239	1,637
Deductions:			
Benefits	<u>698</u>	<u>167</u>	<u>865</u>
Net increase	700	72	772
Net Position at Beginning of Year	<u>11,203</u>	<u>3,290</u>	<u>14,493</u>
Net Position at End of Year	<u>\$ 11,903</u>	<u>\$ 3,362</u>	<u>\$ 15,265</u>

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions**

For the year ended June 30, 2015, the Town recognized pension expense of \$400. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Town Plan Deferred Outflows of Resources
	<u> </u>
Differences between expected and actual experience	\$ 248
Net difference between projected and actual earning on pension plan investments	<u>375</u>
Total	<u>\$ 623</u>

	Merit Service Plan Deferred Outflows of Resources
	<u> </u>
Differences between expected and actual experience	\$ 30
Net difference between projected and actual earning on pension plan investments	<u>106</u>
Total	<u>\$ 136</u>

**TOWN OF LITCHFIELD, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,

2016	\$	195
2017		194
2018		194
2019		160
2020		3
Thereafter		13

Connecticut State Teachers' Retirement System

A. Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

B. Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

**TOWN OF LITCHFIELD, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

C. Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Town		<u>20,942</u>
Total	\$	<u><u>20,942</u></u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2015, the Town recognized pension expense and revenue of \$1,573 in Exhibit II for on-behalf amounts for the benefits provided by the State.

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Mutual equity	25.0%	7.3%
Developed markets ISF	20.0%	7.5%
Emerging markets ISF	9.0%	8.6%
Core fixed income	13.0%	1.7%
Emerging market debt	4.0%	4.8%
High yield	2.0%	3.7%
Inflation linked bonds	6.0%	1.3%
Liquidity fund	6.0%	.7%
Real estate	5.0%	5.9%
Private investment	10.0%	10.9%
Total	<u>100.0%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 8.50%. 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 State contributions will be made at the actuarially determined contribution rates in the future years. 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.

G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

H. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

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 seven participants in the plan as of June 30, 2015, and contributions have been made of \$8,864.

11. OTHER POSTEMPLOYMENT BENEFITS

A. Overview

The Retiree Health Plan (RHP) is a single-employer defined benefit healthcare plan administrated 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, 2015. The plan does not issue a stand-alone financial report.

At July 1, 2014, plan participation consisted of the following (not rounded):

Actives	122
Retirees or continuing spouses	<u>27</u>
Total Participants	<u><u>149</u></u>

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, the amount actually contributed to the plan and changes in the BOE's net OPEB obligation (asset):

Annual required contribution (ARC)	\$	294
Interest on OPEB obligation		57
Adjustment to annual required contribution		<u>(72)</u>
Annual OPEB cost		279
Contributions made		<u>100</u>
Increase in net OPEB obligation		179
Net OPEB obligation - beginning of year		<u>811</u>
Net OPEB Obligation - End of Year	\$	<u><u>990</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, 2015, 2014 and 2013, 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>
6/30/2015	\$ 279	\$ 100	35.8 %	\$ 990
6/30/2014	276	271	98.2	811
6/30/2013	275	144	52.4	806

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>
7/1/2010	\$ -	\$ 5,373	\$ 5,373	-	\$ 8,077	67 %
7/1/2012	621	3,124	2,504	20	7,986	31
7/1/2014	886	2,571	1,685	34	12,219	14

**TOWN OF LITCHFIELD, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

E. Employer Contributions

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.

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>
2015	\$ 294	\$ 100	34.0 %
2014	291	271	93.1
2013	287	144	50.2

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, 2014 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.

**TOWN OF LITCHFIELD, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015**

12. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27:

Net position balance at June 30 2014, as previously reported	\$ 55,173
Adjustments:	
Eliminate net pension assets reported per GASB No. 27	(719)
Record starting net pension liability per GASB No. 68	<u>(3,839)</u>
Net Position Balance at July 1, 2014, as Restated	<u>\$ 50,615</u>

13. 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 - included in the Internal Service Fund at June 30, 2015 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>
2015	\$ 163	\$ 2,792	\$ 2,801	\$ 154
2014	194	2,991	3,022	163

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

14. 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, 2015
(In Thousands)**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Property taxes:				
Property taxes	\$ 25,801	\$ 25,801	\$ 25,885	\$ 84
Interest and lien fees	175	175	213	38
Total property taxes	<u>25,976</u>	<u>25,976</u>	<u>26,098</u>	<u>122</u>
Licenses, permits and fees:				
Selectmen:				
Recycling recovery	19	19	21	2
Resource recovery	5	5	6	1
Refuse collection permits	1	1		(1)
Demolition and brush fees	55	55	54	(1)
Tires	1	1		(1)
Public works labor	5	5	1	(4)
Total selectmen	<u>86</u>	<u>86</u>	<u>82</u>	<u>(4)</u>
Town Clerk:				
Town Clerk fees				-
Conveyance tax	105	105	160	55
Dog license fees	1	1	3	2
Licenses and permits	72	72	72	-
Total Town Clerk	<u>178</u>	<u>178</u>	<u>235</u>	<u>57</u>
Development and planning:				
Planning and zoning fees	30	30	11	(19)
Wetland fees	7	7	5	(2)
Zoning Board of Appeals	3	3	4	1
Total development and planning	<u>40</u>	<u>40</u>	<u>20</u>	<u>(20)</u>
Police Department:				
Private duty	11	11	11	-
Parking fines	4	4	6	2
Fingerprinting	1	1		(1)
Tickets	5	5	5	-
Total Police Department	<u>21</u>	<u>21</u>	<u>22</u>	<u>1</u>
Building inspection:				
Building fees	75	75	81	6
Fire Marshal:				
Licenses and permits	2	2	2	-
Social services:				
Senior van donations	1	1	1	-
Elderly housing - Wells Run	16	16	23	7
Total social services	<u>17</u>	<u>17</u>	<u>24</u>	<u>7</u>
Special programs:				
Tax Assessor sale of maps	2	2	1	(1)
Parks and recreation	2	2	3	1
Probate court	13	13	13	-
Total special programs	<u>17</u>	<u>17</u>	<u>17</u>	<u>-</u>

(Continued on next page)

**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, 2015
(In Thousands)**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Education:				
Tuition and fees	\$ 18	\$ 18	\$ 21	\$ 3
Total licenses, permits and fees	454	454	504	50
Intergovernmental:				
In lieu of taxes	64	64	85	21
Circuit breaker	59	59	62	3
Veterans' exemption	4	4	4	-
Mashantucket Pequot Fund	18	18	22	4
Educational transportation	25	25	27	2
Education cost sharing	1,472	1,472	1,503	31
Telephone access line grant	29	29	33	4
Total intergovernmental	1,671	1,671	1,736	65
Investment income	25	25	29	4
Other revenues:				
Miscellaneous	23	23	60	37
Total revenues	28,149	28,149	28,427	278
Other financing sources:				
Transfers in:				
Sewer operations	427	427	427	-
Premium on bonds			70	70
Total other financing sources	427	427	497	70
Total	\$ 28,576	\$ 28,576	28,924	\$ 348

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	1,573
Excess Cost Grant	117
Cancellation of prior year encumbrances are recognized as budgetary revenue	(9)

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

\$ 30,605

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, 2015
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Board of Finance	\$ 31	\$ 31	\$ 29	\$ 2
Board of Selectmen	27	28	27	1
Municipal Management	181	182	181	1
Finance Department	151	155	155	-
Treasurer	7	7	7	-
Tax Collector	113	113	105	8
Assessor	155	155	155	-
Board of Assessment Appeals	1	1	1	-
Planning and Zoning	16	25	22	3
Wetlands	8	8	3	5
Zoning Board of Appeals	6	28	28	-
Land Use Administration	118	118	117	1
Building Inspector	126	126	123	3
Economic Development Commission	1	1		1
Town Clerk	118	118	109	9
Elections	30	28	23	5
Registrars	28	30	29	1
Legal counsel	81	100	101	(1)
Probate	8	8	8	-
Technology	73	73	68	5
Central Services and Town buildings	31	31	27	4
Total general government	<u>1,310</u>	<u>1,366</u>	<u>1,318</u>	<u>48</u>
Public safety:				
Police protection	137	136	129	7
Patrol services	142	142	133	9
Fire Marshal	79	79	71	8
Fire protection service	353	360	358	2
E911 Emergency	85	82	82	-
Litchfield emergency management	6	6		6
Total public safety	<u>802</u>	<u>805</u>	<u>773</u>	<u>32</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, 2015
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public works:				
Supervision	\$ 12	\$ 12	\$ 9	\$ 3
Operations	1,095	1,204	1,204	-
Highways	610	587	587	-
Equipment maintenance	276	295	295	-
Building and grounds maintenance	274	274	222	52
Solid waste disposal and recycling	490	470	468	2
Director of Public Works	70	70	70	-
Total public works	<u>2,827</u>	<u>2,912</u>	<u>2,855</u>	<u>57</u>
Health and welfare:				
Social services	38	38	34	4
Ambulance services	67	76	75	1
OSHA mandated health	1	1		1
Total health and welfare	<u>106</u>	<u>115</u>	<u>109</u>	<u>6</u>
Libraries	<u>355</u>	<u>355</u>	<u>355</u>	<u>-</u>
Recreation:				
Recreation	109	109	105	4
Co-op programs	150	152	152	-
Total recreation	<u>259</u>	<u>261</u>	<u>257</u>	<u>4</u>
Board of Education:				
Board of Education	16,516	16,516	16,332	184
Maintenance by Town	1,164	1,173	1,171	2
Total Board of Education	<u>17,680</u>	<u>17,689</u>	<u>17,503</u>	<u>186</u>
Other:				
Cemetery services	22	22	22	-
Beautification Commission	2	2	1	1
Contingency	90			-
Fringe benefits	1,620	1,792	1,778	14
Municipal insurance	87	88	88	-
Total other	<u>1,821</u>	<u>1,904</u>	<u>1,889</u>	<u>15</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, 2015
(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	\$ 2,466	\$ 2,466	\$ 2,366	\$ 100
Interest on long-term debt	794	794	794	-
Interest on bond anticipation notes	16	16	16	-
Total debt service	<u>3,276</u>	<u>3,276</u>	<u>3,176</u>	<u>100</u>
Total expenditures	<u>28,436</u>	<u>28,683</u>	<u>28,235</u>	<u>448</u>
Other financing uses:				
Transfers out:				
Capital improvements	25	1,016	1,016	-
Other	115	115	115	-
Total other financing uses	<u>140</u>	<u>1,131</u>	<u>1,131</u>	<u>-</u>
Total	\$ <u>28,576</u>	\$ <u>29,814</u>	29,366	\$ <u>448</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 1,573
- Excess Cost Grant 117
- Dog Fund was combined with the General Fund (GASB Statement No. 54) (7)
- 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 (116)

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV \$ 30,933

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TOWN PLAN
LAST TWO FISCAL YEARS
(In Thousands)

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 345	\$ 396
Interest	1,023	977
Differences between expected and actual experience	318	
Benefit payments, including refunds of member contributions	<u>(698)</u>	<u>(630)</u>
Net change in total pension liability	988	743
Total pension liability - beginning	<u>14,613</u>	<u>13,870</u>
Total pension liability - ending	<u>15,601</u>	<u>14,613</u>
Plan fiduciary net position:		
Contributions - employer	1,094	1,068
Net investment income	304	1,290
Benefit payments, including refunds of member contributions	<u>(698)</u>	<u>(630)</u>
Net change in plan fiduciary net position	700	1,728
Plan fiduciary net position - beginning	<u>11,203</u>	<u>9,475</u>
Plan fiduciary net position - ending	<u>11,903</u>	<u>11,203</u>
Net Pension Liability - Ending	<u>\$ 3,698</u>	<u>\$ 3,410</u>
Plan fiduciary net position as a percentage of the total pension liability	76.30%	76.49%
Covered-employee payroll	\$ 4,108	\$ 4,398
Net pension liability as a percentage of covered-employee payroll	90.02%	78.12%

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - MERIT SERVICE PLAN
LAST TWO FISCAL YEARS
(In Thousands)

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 59	\$ 66
Interest	259	248
Differences between expected and actual experience	33	
Benefit payments, including refunds of member contributions	<u>(167)</u>	<u>(139)</u>
Net change in total pension liability	184	175
Total pension liability - beginning	<u>3,719</u>	<u>3,544</u>
Total pension liability - ending	<u>3,903</u>	<u>3,719</u>
Plan fiduciary net position:		
Contributions - employer	150	150
Net investment income	89	394
Benefit payments, including refunds of member contributions	<u>(167)</u>	<u>(139)</u>
Net change in plan fiduciary net position	72	405
Plan fiduciary net position - beginning	<u>3,290</u>	<u>2,885</u>
Plan fiduciary net position - ending	<u>3,362</u>	<u>3,290</u>
Net Pension Liability - Ending	<u>\$ 541</u>	<u>\$ 429</u>
Plan fiduciary net position as a percentage of the total pension liability	86.14%	88.26%
Covered-employee payroll	\$ N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS - TOWN PLAN
LAST TEN FISCAL YEARS
(In Thousands)

	<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>	<u>2015</u>
Actuarially determined contribution	\$ 354	\$ 360	\$ 509	\$ 609	\$ 773	\$ 726	\$ 824	\$ 838	\$ 828	\$ 844
Contributions in relation to the actuarially determined contribution	<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>	<u>1,094</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>(31)</u>	\$ <u>(168)</u>	\$ <u>79</u>	\$ <u>(148)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(240)</u>	\$ <u>(250)</u>
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 4,398	\$ 4,108
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	24.28%	26.63%

Notes to Schedule

Valuation date: July 1, 2014

Measurement date: June 30, 2015

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

18 years

Asset valuation method

Market Value of Assets

Inflation

3.0%

Salary increases

4.0%, 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 - 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>	<u>2015</u>
Actuarially determined contribution	\$ 83	\$ 105	\$ 106	\$ 115	\$ 160	\$ 224	\$ 212	\$ 188	\$ 188	\$ 150	\$ 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>	<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>				
Covered-employee payroll	N/A	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	N/A

Notes to Schedule

Valuation date: July 1, 2014
Measurement date: June 30, 2015
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 3.0%
Salary increases NA
Investment rate of return 7.00%, net of pension plan investment expense, including inflation

**TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - TOWN PLAN
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	2.91%	13.76%

**TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - MERIT SERVICE PLAN
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	2.97%	14.01%

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST FISCAL YEAR**

	<u>2015</u>
Town's proportion of the net pension liability	0.00%
Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>20,942</u>
Total	<u>\$ 20,942</u>
Town's covered-employee payroll	<u>\$ 8,041</u>
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market

JOSEPH FASI LLC

56 ARBOR STREET, SUITE 418
HARTFORD, CONNECTICUT 06106

A T T O R N E Y S A T L A W

TELEPHONE (860)296-0510
FACSIMILE (860)296-0541

FORM OF OPINION OF BOND COUNSEL

Town of Litchfield
Litchfield, Connecticut

Ladies and Gentlemen:

We have represented the Town of Litchfield, Connecticut as bond counsel with respect to the issuance and sale of \$6,438,000 Town of Litchfield, Connecticut General Obligation Bonds, Issue of 2016, bearing a Dated Date and an Original Issue Date of August 11, 2016 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the Town dated August 11, 2016 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

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

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

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the bonds under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the bonds are valid and binding general obligations of the Town of Litchfield payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There were 927.8 acres of such certified forest land on the last completed grand list of the Town and under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

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

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

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

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

The rights of owners of the bonds and the enforceability of the bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully yours,

JOSEPH FASI LLC

TAX MATTERS

Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Bonds in order that interest on the Bonds not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer concurrently with the Bonds, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Issuer also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code. Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds irrespective of the date on which non compliance occurs. In rendering its opinion, Bond Counsel relies on the continuing compliance by the Town with the Tax Regulatory Agreement.

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

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

Bond Counsel expresses no opinion regarding any other Federal or State tax consequences of ownership or disposition of, or receipt of interest on the Bonds.

Additional Tax Matters

The following is a brief discussion of certain Additional Tax Matters associated with purchase and ownership of the Bonds. Bond Counsel's opinion does not address these issues (see opinion above) and prospective purchasers are advised to consult their own tax advisors regarding federal and state consequences of ownership and disposition of the Bonds.

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

Original Issue Discount and Premium

The following is a general discussion of Original Issue Discount and Premium and not an opinion of Bond Counsel. Prospective Investors are advised to consult their own tax advisors regarding original issue discount and original issue premium in connection with their ownership and disposition of the Bonds.

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

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

Prospective purchasers of OID Bonds, including those not purchasing a Bond at its initial public offering, should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the federal, state and local tax consequences of owning or disposing of such OID Bonds.

Original Issue Premium

The initial public offering prices of certain maturities of the Bonds (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal, state and local income tax purposes, including special rules regarding the consequences of ownership, amortization of bond premium, basis, and gain or loss from the sale or exchange of OIP Bonds.

FUTURE EVENTS

The Federal and State tax treatment of municipal bonds is determined by Federal, State and local legislation, administrative pronouncements and court decisions. For example, recent Federal legislative proposals have been introduced into Congress which, if enacted, would eliminate or curtail the exclusion from gross income of interest paid on municipal bonds or have other collateral tax consequences that will adversely affect their tax treatment, including limiting the exclusion from gross income on tax exempt bonds for higher income taxpayers. Current ongoing Federal budget discussions include such proposals. The enactment of such proposals may adversely affect the tax treatment of: the interest paid on the Bonds, their sale or disposition, market price, marketability, or otherwise prevent Beneficial Owners from receiving the full current tax benefit of ownership. There can be no assurance that changes of law by Federal or State governments will not occur or that they will not be made retroactive. Bond Counsel does not opine as to post issuance acts, including changes of law. Prospective purchasers and Beneficial Owners should consult their own tax advisors regarding pending or proposed law changes.

APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF LITCHFIELD, CONNECTICUT

Dated As Of August 11, 2016

In Connection With The Issuance And Sale Of

\$6,438,000 Town Of Litchfield, Connecticut

General Obligation Bonds, Issue of 2016,

Dated August 11, 2016

WHEREAS, the Town of Litchfield, Connecticut (the "Issuer") has heretofore authorized the issuance of \$6,438,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2016 (the "Bonds") to be dated August 11, 2016 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

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

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

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

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

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

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

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

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

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

<http://emma.msrb.org>

Section 2. Annual Reports.

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

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

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

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

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

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

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

Section 4. Event Notices. The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of 10 business days after the occurrence of the event to the MSRB, notice of the occurrence of any of the following events:

- a) principal and interest payment delinquencies;
- b) non-payment related defaults, if material;
- c) unscheduled draws on debt service reserves reflecting financial difficulties;
- d) unscheduled draws on credit enhancements reflecting financial difficulties;
- e) substitution of credit or liquidity providers, or their failure to perform;
- f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- g) modifications to rights of security holders, if material;
- h) bond calls, if material, and tender offers;
- i) defeasances;
- j) release, substitution or sale of property securing repayment of the securities, if material;
- k) rating changes;
- l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- m) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

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

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

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

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF LITCHFIELD, CONNECTICUT

Dated As Of August 11, 2016

In Connection With The Issuance And Sale Of

\$6,438,000 Town Of Litchfield, Connecticut

General Obligation Bonds, Issue of 2016,

Dated August 11, 2016

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

TOWN OF LITCHFIELD, CONNECTICUT

By _____
Leo Paul, Jr.
First Selectman

By _____
David T. Wilson
Town Treasurer

By _____
Amaechi E. Obi
Interim Director of Finance

APPENDIX D – NOTICE OF SALE

NOTICE OF SALE

\$6,438,000

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL OBLIGATION BONDS, ISSUE OF 2016

BANK QUALIFIED

ELECTRONIC BIDS via **PARITY®** only will be received by the Town of Litchfield, Connecticut (the "Issuer") until:

**11:30 A.M. (E.D.T.)
Thursday, July 28, 2016**

for the purchase of \$6,438,000 Town of Litchfield General Obligation Bonds, Issue of 2016, maturing August 1 in each of the years as follows:

Year	Amount	Year	Amount
2017	\$425,000	2025	\$430,000
2018	\$425,000	2026	\$430,000
2019	\$428,000	2027	\$430,000
2020	\$430,000	2028	\$430,000
2021	\$430,000	2029	\$430,000
2022	\$430,000	2030	\$430,000
2023	\$430,000	2031	\$430,000
2024	\$430,000		

bearing interest payable semi-annually on February 1 and August 1 in each year until maturity, commencing February 1, 2017 (the "Bonds").

Redemption

The Bonds maturing on or before August 1, 2022 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2023 and thereafter are subject to redemption prior to maturity, at the election of the Issuer, on and after August 1, 2022, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Issuer may determine, at the redemption price or prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

	<u>Redemption Dates</u>	<u>Redemption Price</u>
From:	August 1, 2022 and thereafter	100%

Book Entry/Denominations

The Bonds will be dated August 11, 2016 and will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. The book-entry system will evidence ownership of the Bonds in principal amounts of \$1,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by the Issuer or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Submitting Proposals

Proposals for the purchase of said Bonds must be in the form of proposal for purchase attached hereto. Each bid must be for the entire \$6,438,000 of Bonds and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum, provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of 360-day year consisting of twelve 30-day months. No bid for less than par and accrued interest will be considered. Unless all bids are rejected the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

For the purposes of determining the successful bidder, the true interest cost to the Issuer will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to August 11, 2016, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to August 11, 2016, the delivery date of the Bonds. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to four decimal places. Such statement shall not be considered as a part of the proposal. The purchase price must be paid in Federal Funds.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds must be submitted through the facilities of *PARITY*[®] until 11:30 A.M. (E.D.T.) on Thursday, July 28, 2016. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about *PARITY*[®], including any fee charged, may be obtained from *PARITY*[®], c/o i-Deal LLC, 1359 Broadway, 2nd Floor New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

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

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

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

Award

The Bonds will be awarded or all bids will be rejected promptly after the bid opening and not later than 4:00 P.M. (Hartford time) on July 28, 2016. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

Legal Opinion

The legality of the issue will be passed upon by Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut, and the winning bidder will be furnished with their opinion without charge.

The Bonds will be general obligations of the Issuer payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There were 927.8 acres of such certified forest land on the last completed grand list of the Issuer and under existing statutes the State of Connecticut is obligated to pay to the Issuer the amount of tax revenue which the Issuer would have received except for the limitation upon its power to tax such dwelling houses.

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

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

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

Reoffering Price Certification

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

Documentation to Winning Bidders

The winning bidder will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to said firm, a confirmed copy of the Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Issuer relating to the accuracy and completeness of information contained in the Official Statement, and an executed continuing disclosure agreement.

Certifying/Paying Agent

The Bonds will be certified by U.S. Bank National Association.

Bank Qualification

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

Delivery and Payment

The Bonds will be delivered to DTC or its Agent via "Fast" on or about August 11, 2016. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds prior to delivery, and the Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of the winning bidder to obtain such numbers and to supply them to the Issuer in a timely manner. The Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for the purchaser.

Deemed Final; Pricing Information

The Official Statement is in a form "deemed final" by the Issuer for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The Issuer will provide to the winning bidder 50 copies of the Official Statement prepared at the Issuer's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. If the Issuer's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

Continuing Disclosure

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

More Information

For more information regarding this issue and the Issuer, reference is made to the Official Statement. Bid forms and copies of the Official Statement dated July 19, 2016, may be obtained from Mark Chapman, Director, Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, (203) 245-7264.

Leo Paul, Jr.
First Selectman

David T. Wilson
Town Treasurer

Amaechi E. Obi
Interim Director of Finance

July 19, 2016

(See attached for form of Proposal for Bonds)

PROPOSAL FOR BONDS
ONLY Electronic Bids via **PARITY**® Accepted

July 28, 2016
Leo Paul, Jr., First Selectman
David T. Wilson, Town Treasurer
Amaechi E. Obi, Interim Director of Finance
Town of Litchfield
c/o Office of the First Selectman, Town of Litchfield
Town Hall
74 West Street
Litchfield, Connecticut 06759

Gentlemen:

Subject to the provisions of the Notice of Sale dated July 19, 2016, which Notice is made a part of this proposal, we offer to purchase all \$6,438,000 bonds of the Town of Litchfield, Connecticut comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$ _____, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2017	\$425,000	_____ %	2025	\$430,000	_____ %
2018	\$425,000	_____ %	2026	\$430,000	_____ %
2019	\$428,000	_____ %	2027	\$430,000	_____ %
2020	\$430,000	_____ %	2028	\$430,000	_____ %
2021	\$430,000	_____ %	2029	\$430,000	_____ %
2022	\$430,000	_____ %	2030	\$430,000	_____ %
2023	\$430,000	_____ %	2031	\$430,000	_____ %
2024	\$430,000	_____ %			

(Name of Bidder)

(Mailing Address)

(Telephone Number)

(Authorized Signature)

(Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of \$6,438,000 bonds under the foregoing proposal:

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