

Official Statement Dated January 25, 2012

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 and Notes 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 and Notes 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 and Notes is excluded from taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendices B-1 and B-2 "Forms of Opinion of Bond Counsel and Tax Exemption" herein.)

TOWN OF LITCHFIELD, CONNECTICUT

\$2,900,000

GENERAL OBLIGATION BONDS, ISSUE OF 2012

(BANK QUALIFIED)

BOOK-ENTRY-ONLY

Dated: Date of Delivery

Due: Serially, February 1, as shown herein

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

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity, commencing August 1, 2012.

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

MOODY'S RATING: MIG 1
(See "Ratings" herein)

\$425,000

GENERAL OBLIGATION BOND ANTICIPATION NOTES

(BANK QUALIFIED)

BOOK-ENTRY-ONLY

Dated: February 8, 2012

Due: February 7, 2013

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

Interest on the Notes will be payable at maturity.

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

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

The Bonds and Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds and Notes in definitive book-entry form will be made on or about February 8, 2012.

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

TOWN OF LITCHFIELD, CONNECTICUT

\$2,900,000

**GENERAL OBLIGATION BONDS, ISSUE OF 2012
(BANK QUALIFIED)
BOOK-ENTRY-ONLY**

Dated: Date of Delivery

Due: Serially, February 1, as shown below

MATURITY SCHEDULE AND AMOUNTS

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2013	\$ 175,000	2.000%	0.350%	536597NE3	2021	\$ 200,000	2.000%	1.750%*	536597NN3
2014	225,000	2.000	0.500	536597NF0	2022	200,000	2.000	1.900*	536597NP8
2015	175,000	3.000	0.700	536597NG8	2023	200,000	2.000	2.000	536597NQ6
2016	175,000	3.000	0.900	536597NH6	2024	200,000	2.000	2.100	536597NR4
2017	200,000	3.000	1.000	536597NJ2	2025	200,000	2.100	2.200	536597NS2
2018	200,000	2.000	1.200*	536597NK9	2026	175,000	2.200	2.300	536597NT0
2019	200,000	2.000	1.350*	536597NL7	2027	175,000	2.250	2.400	536597NU7
2020	200,000	2.000	1.550*	536597NM5					

* Priced assuming redemption on February 1, 2017; however any such redemption is at the election of the Town. (See "Optional Redemption" herein).

Janney Montgomery Scott LLC

TOWN OF LITCHFIELD, CONNECTICUT

\$425,000

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

Dated: February 8, 2012

Due: February 7, 2013

<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u>
1.000%	0.500%	536597NV5

ROOSEVELT & CROSS
INCORPORATED

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

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

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

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

The independent auditors for the Issuer are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in Appendix A, "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 Appendices B-1 and B-2 "Forms of Opinion of Bond Counsel and Tax Exemption" herein) and makes no representation that it has independently verified the same.

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

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

BOND COUNSEL

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Joseph P. Fasi, Esq.

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(860) 296-0510

INDEPENDENT FINANCIAL ADVISOR

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

Madison, Connecticut
(203) 245-8715

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BOND SALE SUMMARY

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

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

Date of Sale:	Wednesday, January 25, 2012, 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:	\$2,900,000 General Obligation Bonds, Issue of 2012.
Dated Date:	February 8, 2012.
Interest Due:	February 1 and August 1 in each year of maturity, commencing August 1, 2012.
Principal Due:	Serially February 1, 2013 - 2027.
Purpose and Authority:	The Bonds are being issued to finance certain school and capital projects undertaken by the Town. (See "Authorization and Purpose of the Bonds and Notes" herein).
Redemption:	The Bonds are subject to redemption prior to maturity, as more fully described herein.
Security:	The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Bonds when due. (See "Security and Remedies" herein).
Credit rating:	The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"). The rating on the Town's outstanding general obligation bonds has recently been affirmed "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-1, "Form of Opinion of Bond Counsel and Tax Exemption – The Bonds".
Continuing Disclosure:	See Appendix C-1, "Form of Continuing Disclosure Agreement – The Bonds".
Bank Qualification:	The Bonds SHALL be designated by the Town as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Certifying Bank, Registrar, Transfer and Paying Agent:	U.S. Bank National Association of Hartford, Connecticut.
Legal Opinion:	Joseph Fasi LLC of Hartford, Connecticut are Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry form will be made to the Depository Trust Company via "FAST" on or about February 8, 2012, against payment in Federal Funds.
Issuer Official:	Questions concerning the Town and this Official Statement should be directed to Karl R. Fisher, Director of Finance, Town of Litchfield, Connecticut - Telephone (860) 567-7554.

NOTE SALE SUMMARY

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

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

Date of Sale:	Wednesday, January 25, 2012, at 11:00 A.M. (E.S.T).
Location of Sale:	Office of the First Selectman, Town of Litchfield, Town Hall, 74 West Street, Litchfield, Connecticut, 06759.
Issuer:	Town of Litchfield, Connecticut (the "Town").
Issue:	\$425,000 General Obligation Bond Anticipation Notes (the "Notes").
Dated Date:	February 8, 2012.
Interest Due:	February 7, 2013.
Principal Due:	February 7, 2013.
Purpose and Authority:	The Notes are being issued to finance a portion of the school building project undertaken by the Town. (See "Authorization and Purpose of the Bonds and Notes" herein).
Redemption:	The Notes are NOT subject to redemption prior to maturity.
Security:	The Notes will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Notes when due. (See "Security and Remedies" herein).
Credit Rating	The Notes have been rated "MIG 1" by Moody's Investors Service, Inc. ("Moody's"). The rating on the Town's outstanding general obligation bonds have recently been affirmed "Aa2" by Moody's. (See "Ratings" herein).
Basis of Award:	Lowest Net Interest Cost ("NIC") as of the dated date.
Tax Exemption:	See Appendix B-2, "Form of Opinion of Bond Counsel and Tax Exemption" herein.
Continuing Disclosure Agreement:	See Appendix C-2, "Form of Continuing Disclosure Agreement" herein.
Bank Qualification:	The Notes SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocation to the Notes.
Certifying Bank, Registrar, Transfer and Paying Agent:	U.S. Bank National Association of Hartford, Connecticut.
Legal Opinion:	Joseph Fasi LLC of Hartford, Connecticut is Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Notes in book-entry form will be made to the Depository Trust Company via "FAST" on or about February 8, 2012, against payment in Federal Funds.
Issuer Official:	Questions concerning the Town and this Official Statement should be directed to Karl R. Fisher, Director of Finance, Town of Litchfield, Connecticut - Telephone (860) 567-7554.

SECTION I - SECURITIES OFFERED

Introduction

This Official Statement, including the cover page, inside cover and appendices, is provided only in connection with the initial offering and sale of \$2,900,000 General Obligation Bonds, Issue of 2012 (the "Bonds") and \$425,000 General Obligation Bond Anticipation Notes (the "Notes") to present certain financial and supplementary economic and demographic data relevant to the Town of Litchfield, Connecticut (the "Town"), and may not be reproduced or used in whole or in part for any other purpose.

The Bonds and Notes are being offered for sale at public bidding. A Notice of Sale dated January 17, 2012 has been furnished to prospective bidders. Reference is made to the Notice of Sale, which is included as Appendix D, for the terms and conditions of the bidding.

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

Description of the Bonds

The Bonds will be dated the date of delivery and will mature on the dates and in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds will be payable August 1, 2012 and semiannually thereafter on February 1 and August 1 in each year until the date of maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months at the rate or rates per annum specified by the successful bidder. A book-entry system will be employed evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein). The Certifying Bank, Registrar, Transfer 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-1. The Bonds SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended and described herein. **The Bonds are subject to redemption prior to maturity as described herein. (See "Optional Redemption" herein.)**

Optional Redemption

The Bonds maturing on or before February 1, 2017 are not subject to redemption prior to maturity. The Bonds maturing on February 1, 2018, and thereafter are subject to redemption prior to maturity, at the election of the Town, on or after February 1, 2017, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption price or prices (expressed as a percentage of the principal amount of Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
February 1, 2017 and thereafter	100%

Notice of Redemption

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

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

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

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

Description of the Notes

The Notes will be dated February 8, 2012 and principal and interest on the Notes are due at maturity on February 7, 2013. The Notes are not subject to redemption prior to maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months at the rate or rates per annum specified by the successful bidder. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York, ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein). The Certifying Bank, Registrar, Transfer Agent and Paying Agent will be U.S. Bank National Association of Hartford, Connecticut. The legal opinion on the Notes will be rendered by Joseph Fasi LLC of Hartford, Connecticut, as set forth in Appendix B-2. The Notes are being issued for a portion of the school building project undertaken by the Town as described herein under "Authorization and Use of Proceeds of the Bonds and Notes". The Notes SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended and described herein.

Authorization and Use of Proceeds of the Bonds and Notes

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

Authorization:

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

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 the Annual Town Meeting held on January 11, 2011.

2011-2012 Capital Improvement Program: A \$1,350,000 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2011-2012 was approved at the Annual Town Meeting held on January 10, 2012.

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

Projects	Total Bond Authorization	Notes Outstanding	Additions (Reductions)	The Bonds (This Issue)	The Notes (This Issue)
Town Schools Expansion & Renovation Projects	\$ 33,000,000	\$ 450,000	\$ (25,000)	\$ -	\$ 425,000
2010-2011 Capital Improvement Program					
School Improvements	141,600	141,600	-	141,600	-
East Litchfield Fire House – Parking Lot	75,000	75,000	-	75,000	-
Bridge, Road and Building Improvements	1,539,808	1,539,808	-	1,539,808	-
Debt Administration	43,592	3,592	40,000	43,592	-
2011-12 Capital Improvement Program					
Center School Flooring	40,000	-	40,000	40,000	-
New Pumper Truck	250,000	-	-	-	-
Vehicle and Equipment Replacement	175,000	-	175,000	175,000	-
Bridge, Road and Building Improvements	846,637	-	846,637	846,637	-
Debt Administration	38,363	-	38,363	38,363	-
Total	<u>\$ 36,150,000</u>	<u>\$ 2,210,000</u>	<u>\$ 1,115,000</u>	<u>\$ 2,900,000</u>	<u>\$ 425,000</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 Notes have been rated "MIG 1" by Moody's. The rating on the Town's outstanding general obligation bonds has recently been affirmed "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 and Notes.

Security and Remedies

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

Unless paid from other sources, the Bonds and Notes are payable from the general property tax revenues of the Town. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all property subject to taxation by the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. There were 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 and Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds and Notes. There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues or property to secure the Bonds and Notes or judgments thereon, in priority to other claims.

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

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

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

Qualification for Financial Institutions

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

Book-Entry Transfer System

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its 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 and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and Notes on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 and Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds and Notes, except in the event that use of the book-entry system for the Bonds and Notes is discontinued.

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

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

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

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

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds and Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or 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, Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds and Notes 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 and Note certificates are required to be printed and delivered.

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

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

Replacement Bonds and Notes

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

DTC Practices

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

SECTION II - THE ISSUER

Description of the Town

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

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

Litchfield is a community predominantly composed of owner-occupied, single-family dwellings. Single-family dwellings comprise over 80% of all housing units in the Town. During the 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	8.0 years
R. Christopher Blake*	Selectman	2 Years -- Elected	2.5 years
Jeffrey J. Zullo	Selectman	2 Years -- Elected	2 months
Paul J. Parsons	Selectman	2 Years -- Elected	2.5 years
Diane Knox	Selectman	2 Years -- Elected	1.0 year
David T. Wilson	Town Treasurer	2 Years -- Elected	23.5 years
Lisa A. Losee	Town Clerk	4 Years -- Elected	3.5 years
Nancy W. Southard	Tax Collector	4 Years -- Elected	21.5 years
Karl R. Fisher	Director of Finance	Appointed	11 months

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

Summary of Municipal Services

Police. The Town is serviced by the Connecticut State Police, Troop L, located in Litchfield and two Resident Troopers are assigned to Litchfield. The Town employs three Constables: one full-time and two regular part-time. 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 20 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 as well as 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 younger families 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. 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 twelve passenger mini-bus. The bus serves as a supplemental link for special events and healthcare. The NWCTD also provides transportation each weekday from Litchfield to Torrington, where residents may connect with other Torrington routes at the Municipal Parking Lot behind the Torrington Public Library on Daycoeten Place. Combined passenger trips between Northwest Transit and the Town bus currently averages 1,312 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 (the "Library") is the principal public library for the Town with more than 75% of its residents holding library cards. In the fiscal year ending June 30, 2011, the Library circulated 140,256 items and recorded 82,455 visits, representing a 41% and 15% increase respectively from three years ago. The Library logged 45,378 website visits representing an increase by more than 138% in the last three years. Circulation per employee is a standard measure of library efficiency. The Oliver Wolcott Library is the leader in the area and is in the top 13% of all Connecticut libraries and 45% higher than the statewide average. This represents even greater efficiency than noted last year. The Oliver Wolcott Library is committed to be a leader in energy efficiency. In addition to our aggressive recycle program, in the last five years, the Library has reduced its fuel usage by 33% and its electricity usage by 18%. The Oliver Wolcott Library offers a range of materials, services and programs. Our materials include bestsellers, adult and children's books, DVDs, music CDs, audio books, downloadable audio books, newspapers, magazines, and museum passes. The Library now offers a growing collection of e-books and offers services and programs including a weekly e-newsletter, bi-monthly print newsletter, weekly 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 Oliver Wolcott Library also offers a half hour one-on-one basic computer classes that is termed "Book a Librarian"; the "E-Lounge" which is a newly launched online book discussion group, a weekly blog where we discuss books, films, and music; and a website that offers 24/7 access. Additionally, in September of 2010, the Oliver Wolcott Library installed the first outreach lending machine in the State of Connecticut. Termed "the OWL Box", the OWL Box is essentially a vending machine filled with books, DVDs and audio books available to be borrowed with a valid library card. The OWL Box was installed at the Bantam Market in Bantam. The Libraries website is www.owlibrary.org. The website also includes several subscription-based online research tools like *Consumer Reports Online*, *Consumer Reports Health*, *Price It: Antiques and Collectibles*, and much more. The Library is now open seven days a week all year long.

The Gilbert Library in Northfield is a private library open to the public with a collection of books and video DVDs for children that may be borrowed.

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

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

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

Sanitary Sewers. Litchfield's first sanitary sewers date back to the 1880s. The existing sanitary sewer system is comprised of more than 26 miles of collection systems. The majority of the Litchfield sewerage is treated at its wastewater treatment plant located in the south western portion of town adjacent to the Bantam River. Utilizing inter municipal agreements, portions of Litchfield's flows discharge to treatment plants in Torrington and Thomaston and Litchfield accepts flows from the West Shore of Bantam Lake in Morris. Litchfield's treatment plant was constructed in 1971 and was upgraded between 2002 and 2004. The plants current design flow is 0.910 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 expense for 2009-2010 was \$1,092,276, including \$250,491 in debt service payments primarily for 2% financing for the plant upgrade and \$70,000 transferred to the WPCA Capital Reserve for future plant improvements. The sanitary sewer operating budgeted expense for 2010-2011 was \$1,071,744, including \$250,491 in debt service payments primarily for 2% financing for the plant upgrade. The sanitary sewer operating budgeted expenses for 2011-12 is \$1,092,259, including \$250,491 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.

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

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

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

The Authority is required to calculate and impose Service Payments for all solid waste accepted at the System, such that the aggregate of all such Service Payments received by the Authority shall be sufficient to pay for the net cost of operation of the System as defined in the Service Contract. Service Payments shall be at a uniform rate per ton for all municipalities. If a municipality delivers less than its Minimum Commitment (as defined in the Service Contract) such rate shall be applied to its Minimum Commitment amount. The Authority is required to submit bills to the participating municipalities' on or before the fifteenth day following the end of a billing period. Municipalities are required to pay Service Payments within 30 days of the date of invoice. The service payments fee that the Town pays to the Authority for solid waste has been: \$69 for July 1, 2007 to October 24, 2007; \$60.96 for October 25, 2007 to June 30, 2008; \$72 for July 1, 2008 to December 31, 2008; \$62 for January 1, 2009 to June 30, 2009; and \$69 for July 1, 2009 to June 30, 2012. For the year ending June 30, 2011, the Town received a credit of \$32,529 (\$6 for every ton delivered in the prior year). For fiscal years 2008 and 2009, the Authority rebated the Town for recycling tons delivered, at \$10 and \$5 per ton, respectively.

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

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

Water. Aquarion Water Company of Connecticut ("Aquarion") provides water for public water supply and fire protection to approximately 2,300 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 AT&T for telephone service. The delivery of electricity for the Town and Board of Education is through Connecticut Light and Power (CL&P). 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 Constellation New Energy.

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

School	Grades	Occupied	Renovation	Classrooms	Enrollment	
					10/01/11	Capacity
Center School	Pre K-3	1925	1945, 1965, 1988	22	316	468
Intermediate School	4 - 6	1967	2007	18	262	360
Middle/High School	7 - 12	1956	1963, 1976 & 2007	31	544	620
Total				71	1,122	1,448

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>
2002-03	376	379	661	1,416
2003-04	348	345	671	1,364
2004-05	355	316	692	1,363
2005-06	348	273	675	1,296
2006-07	352	242	667	1,261
2007-08	337	250	624	1,211
2008-09	348	276	578	1,202
2009-10	344	289	569	1,202
2010-11	339	267	560	1,166
2011-12	316	262	544	1,122
Projected (2)				
2012-13	319	262	532	1,113
2013-14	301	264	517	1,082
2014-15	309	250	525	1,084
2015-16	308	234	532	1,074
2016-17	290	251	546	1,087

(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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Government	103	103	105	106	106	106	105	105	107	108
Board of Education	171	170	172	177	180	178	182	185	184	188
Total	<u>274</u>	<u>273</u>	<u>277</u>	<u>283</u>	<u>286</u>	<u>284</u>	<u>287</u>	<u>290</u>	<u>291</u>	<u>296</u>

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

Municipal Employees Bargaining Organizations

As of June 30, 2011, the Town employs 274 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	6/30/2013
Department Heads	Town of Litchfield Supervisors Association	7	6/30/2012
Clerical	Town of Litchfield Municipal Employees Assoc.	10	6/30/2012
	Non-Bargaining Employees	<u>67</u>	
Sub-total - General Government		103	
<u>Board of Education</u>			
Teachers	Litchfield Education Association	108	6/30/2014
Administrators	Litchfield Administrators' Association	5	6/30/2014
Classified Employees	Council; 4, AFSCME	43	6/30/2012
	Non-Bargaining Employees	<u>15</u>	
Sub-total - Board of Education		<u>171</u>	
Total - Town of Litchfield		<u>274</u>	

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. 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.

SECTION III - ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

Year	Town of Litchfield	Litchfield County	State of Connecticut
1960	6,264	119,856	2,535,234
1970	7,399	144,091	3,032,217
1980	7,605	156,769	3,107,576
1990	8,391	174,092	3,287,116
2000	8,316	182,193	3,405,565
2010	8,466	189,927	3,574,097

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

Age Characteristics of the Population

	Town of Litchfield	Litchfield County	State of Connecticut
Under 5 years of age	350	9,078	202,106
5 - 19 years of age	1,656	35,834	713,670
20 - 64 years of age	4,802	114,673	2,151,762
Over 65 years of age	1,658	30,342	506,559
Total	<u>8,466</u>	<u>189,927</u>	<u>3,574,097</u>

Source: U.S. Department of Commerce, Bureau of the Census, Census 2010.

Selected Wealth and Income Indicators

	Median Family Income		Per Capita Income	
	(2000)	(2009)	(2000)	(2009)
Town of Litchfield	\$70,594	\$96,360	\$30,096	\$40,761
Litchfield County	66,445	84,422	24,408	35,387
Connecticut	65,521	83,797	28,766	36,468
United States	49,600	62,363	21,690	27,041

Source: U.S. Department of Commerce, Census 2000 and 2005-2009 American Community Survey.

Income Distribution

	Town of Litchfield		Litchfield County		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
\$ -0- to 9,999	40	1.6	768	1.5	27,665	3.1
10,000 to 14,999	25	1.0	715	1.4	18,848	2.1
15,000 to 24,999	84	3.4	1800	3.5	44,485	5.0
25,000 to 34,999	113	4.5	3250	6.4	57,034	6.4
35,000 to 49,999	287	11.5	5,282	10.4	89,925	10.1
50,000 to 74,999	356	14.3	9,694	19.0	154,854	17.3
75,000 to 99,999	382	15.4	9,654	19.0	141,848	15.9
100,000 or more	1,200	48.3	19,737	38.8	357,890	40.1
	<u>2,487</u>	<u>100.0</u>	<u>50,900</u>	<u>100.0</u>	<u>892,549</u>	<u>100.0</u>

Source: U.S. Census Bureau, 2005-2009 American Community Survey.

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

	Town of Litchfield		Litchfield County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Elementary						
0 - 8 Years	185	3.0	3,736	2.8	109,092	4.7
High School						
1 - 3 Years	285	4.6	8,518	6.5	166,795	7.1
4 Years	1,306	20.9	40,700	30.9	675,219	28.8
College						
1 - 3 Years	1,937	31.0	36,214	27.5	571,335	24.4
4 Years or More	2,544	40.7	42,693	32.4	821,751	35.1
Total	<u>6,257</u>	<u>100.0</u>	<u>131,861</u>	<u>100.0</u>	<u>2,344,192</u>	<u>100.0</u>
Total high school graduate or higher (%)		92.5%		90.7%		88.2%
Total bachelor degree or higher (%)		40.7%		32.4%		35.1%

Source: U.S. Census Bureau, 2005-2009 American Community Survey.

Employment by Industry

	Town of Litchfield		Litchfield County		State of Connecticut	
	Number	%	Number	%	Number	%
Agriculture, forestry, fisheries	75	1.7	1023	1.0	6,668	0.4
Construction	483	10.8	9,114	9.1	115,303	6.6
Manufacturing	467	10.4	14,039	14.1	210,800	12.1
Wholesale trade	151	3.4	2,910	2.9	49,061	2.8
Retail trade	374	8.4	12,716	12.7	195,096	11.2
Transportation & warehousing, and utilities	56	1.3	3,046	3.0	66,455	3.8
Information	107	2.4	2,421	2.4	47,293	2.7
Finance, insurance, real estate	473	10.6	6,924	6.9	169,743	9.7
Professional, scientific, management, administrative, and waste management services	600	13.4	10,347	10.4	181,514	10.4
Educational, health and social services	1,174	26.2	23,768	23.8	421,009	24.2
Arts, entertainment, recreation, accommodation and food services	223	5.0	5,952	6.0	136,085	7.8
Other professional services	110	2.5	4,224	4.2	77,069	4.4
Public Administration	184	4.1	3,413	3.4	66,165	3.8
Total	<u>4,477</u>	<u>100.0</u>	<u>99,897</u>	<u>100.0</u>	<u>1,742,261</u>	<u>100.0</u>

Source: U.S. Census Bureau, 2005-2009 American Community Survey.

Major Employers

Name of Employer	Nature of Entity	Estimated Number of Employees
Town of Litchfield	Local Government and Board of Education	274
State Police & State Department of Transportation	State Employees	121
Forman School	Education	102
Regional School District 6	Education	92
Stop & Shop	Grocery Chain	91
Brandywine Assisted Living (Sarah Pierce Community)	Assisted Living	87
Education Connection	State Government, Education Services	75
Rosehaven, Ltd.	Skilled Nursing Facility & Home for Aged	65
Connecticut Junior Republic	Special Needs Education, including Residential	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 %
2001	2.4	2.9	3.3	4.8
2002	3.3	4.2	4.3	5.8
2003	4.1	4.7	5.5	5.8
2004	4.1	4.7	4.7	5.5
2005	4.3	4.7	4.9	5.1
2006	3.5	4.0	4.3	4.6
2007	3.9	4.3	4.5	4.6
2008	4.7	5.3	5.7	5.8
2009	7.0	8.0	8.0	9.3
2010	7.8	9.0	9.0	9.6

2011 Monthly

January	8.7	9.9	9.6	9.8
February	8.6	10.0	9.6	9.5
March	8.2	9.5	9.3	9.2
April	7.5	8.8	8.9	8.7
May	7.6	8.5	9.1	8.7
June	7.2	8.2	9.1	9.3
July	7.4	8.3	9.2	9.3
August	7.8	8.2	9.0	9.1
September	7.4	7.7	8.4	8.8
October	6.7	7.6	8.2	8.5
November	6.4	7.2	7.9	8.2

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
2012 (1)	6	189	29	224	\$ 5,806,185
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
2006 (2)	49	309	55	413	48,913,466
2005 (3)	54	260	36	350	21,478,775
2004	29	328	34	391	17,357,126
2003	29	174	53	256	15,578,867

(1) As of December 15, 2011.

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

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

Source: Town of Litchfield, Building Official.

Number of Dwelling Units

				% Increase	% Increase	% Increase	
	2010	2000	1990	1980	1980-2010	1990-2010	2000-2010
	3,975	3,629	3,430	2,760	44.0%	15.9%	9.5%

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

Characteristics of Housing Units

Sales Price Category	Town of Litchfield		Litchfield County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000	22	0.8	451	0.8	12,508	1.4
50,000 to 99,999	21	0.7	1,061	1.8	19,504	2.1
100,000 to 149,999	50	1.7	4,764	8.2	60,601	6.6
150,000 to 199,999	195	6.7	8,925	15.4	123,655	13.4
200,000 to 299,999	565	19.4	15,597	26.9	253,927	27.5
300,000 to 499,999	1,191	41.0	17,946	30.9	271,648	29.5
500,000 to 999,999	647	22.3	7,368	12.7	133,515	14.5
1,000,000 and over	214	7.4	1,920	3.3	46,829	5.1
	<u>2,905</u>	<u>100.0</u>	<u>58,032</u>	<u>100.0</u>	<u>922,187</u>	<u>100.0</u>
Median Value		\$391,100		\$287,200		\$295,800

Source: U.S. Census Bureau, 2005-2009 American Community Survey.

Age Distribution of Housing

Year Built	Town of Litchfield		Litchfield County		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
1939 or earlier	1,332	33.3	22,152	26.7	343,756	23.9
1940 – 1949	268	6.7	5,616	6.8	109,197	7.6
1950 – 1959	392	9.8	10,033	12.1	219,976	15.3
1960 – 1969	295	7.4	8,805	10.6	194,231	13.5
1970 – 1979	452	11.3	11,396	13.7	198,718	13.8
1980 – 1989	549	13.7	12,201	14.7	185,889	12.9
1990 – 1999	479	12.0	7,739	9.3	107,674	7.5
2000 – 2004	218	5.4	4,066	4.9	57,549	4.0
2005 or later	21	0.5	1,098	1.3	20,143	1.4
Total Housing	<u>4,006</u>	<u>100.0</u>	<u>83,106</u>	<u>100.0</u>	<u>1,437,133</u>	<u>100.0</u>

Source: U.S. Census Bureau, 2005-2009 American Community Survey.

Breakdown of Land Use

Land Use Type	Total Acreage	
	By Use	Percent
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 February 8, 2012 (Pro Forma)

Total Fiscal Year 2011 tax collections (including interest and lien fees)	\$ 24,174,000
State Reimbursement for Revenue Loss on:	
Local Property tax relief for elderly	-
Base for Establishing Debt Limit	<u>\$ 24,174,000</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)	\$ 54,391,500					
(4.50 times base)		\$ 108,783,000				
(3.75 times base)			\$ 90,652,500			
(3.25 times base)				\$ 78,565,500		
(3.00 times base)					\$ 72,522,000	
(7.00 times base) (1)						\$ 169,218,000

Indebtedness (Including the Bonds and Notes)

Bonds Payable	\$ 5,972,000	\$ 17,458,000	\$ 1,043,650	\$ -	\$ -	\$ 24,473,650
The Bonds (<i>This Issue</i>)	2,718,400	181,600	-	-	-	2,900,000
The Notes (<i>This Issue</i>)	-	425,000	-	-	-	425,000
State of Connecticut Permanent Loan Obligation ("PLO")	-	-	3,303,427	-	-	3,303,427
Authorized but Unissued Debt (2)	<u>1,305,000</u>	<u>393,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,698,111</u>
Total Indebtedness	<u>9,995,400</u>	<u>18,457,711</u>	<u>4,347,077</u>	<u>-</u>	<u>-</u>	<u>32,800,188</u>
Grants/Assessments Receivable (3)	<u>-</u>	<u>(324,764)</u>	<u>(1,167,021)</u>	<u>-</u>	<u>-</u>	<u>(1,491,785)</u>
Total Net Indebtedness	<u>9,995,400</u>	<u>18,132,947</u>	<u>3,180,056</u>	<u>-</u>	<u>-</u>	<u>31,308,403</u>
Excess of Limit Over Outstanding and Authorized Debt	<u>\$ 44,396,100</u>	<u>\$ 90,650,053</u>	<u>\$ 87,472,444</u>	<u>\$ 78,565,500</u>	<u>\$ 72,522,000</u>	<u>\$ 137,909,597</u>

(1) Under Connecticut General Statutes, total indebtedness for all classes cannot exceed seven times the base, or \$169,218,000.

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

(3) It is estimated that the Town will receive State of Connecticut School Construction grant progress payments in the amount of \$9,431,653 during the construction of the project. As of February 8, 2012, the Town has received progress payments in the amount of \$9,106,889. (See "School Projects" herein). As of June 30, 2011, the Town's sewer assessments receivable for the payment of sewer debt was \$1,167,021.

Source: Town Officials.

Calculation of Net Direct Debt

As of February 8, 2012 (Pro Forma)

Long-Term Indebtedness (1)	
The Bonds (<i>This Issue</i>)	\$ 2,900,000
General Purpose	5,972,000
Schools	17,458,000
Sewers	1,043,650
State of Connecticut PLO (Clean Water Fund)	<u>3,303,427</u>
Total Long-Term Indebtedness	<u>30,677,077</u>
Short-Term Indebtedness: The Notes (<i>This Issue</i>) (2)	<u>425,000</u>
Total Direct Indebtedness	31,102,077
Exclusions: Sewer assessments and Sewer use charges receivable (3)	<u>(1,731,630)</u>
Total Net Direct Indebtedness	<u>\$ 29,370,447</u>

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

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

(3) Grants and receivables applicable to authorized and unissued debt are not included. As of June 30, 2011, the Town's sewer assessments receivable was \$1,167,021 and sewer use charges receivable was \$564,609 for the payment of sewer debt.

Current Debt Ratios

As of February 8, 2012 (Pro Forma)

Total Direct Indebtedness	\$ 31,102,077
Total Net Direct Indebtedness	\$ 29,370,447
Population (1)	8,466
Net Taxable Grand List (10/1/10)	\$ 1,100,594,853
Estimated Full Value	\$ 1,572,278,361
Equalized Net Taxable Grand List (2009) (2)	\$ 1,538,582,916
Per Capita Income (2009) (3)	\$40,761
Total Direct Indebtedness:	
Per Capita	\$3,673.76
To Net Taxable Grand List	2.83%
To Estimated Full Value	1.98%
To Equalized Net Taxable Grand List	2.02%
Per Capita to Per Capita Income	9.01%
Total Net Direct Indebtedness:	
Per Capita	\$3,469.22
To Net Taxable Grand List	2.67%
To Estimated Full Value	1.87%
To Equalized Net Taxable Grand List	1.91%
Per Capita to Per Capita Income	8.51%

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

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

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

Historical Debt Statement

	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Population (1)	8,466	8,466	8,678	8,675	8,664
Net taxable grand list	\$ 1,099,965,435	\$ 1,089,925,297	\$ 898,484,511	\$ 885,239,305	\$ 872,853,828
Estimated full value	\$ 1,571,379,193	\$ 1,557,036,139	\$ 1,283,549,301	\$ 1,264,627,579	\$ 1,246,934,040
Equalized net taxable grand list (2)	\$ 1,538,582,916	\$ 1,557,736,187	\$ 1,770,768,034	\$ 1,752,551,589	\$ 1,723,182,546
Per capita income (2009) (3)	\$40,761	\$40,761	\$40,761	\$40,761	\$40,761
Short-term debt	\$ 2,210,000	\$ 475,000	\$ 500,000	\$ 2,670,000	\$ 3,175,000
Long-term debt	29,720,190	31,934,126	32,787,282	31,234,773	31,351,711
Total Direct Indebtedness	\$ 31,930,190	\$ 32,409,126	\$ 33,287,282	\$ 33,904,773	\$ 34,526,711
Net Direct Indebtedness	\$ 30,763,169	\$ 31,135,632	\$ 31,866,148	\$ 32,405,458	\$ 32,948,641

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

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

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

Historical Debt Ratios

	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
Total Direct Indebtedness:					
Per capita	\$3,771.58	\$3,828.15	\$3,835.82	\$3,908.33	\$3,985.08
To net taxable grand list	2.90%	2.97%	3.70%	3.83%	3.96%
To estimated full value	2.03%	2.08%	2.59%	2.68%	2.77%
To equalized net taxable grand list	2.08%	2.08%	1.88%	1.93%	2.00%
Debt per capita to per capita income	9.25%	9.39%	9.41%	9.59%	9.78%
Net Direct Indebtedness:					
Per capita	\$3,633.73	\$3,677.73	\$3,672.06	\$3,735.50	\$3,802.94
To net taxable grand list	2.80%	2.86%	3.55%	3.66%	3.77%
To estimated full value	1.96%	2.00%	2.48%	2.56%	2.64%
To equalized net taxable grand list	2.00%	2.00%	1.80%	1.85%	1.91%
Debt per capita to per capita income	8.91%	9.02%	9.01%	9.16%	9.33%

Outstanding Short-Term Indebtedness

The Town will have \$425,000 outstanding in short-term bond anticipation notes with this issue.

Overlapping and Underlying Indebtedness

The Town has no overlapping or underlying indebtedness.

Clean Water Fund Program

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

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

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

The Town has the following Clean Water Fund loans outstanding:

<u>Project</u>	<u>Date of Issue</u>	<u>Original 2% Loan Amount</u>	Amount Outstanding
			for the Sewer Construction Projects <u>As of February 8, 2012</u>
CWF PLO 181-C	07/29/1999	\$ 570,427	\$ 208,941
CWF PLO 396-C	01/30/1998	900,340	257,438
CWF PLO 499-C	07/31/2004	4,595,198	2,837,048
		<u>\$ 6,065,965</u>	<u>\$ 3,303,427</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	\$10,234,727	\$22,765,273	41.43%	\$9,431,653

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

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>The Notes (This Issue)</u>	<u>Authorized But Unissued</u>
High Bridge Road Bridge Improvements	\$ 1,055,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,055,000 (1)
Town Schools Expansion & Renovation Projects	33,000,000	23,000,000	450,000	9,181,889	-	425,000	393,111 (2)
2010-2011 Capital Improvement Program							
School Improvements	141,600	-	141,600	-	141,600	-	-
East Litchfield Parking Lot	75,000	-	75,000	-	75,000	-	-
Bridge, Road and Building Improvements	1,539,808	-	1,539,808	-	1,539,808	-	-
Debt Administration	43,592	-	3,592	-	43,592	-	-
2011-12 Capital Improvement Program							
Center School Flooring	40,000	-	-	-	40,000	-	-
New Pumper Truck	250,000	-	-	-	-	-	250,000
Vehicle and Equipment Replacement	175,000	-	-	-	175,000	-	-
Bridge, Road and Building Improvements	846,637	-	-	-	846,637	-	-
Debt Administration	38,363	-	-	-	38,363	-	-
Total	\$ 37,205,000	\$ 23,000,000	\$ 2,210,000	\$ 9,181,889	\$ 2,900,000	\$ 425,000	\$ 1,698,111

(1) The High Bridge Road Bridge Improvements program is expected to be funded with 80% grants and 20% of Town funds.

(2) It is estimated that the Town will receive State of Connecticut School Construction grant progress payments in the amount of \$9,431,653 during the construction of the project. The grants received will reduce the authorized but unissued debt by a similar amount. (See "School Projects" herein).

Combined Schedule of Long Term Debt through Maturity – General Fund and Sewer Assessment Fund
As of February 8, 2012 (Pro Forma)

Fiscal Year	Principal Payments (1)	Interest Payments	Total Debt Service (1)	The Bonds Principal	Total Principal All Issues (1)
2012	\$ 2,434,831	\$ 964,973	\$ 3,399,804	\$ -	\$ 2,434,831
2013	2,420,847	887,135	3,307,982	175,000	2,595,847
2014	2,425,158	811,917	3,237,075	225,000	2,650,158
2015	2,286,418	740,144	3,026,562	175,000	2,461,418
2016	2,292,805	677,844	2,970,649	175,000	2,467,805
2017	2,266,684	614,936	2,881,620	200,000	2,466,684
2018	2,205,865	546,006	2,751,871	200,000	2,405,865
2019	2,084,822	477,483	2,562,305	200,000	2,284,822
2020	2,097,054	410,916	2,507,970	200,000	2,297,054
2021	1,922,243	339,069	2,261,312	200,000	2,122,243
2022	1,902,536	269,217	2,171,753	200,000	2,102,536
2023	1,907,936	198,563	2,106,499	200,000	2,107,936
2024	1,567,991	130,601	1,698,592	200,000	1,767,991
2025	1,280,000	67,663	1,347,663	200,000	1,480,000
2026	625,000	26,563	651,563	175,000	800,000
2027	-	-	-	175,000	175,000
	<u>\$ 29,720,190</u>	<u>\$ 7,163,030</u>	<u>\$ 36,883,220</u>	<u>\$ 2,900,000</u>	<u>\$ 32,620,190</u>

(1) Does not reflect fiscal year 2011-12 principal payments of \$1,698,113 made as of February 8, 2012.

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

SECTION V - FINANCIAL DATA

Accounting Policies

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

Basis of Accounting

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

Audit

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

The most recent annual audit covers the fiscal year ended June 30, 2011, 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.

Supplemental Appropriations

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

Employee Pension Systems

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

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

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

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

The Town's audit report dated June 30, 2011 summarizes actuarial information based upon the July 1, 2010 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 12, "Employee Retirement Plans", 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. The valuation of July 1, 2009 was provided by the firm PenTec.

Based upon a July 1, 2010 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)
2004	\$ 4,680,000	\$ 5,930,000	\$ 1,250,000	78.9%
2005	4,662,000	6,316,000	1,654,000	73.8
2006	4,984,000	6,868,000	1,884,000	72.6
2007	5,799,000	8,708,000	2,909,000	66.6
2008	5,806,000	9,784,000	3,978,000	59.3
2009	5,044,224	10,516,645	5,472,421	48.0
2010	6,216,987	11,660,746	5,443,759	53.3

(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)
2004	\$ 1,428,000	\$ 2,290,000	\$ 862,000	62.4%
2005	1,433,000	2,262,000	829,000	63.4
2006	1,715,000	2,556,000	841,000	67.1
2007	1,983,000	2,754,000	771,000	72.0
2008	1,899,000	2,905,000	1,006,000	65.4
2009	1,648,251	3,154,608	1,506,357	52.2
2010	1,937,389	3,121,487	1,184,098	62.1

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

Fiscal Year	Actuarial	Actual	Percentage
	Required		
	Contribution	Contribution	Contributed
2004	\$ 306,000	\$ 306,000	100.0%
2005	320,452	320,452	100.0
2006	354,427	354,427	100.0
2007	359,903	391,446	108.8
2008	508,922	676,927	133.0
2009	608,568	530,422	87.2
2010	773,963	921,179	119.0
2011	726,492	726,492	100.0
2012 (1)	824,399	824,399	100.0

(Merit Service Plan)

Fiscal Year	Actuarial	Actual	Percentage
	Required		
	Contribution	Contribution	Contributed
2004	\$ 78,000	\$ 99,000	126.9%
2005	83,386	100,480	120.5
2006	104,973	295,202	281.2
2007	106,487	108,759	102.1
2008	114,604	126,029	110.0
2009	159,978	145,217	90.8
2010	223,965	197,784	88.3
2011	211,868	211,868	100.0
2012 (1)	187,729	187,729	100.0

(1) As budgeted and to be made for fiscal year 2011-12.

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

Other Post Employment Benefits

As disclosed in the audited financial statements for the year ended June 30, 2011, the Board of Education ("BOE") provides certain retirees with health care, life insurance and lump sum benefits, in accordance with certain union contracts.

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

For the year ended June 30, 2009, the BOE implemented Governmental Accounting Standards Board ("GASB") Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions." This Statement establishes standards for the measurement, recognition and display of other post employment benefits ("OPEB") expenses and related liabilities or assets and note disclosure in the financial reports. In accordance with that Statement, the Statement of Activities for the year ended June 30, 2010 includes \$489,000 as the annual required contribution ("ARC") expense for these OPEB benefits. To the extent the OPEB ARC is in excess of the pay-as-you-go amount of \$191,000 for fiscal year 2009-10, a cumulative net OPEB obligation of \$613,000 is on the Town's Statement of Net Assets for the fiscal year ended June 30, 2010.

As of July 1, 2010, the most recent actuarial valuation date, the actuarial liability amount for OPEB was \$5,373,000. At that same date, there were 117 active participants and 45 retirees, continuing spouses, or spouses of current retirees. The BOE has established a Trust Fund to segregate assets to fund the liability during the fiscal year ending June 30, 2011. The OPEB Trust Fund was established in May 2011 and approximately \$300,000 was transferred into it from the Town's OPEB special revenue fund in June 2011. Another \$100,000 was paid into the account by the Board of Education at the end of Fiscal Year 2011. In Fiscal Year 2012, the OPEB ARC is \$553,000 and the budgeted amount from the Board of Education is \$50,000.

Based upon a July 1, 2010 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

Schedule of Employer Contributions in Thousands

Fiscal Year	Actuarial Required Contribution	Actual Contribution	Percentage Contributed
2009	\$ 489,000	\$ 191,000	39.1
2010	489,000	160,000	32.7
2011	549,000	236,000	43.0
2012 (1)	553,000	50,000	9.0

(1) As budgeted and to be made for fiscal year 2011-12, however the Town's practice has been to increase this contribution during the fiscal year if a surplus has been identified.

Investment Policies and Procedures

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

Assessment Practices

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

Tax Collection Procedure

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

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

Property Tax Levies and Collections

FY Ending 6/30	Net Taxable Grand List (1)	Tax Rate (In Mills)	Total Adjusted Tax Levy	Collected End of Each FY	Uncollected Taxes End of Each FY	Uncollected Taxes As of 6/30/11
2012 (2)	\$ 1,100,594,853	22.20	\$ 24,433,206	In Process	In Process	In Process
2011	1,099,965,435	21.90	24,097,000	98.2%	\$ 446,000	\$ 446,000
2010	1,089,925,297	21.20	23,154,000	98.3	387,000	135,000
2009	898,484,511	25.50	23,032,859	98.1	445,000	72,000
2008	885,239,305	25.10	22,337,147	98.5	332,000	7,000
2007	872,853,828	23.90	20,962,135	98.8	254,787	4,000
2006	850,256,958	22.90	19,589,563	98.7	259,037	2,000
2005	833,558,176	21.40	17,945,972	98.6	253,981	2,000
2004	639,354,526	27.37	17,650,533	98.2	325,705	-
2003	629,048,119	25.41	16,128,121	97.8	351,228	-

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

(2) Adopted Budget.

Source: Town Officials.

Taxable Grand List (1)

Grand List Dated	Real Property	Personal Property	Motor Vehicle Property	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
10/01/10	\$ 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
10/01/03	755,575,145	21,798,276	58,052,705	835,426,126	1,867,950	833,558,176
10/01/02	561,093,391	20,013,465	60,122,910	641,229,766	1,875,240	639,354,526
10/01/01	550,738,295	23,217,164	57,498,780	631,454,239	2,406,120	629,048,119

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

Source: Town Officials

Largest Taxpayers

The following table sets forth the ten largest taxpayers in the Town per the Grand List dated October 1, 2010.

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

(1) Represents 4.10% of the net taxable grand list dated October 1, 2010 of \$1,100,594,853.

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 2007 – 2011, 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>
2012 (Adopted Budget)	\$ 26,630,333	(1) \$ 24,424,497	91.7
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
2007	25,220,000	21,115,000	83.7
2006	23,766,000	19,801,000	83.3
2005 (3)	21,041,000	18,192,000	86.5
2004	20,579,303	17,974,150	87.3
2003	19,248,550	16,412,138	85.3

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

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

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

Source: Annual audited financial statements; Fiscal year 2011-12 adopted budget.

Intergovernmental Revenues

Fiscal Year	General Fund Revenues	Intergovernmental Revenues	Intergovernmental Revenues as a % of General Fund Revenues
2012 (Adopted Budget)	\$ 26,630,333 (1)	\$ 1,705,666 (1)	6.4
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
2007	25,220,000	2,448,000	9.7
2006	23,766,000	2,419,000	10.2
2005 (3)	21,041,000	1,883,000	8.9
2004	20,579,303	1,891,638	9.2
2003	19,248,550	2,293,180	11.9

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

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

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

Source: Annual audited financial statements; Fiscal year 2011-12 adopted budget.

Expenditures

Fiscal Year	Board of Education %	Debt Service %	Public Works %	Benefits and Insurance %	General Government %	Public Safety %
2012 (Adopted Budget)	61.8	12.6	8.5	6.3	5.1	3.2
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
2007	64.6	11.6	7.5	4.9	5.6	3.1
2006	66.2	8.3	7.7	5.9	6.1	3.2
2005	68.5	6.3	8.0	4.9	6.2	3.4
2004	69.6	3.7	8.7	5.0	7.2	3.5
2003	68.3	4.2	9.8	3.6	8.1	3.4

(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 2011-12 adopted budget.

Comparative General Fund Operating Statement (1)
(Budget and Actual – Budgetary Basis)

	Fiscal Year 2010-11			Fiscal Year
	Final Budget	Actual Operations	Favorable (Unfavorable)	2011-12 Adopted Budget
REVENUES				
Property taxes	\$ 24,074,000	\$ 24,221,000	\$ 147,000	\$ 24,424,497
Intergovernmental	1,741,000	1,573,000	(168,000)	1,705,666
Licenses, permits and fees	461,000	410,000	(51,000)	408,870
Income from investments	50,000	44,000	(6,000)	50,000
Other revenues	10,000	71,000	61,000	41,300
TOTAL REVENUES	<u>26,336,000</u>	<u>26,319,000</u>	<u>(17,000)</u>	<u>26,630,333</u>
EXPENDITURES				
Current:				
General government	1,421,000	1,362,000	59,000	1,371,075
Public safety	864,000	839,000	25,000	852,287
Public works	2,405,000	2,343,000	62,000	2,296,149
Health and welfare	110,000	107,000	3,000	101,146
Libraries	326,000	326,000	-	332,038
Recreation	246,000	242,000	4,000	248,320
Board of education	16,561,000	16,146,000	415,000	16,710,759
Other	1,438,000	1,424,000	14,000	1,697,307
Debt service	3,335,000	3,335,000	-	3,418,305
TOTAL EXPENDITURES	<u>26,706,000</u>	<u>26,124,000</u>	<u>582,000</u>	<u>27,027,386</u>
Revenues over (under) expenditures	<u>(370,000)</u>	<u>195,000</u>	<u>565,000</u>	<u>(397,053)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	424,000	424,000	-	447,053
Operating transfers out	(478,000)	(461,000)	17,000	(50,000)
Appropriation of fund balance	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(54,000)</u>	<u>(37,000)</u>	<u>17,000</u>	<u>397,053</u>
Revenues and other financing sources over (under) expenditures and other financing (uses)	<u>\$ (424,000)</u>	<u>\$ 158,000</u>	<u>\$ 582,000</u>	<u>\$ -</u>

(1) The fiscal year ended June 30, 2011 audited financials are reported to the nearest thousand dollars.

Source: Audited financial statements; Fiscal year 2011-12 adopted budget.

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (1)</u>
ASSETS					
Cash and cash equivalents	\$ 16,156,000	\$ 12,802,000	\$ 10,345,000	\$ 9,956,000	\$ 11,819,000
Receivables, net	437,000	479,000	594,000	548,000	885,000
Other assets	43,000	38,000	28,000	29,000	31,000
Due from other funds	<u>282,000</u>	<u>269,000</u>	<u>215,000</u>	<u>323,000</u>	<u>326,000</u>
TOTAL ASSETS	<u><u>\$ 16,918,000</u></u>	<u><u>\$ 13,588,000</u></u>	<u><u>\$ 11,182,000</u></u>	<u><u>\$ 10,856,000</u></u>	<u><u>\$ 13,061,000</u></u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 403,000	\$ 536,000	\$ 576,000	\$ 563,000	\$ 979,000
Due to other funds	11,924,000	8,680,000	5,967,000	5,715,000	7,180,000
Deferred revenue	<u>331,000</u>	<u>462,000</u>	<u>583,000</u>	<u>512,000</u>	<u>725,000</u>
TOTAL LIABILITIES	<u>12,658,000</u>	<u>9,678,000</u>	<u>7,126,000</u>	<u>6,790,000</u>	<u>8,884,000</u>
FUND BALANCES					
Nonspendable	-	-	-	-	31,000
Restricted	-	-	-	-	34,000
Assigned	-	-	-	-	439,000
Unassigned	-	-	-	-	3,673,000
Reserved	247,000	159,000	104,000	403,000	-
Unreserved	<u>4,013,000</u>	<u>3,751,000</u>	<u>3,952,000</u>	<u>3,663,000</u>	-
TOTAL FUND BALANCES	<u>4,260,000</u>	<u>3,910,000</u>	<u>4,056,000</u>	<u>4,066,000</u>	<u>4,177,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 16,918,000</u></u>	<u><u>\$ 13,588,000</u></u>	<u><u>\$ 11,182,000</u></u>	<u><u>\$ 10,856,000</u></u>	<u><u>\$ 13,061,000</u></u>

(1) The June 30, 2011 fund balances are reported as per Governmental Accounting Standards Board ("GASB") 54.

Source: Annual audited financial statements.

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

(GAAP Basis)

(In Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
REVENUES:					
Property taxes and assessments	\$ 21,115,000	\$ 22,370,000	\$ 23,034,000	\$ 23,398,000	\$ 24,221,000
Intergovernmental	2,448,000	7,408,000	2,973,000	2,703,000	2,846,000
Charges for services	605,000	511,000	389,000	409,000	410,000
Income from investments	963,000	589,000	209,000	50,000	44,000
Other revenues	89,000	192,000	29,000	5,000	2,000
TOTAL REVENUES	<u>25,220,000</u>	<u>31,070,000</u>	<u>26,634,000</u>	<u>26,565,000</u>	<u>27,523,000</u>
EXPENDITURES					
Current:					
General government	1,371,000	1,268,000	1,223,000	1,298,000	1,377,000
Public safety	770,000	757,000	816,000	812,000	845,000
Public works	1,839,000	2,089,000	1,998,000	2,031,000	2,344,000
Health and welfare	102,000	88,000	96,000	104,000	105,000
Libraries	280,000	292,000	315,000	317,000	326,000
Recreation	277,000	277,000	246,000	252,000	258,000
Education	15,836,000	21,225,000	16,978,000	16,656,000	17,177,000
Employee Benefits	1,209,000	1,429,000	1,245,000	1,618,000	1,425,000
Capital Outlay	-	-	131,000	-	-
Debt service	2,835,000	3,523,000	3,470,000	3,393,000	3,335,000
TOTAL EXPENDITURES	<u>24,519,000</u>	<u>30,948,000</u>	<u>26,518,000</u>	<u>26,481,000</u>	<u>27,192,000</u>
Revenues over (under) expenditures	<u>701,000</u>	<u>122,000</u>	<u>116,000</u>	<u>84,000</u>	<u>331,000</u>
OTHER FINANCING SOURCES (USES)					
Payment to refunded bond escrow agent	-	-	-	(11,540,000)	-
Refunding bonds	-	-	-	11,540,000	-
Operating transfers in	473,000	470,000	482,000	458,000	424,000
Operating transfers out	(586,000)	(942,000)	(452,000)	(532,000)	(649,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(113,000)</u>	<u>(472,000)</u>	<u>30,000</u>	<u>(74,000)</u>	<u>(225,000)</u>
Net change in fund balances	588,000	(350,000)	146,000	10,000	106,000
Fund Balances - beginning of year	<u>3,672,000</u>	<u>4,260,000</u>	<u>3,910,000</u>	<u>4,056,000</u>	<u>4,071,000</u> (1)
Fund Balances - end of year	<u>\$ 4,260,000</u>	<u>\$ 3,910,000</u>	<u>\$ 4,056,000</u>	<u>\$ 4,066,000</u>	<u>\$ 4,177,000</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 Notes and will render its opinion with respect to the Bonds and Notes in substantially the form attached to the Official Statement as Appendices B-1 and B-2, respectively.

Financial Advisor

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

Availability of Continuing Disclosure Information

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

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 Issuer will undertake in a Continuing Disclosure Agreement with respect to the Notes, to provide notice of the occurrence of certain material events within 10 days of the occurrence of such events. The winning bidder's obligation to purchase the Bonds or Notes shall be conditioned upon its receiving, at or prior to the delivery of the Bonds or Notes, an executed copy of the Continuing Disclosure Agreements for the Bonds or Notes. (See Appendices C-1 and C-2 "Forms of Continuing Disclosure Agreement").

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

Documents Accompanying Delivery of the Bonds and Notes

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

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

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

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

Concluding Statement

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

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

TOWN OF LITCHFIELD, CONNECTICUT

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

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

BY: / s / Karl R. Fisher _____
KARL R. FISHER
Director of Finance

Dated: January 25, 2012

APPENDIX A - AUDITED FINANCIAL STATEMENTS

TOWN OF LITCHFIELD, CONNECTICUT

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Appendix A - Financial Statements - is taken from the Annual Financial Report of the Town of Litchfield for the Fiscal Year ended June 30, 2011 as presented by the Auditors. This appendix does not include all of the schedules made in such report. A copy of the complete report is available upon request to the Director of Finance, Town of Litchfield, Connecticut.

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



Accounting | Tax | Business Consulting

Independent Auditors' Report

To the Board of Finance
Town of Litchfield
Litchfield, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Litchfield, Connecticut, as of and for the year ended June 30, 2011, which collectively comprise the Town of Litchfield, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Litchfield, Connecticut, as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages A-3 through A-12 and the budgetary comparison information on pages A-47 through A-51 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Blum, Shapiro & Company, P.C.

November 17, 2011

TOWN OF LITCHFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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, 2011. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The Town issued \$2.21 million in bond anticipation notes with the principal and interest due on February 8, 2012 with an effective rate of .6997%.
- Net assets of the Town's governmental activities increased by \$2.4 million, or 5.1%, primarily due to the continuing investment in its roads, schools and firehouses.
- During the year, the Town earned tax and other revenues for governmental programs of \$30.8 million that was \$2.4 million more than program expenses.
- Total cost of all of the Town's programs was \$29.4 million.
- General Fund Property Tax revenues, including interest and lien fees, exceeded budget by \$147 thousand, helping to offset the loss of state education grants that were paid directly to the Special Education Fund (due to state's funding with economic stimulus).
- In June of 2011, the Town established the OPEB Trust Fund (similar to the pension trust funds already established). The amount transferred into this trust fund from the former OPEB fund was \$300 thousand. The Board of Education contributed an extra \$100 thousand at the end of the Fiscal Year 2011 to raise the total to \$400 thousand in the OPEB Trust Fund.
- Unassigned fund balance of the General Fund increased by \$39 thousand from \$3.63 million at June 30, 2010 to \$3.67 million at June 30, 2011, due to cost savings from the Town and the Board of Education. There was a \$323 thousand transfer to fund a portion of the Town's capital projects, and a transfer of \$100 thousand to the OPEB Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a long-term view of the Town's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The required supplementary information provides budgetary information for the General Fund. The combining and individual fund statements and schedules provide additional information about activities of the Town.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net assets and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. One measure of the Town's financial health is the Town's net assets, the difference between assets and liabilities, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net assets and the statement of activities, the Town reports its governmental activities. These include the Town's basic services: general government, public safety, public works, health and welfare, libraries, recreation, education and interest on long-term debt. Property taxes, charges for services, and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State Statute (e.g., General Fund). Other funds are established by the Town to help control and manage financial activities for particular purposes (like the Town Hall Annex and Sewer Operating Funds) or to show that it is meeting legal responsibilities for state and federal grants and other money (like the Renovation of Schools Capital Projects Fund). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation within the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. At present, the Town has one proprietary fund which is its Internal Service Fund used to report activities of its medical self insurance services provided to the Town and Board of Education.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the fiduciary administrator for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's net assets increased from \$46.6 million to \$49.1 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

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

	Governmental Activities	
	2011	2010
Current and other assets	\$ 16,116	\$ 14,252
Noncurrent assets	68,063	67,871
Total assets	84,179	82,123
Current liabilities	6,587	4,782
Noncurrent liabilities	28,622	30,763
Total liabilities	35,209	35,545
Net Assets:		
Investment in capital assets, net of related debt	36,130	35,787
Restricted for trust purposes	10	10
Unrestricted	12,830	10,781
Total Net Assets	\$ 48,970	\$ 46,578

Total net assets of the Town's governmental activities increased 5.1% (\$49.0 million compared to \$46.6 million). This is reflected in the Town's investments in capital assets, net of related debt, which increased \$.3 million from \$35.8 million at June 30, 2010 to \$36.1 million at June 30, 2011, primarily due to improvement and new capital assets.

Unrestricted net assets - the part of net assets that can be used to finance daily operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$2.0 million from \$10.8 million at June 30, 2010 to \$12.8 million on June 30, 2011.

TABLE 2
CHANGE IN NET ASSETS
(In Thousands)

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 1,697	\$ 1,682
Operating grants and contributions	4,492	3,477
Capital grants and contributions	980	764
General revenues:		
Property taxes	24,296	23,273
Grants not restricted to specific purposes	199	233
Unrestricted investment earnings and other	157	182
Total revenues	<u>31,821</u>	<u>29,611</u>
Program expenses:		
General government	1,807	2,179
Public safety	1,309	1,603
Public works	4,932	4,465
Health and welfare	1,092	122
Libraries	334	325
Recreation	448	401
Education	18,499	17,882
Interest on long-term debt	1,008	1,376
Total program expenses	<u>29,429</u>	<u>28,353</u>
Increase in Net Assets	<u>\$ 2,392</u>	<u>\$ 1,258</u>

The Town's total revenue was \$31.8 million. The total cost of all programs and services was \$29.4 million. There was a \$1 million increase in property tax revenue collected as compared to June 30, 2010 as well as a \$216 thousand increase in capital grants and contribution for June 30, 2011. This differs from the \$1.5 million reduction from 2010 to 2011 for capital grants and contributions due to the prior year completion of two grant funded capital projects in 2010 (\$33 million High School and Intermediate School expansion and renovation project and High Bridge Road Bridge). Our analysis below separately considers the operations of governmental activities.

Governmental Activities

Approximately 79% of the revenues were derived from property tax. Restricted operating grants and contributions and restricted capital grants and contributions, accounted for 11% and 3% of revenues, respectively. Charges for services represented 5% of revenues and the 2% remaining revenues were from unrestricted grants, investments earnings and miscellaneous revenue.

Major revenue factors included:

- Property tax revenues of \$24.3 million were generated from a mil rate of 21.9 mils (21.2 for prior year) on the net taxable grand list of \$1.1 billion.
- Restricted program operating grants and contributions of \$4.6 million increased \$1.2 million.
- Restricted capital grants and contributions increased \$216 thousand to \$980 thousand from \$764 thousand a year earlier.
- Unrestricted investment earnings and other decreased 14% from the prior year to \$157 thousand because of the continued reduction in investment of return.

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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General government	\$ 1,807	\$ 2,179	\$ 287	\$ 1,601
Public safety	1,309	1,603	1,276	1,508
Public works	4,932	4,465	2,948	2,742
Health and welfare	1,092	122	1,084	111
Libraries	334	325	334	325
Recreation	448	401	270	294
Education	18,499	17,882	15,053	14,473
Interest on long-term debt	1,008	1,376	1,008	1,376
Total	\$ 29,429	\$ 28,353	\$ 22,260	\$ 22,430

For governmental activities, 63% of the Town’s expenditures related to education; 17% for public works; 9% for general governmental activities and interest on long-term debt; and 11% for public safety, health and welfare, libraries and recreation services. The general government decrease of \$372 thousand in cost of service is mainly due to transfer to capital projects for the fiscal year 2010-2011 Capital Improvement Plan (CIP) as well as a contribution to the OPEB fund. There was also an increase in operating grants and contributions from \$67 thousand in fiscal year 2010 to \$1 million in fiscal year 2011. Public safety expenses decreased to \$1.3 million from \$1.6 million the prior year, due to capital projects in fiscal year 2010 such as the Northfield Firehouse project. Public works cost of services increased by \$400 thousand and included the various road and bridge projects as well as the winter storm of 2011, which not only affected clean up costs but road repair costs as well. The net cost of services for public works increased from \$2.7 million for 2010 to \$2.9 million for 2011 due to grant funding in fiscal year 2011 for completed projects (West Street Sidewalks and Center School Boiler). The Education total cost of services increased \$636 thousand primarily due to the increased special education fund costs, for salaries, that were funded by economic stimulus grant funds.

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, 2011, the Town's governmental funds reported a combined fund balance of \$7.2 million, a 4% decrease of \$240 thousand from June 30, 2010, of which \$203 thousand was in the Capital Projects Fund. The Capital Projects Fund decrease was due to: completion of capital projects funded in prior year; completion of the Center School Boiler Project (\$64 thousand); approved transfers to use funds from the Capital and Non-Recurring Fund to repair windows (\$15 thousand) and improve Knife Shop Road Project (\$20 thousand); and the Center School Parking Lot (\$24 thousand).

The Town's combined governmental fund balance of \$7.1 million is comprised of unassigned fund balance of \$3.0 million, assigned fund balance of \$439 thousand, committed fund balance of \$3.0 million, nonspendable fund balance of \$41 thousand and restricted fund balance of \$765 thousand.

The General Fund is the chief operating fund of the Town. At June 30, 2011, fund balance increased \$106 to \$4.2 million. General Fund unassigned fund balance increased \$40 thousand from \$3.6 million at June 30, 2010 to \$3.7 million at June 30, 2011, due to \$323 thousand transferred to fund a portion of the Town's capital projects and a \$100 thousand transfer to the Other Post Employment Fund for Board of Education retirees, which was offset by net cost savings from the Board of Education and the Town, approximating \$599 thousand. Of the \$599 thousand of the expenditure cost savings, \$415 thousand was due to the Board of Education to help offset the redirection of state education grants to the Special Education Fund. Property tax revenues, including interest and liens, exceeded budget by \$147 thousand, which help to offset the \$211 thousand shortfall for the education grants. The Town Clerk also collected \$12 thousand more in conveyance tax fees, which meant the department exceeded the budget by a total of \$17 thousand. The Town also collected \$34 thousand from FEMA for the snow storm in the winter of 2011. There were shortfalls with building fees of \$23 thousand due to the economy and \$6 thousand less investment income than budgeted due to reduced interest rates.

The total fund balance of the Sewer Assessment Fund decreased by \$11 thousand to \$785 thousand from \$796 thousand the previous year.

The Nonmajor Governmental Funds fund balance decreased by \$251 thousand from \$1.28 million to \$1.03 million. During fiscal year 2010, a new fund was established in this group called Other Post Employment Benefits Fund (OPEB). During fiscal year 2011, an OPEB Trust was established with \$300 thousand transferred from the OPEB Fund to the OPEB Trust. This includes \$150,000 that was transferred from the General Fund to continue funding for the medical and lump-sum benefits for certain Board of Education retirees in fiscal year 2011. The fund was converted into a Trust Fund of the Town (similar to the Pension Funds) when the taxpayers authorized a Trust for these funds on March 29, 2011. The OPEB Trust Fund was established in June 2011. An additional \$100 thousand was contributed to the OPEB Trust prior to June 30, 2011, which results in a total of \$400 thousand in the OPEB Trust Fund.

Proprietary Fund

The Town's proprietary fund is an Internal Service Fund which accounts for the health insurance costs of the Town and Board of Education (BOE) employees, including some retired BOE employees. The total net assets of the fund at June 30, 2011 increased \$561 thousand to \$2.0 million primarily due to claims of \$556 thousand less than contributions from the Town and BOE. Under negotiated wage contracts, employees are paying a higher share of their health care costs.

Pension Trust Funds

For fiscal year 2011, the net assets of the Pension Trust Funds increased 26% from the year earlier to \$10.3 million. This was due to Town/BOE contributions of \$938 thousand, \$1.5 million appreciation of the fair value of its investments and \$269 thousand of investments earnings to provide \$535 thousand of benefits and expenses.

General Fund Budgetary Highlights

The original budget was approved at the Annual Budget Meeting on May 12, 2010 with appropriations of \$26.8 million. The budget was amended by actions of the Board of Finance and, as necessary, by the Town at various town meetings. Use of fund balance in the amount of \$373 thousand was authorized to increase the expenditure budget for a transfer of \$273 thousand to the Capital Projects Fund. The amount was used for the portion of the fiscal year 2010 Capital Improvement Program projects that were not funded with bonds. Use of fund balance in the amount of \$100 thousand was authorized for an extra contribution to the OPEB Fund. Thus, the final budget of \$26.5 million had \$423 thousand more in appropriations than resources.

For the year, actual revenues and transfers in of \$26.7 million on a budgetary basis were \$17 thousand less than the final budget. This reduced the \$599 thousand cost savings from expenditures and transfers out less than budget. Actual revenues were less than the final budget primarily due to: building department fees (\$23 thousand under budget) and development and planning fees (\$26 thousand under budget) due to the continued economic slowdown and \$6 thousand shortfall in investment income due to lower interest rates than budgeted. Actual property taxes, including interest and lien fees, were \$147 thousand over budget, which offset the shortfall in education grants that were paid to the Special Education Fund as required by the state. Transfers in of \$424 thousand were from the Sewer Assessment and Sewer Operations Funds to reimburse General Fund for their share of debt service.

Actual expenditures and transfers out on a budgetary basis total \$26.6 million, which is \$599 thousand less than the final budget of \$27.2 million. The favorable variance was due to cost savings throughout the Town's various departments. The greatest savings from the final budget were: 1) \$415 thousand from the Board of Education due to departmental cost savings, funds for snow removal during the storm of 2011, and \$211 thousand to offset shortfall in state education grant funding; 2) \$62 thousand in the Public Works account, mainly in the highway section due to the harsh winter; 3) \$60 thousand in all general government accounts; 4) \$24 thousand in public safety; and 5) \$11 thousand in fringe benefit accounts. The Board of Education generated \$533 thousand of the cost savings of which \$211 thousand was to offset the shortfall in state education grant funding and \$100 thousand was deposited in to the OPEB Trust Fund. The additional BOE savings was in special education tuition and transportation costs due to state placements, parents providing transportation and additional grant funds.

The excess of revenues and other financing sources under expenditures and other financing uses on a budgetary basis was \$158 thousand.

Of the General Fund's fund balance, 87.9% constitutes unassigned fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the Town had \$68.1 million invested in a broad range of capital assets, including land, buildings and improvements, machinery and equipment and infrastructure (Table 4). This amount represents a net increase (including additions and deductions) of \$192 thousand, or .3%, over last year.

Machinery and equipment purchases of \$85 thousand were used to acquire playground equipment at Center School and a new vehicle for public safety.

Infrastructure additions of \$715 thousand were to improve the Town's 121 miles of roads and bridges.

Buildings and Improvements of \$115 thousand were to improve windows, carpets and boilers at Center School, as well as landfill improvements.

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

	Governmental Activities	
	2011	2010
Land	\$ 1,296	\$ 1,296
Buildings and improvements	43,775	43,911
Machinery and equipment	2,668	2,716
Infrastructure	20,324	19,948
Total	\$ 68,063	\$ 67,871

The Town's fiscal year 2011-12 CIP budget authorizes spending \$2.7 million for capital projects, of which \$978 thousand is to be funded from grants and other local funding. This includes \$1.1 million toward the replacement/restoration of bridges; \$307 thousand for major road projects; and \$352 thousand for work on the Town's 121 miles of roads.

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, with record low interest rates, the Town is considering engaging in a dialogue with the community as to whether or not to proceed with the project.

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, 2011, the Town had \$29.7 million in bonds outstanding versus \$31.9 million last year, a decrease of 6.9% or \$2.2 million - as shown in Table 5.

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

	Governmental Activities	
	2011	2010
General obligation bonds (backed by the Town)	\$ 29,720	\$ 31,934

On February 9, 2011, as authorized at the Town's Annual Meeting, the Town issued \$2.21 million in bond anticipation notes with the principal and interest due on February 8, 2012 with an effective rate of .6997%. The notes are used for the following projects: \$475,000 for the High School and Intermediate School expansion and renovation project, \$141,600 for school improvements, \$75,000 for the East Litchfield Fire House parking lot, \$1.5 million for road and bridge projects, and \$3,592 for debt administration. The BANs issued were used to address projects from the 2010-2011 CIP. Additional financing is expected to be obtained during fiscal year 2012 to fund the 2011-2012 CIP using a combination of bond proceeds and pay as you go capital.

In May 2010, Moody's Investors Services, Inc., recalibrated their Connecticut municipal ratings to its Global Rating Scale. Accordingly, the Town's rating went to Aa2 from Aa3. Moody's does not believe the recalibration reflects credit quality improvement. The Town's rating of Aa2 was reaffirmed in January 2011. The State limits the amount of general obligation debt that municipalities can issue using a formula determined under State Statutes that is based on the type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$164 million State-imposed limit at June 30, 2011.

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, 2011, employment in Litchfield was 4,202, .9% greater than a year earlier. The Town's unemployment rate at June 30, 2011 was 7.1%, 5% less than the prior year date. This rate compares favorably to both the State and national unemployment rates of 9.1% and 9.2%, respectively. Inflation increased for the Northeast area for the year ended June 30, 2011 by 1.7% to 3.4%. Likewise, the national Consumer Price Index - All Urban Consumers (CPI 1982-84=100) increased 3.5% continuing its 1.1% annual increase at June 30, 2011.

The fiscal year 2012 budget was adopted at the Town's Annual Budget Meeting on May 11, 2011. The Town's net taxable grand list rose .1% from the prior year to \$1.1 billion. The Town's elected Board of Finance set the fiscal year 2011-2012 tax mil rate at 22.2, 1.3% increase from the prior year mil rate of 21.9. Amounts available for appropriation in the original fiscal 2012 General Fund budget are \$27.1 million, an increase of 1.2% from the original 2011 budget of \$26.8 million. The increase was necessary to fund the \$163 thousand increase for the Board of Education (mainly salaries and medical benefits) and the \$88 thousand increase in the Selectman's budget (mainly road maintenance costs formerly in the capital budget and employee benefits).

The Town has maintained its services without freezing wages or union concessions. Certain nonunion BOE employees are taking some furlough days. Due to the continuing high unemployment, the Town faces various challenges to minimize tax rate increases. In addition to funding inflationary increases to maintain the present level of services, other funding considerations consist of the actuarial liability for the Board of Education's OPEB for retirees and additional pension funding.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Town of Litchfield, 74 West Street, P.O. Box 488, Litchfield, Connecticut 06759.

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2011
(In Thousands)

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 10,442
Investments	1,533
Receivables, net	3,459
Prepaid items	31
Net pension asset	515
Other assets	136
Capital assets not being depreciated	1,296
Capital assets being depreciated, net	<u>66,767</u>
Total assets	<u>84,179</u>
Liabilities:	
Accounts payable	1,596
Bond anticipation notes	2,210
Unearned revenue	201
Noncurrent liabilities:	
Due within one year	2,580
Due in more than one year	<u>28,622</u>
Total liabilities	<u>35,209</u>
Net Assets:	
Invested in capital assets, net of related debt	36,130
Restricted for trust purposes	10
Unrestricted	<u>12,830</u>
Total Net Assets	<u>\$ 48,970</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, 2011

(In Thousands)

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Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
General government	\$ 1,807	\$ 518	\$ 1,002	\$	\$ (287)
Public safety	1,309	33			(1,276)
Public works	4,932	970	34	980	(2,948)
Health and welfare	1,092	8			(1,084)
Libraries	334				(334)
Recreation	448	167	11		(270)
Education	18,499	1	3,445		(15,053)
Interest on long-term debt	1,008				(1,008)
Total	\$ 29,429	\$ 1,697	\$ 4,492	\$ 980	(22,260)
General revenues:					
Property taxes					24,296
Grants and contributions not restricted to specific programs					199
Unrestricted investment earnings					55
Miscellaneous					102
Total general revenues					<u>24,652</u>
Change in net assets					2,392
Net Assets at Beginning of Year					<u>46,578</u>
Net Assets at End of Year					<u>\$ 48,970</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF LITCHFIELD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011
(In Thousands)**

	<u>General</u>	<u>Sewer Assessment</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 10,286	\$	\$	\$ 95	\$ 10,381
Investments	1,533				1,533
Receivables, net	885	1,167	628	779	3,459
Due from other funds	326	785	3,197	1,019	5,327
Other assets	31				31
Total Assets	<u>\$ 13,061</u>	<u>\$ 1,952</u>	<u>\$ 3,825</u>	<u>\$ 1,893</u>	<u>\$ 20,731</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 979	\$	\$ 154	\$ 42	\$ 1,175
Due to other funds	7,180		323	3	7,506
Due to other governments				2	2
Bond anticipation notes payable			2,210		2,210
Deferred revenue	725	1,167	17	814	2,723
Total liabilities	<u>8,884</u>	<u>1,167</u>	<u>2,704</u>	<u>861</u>	<u>13,616</u>
Fund balances:					
Nonspendable	31			10	41
Restricted	34		477	254	765
Committed		785	1,417	768	2,970
Assigned	439				439
Unassigned	3,673		(773)		2,900
Total fund balances	<u>4,177</u>	<u>785</u>	<u>1,121</u>	<u>1,032</u>	<u>7,115</u>
Total Liabilities and Fund Balances	<u>\$ 13,061</u>	<u>\$ 1,952</u>	<u>\$ 3,825</u>	<u>\$ 1,893</u>	<u>\$ 20,731</u>

(Continued on next page)

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TOWN OF LITCHFIELD, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2011
(In Thousands)

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

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

Fund balances - total governmental funds	\$	7,115
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$	91,672
Less accumulated depreciation		<u>(23,609)</u>
Net capital assets		68,063
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Net pension asset		515
Property tax receivables greater than 60 days		535
Property tax interest receivables greater than 60 days		146
Assessments receivable		1,167
Housing loans		138
Sewer use receivables		536
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.		
		2,042
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds payable		(29,720)
Premium on refunding bonds		(371)
Deferred amount in refunding		232
Deferred bond issuance costs		136
Interest payable on bonds and notes		(221)
Compensated absences		(346)
Landfill closure		(47)
OPEB obligation		(915)
Claims and judgments		<u>(35)</u>
Net Assets of Governmental Activities (Exhibit I)	\$	<u><u>48,970</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSFOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	<u>General</u>	<u>Sewer Assessment</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 24,221	\$	\$	\$	\$ 24,221
Intergovernmental	2,846		703	2,118	5,667
Charges for services	410	160		1,220	1,790
Investment income	44	3		1	48
Other	2		95	8	105
Total revenues	<u>27,523</u>	<u>163</u>	<u>798</u>	<u>3,347</u>	<u>31,831</u>
Expenditures:					
Current:					
General government	1,377			283	1,660
Public safety	845				845
Public works	2,344			807	3,151
Health and welfare	105			975	1,080
Libraries	326				326
Recreation	258			133	391
Education	17,177			1,267	18,444
Employee benefits	1,425				1,425
Capital outlay			1,533		1,533
Debt service	3,335				3,335
Total expenditures	<u>27,192</u>	<u>-</u>	<u>1,533</u>	<u>3,465</u>	<u>32,190</u>
Excess (Deficiency) of Revenues over Expenditures	<u>331</u>	<u>163</u>	<u>(735)</u>	<u>(118)</u>	<u>(359)</u>
Other Financing Sources (Uses):					
Transfers in	424		625	393	1,442
Transfers out	(649)	(174)	(93)	(526)	(1,442)
Total other financing sources (uses)	<u>(225)</u>	<u>(174)</u>	<u>532</u>	<u>(133)</u>	<u>-</u>
Net Change in Fund Balances	106	(11)	(203)	(251)	(359)
Fund Balances at Beginning of Year, Restated	<u>4,071</u>	<u>796</u>	<u>1,324</u>	<u>1,283</u>	<u>7,474</u>
Fund Balances at End of Year	<u>\$ 4,177</u>	<u>\$ 785</u>	<u>\$ 1,121</u>	<u>\$ 1,032</u>	<u>\$ 7,115</u>

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2011
(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)	\$	(359)
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	955
Depreciation expense	(763)

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

Property tax receivable - accrual basis change	51
Property tax interest and lien revenue - accrual basis change	24
Sewer assessment receivable - accrual basis change	(106)
Sewer use receivable - accrual basis change	14
Net pension asset	(11)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	2,214
Premium on refunding bonds	28
Deferred amount on refunding	(17)
Deferred bond issue costs	(10)

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	(15)
Claims and judgments	3
Accrued interest	116
OPEB obligation	(302)
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.

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Change in Net Assets of Governmental Activities (Exhibit II)	\$	<u>2,392</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF NET ASSETS - PROPRIETARY FUND

JUNE 30, 2011
(In Thousands)

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets:	
Cash and cash equivalents	\$ 61
Due from other funds	2,179
Total assets	<u> 2,240</u>
Liabilities:	
Claims payable	<u> 198</u>
Net Assets:	
Unrestricted	\$ <u><u> 2,042</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDFOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	<u>Governmental Activities</u>	<u>Internal Service Fund</u>
Operating Revenues:		
Charges for services	\$ 2,836	
Operating Expenses:		
Claims incurred		<u>2,280</u>
Operating Income		556
Nonoperating Revenue:		
Interest income		<u>5</u>
Change in Net Assets		561
Net Assets at Beginning of Year		<u>1,481</u>
Net Assets at End of Year	\$	<u><u>2,042</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, 2011
(In Thousands)

	Governmental Activities
	Internal Service Fund
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 2,263
Payment to benefit providers	(2,281)
Net cash used in operating activities	(18)
Cash Flow from Investing Activities:	
Interest received on investments	5
Net Decrease in Cash and Cash Equivalents	(13)
Cash and Cash Equivalents at Beginning of Year	74
Cash and Cash Equivalents at End of Year	\$ 61
Reconciliation of Operating Income to Net Cash	
Used in Operating Activities:	
Operating income	\$ 556
Adjustments to reconcile operating income to net cash used in operating activities:	
Increase in due from other funds	(573)
Decrease in incurred but not reported claims (IBNR)	(1)
Net Cash Used in Operating Activities	\$ (18)

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2011
(In Thousands)

	<u>Pension Trust Funds</u>	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,081	\$ 301	\$ 260
Investments:			
Common stock	5,198		
Mutual funds	3,977		
Receivables:			
Interest and dividends	12		
Due from other funds	<u> </u>	<u>100</u>	<u>136</u>
Total assets	10,268	401	\$ <u><u>396</u></u>
Liabilities:			
Due to student groups and others	<u>-</u>	<u>-</u>	\$ <u><u>396</u></u>
Net Assets:			
Held in Trust for Pension and OPEB Benefits	\$ <u><u>10,268</u></u>	\$ <u><u>401</u></u>	

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS
PENSION AND OPEB TRUST FUNDSFOR THE YEAR ENDED JUNE 30, 2011
(In Thousands)

	<u>Pension Trust Funds</u>	<u>OPEB Trust Fund</u>
Additions:		
Contributions:		
Employer	\$ <u>938</u>	\$ <u>401</u>
Investment income:		
Net appreciation in fair value of investments	1,551	
Interest and dividends	<u>269</u>	
Total investment income	1,820	-
Less investment expense:		
Investment management fees	<u>51</u>	
Net investment income	<u>1,769</u>	-
Total additions	2,707	401
Deductions:		
Benefits	<u>593</u>	
Net Increase	2,114	401
Net Assets Held in Trust for Pension and OPEB Benefits at Beginning of Year	<u>8,154</u>	
Net Assets Held in Trust for Pension and OPEB Benefits at End of Year	\$ <u><u>10,268</u></u>	\$ <u><u>401</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (In Thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Litchfield, Connecticut (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

A. Reporting Entity

The Town was incorporated in 1719. The Town operates under a Selectmen/Town Meeting and Board of Finance form of government and provides the following services: general government, public safety, public works, recreation, health and welfare, libraries and education.

GAAP require that the reporting entity include 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in GASB Codification Section 2100 has been considered, and there are no agencies or entities that should be, but are not, combined in the financial statements of the Town.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, the proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the pension trust funds financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Sewer Assessment Fund accounts for the activities related to the incurrence and payment of debt associated with betterments to sewer users. The major source of revenue for this fund is sewer assessment charges.

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

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for its self-insured medical benefits.

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

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

The Agency Funds account for monies held as a custodian for outside groups and agencies and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

D. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the Town are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are assessed on property as of October 1, levied on the following July 1, billed and due in two installments, July 1 and the following January 1. Liens are filed by the last day of the fiscal year. All property taxes receivable at June 30, 2011 that have not been collected within 60 days of June 30 have been recorded as deferred revenue since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60-day period have been recorded as revenue. Property taxes receivable are reported net of a \$15 allowance for estimated uncollectible balances.

F. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets' lives is not capitalized.

Major outlays for capital assets are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Distribution and collection systems	50-65
Public domain infrastructure	50
System infrastructure	30
Machinery and equipment	5-20

In the governmental fund financial statements, capital outlay (assets) is reported as an expenditure, and no depreciation expense is recorded.

G. Compensated Absences

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

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

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

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

I. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the budgeted governmental fund types. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute either expenditures or liabilities.

J. Fund Equity

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

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

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

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

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

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

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

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

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. In May, the Board of Finance submits to the annual Town Meeting, at which taxpayer comments are obtained, a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

- Prior to July 1, the budget is legally enacted through passage of a resolution.
- The Board of Finance is authorized to transfer budgeted amounts between appropriations and can approve additional appropriations up to an aggregate of \$20 thousand per department per year. Transfers and additional appropriations aggregating more than \$20 thousand for any one department per year must be approved by the Town Meeting. During the year, the Board of Finance and, where required, the Town Meeting approved additional appropriations of \$424.
- Formal budgetary integration is employed as a management control device during the year.
- Except for encumbrance accounting and on-behalf payments made for State Teachers’ Retirement, the budget is prepared on the modified accrual basis of accounting.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under state law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education, Board of Finance and, if necessary, Town Meeting approval.

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute or in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an “out of state bank,” as defined by the Statutes, which is not a “qualified public depository.”

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$8,531 of the Town’s bank balance of \$10,456 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	7,668
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name		<u>863</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>8,531</u></u>

Cash Equivalents

At June 30, 2011 the Town's cash equivalents amounted to \$6,797. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by a nationally recognized statistical rating organization. The pools all have maturities of less than one year.

	<u>Standard and Poor's</u>
Reich and Tang Tax Exempt Proceeds Fund*	
State Short-Term Investment Fund (STIF)	AAAm
Cutwater Asset Management - Connecticut CLASS Plus	AAAm
Litchfield Bancorp Money Market Funds**	

*Not rated

**Subject to coverage by Federal Depository Insurance and collateralization

Investments

As of June 30, 2011, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 – 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Certificates of deposit	*	\$ 1,533	\$	\$ 1,533	\$
U.S. Government obligations	N/A	1,023			1,023
Corporate bonds and notes	N/Avail	1,323			1,323
			\$	-	\$ 1,533
					\$ 2,346
Other investments:					
Common stock		5,198			
Mutual funds		1,631			
Total Investments		\$ 10,708			

*Subject to coverage by Federal Depository Insurance and collateralization.

N/A - Not applicable

N/Avail - Not available

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

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Investment Policy (described in the preceding paragraph) further limits its investment choices. The Town's interest-bearing investments are not subject to rating.

The Pension Commission's investment benchmark for large capitalization companies is the S&P 500 Index, and for small capitalization companies the benchmark is the Russell 2000. The benchmark for international equities is the Morgan Stanley EAFE Index.

Concentration of Credit Risk - The Investment Policy sets forth the following asset allocation targets: Equities 50% - 70%; Fixed Income 30% - 50%; and Cash 0% - 20%.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2011, 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	\$ 818	\$	\$	\$	\$ 818
Accounts				566	566
Intergovernmental	34		628	106	768
Special assessments		1,167			1,167
Housing loans				137	137
Other	48				48
Gross receivables	<u>900</u>	<u>1,167</u>	<u>628</u>	<u>809</u>	<u>3,504</u>
Less allowance for uncollectibles	<u>15</u>			<u>30</u>	<u>45</u>
Net Total Receivables	<u>\$ 885</u>	<u>\$ 1,167</u>	<u>\$ 628</u>	<u>\$ 779</u>	<u>\$ 3,459</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 535	\$
Delinquent property tax interest receivable	146	
Sewer use receivable	536	
Special assessments not yet due	1,167	
Advance tax collections		44
Grant drawdowns prior to meeting all eligibility requirements		154
Advance program fees		3
Housing loans	<u>138</u>	
Total Deferred Revenue for Governmental Funds	<u>\$ 2,522</u>	<u>\$ 201</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 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
Capital assets being depreciated:				
Buildings and improvements	52,028	155		52,183
Machinery and equipment	7,453	85		7,538
Infrastructure	<u>29,940</u>	<u>715</u>		<u>30,655</u>
Total capital assets being depreciated	<u>89,421</u>	<u>955</u>	<u>-</u>	<u>90,376</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,117)	(291)		(8,408)
Machinery and equipment	(4,737)	(133)		(4,870)
Infrastructure	<u>(9,992)</u>	<u>(339)</u>		<u>(10,331)</u>
Total accumulated depreciation	<u>(22,846)</u>	<u>(763)</u>	<u>-</u>	<u>(23,609)</u>
Total capital assets being depreciated, net	<u>66,575</u>	<u>192</u>	<u>-</u>	<u>66,767</u>
Governmental Activities Capital Assets, Net	<u>\$ 67,871</u>	<u>\$ 192</u>	<u>\$ -</u>	<u>\$ 68,063</u>

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

Governmental activities:

General government	\$	3
Public safety		107
Public works		522
Recreation		10
Education		121
		<u>121</u>

Total Depreciation Expense - Governmental Activities \$ 763

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, 2011 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Funds	\$ 323
	Nonmajor Governmental Funds	<u>3</u>
		326
Sewer Assessment Fund	General Fund	785
Capital Projects Funds	General Fund	3,197
Internal Service Fund	General Fund	2,179
Nonmajor Governmental Funds	General Fund	<u>1,019</u>
Total		\$ <u><u>7,506</u></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 Govern- mental Funds</u>	
Transfers out:				
General Fund	\$	\$ 349	\$ 300	\$ 649
Sewer Assessment	174			174
Capital Projects			93	93
Nonmajor Governmental	<u>250</u>	<u>276</u>		<u>526</u>
Total Transfers In	\$ <u><u>424</u></u>	\$ <u><u>625</u></u>	\$ <u><u>393</u></u>	\$ <u><u>1,442</u></u>

Transfers are used to move unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011 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	\$ 31,934	\$	\$ 2,214	\$ 29,720	\$ 2,435
Premium on refunding bonds	399		28	371	
Deferred amount on refunding bonds	(249)		(17)	(232)	
Compensated absences	331	148	133	346	133
OPEB obligation	613	302		915	
Landfill monitoring closure and postclosure costs	56		9	47	9
Claims and judgments	38		3	35	3
	<u>38</u>		<u>3</u>	<u>35</u>	<u>3</u>
Governmental Activity Long-Term Liabilities	<u>\$ 33,122</u>	<u>\$ 450</u>	<u>\$ 2,370</u>	<u>\$ 31,202</u>	<u>\$ 2,580</u>

Subsequent Event - Advance Refunding

On July 14, 2011, the Town issued general obligation bonds of \$7,555 with interest rates ranging from 3-4% to refund general obligation bonds of \$7,800. The proceeds of the new bonds were placed into an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds will not be included in the Town's financial statements.

General Obligation Bonds

A schedule of bonds outstanding at June 30, 2011 is presented below:

	<u>Outstanding Amount</u>
Sewer bonds due 6/25/13, annual principal payments of \$12, plus interest due semi-annually at 7.125%	\$ 24
Clean Water Fund bond due 7/31/23, monthly payments of \$23 including principal and interest at 2%	2,964
Clean Water Fund bond due 1/31/17, monthly payments of \$4 including principal and interest at 2%	286
Clean Water Fund bond due 7/31/18, monthly payments of \$3 including principal and interest at 2%	226
General Obligation Bonds due 6/15/26, annual principal payments ranging from \$600 to \$625 plus interest due semi-annually at 3.75% to 5.0%	9,025
General Obligation Bonds due 2/01/25, annual principal payments ranging from \$100 to \$125 plus interest due semi-annually at 3.0% to 4.0%	1,650
General Obligation Bonds due 2/01/24, annual principal payments ranging from \$255 to \$265 plus interest due semi-annually at 2.0% to 4.0%	3,375
General Obligation Refunding Bonds due 8/15/24, annual principal payments ranging from \$245 to \$1,020 plus interest due semi-annually at 2.0% to 4.0%	10,815
General Obligation Bonds due 2/01/20, annual principal payments ranging from \$125 to \$180 plus interest due semi-annually at 2.0% to 3.125%	<u>1,355</u>
Total	<u>\$ 29,720</u>

The Town has pledged its full faith and credit as collateral for its bonded indebtedness. General obligation bonds will be paid from taxes levied on taxable property in the Town.

The following is a summary of general obligation bond debt and Clean Water Fund debt maturities:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,435	\$ 965	\$ 3,400
2013	2,421	887	3,308
2014	2,425	812	3,237
2015	2,286	740	3,026
2016	2,293	678	2,971
2017-2021	10,577	2,388	12,965
2022-2026	<u>7,283</u>	<u>693</u>	<u>7,976</u>
Total	<u>\$ 29,720</u>	<u>\$ 7,163</u>	<u>\$ 36,883</u>

Bonds authorized and unissued at June 30, 2011 are presented below:

	<u>Total Authorization</u>
General purpose	\$ 1,095
Schools	<u>9,475</u>
Total	<u><u>\$ 10,570</u></u>

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 54,392	\$ 7,791	\$ 46,601
Schools	108,783	20,987	87,796
Sewers	90,653	4,615	86,038
Urban renewal	78,566	-	78,566
Pension deficit	72,522	-	72,522

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$169 million (amount not rounded). All long-term debt obligations are retired through General Fund appropriations. Net indebtedness includes bonds authorized and unissued and bond anticipation notes outstanding, net of estimated State building grant commitments.

Landfill Closure and Postclosure Care Costs

The Town's estimated costs to monitor the landfill for the next six years are \$47 at June 30, 2011. This amount is based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

Claims and Judgments

In connection with the settlement of claims brought against the Town by a neighborhood alleging that the Town's landfill contaminated their drinking water, the Town agreed to pay to connect the residents to the Town water supply and pay their water bills for 20 years. The properties were connected during 2001, and, at June 30, 2011, \$35 has been accrued as an estimate of the cost to provide water for the remaining 11 years of the agreement.

Bond Anticipation Notes

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2011:

Capital Projects Fund

<u>Date Issued</u>	<u>Maturity Date</u>	<u>Effective Interest Rate (%)</u>	<u>Balance July 1, 2010</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2011</u>
2/10/2010	2/9/2011	.75	\$ 475	\$	\$ 475	\$ -
2/9/2011	2/9/2012	.6997	<u> </u>	<u>2,210</u>	<u> </u>	<u>2,210</u>
Total			<u><u>\$ 475</u></u>	<u><u>\$ 2,210</u></u>	<u><u>\$ 475</u></u>	<u><u>\$ 2,210</u></u>

The proceeds from the bond anticipation notes outstanding at June 30, 2011 are to be used to fund the \$33 million school building project.

8. CONTINGENT LIABILITIES

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by Town management and counsel to result in a judgment or judgments which would have a material adverse effect on the Town’s financial position.

9. FUND BALANCES

The components of fund balance for the governmental funds at June 30, 2011 are as follows:

	General Fund	Major Special Revenue Fund Sewer Assessment Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Fund balances:					
Nonspendable:					
Endowment	\$	\$	\$	\$ 10	\$ 10
Inventories	31				31
Restricted for:					
Grants	34		477	203	714
Education				51	51
Committed to:					
Sewer assessment		785			785
Capital projects			1,417		1,417
General government				493	493
Public works				12	12
Health and welfare				2	2
Recreation				261	261
Assigned to:					
General government	33				33
Public safety	19				19
Public works	95				95
Health and welfare	3				3
Recreation	3				3
Education	282				282
Employee benefits	4				4
Unassigned	<u>3,673</u>		<u>(773)</u>		<u>2,900</u>
Total Fund Balances	<u>\$ 4,177</u>	<u>\$ 785</u>	<u>\$ 1,121</u>	<u>\$ 1,032</u>	<u>\$ 7,115</u>

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

10. 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, 2011. The plan does not issue a stand-alone financial report.

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

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

B. Funding Policy

The BOE provides certain retirees with health care and lump-sum benefits, in accordance with Teacher and Administrators union contracts. Provisions of the benefits are as follows:

Litchfield Education Association OPEB Contract Provisions

Upon retirement under the Connecticut State Teachers' Retirement System, teachers will be provided at BOE expense:

Amount of Benefit

1. For those who retired in either fiscal year 2008 or 2009:
 - a. \$5 on date of retirement and the BOE shall pay the cost of single health and dental insurance coverage under one of the plans (excluding the high deductible/health savings account option) offered by the BOE to actively employed teachers, less the contribution from the State of Connecticut Teachers' Retirement Board, for a period of 5 years immediately following retirement; or,
 - b. Teachers who do not elect the option set forth in (a) above, shall receive ten thousand dollars (\$10) at the time of retirement, and no other compensation or benefits.
2. For those who retire in fiscal year 2010 or thereafter:
 - a. \$5 at the time of retirement; or,
 - b. The BOE shall pay the cost of single health and dental insurance coverage under one of the plans (excluding the high deductible/health savings account option) offered by the BOE to actively employed teachers, less the contribution from the State of Connecticut Teachers' Retirement Board, for a period of 4 years immediately following retirement.

Litchfield Administrators Association OPEB Contract Provisions

Upon retirement under the Connecticut State Teachers' Retirement System, qualified administrators employed on or prior to June 30, 2005 and whose employment with the Litchfield Public School is at least 10 years will be provided at BOE expense:

1. The cost of health and dental insurance coverage for the retiree and eligible dependents under one of the plans (excluding the high deductible/health savings account option) offered by the BOE to actively employed administrators, less the contribution from the State of Connecticut Teachers' Retirement Board, until eligible for Medicare; or,
2. \$5 annual payment until eligible for Medicare, age 65, or for 5 years immediately following retirement, whichever is less.

C. Annual OPEB Cost and Net OPEB Obligations

The BOE’s annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the components of the BOE’s annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan, and changes in the BOE’s net OPEB obligation (asset):

Annual required contribution (ARC)	\$	549
Interest on OPEB obligation		43
Adjustment to annual required contribution		<u>(54)</u>
Annual OPEB cost		538
Contributions made		<u>236</u>
Increase in net OPEB obligation		302
Net OPEB obligation - beginning of year		<u>613</u>
Net OPEB Obligation - End of Year	\$	<u><u>915</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, 2011, 2010 and 2009, 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>
6/30/2011	\$ 538	\$ 236	43.9 %	\$ 915
6/30/2010	475	191	40.2	613
6/30/2009	489	160	32.7	329

D. Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2007	\$ -	\$ 3,199	\$ 3,199	0 %	N/A	N/A %
7/1/2010	-	5,373	5,373	0	9,795	55

E. Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>
2011	\$ 549	\$ 236	43.0 %
2010	489	160	32.7
2009	489	191	39.1

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

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

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

11. RISK MANAGEMENT

The Town is exposed to various risks of loss including torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town generally obtains commercial insurance for these risks, but has chosen to retain the risks for employee health and medical claims. Settled claims, for all types of commercial coverage, have not exceeded coverage in any of the past three years.

The Internal Service Fund is utilized to report the self-insurance medical activity. Anthem Blue Cross/Blue Shield administers the plan, for which the Town pays a fee. The General Fund (Town and Board of Education) and Sewer Operations Fund (Special Revenue Fund) contribute based on Anthem Blue Cross/Blue Shield estimates made using the Town's historical data. The Town covers all claims up to \$100,000 (amount not rounded) per participant per year with an individual stop-loss policy covering amounts exceeding the limit. In addition, the Town has an aggregate stop-loss policy that would cover claims exceeding 120% of the total estimated claims for the plan year. The claims payable liability of approximately \$198 included in the Internal Service Fund at June 30, 2011 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>
2011	\$ 199	\$ 2,279	\$ 2,280	\$ 198
2010	194	2,579	2,574	199

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.

12. PENSION PLANS

A. Plan Description

Town Retirement Plan

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

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

Merit Service Plan

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

The Town's pension plans do not issue stand-alone financial statements.

Membership in the plans consisted of the following at July 1, 2010, the date of the last actuarial valuation:

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

Annual Pension Cost and Net Pension Asset

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

	<u>Town Plan</u>	<u>Merit Service Plan</u>
Annual required contribution	\$ 726	\$ 212
Interest on net pension obligation	(22)	(15)
Adjustment to annual required contribution	<u>28</u>	<u>22</u>
Annual pension cost	732	219
Contributions made	<u>727</u>	<u>212</u>
Decrease in net pension asset	5	7
Net pension asset - beginning of year	<u>(316)</u>	<u>(211)</u>
Net Pension Asset - End of Year	<u><u>\$ (311)</u></u>	<u><u>\$ (204)</u></u>

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

	<u>Town Plan</u>	<u>Merit Service Plan</u>
Actuarial valuation date	July 1, 2010	July 1, 2010
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, Open	Level Dollar, Open
Amortization period	20 years	15 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	7.00%	7.00%
Projected salary increases	4.0% compounded annually	N/A

B. Trend Information

Town Plan			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/2011	\$ 732	99.3 %	\$ (311)
6/30/2010	777	118.5	(316)
6/30/2009	613	86.5	(172)

Merit Service Plan			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
6/30/2011	\$ 219	96.8 %	\$ (204)
6/30/2010	232	85.3	(211)
6/30/2009	170	85.9	(245)

C. Pension Plan Required Supplementary Information

Schedule of Funding Progress

Town Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2010	\$ 6,216	\$ 11,661	\$ 5,445	53 %	\$ 3,773	144 %
7/1/2009	5,044	10,517	5,473	48	3,578	153
7/1/2008	5,806	9,784	3,978	59	4,018	99
7/1/2007	5,799	8,708	2,909	67	3,611	81
7/1/2006	4,984	6,868	1,884	73	3,338	56
7/1/2005	4,662	6,316	1,654	74	3,501	47

Merit Service Plan

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

Schedule of Employer Contributions

Town Plan

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage of ARC Contributed
2011	\$ 726	\$ 727	100.1 %
2010	774	921	119.0
2009	609	530	87.0
2008	509	677	132.6
2007	360	391	108.6
2006	354	354	100.0

Merit Service Plan

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage of ARC Contributed
2011	\$ 212	\$ 212	100.0 %
2010	224	198	88.4
2009	160	146	91.3
2008	115	126	109.6
2007	106	109	102.8
2006	105	295	280.9

Pension Trust Funds

The Town maintains two pension trust funds (Town Employees Retirement Plan and Merit Service Plan) to account for its fiduciary responsibility. The following schedules present the net assets held in trust for pension benefits at June 30, 2011 and the changes in net assets for the year then ended.

Schedule of Plan Net Assets

	Town Retirement Plan	Merit Service Retirement Plan	Total
Assets:			
Cash and cash equivalents	\$ 618	\$ 463	\$ 1,081
Investments	7,203	1,972	9,175
Accrued interest receivable	10	2	12
	<u> </u>	<u> </u>	<u> </u>
Net Assets Held in Trust for Pension Benefits	\$ <u>7,831</u>	\$ <u>2,437</u>	\$ <u>10,268</u>

Schedule of Changes in Plan Net Assets

	Town Retirement Plan	Merit Service Retirement Plan	Total
Additions:			
Contributions:			
Employer	\$ <u>726</u>	\$ <u>212</u>	\$ <u>938</u>
Investment income:			
Net appreciation in fair value of investments	1,186	365	1,551
Interest and dividends	207	62	269
Total	<u>1,393</u>	<u>427</u>	<u>1,820</u>
Less investment expense:			
Investment management fees	40	11	51
Net investment income	<u>1,353</u>	<u>416</u>	<u>1,769</u>
Total additions	2,079	628	2,707
Deductions:			
Benefits	<u>465</u>	<u>128</u>	<u>593</u>
Net increase	1,614	500	2,114
Net assets held in trust for pension benefits, beginning of year	<u>6,217</u>	<u>1,937</u>	<u>8,154</u>
Net Assets Held in Trust for Pension Benefits, End of Year	\$ <u>7,831</u>	\$ <u>2,437</u>	\$ <u>10,268</u>

Connecticut State Teachers' Retirement System

The eligible faculty and professional personnel of the Board of Education participate in a multiple employer cost sharing contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut or has attained any age and has accumulated 35 years of credited service, at least 25 of which are service in the public schools of Connecticut. The financial statements of the plan are available from the Connecticut State Teachers' Retirement Board.

Certain part-time and full-time certified Board of Education personnel are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. The State of Connecticut contributes based on actuarially determined amounts. The funding level was determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual town basis.

In addition, the Town has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$1,273 for the year ended June 30, 2011.

12. PRIOR PERIOD ADJUSTMENTS

During the year, the Town implemented GASB Statement No. 54. This required the Town to review its special revenue funds and determine if they have a revenue source that is restricted or committed for a specific purpose. This revenue source also needs to constitute a substantial portion of the resources in the fund. As a result, a special revenue fund did not meet those requirements and is now reported as part of the General Fund.

The beginning fund balances for the following funds were restated:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Balance, June 30, 2010	\$ 4,066	\$ 1,288
Reclassified to General Fund	<u>5</u>	<u>(5)</u>
Restated Fund Balance, June 30, 2010	<u>\$ 4,071</u>	<u>\$ 1,283</u>

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, 2011
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Property taxes:				
Property taxes	\$ 23,924	\$ 23,924	\$ 24,025	\$ 101
Interest and lien fees	150	150	196	46
Total property taxes	<u>24,074</u>	<u>24,074</u>	<u>24,221</u>	<u>147</u>
Licenses, permits and fees:				
Selectmen:				
Resource recovery	19	19	8	(11)
Refuse collection permits	1	1	1	-
Demolition and brush fees	50	50	50	-
Tires	1	1		(1)
Public works labor	2	2	6	4
Total selectmen	<u>73</u>	<u>73</u>	<u>65</u>	<u>(8)</u>
Town Clerk:				
Town Clerk fees	78	78	80	2
Conveyance tax	105	105	117	12
Dog license fees	2	2	4	2
Licenses and permits	2	2	3	1
Total Town Clerk	<u>187</u>	<u>187</u>	<u>204</u>	<u>17</u>
Development and planning:				
Planning and zoning fees	21	21	18	(3)
Wetland fees	22	22	6	(16)
Zoning Board of Appeals	8	8	1	(7)
Total development and planning	<u>51</u>	<u>51</u>	<u>25</u>	<u>(26)</u>
Police Department:				
Private duty	18	18	17	(1)
Parking fines	26	26	8	(18)
Total Police Department	<u>44</u>	<u>44</u>	<u>25</u>	<u>(19)</u>
Building inspection:				
Building fees	70	70	47	(23)
Fire Marshal:				
Licenses and permits	4	4	3	(1)
Social services:				
Senior van donations	2	2	1	(1)
Elderly housing - Wells Run	15	15	25	10
Total social services	<u>17</u>	<u>17</u>	<u>26</u>	<u>9</u>
Special programs:				
Tax Assessor sale of maps	2	2	2	-
Parks and recreation	2	2	2	-
Probate court	10	10	10	-
Total special programs	<u>14</u>	<u>14</u>	<u>14</u>	<u>-</u>

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TOWN OF LITCHFIELD, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2011

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Education:				
Tuition and fees	\$ 1	\$ 1	\$ 1	\$ -
Total licenses, permits and fees	<u>461</u>	<u>461</u>	<u>410</u>	<u>(51)</u>
Intergovernmental:				
In lieu of taxes	78	78	85	7
Circuit breaker	55	55	57	2
Manufacturers' inventory	1	1	3	2
Veterans' exemption	3	3	3	-
Boat reimbursement			3	3
Mashantucket Pequot Fund	19	19	17	(2)
Educational transportation	45	45	35	(10)
Education cost sharing	1,480	1,480	1,269	(211)
Telephone access line grant	60	60	31	(29)
Municipal video training			36	36
FEMA snow storm			34	34
Total intergovernmental	<u>1,741</u>	<u>1,741</u>	<u>1,573</u>	<u>(168)</u>
Investment income	<u>50</u>	<u>50</u>	<u>44</u>	<u>(6)</u>
Other revenues:				
Miscellaneous	<u>10</u>	<u>10</u>	<u>71</u>	<u>61</u>
Total revenues	<u>26,336</u>	<u>26,336</u>	<u>26,319</u>	<u>(17)</u>
Other financing sources:				
Transfers in:				
Sewer Assessment	<u>424</u>	<u>424</u>	<u>424</u>	<u>-</u>
Total	<u>\$ 26,760</u>	<u>\$ 26,760</u>	26,743	<u>\$ (17)</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers'

Retirement System for Town teachers are not budgeted

1,273

Cancellation of prior year encumbrances are recognized as budgetary revenue

(69)

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

\$ 27,947

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, 2011

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
General government:				
Board of Finance	\$ 32	\$ 32	\$ 30	\$ 2
Board of Selectmen	20	26	26	-
Municipal Management	166	166	165	1
Finance Department	141	155	155	-
Treasurer	7	7	7	-
Tax Collector	113	113	100	13
Assessor	178	178	169	9
Board of Assessment Appeals	1	1		1
Planning and Zoning	13	13	11	2
Wetlands	8	8	5	3
Zoning Board of Appeals	12	15	15	-
Conservation Commission	1	1		1
Land Use Administration	111	111	105	6
Building Inspector	112	112	110	2
Economic Development Commission	1	1		1
Town Clerk	113	113	110	3
Elections	20	20	20	-
Registrars	26	26	26	-
Legal counsel	76	88	88	-
Probate	9	9	9	-
Technology	60	60	54	6
Central Services and Town buildings	166	166	157	9
Total general government	<u>1,386</u>	<u>1,421</u>	<u>1,362</u>	<u>59</u>
Public safety:				
Police protection	161	161	161	-
Patrol services	129	129	123	6
Parking enforcement	44	44	29	15
Fire Marshal	75	75	72	3
Fire protection service	352	360	360	-
E911 Emergency	88	88	88	-
Litchfield emergency management	7	7	6	1
Total public safety	<u>856</u>	<u>864</u>	<u>839</u>	<u>25</u>

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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, 2011

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Public works:				
Supervision	\$ 8	\$ 8	\$ 7	\$ 1
Operations	1,045	1,045	1,031	14
Highways	497	497	464	33
Equipment maintenance	157	269	269	-
Building and grounds maintenance	79	79	67	12
Solid waste disposal and recycling	396	442	441	1
Director of Public Works	65	65	64	1
Total public works	<u>2,247</u>	<u>2,405</u>	<u>2,343</u>	<u>62</u>
Health and welfare:				
Social services	35	35	33	2
Ambulance services	63	73	73	-
OSHA mandated health	2	2	1	1
Total health and welfare	<u>100</u>	<u>110</u>	<u>107</u>	<u>3</u>
Libraries	<u>326</u>	<u>326</u>	<u>326</u>	<u>-</u>
Recreation:				
Recreation	103	103	99	4
Co-op programs	143	143	143	-
Total recreation	<u>246</u>	<u>246</u>	<u>242</u>	<u>4</u>
Board of Education:				
Board of Education	16,385	16,385	15,970	415
Maintenance by Town	158	176	176	-
Total Board of Education	<u>16,543</u>	<u>16,561</u>	<u>16,146</u>	<u>415</u>
Other:				
Cemetery services	18	18	18	-
Beautification Commission	3	3		3
Contingency	101			-
Fringe benefits	1,392	1,353	1,342	11
Municipal insurance	140	64	64	-
Total other	<u>1,654</u>	<u>1,438</u>	<u>1,424</u>	<u>14</u>

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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, 2011
(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	\$ 2,214	\$ 2,176	\$ 2,214	\$ (38)
Interest on long-term debt	1,117	1,117	1,117	-
Interest on bond anticipation notes	42	42	4	38
Total debt service	<u>3,373</u>	<u>3,335</u>	<u>3,335</u>	<u>-</u>
Total expenditures	<u>26,731</u>	<u>26,706</u>	<u>26,124</u>	<u>582</u>
Other financing uses:				
Transfers out:				
Capital improvements		349	349	-
Other	<u>29</u>	<u>129</u>	<u>112</u>	<u>17</u>
Total other financing uses	<u>29</u>	<u>478</u>	<u>461</u>	<u>17</u>
Total	\$ <u>26,760</u>	\$ <u>27,184</u>	26,585	\$ <u>599</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 1,273

Dog Fund was combined with the General Fund (GASB Statement No. 54) 4

Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes (21)

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV \$ 27,841

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 – Bonds

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 \$2,900,000 Town of Litchfield General Obligation Bonds, Issue of 2012, bearing a Dated Date of February 8, 2012 and an Original Issue Date of February 8, 2012 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the Town dated February 8, 2012 (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 a corporation (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.

Respectfully yours,

JOSEPH FASI LLC

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 – Notes

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 \$425,000 Town of Litchfield General Obligation Bond Anticipation Notes, bearing a Dated Date and an Original Issue Date of February 8, 2012, maturing February 7, 2013 (the "notes").

We have examined a record of the proceedings of authorizing the notes, a Tax Regulatory Agreement of the Town dated February 8, 2012 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

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

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

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the notes under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the notes are a valid and binding general obligation of the Town of Litchfield payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There were 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 notes in order that interest on the notes not be included in gross income under Section 103 of the Code. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the notes shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the notes is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the notes is, however, includable in the adjusted current earnings of a corporation (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 notes.

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

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

Respectfully yours,

JOSEPH FASI LLC

TAX EXEMPTION – Bonds and Notes

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

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

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

ORIGINAL ISSUE DISCOUNT

The following is a general discussion of Original Issue Discount and not an opinion of Bond Counsel.

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

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

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

ORIGINAL ISSUE PREMIUM

The following is a general discussion of Original Issue Premium and not an opinion of Bond Counsel.

The initial public offering prices of certain maturities of the Bonds (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the treatment of bond premium for state and federal 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 tax treatment of municipal bonds, including the exclusion of interest paid thereon from gross income pursuant to section 103 of the Internal Revenue Code, is subject to legislation adopted by the Congress of the United States and enacted into law. Connecticut tax treatment of the **Bonds and Notes** is subject to laws adopted by the State of Connecticut Legislature and enacted into law. From time to time Federal laws are proposed, including introduced into Congress, which 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. On September 13, 2011, the “American Jobs Act of 2011”, proposed by President Barack Obama, was introduced to Congress and includes provisions to limit exclusions from high income taxpayers of tax exempt bond interest. The enactment of the American Jobs Act of 2011, or other pending or future proposals, may adversely affect the tax treatment of the interest paid on the **Bonds**, their sale or disposition, market price, 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. Bond Counsel does not opine as to post issuance acts, including changes of law. Prospective purchases and Beneficial Owners should consult their own tax advisors regarding pending or proposed law changes.

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

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF LITCHFIELD, CONNECTICUT

Dated As Of February 8, 2012

In Connection With The Issuance And Sale Of

\$2,900,000 Town Of Litchfield, Connecticut

General Obligation Bonds, Issue of 2012,

Dated February 8, 2012

WHEREAS, the Town of Litchfield, Connecticut (the "Issuer") has heretofore authorized the issuance of \$2,900,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2012 (the "Bonds") to be dated February 8, 2012 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 February 8, 2012

In Connection With The Issuance And Sale Of

\$2,900,000 Town Of Litchfield, Connecticut

General Obligation Bonds, Issue of 2012,

Dated February 8, 2012

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 _____
Karl R. Fisher
Director of Finance

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

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF LITCHFIELD, CONNECTICUT

Dated As Of February 8, 2012

In Connection With The Issuance And Sale Of

\$425,000 Town Of Litchfield, Connecticut

General Obligation Bond Anticipation Notes, Dated February 8, 2012

WHEREAS, the Town of Litchfield, Connecticut (the "Issuer") has heretofore authorized the issuance of \$425,000 in aggregate principal amount of its General Obligation Bond Anticipation Notes (the "Notes") bearing a Dated Date of February 8, 2012, maturing on February 7, 2013, said Notes as more fully described in the Issuer's Final Official Statement describing the Notes and prepared in connection with their sale (the "Official Statement"); and

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

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

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

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

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

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

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

<http://emma.msrb.org>

Section 2. Event Notices. The Issuer agrees to provide or cause to be provided in a timely manner 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:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, 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;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities; if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (xiii) 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;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

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

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

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF LITCHFIELD, CONNECTICUT

Dated As Of February 8, 2012

In Connection With The Issuance And Sale Of

\$425,000 Town Of Litchfield, Connecticut

General Obligation Bond Anticipation Notes, Dated February 8, 2012

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 _____
Karl R. Fisher
Director of Finance

APPENDIX D – NOTICE OF SALE

NOTICE OF SALE

TOWN OF LITCHFIELD, CONNECTICUT

**\$2,900,000
GENERAL OBLIGATION BONDS, ISSUE OF 2012**

AND

**\$425,000
GENERAL OBLIGATION BOND ANTICIPATION NOTES**

SEALED PROPOSALS and Electronic Bids via **PARITY**[®] will be received by the Town of Litchfield, Connecticut (the "Issuer"), at the Office of the First Selectman, Town of Litchfield, Town Hall, 74 West Street, Litchfield, Connecticut 06759 on **Wednesday, January 25, 2012** for the purchase of:

\$2,900,000 General Obligation Bonds
(the "Bonds")

BANK QUALIFIED

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

Bonds: Electronic Bids and Sealed Proposals accepted

\$425,000 General Obligation Bond Anticipation Notes
Dated: February 8, 2012
Due: February 7, 2013
(the "Notes")

BANK QUALIFIED

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

Notes: Electronic Bids and Sealed Proposals accepted

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

The Notes

The Notes will be dated February 8, 2012, will be payable to the registered owner on February 7, 2013 and are not subject to redemption prior to maturity. They will bear interest (which interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months) payable at maturity at the rate or rates per annum fixed in the proposal or proposals accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

The Bonds

The Bonds will be dated the date of delivery (expected to be February 8, 2012), maturing February 1 in each of the years as follows: \$175,000 in the year 2013; \$225,000 in the year 2014; \$175,000 in the years 2015 and 2016; \$200,000 in each of the years 2017 through 2025, both inclusive; and \$175,000 in the years 2026 and 2027, bearing interest payable semi-annually on February 1 and August 1 in each year until maturity, commencing August 1, 2012.

Redemption – The Bonds

The Bonds maturing on or before February 1, 2017 are not subject to redemption prior to maturity. The Bonds maturing on February 1, 2018 and thereafter are subject to redemption prior to maturity, at the election of the Issuer, on and after February 1, 2017, 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:	February 1, 2017 and thereafter	100%

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

Submitting Proposals - Notes

Proposals for the purchase of said Notes will be accepted electronically via Parity or must be in the form of sealed proposal for purchase attached hereto. A proposal may be for all or any part of the Notes but any proposal for a part must be for a minimum of \$100,000, of principal amount per interest rate bid, or a whole multiple thereof, except that one such proposal for a part may include the odd \$125,000, of the principal per interest rate bid, and the total of all principal amounts bid shall not exceed \$425,000.

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

Submitting Proposals - Bonds

Proposals for the purchase of said Bonds will be accepted electronically via Parity or must be in the form of sealed proposal for purchase attached hereto. Each bid must be for the entire \$2,900,000 of bonds, must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum; provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of 360-day year consisting of twelve 30-day months. No bid for less than par and accrued interest will be considered. Unless all bids are rejected the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

For the purposes of determining the successful bidder, the true interest cost to the Issuer will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to February 8, 2012, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to February 8, 2012, 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.

Submitting Sealed Proposals – Bonds and Notes

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

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds and/or Notes must be submitted through the facilities of *PARITY*[®] until **11:00 A.M. (E.S.T.) for the Notes and until 11:30 A.M. (E.S.T.) for the Bonds** on Wednesday, January 25, 2012. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about *PARITY*[®], including any fee charged, may be obtained from *PARITY*[®], c/o i-Deal LLC, 1359 Broadway, 2nd Floor New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

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

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

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

The Bonds and Notes will be general obligations of the Issuer payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There were 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 Bonds and Notes will be certified by U.S. Bank National Association. The legality of the issue will be passed upon by Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut, and the winning bidders will be furnished with their opinion without charge. The winning bidders will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to said firm, a confirmed copy of the Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Issuer relating to the accuracy and completeness of information contained in the Official Statement, and an executed continuing disclosure agreement.

The legal opinion will further state that, under existing statutes and court decisions interest on the Bonds and the Notes (i) is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) is not treated as a preference item for purposes of computing the Federal alternative minimum tax; such interest is, however, includable in the adjusted current earnings of a corporation (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 and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay Federal alternative minimum tax.

In rendering the legal opinion, 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 Notes, and further, will assume continuing compliance by the Issuer with the covenants and procedures set forth in such Tax Regulatory Agreement. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank National Association, in Hartford, Connecticut, and will be available for examination upon request.

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

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

The Bonds and Notes will be delivered to DTC or its Agent via "Fast" on or about February 8, 2012. The deposit of the Bonds and Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds and Notes prior to delivery, and the Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds and Notes with DTC due to the failure of the winning bidder to obtain such numbers and to supply them to the Issuer in a timely manner. The Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for the purchaser.

The Bonds and Notes will be awarded or all bids will be rejected promptly after the bid opening and not later than 4:00 P.M. (Hartford time) on January 25, 2012. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

For more information regarding this issue and the Issuer, reference is made to the Official Statement. Bid forms and copies of the Official Statement dated January 17, 2012, may be obtained from Mark Chapman, Municipal Analyst, Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, (203) 245-7264. The Official Statement is in a form "deemed final" by the Issuer for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The Issuer will provide to the winning bidder of the Bonds 100 copies of the Official Statement and to the winning bidder of the Notes 15 copies of the Official Statement, prepared for this Bond and Note issue at the Issuer's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. If the Issuer's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds and Notes.

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

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

Leo Paul, Jr.
First Selectman

David T. Wilson
Town Treasurer

Karl R. Fisher
Director of Finance

January 17, 2012

(See attached for forms of Proposal for Purchase)

PROPOSAL FOR BONDS

January 25, 2012

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

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated January 17, 2012, which Notice is made a part of this proposal, we offer to purchase all \$2,900,000 bonds of the Town of Litchfield comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$_____, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2013	\$175,000	_____ %	2021	\$200,000	_____ %
2014	\$225,000	_____ %	2022	\$200,000	_____ %
2015	\$175,000	_____ %	2023	\$200,000	_____ %
2016	\$175,000	_____ %	2024	\$200,000	_____ %
2017	\$200,000	_____ %	2025	\$200,000	_____ %
2018	\$200,000	_____ %	2026	\$175,000	_____ %
2019	\$200,000	_____ %	2027	\$175,000	_____ %
2020	\$200,000	_____ %			

 (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 \$2,900,000 bonds under the foregoing proposal:

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

PROPOSAL FOR NOTES

January 25, 2012

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

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated January 17, 2012, which Notice is made a part of this proposal, we offer to purchase the indicated principal amount of \$425,000 of Town of Litchfield General Obligation Bond Anticipation Notes and to pay therefor par and accrued interest, if any, to the date of delivery, and pay the premium specified below, if any (and we provide our computations of net interest cost carried to four decimals and made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal) as follows:

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

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

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

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

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

(Name of Bidder)

(Mailing Address)

(Telephone Number)

(Authorized Signature)

(Facsimile Number)