

TOWN OF LITCHFIELD CONNECTICUT



**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

TOWN OF LITCHFIELD, CONNECTICUT

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For the Year Ended June 30, 2025

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Financial Section



INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Litchfield, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Litchfield, CT, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Litchfield's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Litchfield, CT, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Litchfield, CT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Transfer of Education Operations

As described in Note 15 to the financial statements, effective July 1, 2024, the Town transferred its education operations, including related capital assets, to the Regional School District No. 20. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Litchfield, CT's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Litchfield, CT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Litchfield, CT's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

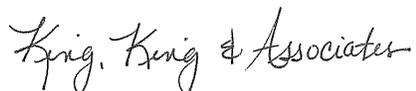
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2025, on our consideration of the Town of Litchfield, CT's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Litchfield, CT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Litchfield, CT's internal control over financial reporting and compliance.



King, King & Associates, P.C., CPAs
Winsted, CT
December 23, 2025

TOWN OF LITCHFIELD, CONNECTICUT

Management's Discussion and Analysis

June 30, 2025

As management of the Town of Litchfield, CT, we offer readers of the Town of Litchfield, CT's financial statements this narrative overview and analysis of the financial activities of the Town of Litchfield, CT for the fiscal year ended June 30, 2025.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town of Litchfield, CT exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$52,877,563 (*net position*). Of this amount, \$8,705,661 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. This amount consists of \$7,185,444 that is attributable to the Town's governmental activities and \$1,520,217 that is attributable to the Town's Water Pollution Control Authority (business-type activities).
- In the Town's governmental activities, total net position decreased by \$19,613,199.
- In the Town's business-type activities, total net position decreased by \$34,329.
- As of the close of the current fiscal year, the Town of Litchfield, CT's governmental funds reported combined ending fund balances of \$12,871,456, a decrease of \$2,187,071 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,640,023 or 24.3% of total General Fund budgeted expenditures.
- As described in Note 15, the Town transferred education operations to the newly formed Regional School District No. 20 as of July 1, 2024. The transfer of operations resulted in a decrease in net position of \$22,106,584 reported as a special item.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Litchfield, CT's basic financial statements. The Town of Litchfield, CT's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Litchfield, CT's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Litchfield, CT's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator whether the financial position of the Town of Litchfield, CT is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position is changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation and sick leave).

TOWN OF LITCHFIELD, CONNECTICUT

Management's Discussion and Analysis

June 30, 2025

Both of the government-wide financial statements distinguish functions of the Town of Litchfield, CT that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Litchfield, CT include general government, public safety, public works, health and welfare, culture and recreation, and education. Property taxes, state and federal grants, and local revenues such as fees and licenses finance most of these activities. The business-type activities of the Town of Litchfield, CT include fees to customers to help it cover all or most of the cost of certain services provided by the Water Pollution Control Authority.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Litchfield, CT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Litchfield, CT can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Town of Litchfield, CT, maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and Nonmajor Governmental Funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Litchfield, CT, adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Proprietary Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Water Pollution Control Authority. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

TOWN OF LITCHFIELD, CONNECTICUT

Management's Discussion and Analysis

June 30, 2025

Internal service funds are used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for health insurance benefits. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. As the Town is no longer self-insured, the internal service fund has been closed out as of June 30, 2025.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for Proprietary Funds.

The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Litchfield, CT, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$52,877,563 at the close of the most recent fiscal year.

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024*	2025	2024*	2025	2024*
Current and Other Assets	\$ 20,697,864	\$ 21,315,885	\$ 1,574,793	\$ 1,602,562	\$ 22,272,657	\$ 22,918,447
Capital Assets	52,072,995	72,099,396	3,956,921	3,967,564	56,029,916	76,066,960
Total Assets	72,770,859	93,415,281	5,531,714	5,570,126	78,302,573	98,985,407
Deferred Outflows						
of Resources	452,012	581,395	-	-	452,012	581,395
Other Liabilities	2,835,336	2,322,136	3,665	12,378	2,839,001	2,334,514
Long-term Liabilities	18,460,743	20,905,344	50,911	-	18,511,654	20,905,344
Total Liabilities	21,296,079	23,227,480	54,576	12,378	21,350,655	23,239,858
Deferred Inflows						
of Resources	4,526,367	3,515,131	-	-	4,526,367	3,515,131
Net Position:						
Net Investment						
in Capital Assets	35,660,293	52,261,335	3,956,921	3,967,564	39,617,214	56,228,899
Restricted	4,554,688	3,869,501	-	-	4,554,688	3,869,501
Unrestricted	7,185,444	11,123,229	1,520,217	1,590,184	8,705,661	12,713,413
Total Net Position	\$ 47,400,425	\$ 67,254,065	\$ 5,477,138	\$ 5,557,748	\$ 52,877,563	\$ 72,811,813

*Restated for Corrections of an Error. See Note 17.

The largest portion of the Town's net position reflects its investment in capital assets (land, buildings and improvements, machinery and equipment, and infrastructure assets such as roads and bridges) less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to its citizens; consequently, these assets are not available for spending. Net investment in capital assets decreased by \$16,611,685 during the current fiscal year, mainly due to the transfer of operations to Region 20, see Note 15.

TOWN OF LITCHFIELD, CONNECTICUT

Management's Discussion and Analysis

June 30, 2025

The Town's restricted net position of \$4,554,688 increased by \$685,187 compared to last year's restricted net position of \$3,869,501.

The remainder of the Town's net position is considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
REVENUES						
<i>General Revenues:</i>						
Property Taxes	\$ 29,046,454	\$ 30,293,775	\$ -	\$ -	\$ 29,046,454	\$ 30,293,775
Unrestricted Grants & Contributions	88,764	371,339	-	-	88,764	371,339
Unrestricted Investment Income	906,979	1,239,883	59,194	48,054	966,173	1,287,937
Other Revenues	118,412	6,348	-	-	118,412	6,348
<i>Program Revenues:</i>						
Charges for Services	1,043,267	1,369,637	1,166,372	1,245,925	2,209,639	2,615,562
Operating Grants and Contributions	2,796,738	6,711,373	-	-	2,796,738	6,711,373
Capital Grants and Contributions	842,624	1,867,104	-	-	842,624	1,867,104
Total Revenues	34,843,238	41,859,459	1,225,566	1,293,979	36,068,804	43,153,438
EXPENSES						
<i>Governmental Activities:</i>						
General Government	2,813,867	2,048,110	-	-	2,813,867	2,048,110
Public Safety	1,606,480	1,480,312	-	-	1,606,480	1,480,312
Public Works	5,755,382	5,392,088	-	-	5,755,382	5,392,088
Health and Welfare	856,980	80,783	-	-	856,980	80,783
Culture and Recreation	1,071,259	1,232,261	-	-	1,071,259	1,232,261
Education	21,137,456	24,670,965	-	-	21,137,456	24,670,965
Interest on Long-Term Debt	294,701	342,104	-	-	294,701	342,104
<i>Business-Type Activities:</i>						
Water Pollution Control Authority	-	-	1,259,895	1,329,170	1,259,895	1,329,170
Total Expenses	33,536,125	35,246,623	1,259,895	1,329,170	34,796,020	36,575,793
Change in Net Position Before Special Items and Transfers	1,307,113	6,612,836	(34,329)	(35,191)	1,272,784	6,577,645
<i>Special Items:</i>						
Debt Service Payment Received from Region 20	1,186,272	-	-	-	1,186,272	-
Transfer of Operations to Region 20	(22,106,584)	-	-	-	(22,106,584)	-
Total of Special Items	(20,920,312)	-	-	-	(20,920,312)	-
Transfers	-	(4,568)	-	4,568	-	-
Change in Net Position	(19,613,199)	6,608,268	(34,329)	(30,623)	(19,647,528)	6,577,645
Beginning Net Position	67,254,065	72,170,484	5,557,748	5,452,139	72,811,813	77,622,623
Corrections of an Error	-	(11,524,687)	-	136,232	-	(11,388,455)
Change in Accounting Principle	(240,441)	-	(46,281)	-	(286,722)	-
Beginning Net Position, as adjusted	67,013,624	60,645,797	5,511,467	5,588,371	72,525,091	66,234,168
Ending Net Position	\$ 47,400,425	\$ 67,254,065	\$ 5,477,138	\$ 5,557,748	\$ 52,877,563	\$ 72,811,813

Governmental Activities. Governmental activities decreased the Town of Litchfield, CT's net position by \$19,613,199. A significant portion of this decrease is related to the transfer of education operations as noted in Note 15.

TOWN OF LITCHFIELD, CONNECTICUT

Management's Discussion and Analysis

June 30, 2025

Eighty-three percent (83%) of the revenues of the Town were derived from property taxes, followed by eleven percent (11%) from grants and contributions, three percent (3%) from charges for services and three percent (3%) of the Town's revenue in the fiscal year was derived from investment, contract, and other income.

Major revenue factors included:

- Property Tax revenue decreased \$1,247,321 due to a decrease in the mill rate from 26.70 to 18.50 which is a result of the period property revaluation along with a transfer of operations to Region 20 and their contribution towards a portion of the annual general obligation debt service payments which reduced the budget by around \$1.2 million.
- A decrease in operating grants and contributions as the on-behalf TRB and TRB OPEB pension expense amounts will be recognized at the Regional School District No. 20 going forward and not the Town of Litchfield.

Sixty-three percent (63%) of the expenses of the Town were related to education, followed by seventeen percent (17%) related to public works, eight percent (8%) related to general government, five percent (5%) related to public safety, and seven percent (7%) related to the remainder of the government's expenses.

Major expense factors included:

- A decrease in education expenses as the on-behalf TRB and TRB OPEB pension expense amounts will be recognized at the Regional School District No. 20 going forward and not the Town of Litchfield.

Business-Type Activities. The business-type activities consist of the Water Pollution Control Authority. The net position decreased by \$34,329 during the current fiscal year.

Key elements of this decrease include:

- A decrease in charges for services to the users of the WPCA and also a decrease in operating costs during the year. The decrease in net position is consistent with the prior years.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Town of Litchfield, CT uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town of Litchfield, CT'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 of Litchfield, CT's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Litchfield, CT's governmental funds reported combined ending fund balances of \$12,871,456, a decrease of \$2,187,071 in comparison with the prior year. The governmental funds currently have an unassigned fund balance of \$7,640,023, or 59.4% of total governmental funds fund balance.

TOWN OF LITCHFIELD, CONNECTICUT

Management's Discussion and Analysis

June 30, 2025

General Fund. The General Fund is the chief operating fund of the Town of Litchfield, CT. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,640,023. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 24.0% of total General Fund Budget Basis actual expenditures and transfers out.

The fund balance of the Town of Litchfield, CT's General Fund increased by \$226,805 during the current fiscal year. Key factors in this increase are as follows:

- Investment income coming in \$422,253 greater than anticipated.
- Property tax collections coming in \$279,791 greater than anticipated.
- Overall expenditures coming in \$317,108 less than expected.
- A transfer to the Capital Projects Fund from unassigned fund balance of \$704,965.

Capital Projects Fund. The fund balance of the Capital Projects Fund decreased by \$1,936,494 during the current fiscal year. Current year capital expenditures of \$3,635,384 were offset by transfers in of \$1,206,262 and the recognition of intergovernmental revenues of \$492,628.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$347,300. Budgetary revenues were \$697,051 greater than expected due primarily to higher than anticipated investment income and property tax collections. Budgetary expenditures were \$317,108 less than expected due primarily to savings in public safety and fringe benefits which were offset by over expenditures in various general government lines and highways expenditures. There was an appropriation from unassigned fund balance of \$704,965 to the Capital Reserve Fund during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Town of Litchfield, CT's reported value in capital assets for its governmental and business-type activities as of June 30, 2025, amounts to \$56,029,916 (net of accumulated depreciation). This reported value in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure assets such as roads and bridges. The total decrease in the Town's investment in capital assets for the current fiscal year was \$20,037,044.

	2025	2024*
<i>Governmental Activities:</i>		
Land	\$ 1,598,267	\$ 1,679,473
Construction in Progress	20,499	-
Buildings and Improvements	10,577,182	31,858,021
Machinery and Equipment	4,431,358	3,937,322
Infrastructure	35,445,689	34,624,580
	<u>\$ 52,072,995</u>	<u>\$ 72,099,396</u>

*Restated to correct errors in a prior year. See Note 17.

TOWN OF LITCHFIELD, CONNECTICUT

Management's Discussion and Analysis

June 30, 2025

	2025	2024
<i>Business-Type Activities:</i>		
Buildings and Improvements	\$ 2,219,361	\$ 2,158,266
Machinery and Equipment	61,601	68,684
Infrastructure - Sewers	1,675,959	1,740,614
	\$ 3,956,921	\$ 3,967,564

Major capital asset events during the current fiscal year included the following:

- Various major road and bridge improvements.
- Various building improvements on Town facilities.
- Transfer of education operations to Regional School District No. 20 which included land, buildings, and machinery and equipment.

Additional information on the Town of Litchfield, CT's capital assets can be found in Note 6 on pages 38-39 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Litchfield, CT had long-term debt and other long-term liabilities outstanding of \$18,511,654.

	2025	2024*
<i>Governmental Activities:</i>		
General Obligation Bonds	\$ 15,045,000	\$ 17,940,000
Unamortized Bond Premiums	1,477,830	1,757,467
Region 20 Budget Deficit Mitigation Agreement	1,478,117	-
Compensated Absences	454,903	490,206
Net Pension Liability	4,893	958,112
	\$ 18,460,743	\$ 21,145,785

	2025	2024*
<i>Business-Type Activities:</i>		
Compensated Absences	\$ 50,911	\$ 46,281

Beginning compensated absences balances are restated for the Implementation of GASB 101, *Compensated Absences*. See Note 17.

The Town of Litchfield, CT's total long-term debt and other long-term liabilities decreased by \$2,680,412 (12.6 percent) during the current fiscal year due mainly to the repayment of GO Bonds and reduction in the net pension liability offset by the addition of the Region 20 budget deficit mitigation agreement. Additional information on the Town of Litchfield, CT's long-term debt and other long-term liabilities can be found in Note 7 on pages 39-41 of this report.

The Town of Litchfield currently maintains a bond rating of AA+ by Standard and Poor's.

TOWN OF LITCHFIELD, CONNECTICUT
Management's Discussion and Analysis
June 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A summary of key economic factors affecting the Town are as follows:

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which from time to time will affect the amount of intergovernmental revenues the Town will receive.
- Increased threat of losing State funding will continue to be a variable in our local budget.

All of these factors were considered in preparing the Town of Litchfield, CT's budget for the 2026 fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Litchfield, CT's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town's Finance Department, Town of Litchfield, 74 West Street, Litchfield, CT 06759.

Basic Financial Statements

TOWN OF LITCHFIELD, CONNECTICUT

Statement of Net Position

June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 15,436,013	\$ 50	\$ 15,436,063
Restricted Cash and Cash Equivalents	110,842	-	110,842
Receivables, Net of Allowance	3,095,169	457,439	3,552,608
Internal Balances	(1,117,304)	1,117,304	-
Net Pension Asset	1,163,994	-	1,163,994
Net OPEB Asset	1,984,037	-	1,984,037
Inventory	25,113	-	25,113
Capital Assets:			
Assets Not Being Depreciated	1,618,766	-	1,618,766
Assets Being Depreciated, Net	50,454,229	3,956,921	54,411,150
Total Assets	72,770,859	5,531,714	78,302,573
Deferred Outflows of Resources			
Deferred Outflows - Pension	213,345	-	213,345
Deferred Outflows - OPEB	128,539	-	128,539
Deferred Charge on Refunding	110,128	-	110,128
Total Deferred Outflows of Resources	452,012	-	452,012
Liabilities			
Accounts Payable and Accrued Items	1,086,965	3,665	1,090,630
Accrued Interest Payable	191,100	-	191,100
Performance Bonds	110,842	-	110,842
Unearned Revenue	1,446,429	-	1,446,429
Noncurrent Liabilities:			
Due Within One Year	3,009,919	10,182	3,020,101
Due In More Than One Year	15,450,824	40,729	15,491,553
Total Liabilities	21,296,079	54,576	21,350,655
Deferred Inflows of Resources			
Deferred Inflows - Pension	1,561,176	-	1,561,176
Deferred Inflows - OPEB	1,645,918	-	1,645,918
Lease Related	1,319,273	-	1,319,273
Total Deferred Inflows of Resources	4,526,367	-	4,526,367
Net Position			
Net Investment in Capital Assets	35,660,293	3,956,921	39,617,214
Restricted for:			
Purposes of Trust - Nonexpendable	10,000	-	10,000
Purposes of Trust - Expendable	194	-	194
Pension Benefits	1,163,994	-	1,163,994
Other Post-Employment Benefits	1,984,037	-	1,984,037
Road Improvements	197,607	-	197,607
WPCA Operations	537,676	-	537,676
Other Purposes	661,180	-	661,180
Unrestricted	7,185,444	1,520,217	8,705,661
Total Net Position	\$ 47,400,425	\$ 5,477,138	\$ 52,877,563

The notes to the financial statements are an integral part of this statement

TOWN OF LITCHFIELD, CONNECTICUT

Statement of Activities

For the Year Ended June 30, 2025

Functions/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 2,813,867	\$ 826,539	\$ 36,839	\$ 102,365	\$ (1,848,124)	\$ -	\$ (1,848,124)
Public Safety	1,606,480	15,748	1,600	-	(1,589,132)	-	(1,589,132)
Public Works	5,755,382	69,391	440,604	492,628	(4,752,759)	-	(4,752,759)
Health and Welfare	856,980	1,337	863,112	-	7,469	-	7,469
Culture and Recreation	1,071,259	128,957	144,522	247,631	(550,149)	-	(550,149)
Education	21,137,456	1,295	1,310,061	-	(19,826,100)	-	(19,826,100)
Interest on Long-Term Debt	294,701	-	-	-	(294,701)	-	(294,701)
Total Governmental Activities	33,536,125	1,043,267	2,796,738	842,624	(28,853,496)	-	(28,853,496)
Business-Type Activities:							
Water Pollution Control Authority	1,259,895	1,166,372	-	-	-	(93,523)	(93,523)
Total Business-Type Activities	1,259,895	1,166,372	-	-	-	(93,523)	(93,523)
Total Primary Government	\$ 34,796,020	\$ 2,209,639	\$ 2,796,738	\$ 842,624	(28,853,496)	(93,523)	(28,947,019)
General Revenues:							
Property Taxes					29,046,454	-	29,046,454
Grants and Contributions not Restricted to Specific Programs					88,764	-	88,764
Unrestricted Investment Earnings					906,979	59,194	966,173
Miscellaneous					118,412	-	118,412
Special Item - Debt Service Payment Received from Region 20					1,186,272	-	1,186,272
Special Item - Transfer of Operations to Region 20					(22,106,584)	-	(22,106,584)
Total General Revenues, Transfers, and Special Items					9,240,297	59,194	9,299,491
Change in Net Position					(19,613,199)	(34,329)	(19,647,528)
Net Position - Beginning					78,778,752	5,421,516	84,200,268
Adjustment/Restatement					(11,765,128)	89,951	(11,675,177)
Net Position - Beginning, as Adjusted					67,013,624	5,511,467	72,525,091
Net Position - End of Year					\$ 47,400,425	\$ 5,477,138	\$ 52,877,563

The notes to the financial statements are an integral part of this statement

TOWN OF LITCHFIELD, CONNECTICUT

Balance Sheet

Governmental Funds

June 30, 2025

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 15,222,692	\$ -	\$ 213,321	\$ 15,436,013
Restricted Cash	110,842	-	-	110,842
Receivables, Net of Allowance	1,934,120	524,337	636,712	3,095,169
Inventory	25,113	-	-	25,113
Due from Other Funds	1,019	3,222,408	2,548,815	5,772,242
Total Assets	<u>\$ 17,293,786</u>	<u>\$ 3,746,745</u>	<u>\$ 3,398,848</u>	<u>\$ 24,439,379</u>
Liabilities				
Accounts Payable and Accrued Items	\$ 794,585	\$ -	\$ 292,380	\$ 1,086,965
Performance Bonds	110,842	-	-	110,842
Unearned Revenue	-	741,838	704,591	1,446,429
Due to Other Funds	6,888,527	-	1,019	6,889,546
Total Liabilities	<u>7,793,954</u>	<u>741,838</u>	<u>997,990</u>	<u>9,533,782</u>
Deferred Inflows of Resources				
Unavailable Revenue:				
Property Taxes and Interest	544,606	-	-	544,606
Sewer Assessment Charges	-	-	159,912	159,912
Loans Receivable	-	-	10,350	10,350
Lease Related	1,031,920	-	287,353	1,319,273
Total Deferred Inflows of Resources	<u>1,576,526</u>	<u>-</u>	<u>457,615</u>	<u>2,034,141</u>
Fund Balances				
Nonspendable	37,226	-	15,215	52,441
Restricted	80,580	-	1,316,077	1,396,657
Committed	-	3,004,907	611,951	3,616,858
Assigned	165,477	-	-	165,477
Unassigned	7,640,023	-	-	7,640,023
Total Fund Balances	<u>7,923,306</u>	<u>3,004,907</u>	<u>1,943,243</u>	<u>12,871,456</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,293,786</u>	<u>\$ 3,746,745</u>	<u>\$ 3,398,848</u>	<u>\$ 24,439,379</u>

The notes to the financial statements are an integral part of this statement

TOWN OF LITCHFIELD, CONNECTICUT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2025

Fund balances reported in governmental funds Balance Sheet \$ 12,871,456

**Amounts reported for governmental activities in the government- wide
Statement of Net Position are different because:**

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

<i>Capital Assets</i>	85,611,300
<i>Depreciation</i>	(33,538,305)

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

<i>Property taxes and interest receivable greater than 60 days</i>	544,606
<i>Sewer assessments and interest receivable greater than 60 days</i>	159,912
<i>Loans receivable greater than 60 days</i>	10,350

The net pension/OPEB asset is not recognized in the governmental funds. The net pension/OPEB asset results from the difference between the pension/OPEB plan's fiduciary net position and the portion of the present value of projected benefit payments to be provided through the pension/OPEB plan.

3,148,031

Governmental funds report the effect of premiums, deferred charges and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Position.

(1,367,702)

Certain changes related to pensions and OPEB are deferred and amortized over time.

<i>Deferred Outflows - Pension</i>	213,345
<i>Deferred Outflows - OPEB</i>	128,539
<i>Deferred Inflows - Pension</i>	(1,561,176)
<i>Deferred Inflows - OPEB</i>	(1,645,918)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements.

<i>Accrued Interest payable</i>	(191,100)
<i>Bonds payable</i>	(15,045,000)
<i>Region 20 Budget Deficit Mitigation Agreement Payable</i>	(1,478,117)
<i>Net Pension Liability</i>	(4,893)
<i>Compensated Absences</i>	(454,903)

Net position of governmental activities \$ 47,400,425

TOWN OF LITCHFIELD, CONNECTICUT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General Fund	Capital Projects Fund	American Rescue Plan Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes, Interest and Lien Fees	\$ 28,995,793	\$ -	\$ -	\$ -	\$ 28,995,793
Intergovernmental	1,445,730	492,628	-	1,603,479	3,541,837
Licenses, Permits, and Charges for Services	758,421	-	-	204,971	963,392
Investment Income	822,253	-	-	74,567	896,820
Other Revenue	121,109	-	-	267,439	388,548
Total Revenues	<u>32,143,306</u>	<u>492,628</u>	<u>-</u>	<u>2,150,456</u>	<u>34,786,390</u>
Expenditures					
Current:					
General Government	1,891,211	-	-	222,841	2,114,052
Public Safety	1,162,804	-	-	-	1,162,804
Public Works	3,354,249	-	-	633,300	3,987,549
Health and Welfare	61,547	-	-	774,447	835,994
Culture and Recreation	682,659	-	-	302,622	985,281
Education	20,041,980	-	-	23,365	20,065,345
Other	1,629,742	-	-	-	1,629,742
Debt Service	2,225,264	-	-	-	2,225,264
Capital Outlay	-	3,635,384	-	237,365	3,872,749
Total Expenditures	<u>31,049,456</u>	<u>3,635,384</u>	<u>-</u>	<u>2,193,940</u>	<u>36,878,780</u>
Excess/(Deficiency) of Revenues over Expenditures	1,093,850	(3,142,756)	-	(43,484)	(2,092,390)
Other Financing Sources/(Uses)					
Transfers In	80,580	1,206,262	-	20,000	1,306,842
Transfers Out	(947,625)	-	-	(359,217)	(1,306,842)
Total Other Financing Sources/(Uses)	<u>(867,045)</u>	<u>1,206,262</u>	<u>-</u>	<u>(339,217)</u>	<u>-</u>
Special Item					
Transfer of Operations to Region 20	-	-	-	(94,681)	(94,681)
Net Change in Fund Balances	226,805	(1,936,494)	-	(477,382)	(2,187,071)
Fund Balances at Beginning of Year	7,162,610	4,941,401	100,359	2,320,266	14,524,636
Adjustment/Restatement	533,891	-	(100,359)	100,359	533,891
Fund Balances at Beginning of Year, Adjusted	7,696,501	4,941,401	-	2,420,625	15,058,527
Fund Balances at End of Year	<u>\$ 7,923,306</u>	<u>\$ 3,004,907</u>	<u>\$ -</u>	<u>\$ 1,943,243</u>	<u>\$ 12,871,456</u>

The notes to the financial statements are an integral part of this statement

TOWN OF LITCHFIELD, CONNECTICUT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds \$ (2,187,071)

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

<i>Capital outlay</i>	4,027,071
<i>Depreciation expense</i>	(2,041,569)
<i>Transfer of Operations to Region 20</i>	(22,011,903)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds

<i>Property taxes and interest collected accrual basis change</i>	50,661
<i>Sewer assessment and interest revenue accrual basis change</i>	20,553
<i>Loans receivable revenue accrual basis change</i>	(24,525)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

<i>Principal payments on long-term debt - general obligation bonds</i>	2,895,000
<i>Amortization of deferred charge on refunding</i>	(37,641)
<i>Amortization of bond premiums</i>	279,637

Certain benefits are expended in the funds when resources are used, but are expensed in the Statement of Activities when the liability is incurred.

<i>Accrued interest payable</i>	(20,161)
<i>Net pension liability/asset and related outflows/inflows</i>	1,191,056
<i>Net OPEB liability/asset and related outflows/inflows</i>	150,441
<i>Region 20 Budget Deficit Mitigation Agreement</i>	(1,478,117)
<i>Compensated absences</i>	35,303

Internal service funds are used by management to charge costs to individual funds. The net cost of certain activities of internal service funds is reported with governmental activities.

(461,934)

Change in net position of governmental activities \$ (19,613,199)

TOWN OF LITCHFIELD, CONNECTICUT

Statement of Fund Net Position

Proprietary Funds

June 30, 2025

	Business-Type Activities	Governmental Activities
	Water Pollution Control Authority	Internal Service Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 50	\$ -
Receivables, Net	457,439	-
Due from Other Funds	1,117,304	-
Total Current Assets	1,574,793	-
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation	3,956,921	-
Total Noncurrent Assets	3,956,921	-
Total Assets	5,531,714	-
Deferred Outflows of Resources	-	-
Liabilities		
Current Liabilities:		
Accounts Payable and Accrued Items	3,665	-
Compensated Absences	10,182	-
Total Current Liabilities	13,847	-
Noncurrent Liabilities:		
Compensated Absences	40,729	-
Total Noncurrent Liabilities	40,729	-
Total Liabilities	54,576	-
Deferred Inflows of Resources	-	-
Net Position		
Net Investment in Capital Assets	3,956,921	-
Unrestricted	1,520,217	-
Total Net Position	\$ 5,477,138	\$ -

The notes to the financial statements are an integral part of this statement

TOWN OF LITCHFIELD, CONNECTICUT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities	Governmental Activities
	Water Pollution Control Authority	Internal Service Fund
OPERATING REVENUES		
Charges for Services	\$ 1,116,367	\$ 610,845
Fines, Penalties and Interest	50,005	-
Total Operating Revenues	<u>1,166,372</u>	<u>610,845</u>
OPERATING EXPENSES		
Salaries and Benefits	485,425	-
Materials and Supplies	64,012	-
Utilities	71,224	-
Depreciation	171,626	-
Administration and Operation	467,608	-
Health Insurance	-	1,082,938
Total Operating Expenses	<u>1,259,895</u>	<u>1,082,938</u>
Income (Loss) from Operations	(93,523)	(472,093)
NONOPERATING REVENUE (EXPENSES)		
Investment Income	59,194	10,159
Interest Expense and Issuance Costs	-	-
Total Nonoperating Revenues/(Expenses)	<u>59,194</u>	<u>10,159</u>
Income/(Loss) before Transfers	<u>(34,329)</u>	<u>(461,934)</u>
Transfers:		
Transfers In	-	-
Transfers Out	-	-
Total Transfers	<u>-</u>	<u>-</u>
Change in Net Position	(34,329)	(461,934)
Net Position - Beginning	5,421,516	461,934
Adjustment/Restatement	<u>89,951</u>	<u>-</u>
Net Position - Beginning, as Adjusted	<u>5,511,467</u>	<u>461,934</u>
Net Position - End of Year	<u>\$ 5,477,138</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement

TOWN OF LITCHFIELD, CONNECTICUT

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2025

	Business-Type Activities	Governmental Activities
	Water Pollution Control Authority	Internal Service Fund
Cash Flows from Operating Activities:		
Receipts from Customers and Users	\$ 1,122,325	\$ 610,845
Payments to Employees	(480,795)	-
Payments to Suppliers	(611,557)	-
Payments for Premiums and Administrative Charges	-	(1,082,938)
Net Cash Provided/(Used) by Operating Activities	29,973	(472,093)
Cash Flows from Noncapital Financing Activities:		
Advance/(Repayment) from Other Funds	71,816	456,141
Net Cash Provided/(Used) by Noncapital Financing Activities	71,816	456,141
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(160,983)	-
Net Cash Provided/(Used) by Capital and Related Financing Activities	(160,983)	-
Cash Flows from Investing Activities:		
Interest Income	59,194	10,159
Net Cash Provided by Investing Activities	59,194	10,159
Net Increase/(Decrease) in Cash and Cash Equivalents	-	(5,793)
Cash and Cash Equivalents at Beginning of Year	50	5,793
Cash and Cash Equivalents at End of Year	\$ 50	\$ -
Reconciliation of Income (Loss) from Operations to Net Cash Provided by (Used in) Operating Activities		
Income (Loss) from Operations	\$ (93,523)	\$ (472,093)
Adjustments to Reconcile Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	171,626	-
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(39,093)	-
(Increase) Decrease in Interest Receivable	(4,954)	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	(8,713)	-
Increase (Decrease) in Accrued Vacation and Sick Leave Benefits	4,630	-
Total Adjustments	123,496	-
Net Cash Provided by Operating Activities	\$ 29,973	\$ (472,093)

The notes to the financial statements are an integral part of this statement

TOWN OF LITCHFIELD, CONNECTICUT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2025

	Pension and OPEB Trust Funds	Custodial Funds
Assets		
Cash and Cash Equivalents	\$ 574,407	\$ -
Investments, at Fair Value:		
Mutual Funds - Equities	17,554,751	-
Mutual Funds - Bonds	10,760,238	-
Contribution Receivable	<u>7,347</u>	<u>-</u>
Total Assets	<u>28,896,743</u>	<u>-</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>
Liabilities		
Payables	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Net Position		
Restricted for Pension Benefits	26,461,825	-
Restricted for OPEB Benefits	2,434,918	-
Restricted for Individuals	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 28,896,743</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement

TOWN OF LITCHFIELD, CONNECTICUT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Pension and OPEB Trust Funds	Custodial Funds
Additions		
Contributions:		
Employer	\$ 696,378	\$ -
Employee	10,428	-
Total Contributions	706,806	-
Investment Income:		
Net Appreciation/(Depreciation) in Fair Value of Investments	2,453,231	-
Interest and Dividends	750,153	-
Total Investment Income	3,203,384	-
Less: Investment Management Fees	(68,008)	-
Net Investment Income	3,135,376	-
Total Additions	3,842,182	-
Deductions		
Benefit Payments	1,552,991	-
Transfer of Operations to Region 20	-	191,987
Total Deductions	1,552,991	191,987
Change in Net Position	2,289,191	(191,987)
Net Position - Beginning	26,607,552	313,379
Adjustment/Restatement	-	(121,392)
Net Position - Beginning, as Adjusted	26,607,552	191,987
Net Position at End of Year	\$ 28,896,743	\$ -

The notes to the financial statements are an integral part of this statement

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Litchfield, Connecticut (the “Town”) have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing the governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

Financial Reporting Entity

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

The Town is the administrator of the following single-employer defined benefit pension plans: the Town Defined Benefit Pension Plan and the Merit Service Pension Plan. The Plans do not issue stand-alone financial statements and are part of the Town’s financial reporting entity. As such, balances of the Plans as of and for the year ended June 30, 2025, are accounted for in the fiduciary fund financial statements as pension trust funds.

The Town is the administrator of the Other Post-Employment Benefits Program (the OPEB Plan), which is a single-employer defined benefit other post-employment benefits plan. The OPEB Plan does not issue stand-alone financial statements and is a part of the Town’s financial reporting entity. As such, balances of the OPEB Plan as of and for the year ended June 30, 2025, are accounted for in the fiduciary fund financial statements as an other post-employment benefits trust fund.

The Town's financial statements include the accounts of all Town controlled operations. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Town of Litchfield (the primary government) and any component units. The basic criteria for inclusion of a component unit in a governmental unit's reporting entity for financial reporting is the exercise of oversight responsibility. Oversight responsibility is determined on the basis of financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters and scope of public service. Currently, there are no entities considered component units of the Town. The Town includes all funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the Town's executive and legislative branches. The financial statements presented herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from the Town of Litchfield.

Related Organizations

The Town is a member of Regional School District No. 20 (the “District”), which is located in Litchfield, Connecticut. The District provides educational services for Pre-K through grade 12 populations within its member towns. The activities of the District are primarily supported by assessments made to member towns. Assessments for the Town in the current fiscal year totaled \$20,041,980. In addition to annual member assessments, the Town is contingently liable for its pro-rata share of the District’s outstanding bonds. The District is governed by an elected Board of Education and issues publicly available financial reports.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

The Town reports the following major governmental funds:

- The *General Fund* is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another manner. Revenues are derived primarily from property taxes, state grants, licenses, permits, charges for services, and earnings on investments.
- The *Capital Projects Fund* is used to account for resources used for capital expenditures or for the acquisition or construction of capital facilities, improvements, and equipment. Most of the capital outlays are financed by the issuance of general obligation bonds and capital grants. Other sources include current tax revenues.

The Town reports the following major proprietary funds:

- The *Water Pollution Control Authority (WPCA)* is used to account for the operations of the Town's wastewater treatment system. The Town operates its own sewage treatment plant, sewage pumping stations, and collection system. The operations are financed from direct charges to the users of the services.

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements. The fiduciary funds are as follows:

- The *Pension and OPEB Trust Funds* account for the resources held in trust for the members and beneficiaries of the Town Pension Plan and Merit Service Pension Plan, both of which are defined benefit pension plans, and the Other Post-Employment Benefits Plan, which is also a defined benefit plan.
- The *Custodial Funds* are used to account for monies held as a custodian for outside groups and agencies.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

Additionally, the Town reports the following fund types:

- The *Internal Service Fund (Proprietary)* is used to account for the Town's medical insurance premiums.

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund and fiduciary fund 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*. Their revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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.

Property taxes, when levied for, intergovernmental revenue, when eligibility requirements are met, licenses, charges for services, and interest associated with the current fiscal period, are all considered to be susceptible to accrual (measurable) and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable and available only when cash is received by the Town, or specifically identified.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the Town the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for services relating to sewer usage. Operating expenses for enterprise funds include the cost of operations and maintenance, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

Cash and Cash Equivalents - The deposit of public funds is controlled by the Connecticut General Statutes. The Town maintains separate accounts with depositories where necessary. Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in various interest-bearing accounts, certificates of deposit, and pooled investment funds that may be deemed to be cash equivalents based on maturity date or availability of conversion to cash. Cash and cash equivalents are stated at cost, which approximates market value and have maturities of three months or less. This definition also applies to the proprietary statement of cash flows.

The Short-Term Investment Fund (STIF) is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and reports its investments at amortized cost (which approximates fair value). The pool is rated AAAM by Standard & Poor's. This is the highest rating for money market funds and investment pools. The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust, in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Other trust funds may also invest in stocks, bonds, or other securities selected by the Trustee.

Fair Value of Financial Instruments - In accordance with GASB Statement No. 72, the Town is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the assets or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Investments are carried at fair value and are presented in Note 3.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables, including those for WPCA funds, are shown net of an allowance for uncollectibles.

Inventories and Prepaid Items - Inventories are reported at the lower of cost or market using the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. Prepaid items are recorded as expenditures when consumed rather than when purchased.

Leases (as Lessor) – The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund, and proprietary fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The Town uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancellable period of the lease. The Town monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital Assets - Capital assets, which include property, plant and equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$20,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment, and infrastructure of the Town are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25-50
Machinery and Equipment	5-20
Infrastructure	10-65

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

Deferred Outflows/Inflows of Resources In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Town also reports Deferred Pension and OPEB Expense in this category. Deferred pension and OPEB expense results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense on a systematic and rational basis.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections and deferred leases in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. Also, within the government-wide statement of net position the Town reports as deferred inflows amounts representing the net difference between expected and actual results, changes in assumptions and projected and actual earnings of its pension and OPEB plans. These amounts are deferred and included in pension and OPEB expense on a systematic and rational basis. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes and interest, special assessments, and loans. These amounts are deferred and recognized as an inflow of resources in the period during which the amounts become available.

Unearned Revenue – This liability represents resources that have been received but not yet earned.

Long-Term Obligations - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses in the year they are incurred.

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 issuance are reported as other financing sources, and discounts are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds, are reported as debt service expenditures.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

Compensated Absences - Employees accumulate, by prescribed formula, vacation, sick and personal days for subsequent use or for payment upon termination or retirement. The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave. A liability for these amounts is reported in the governmental funds only for amounts expected to be paid with available resources; for example, as a result of employee resignations and retirements.

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

Net OPEB Liability/Asset – The net OPEB liability/asset is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. The OPEB plan’s fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability/asset is measured as of a date (measurement date) no earlier than the end of the employer’s prior fiscal year, consistently applied from period to period.

Leases and Subscription-Based Information Technology Arrangements (as Lessee) – The Town recognizes a lease/subscription liability and an intangible right-of-use asset (lease/subscription asset) for a noncancellable lease/subscription in the government-wide and proprietary fund financial statements. The Town recognizes lease/subscription liabilities with an initial, individual value of \$20,000 or more. At the commencement of a lease/subscription, the Town initially measures the lease/subscription liability at the present value of payments expected to be made during the lease/subscription term. Subsequently, the lease/subscription liability is reduced by the principal portion of lease/subscription payments made. The lease/subscription asset is initially measured as the initial amount of the lease/subscription liability, adjusted for lease/subscription payments made at or before the lease/subscription commencement date, plus certain initial direct costs. Subsequently, the lease/subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases/subscriptions include how the Town determines (1) the discount rate it uses to discount the expected lease/subscription payments to present value, (2) lease/subscription term, and (3) lease/subscription payments. The Town uses the interest rate charged by the lessor/subscription vendor as the discount rate. When the interest rate charged by the lessor/subscription vendor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases/subscriptions. The lease/subscription term includes the non-cancellable period of the lease/subscription. Lease/subscription payments included in the measurement of the lease/subscription liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise. The Town monitors changes in circumstances that would require a remeasurement of its lease/subscription and will remeasure the lease/subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/subscription liability. Lease/subscription assets are reported with other capital assets and lease/subscription liabilities are reported with long-term debt and other long-term obligations in the statement of net position.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

Net Position and Fund Balance – Equity in the government-wide and proprietary fund financial statements is defined as “net position” and is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the preceding two categories.

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s practice to consider restricted net position to have been depleted before unrestricted net position is applied.

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

Nonspendable Fund Balance - Indicates amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Examples are items that are not expected to be converted to cash including inventories, prepaid expenditures, and permanent fund principal. Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

Restricted Fund Balance - Indicates amounts that are restricted to specific purposes. The spending constraints placed on the use of fund balance amounts are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - Indicates amounts that can be used only for specific purposes pursuant to constraints imposed by a government’s highest level of decision-making authority (Litchfield Board of Selectmen).

Assigned Fund Balance – This balance represents amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official.

Unassigned Fund Balance - Represents the remaining fund balance after amounts are set aside for all other classifications in the General Fund. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

The Town has not established a formal policy for its use of restricted and unrestricted (committed, assigned, unassigned) fund balance; however, the Town generally used restricted fund balance first if the expenditure meets the restricted purpose, followed by committed, assigned and unassigned amounts.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

The Board of Finance formally adopted a general fund balance policy on May 13, 2019. In accordance with the policy, the Town limits the use of undesignated (“unassigned”) general fund balance in excess of 15% of the next year’s appropriation to the following: limited funds for capital projects, equipment sinking fund, capital improvement projects, debt service, or any one-time nonrecurring expenditure.

Property Taxes – The Town’s property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real estate taxes are payable in two installments (July 1 and January 1). Personal property taxes are payable annually (July 1) and motor vehicle taxes are due in one single payment on July 1. Taxes not paid within 30 days of the due date are subject to an interest charge of 1.5% per month. Liens are filed on delinquent real estate taxes within one year.

Property taxes collected prior to June 30 that are applicable to the subsequent year’s assessment are reflected as advance tax collections in both the fund financial statements and the government-wide financial statements.

Encumbrances - In the governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

Accounting Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 \$20,000 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. During the year, the Board of Finance and, where required, the Town Meeting, approved no additional appropriations.
- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

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.

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

Excess of Expenditures over Appropriations

For the year ended June 30, 2025, the following department expenditures exceeded appropriations in the General Fund:

Board of Finance	\$	18,908
Board of Selectman		4,067
Treasurer		247
Tax Collector		5,517
Town Clerk		2,970
Elections		16,760
Finance Department		8,995
Planning and Zoning		908
Zoning Board of Appeals		13
Building Grounds and Maintenance		30,964
Legal		58,979
Municipal Management		10,184
Fire Protection		5,914
Supervision		1,439
Highways		37,987
Solid Waste & Recycling		9,270
Director		495
Social Services		2,774
OSHA Mandated Health		1,094
Recreation		3,466
		<u>220,951</u>
	\$	<u>220,951</u>

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

NOTE 3 – CASH, CASH EQUIVALENTS, RESTRICTED CASH, 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 following is a summary of cash, cash equivalents, and restricted cash at June 30, 2025:

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Total
Cash	\$ 9,928,244	\$ 50	\$ -	\$ 9,928,294
Cash Equivalents	5,507,769	-	574,407	6,082,176
Restricted Cash	110,842	-	-	110,842
	\$ 15,546,855	\$ 50	\$ 574,407	\$ 16,121,312

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. The following is a reconciliation of the Town’s deposits subject to custodial credit risk:

Cash, Cash Equivalents, and Restricted Cash	\$ 16,121,312
Less: Cash Equivalents (STIF)	(5,507,769)
Less: Cash Equivalents (MM)	(574,407)
	\$ 10,039,136

At year-end, the Town’s carrying amount of deposits subject to custodial credit risk was \$10,039,136 and the bank balance was \$10,092,685. Of the bank balance, the Federal Depository Insurance Corporation insured \$8,228,338.

As of June 30, 2025, \$1,864,347 of the Town’s bank balance of \$10,092,685 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,627,912
Uninsured and collateral held by pledging bank’s Trust department not in the Town’s name	236,435
	\$ 1,864,347

Cash Equivalents

At June 30, 2025, the Town’s cash equivalents amounted to \$6,082,176. Of this amount, \$5,507,769 is held in the Connecticut Short-Term Investment Fund (STIF) and \$574,407 is held in a Government Money Market Fund. Both funds are rated AAAM by Standard & Poor’s and have an average maturity of under 60 days.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

Investments

As of June 30, 2025, the Town's investments measured at fair value were comprised of the following:

Investment Type	June 30, 2025	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Mutual Funds	\$ 17,554,751	\$ 17,554,751	\$ -	\$ -
Mutual Funds Fixed Income	10,760,238	10,760,238	-	-
	<u>\$ 28,314,989</u>	<u>\$ 28,314,989</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk - The Town has, for the Pension Trust Funds, an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Pension Commission's Investment Policy requires its fixed income portion to be high quality bonds managed consistent with Union Saving's Bank's forecast of interest rates, inflation, and valuation levels. The benchmark is the Barclays US Intermediate Gov/Credit Bond Index for high quality and the Barclays US Corp High Yield 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 – Generally, credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State Statutes limit the investment options of cities and towns. The Investment Policy further limits the investment choices. 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.

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. The Town's investments are not exposed to custodial credit risk at June 30, 2025, as they are held by a trustee in the Town's name.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit risk disclosures. The Investment Policy sets forth the following asset allocation targets: Equities 55%-65%; Fixed Income 35%-45%; and Cash and Cash Equivalents 2%-15%.

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

NOTE 4 – RECEIVABLES AND UNEARNED REVENUE

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:

	General Fund	Capital Projects Fund	WPCA Fund	Nonmajor and Other Funds	Total
Receivables:					
Property taxes	\$ 529,275	\$ -	\$ -	\$ -	\$ 529,275
Interest, Liens, and Fees	159,298	-	141,186	-	300,484
Usage Charges	-	-	323,253	-	323,253
Loans	-	-	-	10,350	10,350
Region 20 Member Towns	178,707	-	-	-	178,707
Leases	1,044,033	-	-	292,568	1,336,601
Intergovernmental	-	524,337	-	173,882	698,219
Assessments	-	-	-	159,912	159,912
Accounts	58,807	-	-	-	58,807
Gross Receivables	<u>1,970,120</u>	<u>524,337</u>	<u>464,439</u>	<u>636,712</u>	<u>3,595,608</u>
Less allowance for uncollectibles:					
Property taxes, interest, liens, and fees	(36,000)	-	-	-	(36,000)
Usage Charges	-	-	(7,000)	-	(7,000)
Total allowance	<u>(36,000)</u>	<u>-</u>	<u>(7,000)</u>	<u>-</u>	<u>(43,000)</u>
Net Total Receivables	<u>\$ 1,934,120</u>	<u>\$ 524,337</u>	<u>\$ 457,439</u>	<u>\$ 636,712</u>	<u>\$ 3,552,608</u>

The loans receivable of \$10,350 in the nonmajor governmental funds and a portion of the leases receivable of \$1,336,601 are long-term receivables are not expected to be collected within one year.

The receivable of \$178,707 from the Regional School District No. 20 member towns related to start up costs paid by the Town of Litchfield will be adjusted and collected based upon future agreements with the member Towns and is subject to change.

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

Leases Receivable

The Town, acting as lessor, leases land and buildings under long-term, noncancelable lease agreements. In the Governmental Activities, the Town recognized lease and interest revenue of \$102,853 and \$41,542 for the year ended June 30, 2025, respectively.

The future minimum lease payments to be received under lease agreements are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 86,389	\$ 42,811	\$ 129,200
2027	89,098	40,102	129,200
2028	91,892	37,308	129,200
2029	94,774	34,426	129,200
2030	75,264	31,536	106,800
2031-2035	171,468	138,532	310,000
2036-2040	202,982	107,018	310,000
2041-2045	240,287	69,713	310,000
2046-2050	284,447	25,553	310,000
	<u>\$ 1,336,601</u>	<u>\$ 526,999</u>	<u>\$ 1,863,600</u>

Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables 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 unearned revenue reported in the governmental funds were as follows:

	<u>Governmental Funds</u>
Capital Projects Fund:	
Advances on Grants	\$ 741,838
Nonmajor Funds:	
Fees Collected in Advance	32,882
Advances on Grants	<u>671,709</u>
Total Unearned Revenue	<u>\$ 1,446,429</u>

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Fund transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and 2) to account for unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers during the year ended June 30, 2025, were as follows:

Transfers In:	Transfers Out:	Amount
Governmental Funds:		
General Fund	Nonmajor Governmental Funds	\$ <u>80,580</u>
Capital Projects Fund	General Fund	927,625
	Nonmajor Governmental Funds	<u>278,637</u>
		<u>1,206,262</u>
Nonmajor Governmental Funds	General Fund	<u>20,000</u>
	Total Transfers	<u>\$ 1,306,842</u>

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2025, the outstanding balances between funds were:

Receivable Fund:	Payable Fund:	Total
Governmental Funds:		
General Fund	Nonmajor Governmental Funds	\$ <u>1,019</u>
Capital Projects Fund	General Fund	<u>3,222,408</u>
Nonmajor Governmental Funds	General Fund	<u>2,548,815</u>
	Total Governmental Funds	<u>5,772,242</u>
Proprietary Funds:		
Water Pollution Control Authority	General Fund	<u>1,117,304</u>
	Total Proprietary Funds	<u>1,117,304</u>
	Total Interfund Balances	<u>\$ 6,889,546</u>

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

NOTE 6 – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2025, consisted of the following:

	Beginning Balances*	Increases	Decreases	Ending Balances
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 1,679,473	\$ 125,000	\$ (206,206)	\$ 1,598,267
Construction in Progress	-	20,499	-	20,499
Total capital assets, not being depreciated	<u>1,679,473</u>	<u>145,499</u>	<u>(206,206)</u>	<u>1,618,766</u>
Capital assets, being depreciated:				
Buildings and Improvements	57,068,355	987,954	(40,247,003)	17,809,306
Machinery and Equipment	12,491,811	904,057	(1,032,248)	12,363,620
Infrastructure	51,830,047	1,989,561	-	53,819,608
Total capital assets, being depreciated	<u>121,390,213</u>	<u>3,881,572</u>	<u>(41,279,251)</u>	<u>83,992,534</u>
Less accumulated depreciation for:				
Buildings and Improvements	25,210,334	438,636	(18,416,846)	7,232,124
Machinery and Equipment	8,554,489	434,481	(1,056,708)	7,932,262
Infrastructure	17,205,467	1,168,452	-	18,373,919
Total accumulated depreciation	<u>50,970,290</u>	<u>2,041,569</u>	<u>(19,473,554)</u>	<u>33,538,305</u>
Total capital assets, being depreciated	<u>70,419,923</u>	<u>1,840,003</u>	<u>(21,805,697)</u>	<u>50,454,229</u>
<i>Governmental Activities capital assets, net</i>	<u>\$ 72,099,396</u>	<u>\$ 1,985,502</u>	<u>\$ (22,011,903)</u>	<u>\$ 52,072,995</u>

*The beginning capital asset balances have been restated for corrections of an error. See Note 17.

Depreciation and amortization expense were charged to functions/programs of the Town as follows:

Governmental Activities:	
General Government	\$ 50,448
Public Safety	366,896
Public Works	1,586,581
Culture and Recreation	<u>37,644</u>
Total Depreciation and Amortization Expense	
Governmental Activities	<u>\$ 2,041,569</u>

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

Capital asset activity for business-type activities for the year ended June 30, 2025, consisted of the following:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and Improvements	\$ 3,853,887	\$ 160,983	\$ -	\$ 4,014,870
Machinery and Equipment	99,823	-	-	99,823
Infrastructure - Sewers	4,783,418	-	-	4,783,418
Total capital assets, being depreciated	8,737,128	160,983	-	8,898,111
Less accumulated depreciation for:				
Buildings and Improvements	1,695,621	99,888	-	1,795,509
Machinery and Equipment	31,139	7,083	-	38,222
Infrastructure - Sewers	3,042,804	64,655	-	3,107,459
Total accumulated depreciation	4,769,564	171,626	-	4,941,190
<i>Business-Type Activities capital assets, net</i>	<u>\$ 3,967,564</u>	<u>\$ (10,643)</u>	<u>\$ -</u>	<u>\$ 3,956,921</u>

Depreciation and amortization expense was charged to functions/programs as follows:

Business-Type Activities:	
Water Pollution Control Authority	\$ 171,626

NOTE 7 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 17,940,000	\$ -	\$ 2,895,000	\$ 15,045,000	\$ 2,290,000
Unamortized Bond Premiums	1,757,467	-	279,637	1,477,830	198,531
Total Bonds Payable	19,697,467	-	3,174,637	16,522,830	2,488,531
Region 20 Budget Deficit					
Mitigation Agreement	-	1,478,117	-	1,478,117	430,407
Compensated Absences	490,206	-	35,303	454,903	90,981
Net Pension Liability	958,112	-	953,219	4,893	-
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 21,145,785</u>	<u>\$ 1,478,117</u>	<u>\$ 4,163,159</u>	<u>\$ 18,460,743</u>	<u>\$ 3,009,919</u>
Business-Type Activities					
Compensated Absences	<u>\$ 46,281</u>	<u>\$ 4,630</u>	<u>\$ -</u>	<u>\$ 50,911</u>	<u>\$ 10,182</u>

*The beginning balances of the compensated absences have been restated for the implementation of GASB 101, *Compensated Absences*. See Note 17.

The change in the liabilities for compensated absences is presented net of increases and decreases. Long-term liabilities are generally liquidated by the General Fund.

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

General Obligation Bonds

The Town issues general obligation bonds to provide financing for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. General obligation bonds outstanding as of June 30, 2025, consisted of the following:

Description	Year of Issue	Maturity Date	Interest Rate	Original Amount	Balance June 30, 2025
General Obligation Bonds*	2012	8/1/2025	2.00-4.00%	\$ 4,555,000	\$ 640,000
General Obligation Bonds	2012	2/1/2027	2.00-3.00%	2,900,000	350,000
General Obligation Bonds	2016	8/1/2031	2.00-3.00%	6,438,000	3,010,000
General Obligation Bonds	2017	8/1/2032	2.00-3.00%	2,535,000	1,345,000
General Obligation Bonds	2018	8/1/2033	2.125-4.00%	1,691,000	1,005,000
General Obligation Bonds	2019	8/1/2034	3.00-5.00%	9,400,000	2,425,000
General Obligation Bonds	2020	8/1/2035	2.00-4.00%	2,000,000	1,520,000
General Obligation Bonds	2021	8/1/2036	2.00-4.00%	2,020,000	1,615,000
General Obligation Bonds	2022	8/1/2037	3.00-5.00%	2,085,000	1,805,000
General Obligation Bonds	2023	8/1/2038	4.00-5.00%	1,430,000	1,330,000
				<u>\$ 35,054,000</u>	<u>\$ 15,045,000</u>

*Refunding Bonds

The annual debt service requirements of the Town's general obligation bonds are as follows:

Year(s)	Governmental Activities		
	Principal	Interest	Total
2026	\$ 2,290,000	\$ 424,925	\$ 2,714,925
2027	1,650,000	366,365	2,016,365
2028	1,475,000	312,162	1,787,162
2029	1,470,000	263,924	1,733,924
2030	1,470,000	218,349	1,688,349
2031-2035	5,525,000	527,801	6,052,801
2036-2040	1,165,000	54,722	1,219,722
	<u>\$ 15,045,000</u>	<u>\$ 2,168,248</u>	<u>\$ 17,213,248</u>

As part of the agreement between the Regional School District No. 20 and the Town of Litchfield related to the transfer of education operations, the Regional School District No. 20 will reimburse the Town of Litchfield for a portion of the general obligation bond payments which are related to the assets that were transferred as part of the agreement. During the year ended June 30, 2025, the Town received \$1,186,272 which it used as part of the annual debt service payment. There will be one more payment to be received from the Regional School District No. 20 in fiscal year 2026 for \$631,517.

Authorized, Unissued Bonds

As of June 30, 2025, the Town had authorized, but unissued bonds totaling \$3,922,319 for various capital projects.

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

Regional School District No. 20 Budget Deficit Mitigation Agreement

The Regional School District No. 20 is projecting a shortfall in their fiscal year 2025 budget of roughly \$2,700,000. Due to this, an agreement between the Regional School District No. 20 and the member Towns (Litchfield, Morris, Goshen, and Warren) was signed and the member Towns have agreed to help the District cover the shortfall by making voluntary payments based upon their percent share of the Districts fiscal year 2025 budget. When this agreement was made, the Town of Litchfield's share was 56.14%. The estimated deficit is subject to change pending the District's fiscal year 2025 audit and any future changes in estimates are unknown at this time. As of the time of the agreement, Litchfield's estimated share is \$1,478,117 and payments will be made annually to the District according to the following schedule:

<u>Fiscal Year</u>	<u>Amount</u>
2026	\$ 430,407
2027	523,855
2028	523,855
	<u>\$ 1,478,117</u>

Shared Debt

The Town is contingently liable for its pro-rata share of Regional School District No. 20's ("the District") outstanding debt. As of June 30, 2025, the District's total outstanding debt was \$3,425,389, with 56.14%, or \$1,923,013 representing the Town's share.

In addition, the Borough of Litchfield, a special taxing district located within the Town, debt is legally considered underlying debt of the Town. As of June 30, 2025, the outstanding debt of the Borough of Litchfield was \$130,000.

Compensated Absences

Employees may accumulate unused vacation and sick leave in accordance with policies, union contracts, and employment agreements. A liability has been recorded in the Governmental Activities, Business-Type Activities, and Proprietary Fund financial statements for amounts which have been earned that are more likely than not to be used as time off or paid. The liability is based on estimates of the amount of vacation and sick leave that employees will use in future years. Actual leave usage could differ from those estimates, and those differences could be material to the financial statements.

Statutory Debt Limitation

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	\$ 69,245,222	\$ 18,242,929	\$ 51,002,293
Schools	138,490,443	2,777,403	135,713,040
Sewers	115,408,703	-	115,408,703
Urban Renewal	100,020,876	-	100,020,876
Pension Deficit	92,326,962	-	92,326,962

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$215,429,578.

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

NOTE 8 - FUND BALANCE COMPONENTS

The components of fund balance for the governmental funds at June 30, 2025, are as follows:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	\$ 25,113	\$ -	\$ -	\$ 25,113
Leases	12,113	-	5,215	17,328
Cemeteries	-	-	10,000	10,000
Total Nonspendable	37,226	-	15,215	52,441
Restricted for:				
General Government	11,451	-	34,591	46,042
Public Safety	76	-	12,759	12,835
Public Works	-	-	234,356	234,356
Health and Welfare	-	-	283,329	283,329
Culture and Recreation	17,128	-	187,529	204,657
Education	-	-	25,837	25,837
WPCA Operations	-	-	537,676	537,676
Capital Purposes	51,925	-	-	51,925
Total Restricted	80,580	-	1,316,077	1,396,657
Committed to:				
General Government	-	-	266,981	266,981
Public Works	-	-	71,263	71,263
Health and Welfare	-	-	84,758	84,758
Capital Purposes	-	3,004,907	188,949	3,193,856
Total Committed	-	3,004,907	611,951	3,616,858
Assigned:				
Encumbrances	92,581	-	-	92,581
Animal Control	72,896	-	-	72,896
Total Assigned	165,477	-	-	165,477
Unassigned	7,640,023	-	-	7,640,023
Total Fund Balances	\$ 7,923,306	\$ 3,004,907	\$ 1,943,243	\$ 12,871,456

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

NOTE 9 – PENSION PLANS

The Town accounts for activity relating to two defined benefit pension plans, 1) the Town Retirement Plan, and 2) the Merit Service Plan. As of and for the year ended June 30, 2025, the plans had the following balances reported in the Town’s government-wide financial statements:

	Net Pension Liability	Net Pension Asset	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Town Retirement Plan	\$ -	\$ 1,163,994	\$ -	\$ 1,169,480	\$ (542,086)
Merit Service Plan	4,893	-	213,345	391,696	34,208
	\$ 4,893	\$ 1,163,994	\$ 213,345	\$ 1,561,176	\$ (507,878)

Detailed disclosures of each plan follow

Single-Employer Defined Benefit Pension Plans

Plan Description

The Town is the administrator of the following two single-employer defined benefit pension plans: the Town Retirement Plan and the Merit Service Plan (the Plans). The Town Retirement Plan covers substantially all eligible employees of the Town and Board of Education except certified staff of the Board of Education covered by the State Teachers’ Retirement Plan hired prior to July 1, 2012. The Merit Service Plan covers all firefighters and ambulance volunteers. The Plans do not issue stand-alone financial statements and are part of the Town’s financial reporting entity. As such, balances of the Plans as of and for the year ended, June 30, 2025, are accounted for in the fiduciary fund financial statements as pension trust funds.

Plan Administration

Plan administration and management is vested in the PERS Board, which consists of five voting members and two alternate members. Members of the Board are appointed by the Board of Selectmen. The First Selectmen serves as an ex-officio member.

Plan Membership

Town Retirement Plan

Employees are eligible to participate in the Town Retirement Plan when they complete 1 year of eligible service, have completed 1,000 hours during the first 12 months of employment, and have attained the age of 18. For employees who do not complete 1,000 hours of service during the first 12 months of employment, eligibility begins on the first day of the year during which 1,000 hours were completed. Employees are 100% vested after 5 years of credited service. This Plan was closed to new employees as of July 1, 2012. All employees hired after July 1, 2012, will only be eligible to participate in the defined contribution plan for which the Town will contribute a sum equal to 3% of the employee’s bi-weekly wages to a 401(a)-account commencing the first payroll after the employee’s one year anniversary.

Merit Service Plan

All volunteer firefighters who belong to the volunteer fire departments and, as of July 1, 1992, the members of the volunteer ambulance corps are eligible to participate in the Plan. Volunteer firefighters 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 and age 18 has been attained. Employees are 100% vested after 5 years of credited service.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

As of the date of the latest actuarial valuations, membership of the Plans consisted of the following:

	Town Retirement Plan	Merit Service Plan
Inactive plan members or beneficiaries receiving payments	101	88
Inactive plan members entitled but not yet receiving payments	43	46
Active Members	11	181
	155	315

Benefit Provisions

Town Retirement Plan

Normal retirement age is the later of age 65 or 5 years of credited services. Normal retirement benefits are 1.75% times final average compensation times years of credited services up to a maximum of 30 years. Final average compensation is defined as the average annual compensation for the 60 months during which compensation is highest. Compensation is defined as total wages and other amounts reportable on Form W-2 for any continuous 12 month period. Years of credited services is defined as all years in which the participant completes 1,000 hours of service. Board of Education members hired prior to October 1, 1989 must complete 720 hours. Service for Board of Education members will stop accruing as of June 30, 2024.

Employees are eligible for early retirement at age 50 with 10 years of service. The early retirement benefits are the same as the normal retirement benefits with a reduction to the accrued benefit of 4% per year by which the retirement date precedes the normal retirement date.

Death benefits will be paid if the member dies after 10 years of credited service with a survivor annuity payable to the members spouse or designated beneficiary for life as if the member retired on the later of the first day of the month following date of death and the first day of the month following attainment of age 50.

A plan member who leaves Town service prior to retirement is eligible for the vested portion of accrued benefits as of date of termination, first payable upon normal retirement eligibility. Earlier benefit commencement may be elected, subject to early retirement eligibility and reduction factors.

Merit Service Plan

The plan provides retirement, disability and death benefits. Normal retirement is the first day of the month coinciding with or next following the later of age 65 or 2 years of service. Normal retirement benefit is \$15 per month for each year of service up to a maximum of 30 years. A plan member who leaves service prior to retirement is eligible for the vested portion of accrued benefits as of the date of termination, first payable upon normal retirement eligibility. Death benefits for married participants are survivor portion of 100% joint and survivor annuity payable to the participant's spouse for life as if the participant separated from service on the date of death and survived to their earliest retirement date. In the case of a death for an unmarried participant, a death benefit is payable to the participant's designated beneficiary equal to a lifetime pension guaranteed for 120 payments as if the participant had separated from service on the date of death, survived to their earliest retirement date, commenced their benefit on that date, and died the following day.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

Contributions

The Contribution requirements of plan members and the Town are established and may be amended by the Town of Litchfield. The Town is required to contribute amounts necessary to fund the Plan.

Town Retirement Plan

Effective July 1, 2015, all active employees are required to contribute 1% of their salary to the defined benefit plan. Effective July 1, 2016, active employees in the Highway and Sewer Departments contribute 2% of their pay. Total employee contributions totaled \$10,428 for the year ended June 30, 2025.

For the year ended June 30, 2025, employer contributions to the Town Retirement Plan totaled \$514,350 and represented 69.54% of covered payroll.

Merit Service Plan

Participants of the Merit Service Plan are not required to contribute to the Plan.

For the year ended June 30, 2025, employer contributions to the Merit Service Plan totaled \$168,828.

Summary of Significant Accounting Policies

The Plans are accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plans are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Investments – Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Town, with the assistance of a valuation service. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

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

Concentrations – As of June 30, 2025, there were no investments in any one issuer that represented 5% or more of the Town Retirement Plan's and Merit Service Plan's total investments.

Rate of Return – For the year ended June 30, 2025, the annual money-weighted rate of return on the Town Retirement Plan's and Merit Service Plan's pension plan investments, net of pension plan investment expense, was 12.02% and 12.03%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

Net Pension Liability/(Asset)

The components of the Town's net pension liability/(asset) for each of its Plans as of June 30, 2025, were as follows:

	Town Retirement Plan	Merit Service Plan
Total pension liability	\$ 19,644,581	\$ 5,658,143
Plan fiduciary net position	20,808,575	5,653,250
Net pension liability/(asset)	\$ (1,163,994)	\$ 4,893
Plan fiduciary net position as a percentage of total pension liability	105.93%	99.91%

The components of the changes in the net pension liability/(asset) for each of the Town's Plans for the year ended June 30, 2025, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2024	\$ 19,812,905	\$ 19,283,470	\$ 529,435
Changes for the year:			
Service Cost	176,290	-	176,290
Interest	1,210,484	-	1,210,484
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience including Changes in Assumptions	(293,069)	-	(293,069)
Employer Contributions	-	514,350	(514,350)
Member Contributions	-	10,428	(10,428)
Net Investment Income	-	2,262,356	(2,262,356)
Benefit Payments	(1,262,029)	(1,262,029)	-
Administrative Expenses	-	-	-
Net Changes	(168,324)	1,525,105	(1,693,429)
Balance at June 30, 2025	\$ 19,644,581	\$ 20,808,575	\$ (1,163,994)

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

Merit Service Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
	\$	\$	\$
Balance at June 30, 2024	5,582,556	5,153,879	428,677
Changes for the year:			
Service Cost	65,288	-	65,288
Interest	344,442	-	344,442
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(56,381)	-	(56,381)
Changes in Assumptions	-	-	-
Employer Contributions	-	168,828	(168,828)
Member Contributions	-	-	-
Net Investment Income	-	608,305	(608,305)
Benefit Payments	(277,762)	(277,762)	-
Administrative Expenses	-	-	-
Net Changes	75,587	499,371	(423,784)
Balance at June 30, 2025	5,658,143	5,653,250	4,893

Actuarial Assumptions – The total pension liabilities were determined by actuarial valuations as of July 1, 2024, for the Town Retirement Plan and the Merit Service Plan using the following actuarial assumptions, applied to all periods included in the measurement:

	Town Retirement Plan	Merit Service Plan
Inflation	2.50%	2.50%
Salary increases (average, including inflation)	3.50%	Not applicable
Investment rate of return (net of investment expense)	6.25%	6.25%

Mortality rates for the Town Retirement Plan were based on the PUB-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for General Employees), projected to valuation date with Scale MP-2021.

Mortality rates for the Merit Service Plan were based on the PUB-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for Public Safety Employees), projected to valuation date with Scale MP-2021.

The long-term expected rate of returns on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

The target asset allocation and most recent best estimates of geometric real rates of return for each major asset class included in both pension plan's actuarial valuation as of July 1, 2024, are summarized in the following table:

Target Allocation and Expected Rate of Return
June 30, 2025

Town Retirement Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weighting</u>
U.S Equities	49.00%	4.40%	2.16%
Developed Economies	6.00%	5.80%	0.35%
Emerging Economies	5.00%	6.10%	0.31%
High Quality Bond	33.00%	1.20%	0.40%
High Yield Bond	5.00%	3.70%	0.19%
Cash Equivalents	2.00%	-0.20%	0.00%
	<u>100.00%</u>		<u>3.41%</u>
Long-Term Inflation Expectation			<u>2.50%</u>
Long-Term Expected Nominal Return			<u><u>5.91%</u></u>

Merit Service Plan

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weighting</u>
U.S Equities	49.00%	4.40%	2.16%
Developed Economies	6.00%	5.80%	0.35%
Emerging Economies	5.00%	6.10%	0.31%
High Quality Bond	33.00%	1.20%	0.40%
High Yield Bond	5.00%	3.70%	0.19%
Cash Equivalents	2.00%	-0.20%	0.00%
	<u>100.00%</u>		<u>3.41%</u>
Long-Term Inflation Expectation			<u>2.50%</u>
Long-Term Expected Nominal Return			<u><u>5.91%</u></u>

Discount Rate – The discount rate used to measure the total pension liability for the Town Retirement Plan and the Merit Service Plan was 6.25%. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rates and that the Town's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, each of the Plan's fiduciary net positions was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on each Plan's investments were applied to all periods of projected benefit payments to determine each Plan's total pension liability.

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability/(asset) for each Plan, calculated using the current discount rate, as well as what the Town’s net pension liability/(asset) would be for each of the Plans if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Net Pension Liability/(Asset)			
Town Retirement Plan	\$ 663,393	\$ (1,163,994)	\$ (2,735,197)
Merit Service Plan	720,982	4,893	(584,197)
	<u>\$ 1,384,375</u>	<u>\$ (1,159,101)</u>	<u>\$ (3,319,394)</u>

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, the aggregate amount of pension expense recognized for the Town Retirement Plan and Merit Service Plans was \$(507,878). The Town recognized pension expense of \$(542,086) for the Town Retirement Plan and pension expense of \$34,208 for the Merit Service Plan. As of June 30, 2025, the Town reported deferred inflows and outflows of resources related to each of the Plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Town Retirement Plan		
Net differences between projected and actual earnings on pension plan investments	\$ -	\$ (1,169,480)
Total Town Retirement Plan	<u>\$ -</u>	<u>\$ (1,169,480)</u>
Merit Service Plan		
Net differences between projected and actual earnings on pension plan investments	\$ -	\$ (312,250)
Difference between expected and actual experience	-	(79,446)
Changes of assumptions	213,345	-
Total Merit Service Plan	<u>\$ 213,345</u>	<u>\$ (391,696)</u>

Amounts reported as deferred outflows and inflows of resources will be recognized as a component of pension expense in future years as follows:

<u>Year ended June 30,</u>	Town Retirement Plan	Merit Service Plan	Total
2026	\$ 113,999	\$ 73,467	\$ 187,466
2027	(593,179)	(124,022)	(717,201)
2028	(474,335)	(95,028)	(569,363)
2029	(215,965)	(29,084)	(245,049)
2030	-	10,931	10,931
Thereafter	-	(14,615)	(14,615)
Total	<u>\$ (1,169,480)</u>	<u>\$ (178,351)</u>	<u>\$ (1,347,831)</u>

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

Defined Contribution Retirement Plan

On July 1, 2012, the Town established a defined contribution retirement plan that covers employees of the Town and Board of Education hired after July 1, 2012. This plan was adopted and can be amended by the Board of Selectmen. Under this plan, the Town contributes an amount equal to 3% each year of an eligible employee's wages into a 401(a) Plan on the employee's behalf. In addition, eligible employees may make an additional contribution up to the amount allowed by law. There are currently 32 participants in the plan as of June 30, 2025, and contributions of \$74,822 have been made in the fiscal year ended June 30, 2025.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

Board of Education OPEB Plan

Plan Description

The Town of Litchfield administers an other post-employment benefits program (the OPEB Plan), which is a single-employer defined benefits plan. The OPEB Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are established by the Town and the General Statutes of the State of Connecticut. Effective July 1, 2024, only members who were retired on that date are eligible. Active employees became part of the new Regional School District No. 20 and are no longer eligible for retiree medical benefits through the Town of Litchfield. The OPEB Plan is considered to be part of the Town's financial reporting entity. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

Benefits Provided (Members who retired prior to July 1, 2024)

Teachers and Administrators: Teachers or Administrators who retired under the Connecticut State Teachers Retirement System are eligible to receive health benefits for self and spouse. Eligibility for coverage is age 60 with 10 years of service, age 50 with 25 years of service, or age 55 with 20 years of service. Retirees and spouses of retirees must pay 100% of the cost for medical coverage. Spouse coverage may continue at 100% of cost after the death of a retiree.

Superintendent – Eligibility is after 7 years of service. Benefits provided are \$5,000 per year paid by the Town until eligible for Medicare (age 65) or 5 years immediately following retirement; whichever is less. The Superintendent is also eligible for a \$250,000 life insurance policy until age 67, after 5 years of service.

Investments Policy

The OPEB plan's policy regarding the allocation of invested assets is established and may be amended by the Board of Education (now the Town). It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of Return on Investments

For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 12.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

Employees Covered by Benefit Terms

Membership of the Plan consisted of the following as of July 1, 2024, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	3
Active plan members	-
	3

Contributions

Contribution requirements of the plan members and the Town are established in the provisions of the program and in accordance with General Statutes of the State of Connecticut. Plan members are currently required to contribute 100% of their premiums to the Town, less any reimbursements received by the Town from the State Retirement Board for retired teachers. Town contributions made to its Other Post-Employment Benefits Trust Fund are based on an actuarially determined rate. Town contributions totaled \$0 and TRB reimbursements totaled \$13,200 for the year ended June 30, 2025.

Net OPEB Asset

The Town's net OPEB asset reported as of June 30, 2025, totaled \$1,984,037. The net OPEB asset was measured as of June 30, 2025, using the Entry Age Normal Method. The components of the net OPEB asset as of June 30, 2025, were as follows:

	OPEB	
	Plan	
Total OPEB liability	\$ 450,881	
Plan fiduciary net position	2,434,918	
Net OPEB asset	\$ (1,984,037)	
Plan fiduciary net position as a percentage of total OPEB liability		540.04%

Actuarial Assumptions and Other Inputs: The total OPEB liability as of June 30, 2025, was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	6.25%	
Inflation	2.50%	
Healthcare Cost Trend Rates	7.00% for 2024 reduced by 0.2% each year to an ultimate rate of 4.40% per year for 2038 and later.	
	(Prior: 6.50% for 2022 reduced by 0.25% each year to an ultimate rate of 4.50% per year for 2030 and later.)	

Mortality rates were based on the Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables for Teachers, projected to the valuation date with Scale MP-2021.

The long-term expected rate of returns on OPEB Plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

The target asset allocation and most recent best estimates of geometric real rates of return for each major asset class as of the July 1, 2024 valuation, are summarized in the following table:

Target Allocation and Expected Rate of Return
June 30, 2025

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weighting</u>
U.S Equities	49.00%	4.40%	2.16%
Developed Economies	6.00%	5.80%	0.35%
Emerging Economies	5.00%	6.10%	0.31%
High Quality Bond	33.00%	1.20%	0.40%
High Yield Bond	5.00%	3.70%	0.19%
Cash Equivalents	2.00%	-0.20%	0.00%
	<u>100.00%</u>		<u>3.41%</u>
Long-Term Inflation Expectation			<u>2.50%</u>
Long-Term Expected Nominal Return			<u><u>5.91%</u></u>

Discount Rate – The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rates and that the Town’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on the OPEB Plan’s investments were applied to all periods of projected benefit payments to determine the OPEB Plan’s total OPEB liability.

Changes in the Net OPEB Asset

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2024	\$ 278,986	\$ 2,174,001	\$ (1,895,015)
Changes for the year:			
Service Cost	17,031	-	17,031
Interest	133,387	-	133,387
Differences Between Expected and Actual Experience			
Changes in Assumptions	34,677	-	34,677
Net Investment Income	-	260,917	(260,917)
Contributions - TRB Reimbursements	-	13,200	(13,200)
Benefit Payments	(13,200)	(13,200)	-
Administrative Expenses	-	-	-
Net Changes	<u>171,895</u>	<u>260,917</u>	<u>(89,022)</u>
Balance at June 30, 2025	<u>\$ 450,881</u>	<u>\$ 2,434,918</u>	<u>\$ (1,984,037)</u>

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate: The following presents the net OPEB asset of the Town, as well as what the Town's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Net OPEB Asset	\$ (1,931,644)	\$ (1,984,037)	\$ (2,028,306)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB asset of the Town, as well as what the Town's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Asset	\$ (2,030,852)	\$ (1,984,037)	\$ (1,929,444)

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2025, the Town recognized OPEB expense of (\$150,441). As of June 30, 2025, deferred inflows and outflows of resources related to OPEB are reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,918	\$ (1,372,934)
Changes of assumptions	101,621	(131,722)
Net difference between projected and actual earnings on OPEB plan investments	-	(141,262)
	<u>\$ 128,539</u>	<u>\$ (1,645,918)</u>

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

Year ended June 30:	
2026	\$ (129,465)
2027	(191,285)
2028	(176,995)
2029	(147,127)
2030	(122,117)
Thereafter	<u>(750,390)</u>
	<u>\$ (1,517,379)</u>

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

NOTE 11 – PENSION AND OPEB COMBINING SCHEDULES

Combining Statement of Fiduciary Net Position

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total
Assets				
Cash and Cash Equivalents	\$ 405,344	\$ 117,742	\$ 51,321	\$ 574,407
Investments, at Fair Value:				
Mutual Funds - Equities	12,649,632	3,427,353	1,477,766	17,554,751
Mutual Funds - Bonds	7,753,599	2,100,808	905,831	10,760,238
Contribution Receivable	-	7,347	-	7,347
Total Assets	<u>\$ 20,808,575</u>	<u>\$ 5,653,250</u>	<u>\$ 2,434,918</u>	<u>\$ 28,896,743</u>
Net Position				
Restricted for Pension Benefits	\$ 20,808,575	\$ 5,653,250	\$ -	\$ 26,461,825
Restricted for OPEB Benefits	-	-	2,434,918	2,434,918
Total Net Position	<u>\$ 20,808,575</u>	<u>\$ 5,653,250</u>	<u>\$ 2,434,918</u>	<u>\$ 28,896,743</u>

Combining Statement of Changes in Fiduciary Net Position

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total
Additions				
Contributions:				
Employer	\$ 514,350	\$ 168,828	\$ 13,200	\$ 696,378
Employee	10,428	-	-	10,428
Total Contributions	<u>524,778</u>	<u>168,828</u>	<u>13,200</u>	<u>706,806</u>
Investment Income				
Net Appreciation/(Depreciation) in Fair Value of Investments	1,772,553	476,814	203,864	2,453,231
Interest and Dividends	538,914	144,682	66,557	750,153
Total Investment Income	2,311,467	621,496	270,421	3,203,384
Less: Investment Management Fees	(49,111)	(13,191)	(5,706)	(68,008)
Net Investment Income	<u>2,262,356</u>	<u>608,305</u>	<u>264,715</u>	<u>3,135,376</u>
Total Additions	<u>2,787,134</u>	<u>777,133</u>	<u>277,915</u>	<u>3,842,182</u>
Deductions				
Pension Benefits	1,262,029	277,762	13,200	1,552,991
Administrative Expenses	-	-	-	-
Total Deductions	<u>1,262,029</u>	<u>277,762</u>	<u>13,200</u>	<u>1,552,991</u>
Change in Net Position	1,525,105	499,371	264,715	2,289,191
Net Position at Beginning of Year	19,283,470	5,153,879	2,170,203	26,607,552
Net Position at End of Year	<u>\$ 20,808,575</u>	<u>\$ 5,653,250</u>	<u>\$ 2,434,918</u>	<u>\$ 28,896,743</u>

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

NOTE 12 – RISK MANAGEMENT

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, injuries of employees, natural disaster and public official liabilities. The Town generally purchases commercial insurance for these risks. During the year ended June 30, 2025, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years. In addition, there have been no significant reductions in coverage from the prior year.

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies that was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering interlocal risk management program.

Internal Service Fund – The Town is no longer self-insured for medical and as a result the Internal Service Fund has been closed out during fiscal year 2025. The Town purchases commercial insurance and the premiums will be budgeted annually in the General Fund.

NOTE 13 – LITIGATION AND CONTINGENCIES

Litigation – The Town is currently a defendant in a number of lawsuits. Management and legal counsel believe that the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Town.

Grants - The Town participates in several Federal and State assisted grants programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of certain of these programs for or including the year ended June 30, 2025, have not yet been conducted. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

NOTE 14 – UPCOMING PRONOUNCEMENTS

GASB Pronouncements Issued, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 103 – *Financial Reporting Model Improvements* – The objective of this Statement is to provide key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2025.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2025.

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

NOTE 15 - TRANSFER OF EDUCATION OPERATIONS

In June of 2022, the citizens of the Towns of Goshen, Litchfield, Morris, and Warren approved to enter into the Regional School District No. 20 to provide educational services to children in grades K-12.

Effective July 1, 2024, the Town of Litchfield transferred responsibility for the governance, administration, and operation of public education services to the Regional School District No. 20 (“the District”) in accordance with applicable state statutes, voter approvals, and intergovernmental agreements. This transaction represents a transfer of operations as described in GASB No. 69, *Government Combinations and Disposals of Operations*. The transfer was carried out for no consideration and was not a sale. Accordingly, the transfer of operations was accounted for as a disposal of government operations.

As a result of this transfer, the Town no longer operates an independent education department. Beginning on July 1, 2024, all educational programs, instructional and non-instructional personnel, student services, transportation, and related administrative functions are handled by the District.

Pursuant to the transfer agreement with the District, ownership and operational control of buildings, related facilities, and education-related equipment were transferred from the Town to the District. These capital assets were removed from the Town’s governmental activities in the government-wide financial statements as of the effective date.

A summary of the capital assets transferred is as follows:

<u>Asset Category</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>
School Land	\$ 206,206	\$ -
School Buildings and Improvements	40,247,003	18,416,846
School Machinery and Equipment	1,032,248	1,056,708
	<u>\$ 41,485,457</u>	<u>\$ 19,473,554</u>

The total net book value of capital assets transferred was \$22,011,903. In accordance with GASB Statement No. 69, the Town recognized a disposal of operations in its governmental activities. The resulting loss associated with the transfer was recognized as a special item in the government-wide financial statements.

Subsequent to the transfer, the costs of education for Litchfield students will be funded through the Town’s required contributions to the Regional School District No. 20, which is a percentage based on student enrollment from the member towns.

NOTE 16 – SUBSEQUENT EVENTS

On August 14, 2025, the Town issued \$2,100,000 of general obligation bonds. The general obligation bonds have interest rates ranging from 4-5% with principal and interest payments due annually through August 2040.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to the Financial Statements

NOTE 17 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

Corrections of Errors in Previously Issued Financial Statements

For the year ended June 30, 2025, the Town determined there was an error in the beginning accounts payable balances reported in the General Fund. The reported accounts payable balances were overstated by \$600,861.

For the year ended June 30, 2025, the Town determined there was an error in the beginning accounts receivable balances reported in the General Fund. The reported accounts receivable balance was overstated by \$66,970.

For the year ended June 30, 2025, the Town determined there was an error in the fund classification of the Performance Bond Fund as it does not qualify as a Custodial Fund in accordance with GASB Statement Number 84. The Town also determined that the amounts reported as Net Position/Fund Balance for the Performance Bond Fund should have instead been reported as a liability for performance bonds. The effect of correcting those errors was to reclassify the Performance Bond Fund to the General Fund and then remove the beginning fund balance and report it with performance bond liabilities.

For the year ended June 30, 2025, the Town determined that the interest receivable on delinquent sewer usage bills was not reported in the WPCA Fund. The reported receivable balance in the WPCA Fund was understated by \$136,232.

For the year ended June 30, 2025, the Town determined that leases receivable and deferred inflows related to leases were not reported in the General Fund on long-term noncancellable lease agreements in accordance with GASB Statement Number 87. The reported leases receivable balance and deferred leases balances were understated by \$1,073,197.

For the year ended June 30, 2025, the Town determined there was an error in previously reported capital asset values in the Governmental Activities. There were certain assets that had never been set to depreciate in the Town capital asset software resulting in an overstatement of \$11,354,904. There was also an asset removed which was added in error in a prior year resulting in an overstatement of \$703,674.

The effects of correcting these errors on beginning Net Position and Fund Balance is shown in the table below as items (A).

Changes to or within the Financial Reporting Entity

The American Rescue Plan Fund previously met the criteria to be reported as a major governmental fund. However, effective July 1, 2024, the fund no longer met the criteria to be reported as a major governmental fund and is reported as a nonmajor governmental fund for the fiscal year ended June 30, 2025. The effect of that change to or within the financial reporting entity is to remove the beginning fund balance of \$100,359 from the American Rescue Plan Fund (a major governmental fund) and report it with the nonmajor governmental funds. The effects of the changes to or within the financial reporting entity are shown in the table below as item (B).

Change in Accounting Principle

Effective July 1, 2024, the Town implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. As a result of the implementation of this standard, there was an adjustment to increase the beginning Governmental Activities and Business-Type Activities compensated absences liabilities by \$240,441 and \$46,281, respectfully, and to reduce the beginning Net Position by the same amount. The effects of the change in accounting principle are shown in the table below as item (C).

TOWN OF LITCHFIELD, CONNECTICUT

Notes to the Financial Statements

Adjustments and Restatements of Beginning Balances

The effect of the error corrections, changes to or within the financial reporting entity, and changes in accounting principle on the beginning fund balances and net position are described in the table below:

	Governmental Activities	Business-Type Activities	Water Pollution Control Authority	General Fund	American Rescue Plan Fund	Nonmajor Governmental Funds	Custodial Funds
Fund Balance/Net Position as Reported June 30, 2024	\$ 78,778,752	\$ 5,421,516	\$ 5,421,516	\$ 7,162,610	\$ 100,359	\$ 2,320,266	\$ 313,379
(A) Corrections of an Error							
Accounts Payable	600,861	-	-	600,861	-	-	-
Accounts Receivable	(66,970)	-	-	(66,970)	-	-	-
Fund Classification of Performance Bonds	121,392	-	-	121,392	-	-	(121,392)
Performance Bonds Liability	(121,392)	-	-	(121,392)	-	-	-
Interest Receivable	-	136,232	136,232	-	-	-	-
Leases Receivable	1,073,197	-	-	1,073,197	-	-	-
Deferred Leases	(1,073,197)	-	-	(1,073,197)	-	-	-
Capital Assets Being Depreciated	(12,058,578)	-	-	-	-	-	-
(B) Changes to or Within Financial Reporting Entity							
American Rescue Plan Fund to Nonmajor	-	-	-	-	(100,359)	100,359	-
(C) Change in Accounting Principle							
GASB 101, <i>Compensated Absences</i>	(240,441)	(46,281)	(46,281)	-	-	-	-
Fund Balance/Net Position as Adjusted July 1, 2024	<u>\$ 67,013,624</u>	<u>\$ 5,511,467</u>	<u>\$ 5,511,467</u>	<u>\$ 7,696,501</u>	<u>\$ -</u>	<u>\$ 2,420,625</u>	<u>\$ 191,987</u>

**Required
Supplementary
Information**

TOWN OF LITCHFIELD, CONNECTICUT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budgetary Basis - General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
Revenues				
Property Taxes	\$ 28,716,002	\$ 28,716,002	\$ 28,995,793	\$ 279,791
Intergovernmental	1,424,032	1,424,032	1,445,730	21,698
Charges for Services	807,798	807,798	758,421	(49,377)
Investment Income	400,000	400,000	822,253	422,253
Other Revenue	98,423	98,423	121,109	22,686
Total Revenues	<u>31,446,255</u>	<u>31,446,255</u>	<u>32,143,306</u>	<u>697,051</u>
Expenditures				
Current:				
General Government	1,792,255	1,826,355	1,938,583	(112,228)
Public Safety	1,309,566	1,309,566	1,115,611	193,955
Public Works	3,369,931	3,389,831	3,404,282	(14,451)
Health and Welfare	58,188	58,188	62,056	(3,868)
Culture and Recreation	681,512	681,512	683,928	(2,416)
Education	20,041,980	20,041,980	20,041,980	-
Other	1,951,559	1,897,559	1,641,443	256,116
Debt Service	2,225,264	2,225,264	2,225,264	-
Total Expenditures	<u>31,430,255</u>	<u>31,430,255</u>	<u>31,113,147</u>	<u>317,108</u>
Excess of Revenues Over Expenditures	16,000	16,000	1,030,159	1,014,159
Other Financing Sources (Uses)				
Encumbrance Credits	-	-	38,106	38,106
Transfers Out	(16,000)	(720,965)	(720,965)	-
Appropriation of Fund Balance	-	704,965	-	(704,965)
Total Other Financing Sources (Uses)	<u>(16,000)</u>	<u>(16,000)</u>	<u>(682,859)</u>	<u>(666,859)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 347,300</u>	<u>\$ 347,300</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Town Defined Benefit Pension Plan
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service Cost	\$ 176,290	\$ 186,518	\$ 244,050	\$ 235,797	\$ 271,006	\$ 261,842	\$ 325,668	\$ 316,176	\$ 372,872	\$ 358,531
Interest	1,210,484	1,233,267	1,322,783	1,289,746	1,251,272	1,215,723	1,174,819	1,132,494	1,144,711	1,092,779
Differences Between Expected and Actual Experience	(293,069)	-	(1,149,866)	-	(351,970)	-	(130,438)	-	(853,171)	-
Changes in Benefit Terms	-	(556,033)	-	-	-	-	-	-	-	-
Changes of Assumptions	-	-	912,223	-	430,877	-	823,306	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(1,262,029)	(1,175,389)	(1,096,870)	(993,523)	(998,381)	(923,012)	(881,041)	(826,927)	(739,058)	(708,980)
Net Change in Total Pension Liability	<u>(168,324)</u>	<u>(311,637)</u>	<u>232,320</u>	<u>532,020</u>	<u>602,804</u>	<u>554,553</u>	<u>1,312,314</u>	<u>621,743</u>	<u>(74,646)</u>	<u>742,330</u>
Total Pension Liability - Beginning	<u>19,812,905</u>	<u>20,124,542</u>	<u>19,892,222</u>	<u>19,360,202</u>	<u>18,757,398</u>	<u>18,202,845</u>	<u>16,890,531</u>	<u>16,268,788</u>	<u>16,343,434</u>	<u>15,601,104</u>
Total Pension Liability - Ending (a)	<u>\$ 19,644,581</u>	<u>\$ 19,812,905</u>	<u>\$ 20,124,542</u>	<u>\$ 19,892,222</u>	<u>\$ 19,360,202</u>	<u>\$ 18,757,398</u>	<u>\$ 18,202,845</u>	<u>\$ 16,890,531</u>	<u>\$ 16,268,788</u>	<u>\$ 16,343,434</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 514,350	\$ 508,217	\$ 528,358	\$ 520,645	\$ 559,267	\$ 550,742	\$ 851,760	\$ 850,572	\$ 719,626	\$ 672,363
Contributions - Employee	10,428	24,878	26,192	28,216	31,700	34,944	36,769	37,280	60,322	20,575
Net Investment Income	2,262,356	2,369,357	1,684,188	(2,260,095)	3,830,173	747,969	1,055,208	865,796	1,252,987	118,227
Benefit Payments, Including Refunds of Member Contributions	(1,262,029)	(1,175,389)	(1,096,870)	(993,523)	(998,381)	(923,012)	(881,041)	(826,927)	(739,058)	(708,980)
Administrative Expenses	-	-	-	-	-	-	-	-	-	-
Net Change in Pension Fiduciary Net Position	<u>1,525,105</u>	<u>1,727,063</u>	<u>1,141,868</u>	<u>(2,704,757)</u>	<u>3,422,759</u>	<u>410,643</u>	<u>1,062,696</u>	<u>926,721</u>	<u>1,293,877</u>	<u>102,185</u>
Plan Fiduciary Net Position - Beginning	<u>19,283,470</u>	<u>17,556,407</u>	<u>16,414,539</u>	<u>19,119,296</u>	<u>15,696,537</u>	<u>15,285,894</u>	<u>14,223,198</u>	<u>13,296,477</u>	<u>12,002,600</u>	<u>11,900,415</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 20,808,575</u>	<u>\$ 19,283,470</u>	<u>\$ 17,556,407</u>	<u>\$ 16,414,539</u>	<u>\$ 19,119,296</u>	<u>\$ 15,696,537</u>	<u>\$ 15,285,894</u>	<u>\$ 14,223,198</u>	<u>\$ 13,296,477</u>	<u>\$ 12,002,600</u>
Net Pension Liability (Asset) - Ending: (a) - (b)	<u>\$ (1,163,994)</u>	<u>\$ 529,435</u>	<u>\$ 2,568,135</u>	<u>\$ 3,477,683</u>	<u>\$ 240,906</u>	<u>\$ 3,060,861</u>	<u>\$ 2,916,951</u>	<u>\$ 2,667,333</u>	<u>\$ 2,972,311</u>	<u>\$ 4,340,834</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	105.93%	97.33%	87.24%	82.52%	98.76%	83.68%	83.98%	84.21%	81.73%	73.44%
Covered Payroll	\$ 739,680	\$ 1,653,971	\$ 1,598,040	\$ 2,251,490	\$ 2,175,353	\$ 3,484,630	\$ 3,366,792	\$ 3,831,932	\$ 3,684,550	\$ 4,272,039
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-157.36%	32.01%	160.71%	154.46%	11.07%	87.84%	86.64%	69.61%	80.67%	101.61%

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT

Town Defined Benefit Pension Plan
Schedule of Contributions
Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Employer Contribution (ADEC)	\$ 514,350	\$ 508,217	\$ 528,358	\$ 520,645	\$ 559,267	\$ 550,742	\$ 665,541	\$ 654,162	\$ 682,320	\$ 669,415
Contributions in Relation to the ADEC	<u>514,350</u>	<u>508,217</u>	<u>528,358</u>	<u>520,645</u>	<u>559,267</u>	<u>550,742</u>	<u>851,760</u>	<u>850,572</u>	<u>719,626</u>	<u>672,363</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ (186,219)</u>	<u>\$ (196,410)</u>	<u>\$ (37,306)</u>	<u>\$ (2,948)</u>					
Covered Payroll	739,680	1,653,971	1,598,040	2,251,490	2,175,353	3,484,630	3,366,792	3,831,932	3,684,550	4,272,039
Contributions as a Percentage of Covered Payroll	69.54%	30.73%	33.06%	23.12%	25.71%	15.80%	25.30%	22.20%	19.53%	15.74%

Notes to Schedule

Actuarially determined contributions for the fiscal year ending June 30, 2025 were determined from the July 1, 2022 valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Salary
Remaining amortization period	14 years
Asset valuation method	Market Value of Assets
Inflation	2.50%
Salary increases	3.50%, including inflation
Investment rate of return	6.25%, net of pension plan investment expense
Normal Retirement	Later of age 65 or 5 years of service.
Mortality	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Table projected to the valuation date with Scale MP-2021

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT

Town Defined Benefit Pension Plan

Schedule of Investment Returns

Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual Money-Weighted Rate of Return, Net of Investment Expense	12.02%	13.89%	10.48%	-12.05%	24.80%	4.96%	7.41%	6.47%	10.50%	1.01%

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
 Merit Service Pension Plan
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service Cost	\$ 65,288	\$ 65,288	\$ 60,529	\$ 60,529	\$ 54,579	\$ 54,579	\$ 52,540	\$ 52,540	\$ 59,412	\$ 59,412
Interest	344,442	336,608	336,379	327,375	315,903	306,466	293,922	284,891	281,563	271,181
Differences Between Expected and Actual Experience	(56,381)	-	(41,069)	-	(7,459)	-	(53,714)	-	(94,174)	-
Changes of Assumptions	-	-	309,463	-	40,635	-	261,286	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(277,762)	(275,375)	(260,007)	(249,199)	(230,402)	(212,380)	(216,856)	(200,269)	(184,752)	(179,891)
Net Change in Total Pension Liability	75,587	126,521	405,295	138,705	173,256	148,665	337,178	137,162	62,049	150,702
Total Pension Liability - Beginning	<u>5,582,556</u>	<u>5,456,035</u>	<u>5,050,740</u>	<u>4,912,035</u>	<u>4,738,779</u>	<u>4,590,114</u>	<u>4,252,936</u>	<u>4,115,774</u>	<u>4,053,725</u>	<u>3,903,023</u>
Total Pension Liability - Ending (a)	<u>\$ 5,658,143</u>	<u>\$ 5,582,556</u>	<u>\$ 5,456,035</u>	<u>\$ 5,050,740</u>	<u>\$ 4,912,035</u>	<u>\$ 4,738,779</u>	<u>\$ 4,590,114</u>	<u>\$ 4,252,936</u>	<u>\$ 4,115,774</u>	<u>\$ 4,053,725</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 168,828	\$ 168,828	\$ 127,954	\$ 127,954	\$ 119,508	\$ 118,419	\$ 118,419	\$ 118,419	\$ 158,102	\$ 154,100
Contributions - Member	-	-	-	-	-	-	-	-	-	-
Net Investment Income	608,305	627,107	443,361	(595,269)	1,010,933	198,700	280,447	240,218	351,066	32,649
Benefit Payments, Including Refunds of Member Contributions	(277,762)	(275,375)	(260,007)	(249,199)	(230,402)	(212,380)	(216,856)	(200,269)	(184,752)	(180,389)
Administrative Expenses	-	-	-	-	-	-	-	-	-	-
Net Change in Pension Fiduciary Net Position	499,371	520,560	311,308	(716,514)	900,039	104,739	182,010	158,368	324,416	6,360
Plan Fiduciary Net Position - Beginning	<u>5,153,879</u>	<u>4,633,319</u>	<u>4,322,011</u>	<u>5,038,525</u>	<u>4,138,486</u>	<u>4,033,747</u>	<u>3,851,737</u>	<u>3,693,369</u>	<u>3,368,953</u>	<u>3,362,593</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,653,250</u>	<u>\$ 5,153,879</u>	<u>\$ 4,633,319</u>	<u>\$ 4,322,011</u>	<u>\$ 5,038,525</u>	<u>\$ 4,138,486</u>	<u>\$ 4,033,747</u>	<u>\$ 3,851,737</u>	<u>\$ 3,693,369</u>	<u>\$ 3,368,953</u>
Net Pension Liability (Asset) - Ending: (a) - (b)	<u>\$ 4,893</u>	<u>\$ 428,677</u>	<u>\$ 822,716</u>	<u>\$ 728,729</u>	<u>\$ (126,490)</u>	<u>\$ 600,293</u>	<u>\$ 556,367</u>	<u>\$ 401,199</u>	<u>\$ 422,405</u>	<u>\$ 684,772</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.91%	92.32%	84.92%	85.57%	102.58%	87.33%	87.88%	90.57%	89.74%	83.11%
Covered Payroll	N/A									
Net Pension Liability (Asset) as a Percentage of Covered Payroll	N/A									

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT

Merit Service Pension Plan
Schedule of Contributions
Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Employer Contribution (ADEC)	\$ 168,828	\$ 168,828	\$ 127,954	\$ 127,954	\$ 119,508	\$ 119,508	\$ 118,419	\$ 118,419	\$ 107,425	\$ 107,425
Contributions in Relation to the ADEC	<u>168,828</u>	<u>168,828</u>	<u>127,954</u>	<u>127,954</u>	<u>119,508</u>	<u>118,419</u>	<u>118,419</u>	<u>118,419</u>	<u>158,102</u>	<u>153,602</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ 1,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,677)</u>	<u>\$ (46,177)</u>				
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Actuarially determined contributions for the fiscal year ending June 30, 2025 were determined from the July 1, 2022 valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level Dollar
Amortization Period	15 years
Asset valuation method	Market Value of Assets
Inflation	2.50%
Salary increases	N/A
Investment rate of return	6.25%, net of pension plan investment expense
Normal Retirement	Later of age 65 or 2 years of service.
Mortality	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Table projected to the valuation date with Scale MP-2021

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT

Merit Service Pension Plan
Schedule of Investment Returns
Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual Money-Weighted Rate of Return, Net of Investment Expense	12.03%	13.90%	10.46%	-12.01%	24.81%	5.00%	7.40%	6.51%	10.52%	1.02%

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Other Post-Employment Benefits Plan - BOE
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
Last Nine Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service Cost	\$ -	\$ 37,267	\$ 40,421	\$ 39,054	\$ 49,776	\$ 48,092	\$ 55,169	\$ 53,304	\$ 51,501
Interest	17,031	72,130	100,734	94,023	143,618	138,490	173,411	167,805	158,952
Difference Between Expected and Actual Experience	133,387	(9,545)	(570,401)	35,138	(828,563)	(103,897)	(435,011)	(125,270)	(68,299)
Changes of Assumptions/Benefit Terms	34,677	(924,124)	124,715	-	(39,674)	(21,039)	(186,094)	-	-
Benefit Payments, Including Implicit Cost	(13,200)	(26,692)	(34,367)	(104,793)	4,671	-	(30,775)	(4,897)	(95,701)
Net Change in Total OPEB Liability	171,895	(850,964)	(338,898)	63,422	(670,172)	61,646	(423,300)	90,942	46,453
Total OPEB Liability - Beginning	<u>278,986</u>	<u>1,129,950</u>	<u>1,468,848</u>	<u>1,405,426</u>	<u>2,075,598</u>	<u>2,013,952</u>	<u>2,437,252</u>	<u>2,346,310</u>	<u>2,299,857</u>
Total OPEB Liability - Ending (a)	<u>\$ 450,881</u>	<u>\$ 278,986</u>	<u>\$ 1,129,950</u>	<u>\$ 1,468,848</u>	<u>\$ 1,405,426</u>	<u>\$ 2,075,598</u>	<u>\$ 2,013,952</u>	<u>\$ 2,437,252</u>	<u>\$ 2,346,310</u>
Plan Fiduciary Net Position									
Contributions - Employer	\$ -	\$ 10,852	\$ 14,737	\$ 94,563	\$ (16,221)	\$ 9,049	\$ 26,828	\$ (25,903)	\$ 215,521
Contributions - TRB Subsidy	13,200	15,840	19,630	10,230	11,550	11,990	22,770	30,800	27,170
Net Investment Income	260,917	268,443	180,984	(238,536)	391,086	76,902	103,480	88,644	124,083
Benefit Payments, Including Implicit Cost	(13,200)	(26,692)	(34,367)	(104,793)	4,671	(21,039)	(30,775)	(4,897)	(95,701)
Administrative Expenses	-	-	-	-	-	-	-	(5,100)	(5,625)
Net Change in Plan Fiduciary Net Position	260,917	268,443	180,984	(238,536)	391,086	76,902	122,303	83,544	265,448
Plan Fiduciary Net Position - Beginning	<u>2,174,001</u>	<u>1,905,558</u>	<u>1,724,574</u>	<u>1,963,110</u>	<u>1,572,024</u>	<u>1,495,122</u>	<u>1,372,819</u>	<u>1,289,275</u>	<u>1,023,827</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,434,918</u>	<u>\$ 2,174,001</u>	<u>\$ 1,905,558</u>	<u>\$ 1,724,574</u>	<u>\$ 1,963,110</u>	<u>\$ 1,572,024</u>	<u>\$ 1,495,122</u>	<u>\$ 1,372,819</u>	<u>\$ 1,289,275</u>
Net OPEB Liability (Asset) - Ending: (a) - (b)	<u>\$ (1,984,037)</u>	<u>\$ (1,895,015)</u>	<u>\$ (775,608)</u>	<u>\$ (255,726)</u>	<u>\$ (557,684)</u>	<u>\$ 503,574</u>	<u>\$ 518,830</u>	<u>\$ 1,064,433</u>	<u>\$ 1,057,035</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	540.04%	779.25%	168.64%	117.41%	139.68%	75.74%	74.24%	56.33%	54.95%
Covered-Employee Payroll	\$ -	\$ -	\$ 8,933,836	\$ 8,937,730	\$ 8,635,466	\$ 9,176,000	\$ 8,865,708	\$ 8,451,000	\$ 8,165,000
Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	N/A	N/A	-8.68%	-2.86%	-6.46%	5.49%	5.85%	12.60%	12.95%

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
 Other Post-Employment Benefits Plan - BOE
 Schedule of Contributions
 Last Nine Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially Determined Employer Contribution (ADEC)	\$ -	\$ -	\$ 22,463	\$ 21,050	\$ 102,746	\$ 101,007	\$ 177,535	\$ 173,543	\$ 210,274
Contributions in Relation to the ADEC	-	10,852	14,737	94,563	(16,221)	9,049	26,828	(25,903)	215,521
Contribution Deficiency (Excess)	\$ -	\$ (10,852)	\$ 7,726	\$ (73,513)	\$ 118,967	\$ 91,958	\$ 150,707	\$ 199,446	\$ (5,247)
Covered-Employee Payroll	-	-	8,933,836	8,937,730	8,635,466	9,176,000	8,865,708	8,451,000	8,165,000
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	0.16%	1.06%	-0.19%	0.10%	0.30%	-0.31%	2.64%

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Notes to Schedule

Actuarially determined contributions for the fiscal year ending June 30, 2025 were determined from the July 1, 2022 valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of salary
Amortization period	20 years
Asset valuation method	Plan assets equal the market value of assets.
Inflation	2.50%
Healthcare cost trend rates	6.50% for 2022 reduced by 0.25% each year to an ultimate rate of 4.50% per year for 2030 and later.
Salary increases	3.50%
Discount rate	6.25%

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
 Other Post-Employment Benefits Plan - BOE
 Schedule of Investment Returns
 Last Nine Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual Money-Weighted Rate of Return, Net of Investment Expense	12.00%	14.09%	10.49%	-12.15%	24.88%	5.14%	7.46%	6.89%	10.85%

*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Notes to Required Supplementary Information

NOTE 1 – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – GENERAL FUND

Budgetary Information and Accounting

The Town establishes its General Fund budget in accordance with the Connecticut General Statutes. The budget is adopted in accordance with GAAP, except that the issuance of leases/SBITAs/equipment financing is not reported as an expenditure and other financing source for budgetary purposes. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year. In the governmental funds, open encumbrances are reported as a reservation of fund balance since the commitments will be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities in the governmental funds.

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP basis”). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2025:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Budgetary Basis	\$ 32,143,306	\$ 31,113,147	\$ (682,859)
Other Combining General Funds	-	48,890	16,000
Encumbrances	-	(92,581)	(38,106)
Transfers Reported as Expenditures	-	(20,000)	(20,000)
Transfers of Restricted Fund Balance In	-	-	80,580
Transfers of Restricted Fund Balance Out	-	-	(222,660)
GAAP Basis	<u>\$ 32,143,306</u>	<u>\$ 31,049,456</u>	<u>\$ (867,045)</u>

Combining and Individual Fund Statements and Schedules

TOWN OF LITCHFIELD, CONNECTICUT
Schedule of Revenues and Other Financing Sources
Budget and Actual - Budgetary Basis - General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Budgetary Basis	Variance
	Original	Amended		
Revenues				
Property Taxes				
Property Taxes	\$ 28,141,002	\$ 28,141,002	\$ 28,273,621	\$ 132,619
Property Taxes - Prior Years	200,000	200,000	315,865	115,865
Property Taxes - Motor Vehicles	225,000	225,000	235,078	10,078
Interest and Lien Fees	150,000	150,000	171,229	21,229
Total Property Taxes	<u>28,716,002</u>	<u>28,716,002</u>	<u>28,995,793</u>	<u>279,791</u>
Intergovernmental Revenue				
State of Connecticut - General Government	130,530	130,530	135,669	5,139
State of Connecticut - Education	1,293,502	1,293,502	1,310,061	16,559
Total Intergovernmental Revenues	<u>1,424,032</u>	<u>1,424,032</u>	<u>1,445,730</u>	<u>21,698</u>
Charges for Services				
Licenses and Permits	9,950	9,950	7,175	(2,775)
Charges for Services	791,848	791,848	742,346	(49,502)
Fines and Forfeits	6,000	6,000	8,900	2,900
Total Charges for Services	<u>807,798</u>	<u>807,798</u>	<u>758,421</u>	<u>(49,377)</u>
Investment Income	<u>400,000</u>	<u>400,000</u>	<u>822,253</u>	<u>422,253</u>
Miscellaneous Revenues	<u>98,423</u>	<u>98,423</u>	<u>121,109</u>	<u>22,686</u>
Total Revenues	<u>31,446,255</u>	<u>31,446,255</u>	<u>32,143,306</u>	<u>697,051</u>
Other Financing Sources				
Encumbrance Credits	-	-	38,106	38,106
Use of Fund Balance - For Capitals	-	704,965	-	(704,965)
Total Other Financing Sources	<u>-</u>	<u>704,965</u>	<u>38,106</u>	<u>(666,859)</u>
Total Revenues and Other Financing Sources	<u>\$ 31,446,255</u>	<u>\$ 32,151,220</u>	<u>\$ 32,181,412</u>	<u>\$ 30,192</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Schedule of Expenditures and Other Financing Uses
Budget and Actual - Budgetary Basis - General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
Expenditures				
General Government				
Board of Finance	\$ 27,712	\$ 27,712	\$ 46,620	\$ (18,908)
Board of Selectmen	31,591	31,591	35,658	(4,067)
Treasurer	9,646	9,646	9,893	(247)
Tax Collector	137,677	137,677	143,194	(5,517)
Town Clerk	159,762	159,762	162,732	(2,970)
Vital Statistics	400	400	49	351
Registrars	41,031	41,031	39,964	1,067
Elections	49,330	49,330	66,090	(16,760)
Board of Assessment Appeals	500	500	252	248
Finance Department	258,073	258,073	267,068	(8,995)
Tax Assessment Department	166,416	166,416	159,551	6,865
Planning and Zoning	11,715	15,915	16,823	(908)
Wetlands	4,000	4,000	2,928	1,072
Zoning Board of Appeals	2,000	2,000	2,013	(13)
Land Use Administration	115,232	115,232	107,701	7,531
Conservation Commission	2,000	2,000	192	1,808
Building Department	227,147	227,147	210,543	16,604
Technology Department	113,057	113,057	110,352	2,705
Probate	8,513	8,513	8,512	1
Building & Grounds Maintenance	119,000	129,000	159,964	(30,964)
Legal	66,500	86,400	145,379	(58,979)
Central Services	25,200	25,200	24,494	706
Municipal Management	200,753	200,753	210,937	(10,184)
Economic Development Commission	15,000	15,000	7,674	7,326
Total General Government	<u>1,792,255</u>	<u>1,826,355</u>	<u>1,938,583</u>	<u>(112,228)</u>
Public Safety				
Police	474,846	444,182	262,133	182,049
Fire Marshal	129,206	129,206	112,902	16,304
Fire Protection	502,170	532,834	538,748	(5,914)
E911 Emergency	103,923	103,923	102,660	1,263
Emergency Management	17,711	17,711	17,458	253
Ambulance	81,710	81,710	81,710	-
Total Public Safety	<u>1,309,566</u>	<u>1,309,566</u>	<u>1,115,611</u>	<u>193,955</u>
Public Works				
Supervision	30,975	30,975	32,414	(1,439)
Operations	1,610,313	1,610,313	1,590,732	19,581
Highways	784,100	784,100	822,087	(37,987)
Equipment	224,800	224,800	217,915	6,885
Buildings & Grounds	127,000	146,900	139,362	7,538
Solid Waste & Recycling	453,610	453,610	462,880	(9,270)
Director	137,783	137,783	138,278	(495)
Milton Historic	1,350	1,350	614	736
Total Public Works	<u>3,369,931</u>	<u>3,389,831</u>	<u>3,404,282</u>	<u>(14,451)</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Schedule of Expenditures and Other Financing Uses
Budget and Actual - Budgetary Basis - General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
Expenditures (Continued)				
Health and Welfare				
Social Services	\$ 56,188	\$ 56,188	\$ 58,962	\$ (2,774)
OSHA Mandated Health	2,000	2,000	3,094	(1,094)
Total Health and Welfare	<u>58,188</u>	<u>58,188</u>	<u>62,056</u>	<u>(3,868)</u>
Culture and Recreation				
Libraries	448,450	448,450	448,450	-
Recreation	123,357	123,357	126,823	(3,466)
Co-op Programs	109,705	109,705	108,655	1,050
Total Culture and Recreation	<u>681,512</u>	<u>681,512</u>	<u>683,928</u>	<u>(2,416)</u>
Education				
Regional School District No. 20	20,041,980	20,041,980	20,041,980	-
Total Education	<u>20,041,980</u>	<u>20,041,980</u>	<u>20,041,980</u>	<u>-</u>
Other				
Contingency	75,000	21,000	-	21,000
Fringe Benefits	1,710,559	1,710,559	1,478,114	232,445
Beautification Commission	1,500	1,500	1,488	12
Cemetery Services	23,500	23,500	23,500	-
Insurance	141,000	141,000	138,341	2,659
Total Other	<u>1,951,559</u>	<u>1,897,559</u>	<u>1,641,443</u>	<u>256,116</u>
Debt Service				
Principal Retirement	1,758,730	1,758,730	1,758,730	-
Interest	466,534	466,534	466,534	-
Total Debt Service	<u>2,225,264</u>	<u>2,225,264</u>	<u>2,225,264</u>	<u>-</u>
Total Expenditures	<u>31,430,255</u>	<u>31,430,255</u>	<u>31,113,147</u>	<u>317,108</u>
Other Financing Uses				
Transfers Out to Other Funds	16,000	720,965	720,965	-
Total Other Financing Uses	<u>16,000</u>	<u>720,965</u>	<u>720,965</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 31,446,255</u>	<u>\$ 32,151,220</u>	<u>\$ 31,834,112</u>	<u>\$ 317,108</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT

Combining Balance Sheet

General Fund

June 30, 2025

	General Fund	Canine Fund	Performance Bonds	Eliminations	Total
Assets					
Cash and Cash Equivalents	\$ 15,222,692	\$ -	\$ -	\$ -	\$ 15,222,692
Restricted Cash	110,842	-	-	-	110,842
Receivables, Net of Allowance	1,934,120	-	-	-	1,934,120
Inventory	25,113	-	-	-	25,113
Due from Other Funds	1,019	78,649	110,842	(189,491)	1,019
Total Assets	<u>\$ 17,293,786</u>	<u>\$ 78,649</u>	<u>\$ 110,842</u>	<u>\$ (189,491)</u>	<u>\$ 17,293,786</u>
Liabilities					
Accounts Payable and Accrued Items	\$ 788,832	\$ 5,753	\$ -	\$ -	\$ 794,585
Performance Bonds	-	-	110,842	-	110,842
Due to Other Funds	7,078,018	-	-	(189,491)	6,888,527
Total Liabilities	<u>7,866,850</u>	<u>5,753</u>	<u>110,842</u>	<u>(189,491)</u>	<u>7,793,954</u>
Deferred Inflows of Resources					
Unavailable Revenue:					
Property Taxes and Interest	544,606	-	-	-	544,606
Lease Related	1,031,920	-	-	-	1,031,920
Total Deferred Inflows of Resources	<u>1,576,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,576,526</u>
Fund Balances					
Nonspendable	37,226	-	-	-	37,226
Restricted	80,580	-	-	-	80,580
Committed	-	-	-	-	-
Assigned	92,581	72,896	-	-	165,477
Unassigned	7,640,023	-	-	-	7,640,023
Total Fund Balances	<u>7,850,410</u>	<u>72,896</u>	<u>-</u>	<u>-</u>	<u>7,923,306</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,293,786</u>	<u>\$ 78,649</u>	<u>\$ 110,842</u>	<u>\$ (189,491)</u>	<u>\$ 17,293,786</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2025

	General Fund	Canine Fund	Performance Bonds	Eliminations	Total
Revenues					
Property Taxes, Interest and Lien Fees	\$ 28,995,793	\$ -	\$ -	\$ -	\$ 28,995,793
Intergovernmental	1,445,730	-	-	-	1,445,730
Licenses, Permits, and Charges for Services	758,421	-	-	-	758,421
Investment Income	822,253	-	-	-	822,253
Other Revenue	121,109	-	-	-	121,109
Total Revenues	<u>32,143,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,143,306</u>
Expenditures					
Current:					
General Government	1,891,211	-	-	-	1,891,211
Public Safety	1,113,914	48,890	-	-	1,162,804
Public Works	3,354,249	-	-	-	3,354,249
Health and Welfare	61,547	-	-	-	61,547
Culture and Recreation	682,659	-	-	-	682,659
Education	20,041,980	-	-	-	20,041,980
Other	1,629,742	-	-	-	1,629,742
Debt Service	2,225,264	-	-	-	2,225,264
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>31,000,566</u>	<u>48,890</u>	<u>-</u>	<u>-</u>	<u>31,049,456</u>
Excess/(Deficiency) of Revenues over Expenditures	1,142,740	(48,890)	-	-	1,093,850
Other Financing Sources/(Uses)					
Transfers In	80,580	16,000	-	(16,000)	80,580
Transfers Out	(963,625)	-	-	16,000	(947,625)
Total Other Financing Sources/(Uses)	<u>(883,045)</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>(867,045)</u>
Net Change in Fund Balances	259,695	(32,890)	-	-	226,805
Fund Balances at Beginning of Year	7,056,824	105,786	-	-	7,162,610
Adjustment/Restatement	533,891	-	-	-	533,891
Fund Balances at Beginning of Year, Adjusted	<u>7,590,715</u>	<u>105,786</u>	<u>-</u>	<u>-</u>	<u>7,696,501</u>
Fund Balances at End of Year	<u>\$ 7,850,410</u>	<u>\$ 72,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,923,306</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2025

	SPECIAL REVENUE FUNDS						
	Town Hall Annex	Special Education Grants	Parks and Recreation	Road Ordinance	Sewer Assessment	American Rescue Plan Fund	LOCIP
Assets							
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, Net	292,568	-	-	-	159,912	-	-
Due from Other Funds	105,435	-	117,740	3,133	537,676	451,097	355,092
Total Assets	<u>\$ 398,003</u>	<u>\$ -</u>	<u>\$ 117,740</u>	<u>\$ 3,133</u>	<u>\$ 697,588</u>	<u>\$ 451,097</u>	<u>\$ 355,092</u>
Liabilities							
Accounts Payable and Accrued Items	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ -
Unearned Revenue	-	-	32,882	-	-	427,761	243,948
Due to Other Funds	-	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>32,982</u>	<u>-</u>	<u>-</u>	<u>427,761</u>	<u>243,948</u>
Deferred Inflows of Resources							
Unavailable Revenue:							
Sewer Assessment Charges	-	-	-	-	159,912	-	-
Loans Receivable	-	-	-	-	-	-	-
Lease Related	287,353	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>287,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,912</u>	<u>-</u>	<u>-</u>
Fund Balances							
Nonspendable	5,215	-	-	-	-	-	-
Restricted	-	-	-	-	537,676	23,336	-
Committed	105,435	-	84,758	3,133	-	-	111,144
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	<u>110,650</u>	<u>-</u>	<u>84,758</u>	<u>3,133</u>	<u>537,676</u>	<u>23,336</u>	<u>111,144</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 398,003</u>	<u>\$ -</u>	<u>\$ 117,740</u>	<u>\$ 3,133</u>	<u>\$ 697,588</u>	<u>\$ 451,097</u>	<u>\$ 355,092</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	SPECIAL REVENUE FUNDS				PERMANENT FUND	
	Small Cities Grant	Miscellaneous Special Revenue	Town Aid Road	Scholarships	Cemetery Trust	Total
Assets						
Cash and Cash Equivalents	\$ 175,561	\$ 10,965	\$ -	\$ 16,601	\$ 10,194	\$ 213,321
Receivables, Net	184,232	-	-	-	-	636,712
Due from Other Funds	-	771,799	197,607	9,236	-	2,548,815
Total Assets	\$ 359,793	\$ 782,764	\$ 197,607	\$ 25,837	\$ 10,194	\$ 3,398,848
Liabilities						
Accounts Payable and Accrued Items	\$ 292,280	\$ -	\$ -	\$ -	\$ -	\$ 292,380
Unearned Revenue	-	-	-	-	-	704,591
Due to Other Funds	1,019	-	-	-	-	1,019
Total Liabilities	293,299	-	-	-	-	997,990
Deferred Inflows of Resources						
Unavailable Revenue:						
Sewer Assessment Charges	-	-	-	-	-	159,912
Loans Receivable	10,350	-	-	-	-	10,350
Lease Related	-	-	-	-	-	287,353
Total Deferred Inflows of Resources	10,350	-	-	-	-	457,615
Fund Balances						
Nonspendable	-	-	-	-	10,000	15,215
Restricted	56,144	475,283	197,607	25,837	194	1,316,077
Committed	-	307,481	-	-	-	611,951
Unassigned	-	-	-	-	-	-
Total Fund Balances	56,144	782,764	197,607	25,837	10,194	1,943,243
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 359,793	\$ 782,764	\$ 197,607	\$ 25,837	\$ 10,194	\$ 3,398,848

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	SPECIAL REVENUE FUNDS						
	Town Hall Annex	Special Education Grants	Parks and Recreation	Road Ordinance	Sewer Assessment	American Rescue Plan Fund	LOCIP
Revenues							
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 389,837	\$ -
Charges for Services	61,576	-	122,557	-	17,511	-	3,327
Investment Income	8,706	-	3,621	-	24,260	37,977	-
Other Revenue	56,625	-	-	-	-	-	-
Total Revenues	<u>126,907</u>	<u>-</u>	<u>126,178</u>	<u>-</u>	<u>41,771</u>	<u>427,814</u>	<u>3,327</u>
Expenditures							
Current:							
General Government	191,341	-	-	-	-	12,820	-
Public Works	-	-	-	-	-	1,200	-
Health and Welfare	-	-	-	-	-	-	-
Culture and Recreation	-	-	105,224	-	-	109,815	-
Education	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	102,365	-
Total Expenditures	<u>191,341</u>	<u>-</u>	<u>105,224</u>	<u>-</u>	<u>-</u>	<u>226,200</u>	<u>-</u>
Excess/(Deficiency) of Revenues Over Expenditures	(64,434)	-	20,954	-	41,771	201,614	3,327
Other Financing Sources/(Uses)							
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	(278,637)	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(278,637)</u>	<u>-</u>
Special Item							
Transfer of Operations to Region 20	-	(76,891)	-	-	-	-	-
Net Change in Fund Balances	(64,434)	(76,891)	20,954	-	41,771	(77,023)	3,327
Fund Balances at Beginning of Year	175,084	76,891	63,804	3,133	495,905	-	107,817
Adjustment/Restatement	-	-	-	-	-	100,359	-
Fund Balances at Beginning of Year, Adjusted	<u>175,084</u>	<u>76,891</u>	<u>63,804</u>	<u>3,133</u>	<u>495,905</u>	<u>100,359</u>	<u>107,817</u>
Fund Balances at End of Year	<u>\$ 110,650</u>	<u>\$ -</u>	<u>\$ 84,758</u>	<u>\$ 3,133</u>	<u>\$ 537,676</u>	<u>\$ 23,336</u>	<u>\$ 111,144</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	SPECIAL REVENUE FUNDS				PERMANENT FUNDS	
	Small Cities Grant	Miscellaneous Special Revenue	Town Road Aid	Scholarships	Cemetery Trust	Total
Revenues						
Intergovernmental Revenues	\$ 717,946	\$ 109,159	\$ 386,537	\$ -	\$ -	\$ 1,603,479
Charges for Services	-	-	-	-	-	204,971
Investment Income	-	-	-	-	3	74,567
Other Revenue	24,525	186,289	-	-	-	267,439
Total Revenues	<u>742,471</u>	<u>295,448</u>	<u>386,537</u>	<u>-</u>	<u>3</u>	<u>2,150,456</u>
Expenditures						
Current:						
General Government	-	18,625	-	-	55	222,841
Public Works	-	148,296	483,804	-	-	633,300
Health and Welfare	717,921	56,526	-	-	-	774,447
Culture and Recreation	-	87,583	-	-	-	302,622
Education	-	-	-	23,365	-	23,365
Capital Outlay	-	135,000	-	-	-	237,365
Total Expenditures	<u>717,921</u>	<u>446,030</u>	<u>483,804</u>	<u>23,365</u>	<u>55</u>	<u>2,193,940</u>
Excess/(Deficiency) of Revenues Over Expenditures	24,550	(150,582)	(97,267)	(23,365)	(52)	(43,484)
Other Financing Sources/(Uses)						
Transfers In	-	20,000	-	-	-	20,000
Transfers Out	-	(80,580)	-	-	-	(359,217)
Total Other Financing Sources/(Uses)	<u>-</u>	<u>(60,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(339,217)</u>
Special Item						
Transfer of Operations to Region 20	-	(17,790)	-	-	-	(94,681)
Net Change in Fund Balances	24,550	(228,952)	(97,267)	(23,365)	(52)	(477,382)
Fund Balances at Beginning of Year	31,594	1,011,716	294,874	49,202	10,246	2,320,266
Adjustment/Restatement	-	-	-	-	-	100,359
Fund Balances at Beginning of Year, Adjusted	<u>31,594</u>	<u>1,011,716</u>	<u>294,874</u>	<u>49,202</u>	<u>10,246</u>	<u>2,420,625</u>
Fund Balances at End of Year	<u>\$ 56,144</u>	<u>\$ 782,764</u>	<u>\$ 197,607</u>	<u>\$ 25,837</u>	<u>\$ 10,194</u>	<u>\$ 1,943,243</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT

Combining Statement of Fund Net Position

Water Pollution Control Authority

June 30, 2025

	<u>Operating</u>	<u>Capital Reserve</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 50	\$ -	\$ 50
Receivables, Net	457,439	-	457,439
Due from Other Funds	205,695	911,609	1,117,304
Total Current Assets	<u>663,184</u>	<u>911,609</u>	<u>1,574,793</u>
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation	3,956,921	-	3,956,921
Total Noncurrent Assets	<u>3,956,921</u>	<u>-</u>	<u>3,956,921</u>
Total Assets	<u>4,620,105</u>	<u>911,609</u>	<u>5,531,714</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Items	3,665	-	3,665
Compensated Absences	10,182	-	10,182
Total Current Liabilities	<u>13,847</u>	<u>-</u>	<u>13,847</u>
Noncurrent Liabilities:			
Compensated Absences	40,729	-	40,729
Total Noncurrent Liabilities	<u>40,729</u>	<u>-</u>	<u>40,729</u>
Total Liabilities	<u>54,576</u>	<u>-</u>	<u>54,576</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Net Investment in Capital Assets	3,956,921	-	3,956,921
Unrestricted	608,608	911,609	1,520,217
Total Net Position	<u>\$ 4,565,529</u>	<u>\$ 911,609</u>	<u>\$ 5,477,138</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Water Pollution Control Authority
For the Year Ended June 30, 2025

	<u>Operating</u>	<u>Capital Reserve</u>	<u>Eliminations</u>	<u>Total</u>
OPERATING REVENUES				
Charges for Services	\$ 1,116,367	\$ -	\$ -	\$ 1,116,367
Fines, Penalties and Interest	<u>50,005</u>	-	-	<u>50,005</u>
Total Operating Revenues	<u>1,166,372</u>	-	-	<u>1,166,372</u>
OPERATING EXPENSES				
Salaries and Benefits	485,425	-	-	485,425
Materials and Supplies	64,012	-	-	64,012
Utilities	71,224	-	-	71,224
Depreciation	171,626	-	-	171,626
Administration and Operation	<u>467,608</u>	-	-	<u>467,608</u>
Total Operating Expenses	<u>1,259,895</u>	-	-	<u>1,259,895</u>
Operating Income/(Loss)	(93,523)	-	-	(93,523)
NONOPERATING REVENUE (EXPENSES)				
Interest Income	12,159	47,035	-	59,194
Interest Expense and Issuance Costs	-	-	-	-
Total Nonoperating Revenues/(Expenses)	<u>12,159</u>	<u>47,035</u>	-	<u>59,194</u>
Income/(Loss) before Transfers	<u>(81,364)</u>	<u>47,035</u>	-	<u>(34,329)</u>
Transfers:				
Transfers In	160,983	-	(160,983)	-
Transfers Out	-	<u>(160,983)</u>	<u>160,983</u>	-
Total Transfers	<u>160,983</u>	<u>(160,983)</u>	-	-
Change in Net Position	79,619	(113,948)	-	(34,329)
Net Position - Beginning of Year	4,395,959	1,025,557	-	5,421,516
Adjustment/Restatement	<u>89,951</u>	-	-	<u>89,951</u>
Net Position - Beginning, as Adjusted	<u>4,485,910</u>	<u>1,025,557</u>	-	<u>5,511,467</u>
Net Position - End of Year	<u>\$ 4,565,529</u>	<u>\$ 911,609</u>	<u>\$ -</u>	<u>\$ 5,477,138</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT

Combining Statement of Cash Flows

Water Pollution Control Authority

For the Year Ended June 30, 2025

	<u>Operating</u>	<u>Capital Reserve</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers and Users	\$ 1,122,325	\$ -	\$ 1,122,325
Payments to Employees	(480,795)	-	(480,795)
Payments to Suppliers	<u>(611,557)</u>	-	<u>(611,557)</u>
Net Cash Provided/(Used) by Operating Activities	<u>29,973</u>	<u>-</u>	<u>29,973</u>
Cash Flows from Noncapital Financing Activities:			
Advance/(Repayment) from Other Funds	<u>(42,132)</u>	113,948	<u>71,816</u>
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(42,132)</u>	<u>113,948</u>	<u>71,816</u>
Cash Flows from Capital and Related Financing Activities:			
Transfers from/(to) Proprietary Funds	160,983	(160,983)	-
Purchase of Capital Assets	<u>(160,983)</u>	-	<u>(160,983)</u>
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(160,983)</u>	<u>(160,983)</u>
Cash Flows from Investing Activities:			
Interest Income	<u>12,159</u>	47,035	<u>59,194</u>
Net Cash Provided by Investing Activities	<u>12,159</u>	<u>47,035</u>	<u>59,194</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents at Beginning of Year	<u>50</u>	-	<u>50</u>
Cash and Cash Equivalents at End of Year	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 50</u>
Reconciliation of Income (Loss) from Operations to			
Net Cash Provided by (Used in) Operating Activities			
Income (Loss) from Operations	\$ (93,523)	\$ -	\$ (93,523)
Adjustments to Reconcile Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	171,626	-	171,626
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(39,093)	-	(39,093)
(Increase) Decrease in Interest Receivable	(4,954)	-	(4,954)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(8,713)	-	(8,713)
Increase (Decrease) in Accrued Vacation and Sick Leave Benefits	<u>4,630</u>	-	<u>4,630</u>
Total Adjustments	<u>123,496</u>	<u>-</u>	<u>123,496</u>
Net Cash Provided by Operating Activities	<u>\$ 29,973</u>	<u>\$ -</u>	<u>\$ 29,973</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Combining Statement of Fiduciary Net Position
Pension and OPEB Trust Funds
June 30, 2025

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total
Assets				
Cash and Cash Equivalents	\$ 405,344	\$ 117,742	\$ 51,321	\$ 574,407
Investments, at Fair Value:				
Mutual Funds - Equities	12,649,632	3,427,353	1,477,766	17,554,751
Mutual Funds - Bonds	7,753,599	2,100,808	905,831	10,760,238
Contribution Receivable	-	7,347	-	7,347
Total Assets	\$ 20,808,575	\$ 5,653,250	\$ 2,434,918	\$ 28,896,743
Net Position				
Restricted for Pension Benefits	\$ 20,808,575	\$ 5,653,250	\$ -	\$ 26,461,825
Restricted for OPEB Benefits	-	-	2,434,918	2,434,918
Total Net Position	\$ 20,808,575	\$ 5,653,250	\$ 2,434,918	\$ 28,896,743

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Combining Statement of Changes in Fiduciary Net Position
Pension and OPEB Trust Funds
For the Year Ended June 30, 2025

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total
Additions				
Contributions:				
Employer	\$ 514,350	\$ 168,828	\$ 13,200	\$ 696,378
Employee	10,428	-	-	10,428
Total Contributions	<u>524,778</u>	<u>168,828</u>	<u>13,200</u>	<u>706,806</u>
Investment Income:				
Net Appreciation/(Depreciation) in Fair				
Value of Investments	1,772,553	476,814	203,864	2,453,231
Interest and Dividends	538,914	144,682	66,557	750,153
Total Investment Income	2,311,467	621,496	270,421	3,203,384
Less: Investment Management Fees	(49,111)	(13,191)	(5,706)	(68,008)
Net Investment Income	<u>2,262,356</u>	<u>608,305</u>	<u>264,715</u>	<u>3,135,376</u>
Total Additions	<u>2,787,134</u>	<u>777,133</u>	<u>277,915</u>	<u>3,842,182</u>
Deductions				
Benefit Payments	1,262,029	277,762	13,200	1,552,991
Total Deductions	<u>1,262,029</u>	<u>277,762</u>	<u>13,200</u>	<u>1,552,991</u>
Change in Net Position	1,525,105	499,371	264,715	2,289,191
Net Position at Beginning of Year	<u>19,283,470</u>	<u>5,153,879</u>	<u>2,170,203</u>	<u>26,607,552</u>
Net Position at End of Year	<u>\$ 20,808,575</u>	<u>\$ 5,653,250</u>	<u>\$ 2,434,918</u>	<u>\$ 28,896,743</u>

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2025

	Student Activity Funds	Performance Bonds	Total
Assets			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Receivables	-	-	-
Total Assets	-	-	-
Liabilities			
Payables	-	-	-
Net Position			
Restricted for Individuals	\$ -	\$ -	\$ -

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2025

	Student Activity Funds	Performance Bonds	Total
Additions			
Contributions:			
Classes and Clubs, Donations, and Other Student Activities	\$ -	\$ -	\$ -
Total Contributions	-	-	-
Total Additions	-	-	-
Deductions			
Transfer of Operations to Region 20	191,987	-	191,987
Total Deductions	191,987	-	191,987
Change in Net Position	(191,987)	-	(191,987)
Net Position - Beginning	191,987	121,392	313,379
Adjustment/Restatement	-	(121,392)	(121,392)
Net Position - Beginning, as Adjusted	191,987	-	191,987
Net Position at End of Year	\$ -	\$ -	\$ -

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT
Schedule of Property Taxes Levied, Collected, and Outstanding
For the Year Ended June 30, 2025

Grand List of 10/1:	Outstanding July 1, 2024	Current Levy	Lawful Corrections		Transfers to Suspense	Collectible Taxes	Collections During the Year			Outstanding June 30, 2025
			Additions	Deductions			Taxes	Interest and Liens	Total	
2023		\$ 28,901,825	\$ 34,859	\$ 65,764	\$ -	\$ 28,870,920	\$ 28,514,229	\$ 83,754	\$ 28,597,983	\$ 356,691
2022	\$ 340,093	-	10,472	10,959	-	339,606	181,011	47,639	228,650	158,595
2021	129,875	-	-	1,708	-	128,167	83,175	32,083	115,258	44,992
2020	43,750	-	-	332	24,183	19,235	13,861	6,992	20,853	5,374
2019	3,337	-	102	225	24,909	(21,695)	(165)	-	(165)	(21,530)
2018	(6,692)	-	-	-	-	(6,692)	(735)	475	(260)	(5,957)
2017	213	-	-	-	-	213	1,888	1,114	3,002	(1,675)
2016	(6,880)	-	-	-	-	(6,880)	-	-	-	(6,880)
2015	(288)	-	-	-	-	(288)	-	-	-	(288)
2014	(141)	-	-	-	-	(141)	-	-	-	(141)
2013	44	-	-	-	-	44	-	-	-	44
2012	50	-	-	-	-	50	-	-	-	50
	\$ 503,361	\$ 28,901,825	\$ 45,433	\$ 78,988	\$ 49,092	\$ 29,322,539	28,793,264	172,057	28,965,321	\$ 529,275
Net Grand List - October 1, 2023					Total Suspense Collections		1,711	1,790	3,501	
Tax Rate: 18.50 mills					Total Collections		\$ 28,794,975	\$ 173,847	\$ 28,968,822	

See accountant's report.

TOWN OF LITCHFIELD, CONNECTICUT

Schedule of Debt Limitation

June 30, 2025

Town of Litchfield - Total Tax Collections, Including Interest and Lien Fees - Prior Fiscal Year	\$ 30,243,444
Borough of Litchfield - Total Tax Collections, Including Interest and Lien Fees - Prior Fiscal Year	436,138
Borough of Bantam - Total Tax Collections, Including Interest and Lien Fees - Prior Fiscal Year	<u>96,072</u>
Base	<u>\$ 30,775,654</u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
	(2.25 x base)	(4.50 x base)	(3.75 x base)	(3.25 x base)	(3.00 x base)
Debt Limitation:					
Statutory Debt Limits by Function	<u>\$ 69,245,222</u>	<u>\$ 138,490,443</u>	<u>\$ 115,408,703</u>	<u>\$ 100,020,876</u>	<u>\$ 92,326,962</u>
Indebtedness:					
Bonds Payable	14,190,610	854,390	-	-	-
** Bonds Payable - Regional					
School District No. 20	-	1,923,013	-	-	-
Borough of Litchfield Debt	130,000	-	-	-	-
Borough of Bantam Debt	-	-	-	-	-
Authorized but Unissued	3,922,319	-	-	-	-
Total Indebtedness	<u>18,242,929</u>	<u>2,777,403</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Debt*	<u>\$ 51,002,293</u>	<u>\$ 135,713,040</u>	<u>\$ 115,408,703</u>	<u>\$ 100,020,876</u>	<u>\$ 92,326,962</u>

*In no event shall total debt exceed seven times annual receipts from base. The maximum amount permitted under this formula would be approximately \$215,429,578.

** The Town of Litchfield is a member of Regional School District No. 20. This amount represents the Town's proportional share of the District's outstanding long-term debt as of June 30, 2025, calculated as follows:

Long-Term Debt - Regional	
School District No. 20	\$ 3,425,389
Town of Litchfield's proportionate share	56.14%
	<u>\$ 1,923,013</u>

See accountant's report.