



Official Statement Dated August 26, 2021

NEW ISSUE

S & P GLOBAL RATINGS: AA+
(See "Ratings" herein.)

In the opinion of Bond Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the Town with certain representations and covenants relating to the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax under the Code. In the opinion of Bond Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. (See "Tax Matters" herein.)

TOWN OF LITCHFIELD, CONNECTICUT

\$2,020,000 GENERAL OBLIGATION BONDS, ISSUE OF 2021

(BANK QUALIFIED)

BOOK-ENTRY-ONLY

Dated: Date of Delivery

Due: Serially, August 1, as shown herein

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

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity, commencing February 1, 2022.

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

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

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

MATURITY SCHEDULE AND AMOUNTS

Maturity	Amount	Coupon	Yield	CUSIP (1)	Maturity	Amount	Coupon	Yield	CUSIP (1)
2022	\$ 135,000	4.000%	0.120%	536597TL1	2030	\$ 135,000	2.000%	1.220%*	536597TU1
2023	135,000	4.000	0.150	536597TM9	2031	135,000	2.000	1.300*	536597TV9
2024	135,000	4.000	0.200	536597TN7	2032	135,000	2.000	1.400*	536597TW7
2025	135,000	4.000	0.330	536597TP2	2033	135,000	2.000	1.500*	536597TX5
2026	135,000	4.000	0.460	536597TQ0	2034	135,000	2.000	1.600*	536597TY3
2027	135,000	4.000	0.580	536597TR8	2035	135,000	2.000	1.700*	536597TZ0
2028	135,000	3.000	0.740*	536597TS6	2036	130,000	2.000	1.800*	536597UA3
2029	135,000	3.000	0.860*	536597TT4					

* - Priced assuming optional redemption on August 1, 2027; however any such redemption is at the option of the Town. (See "Optional Redemption" herein.)

The Bonds are offered for delivery when as, and if issued, subject to the final approving opinion of Pullman & Comley, LLC, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC on or about September 14, 2021.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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

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

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

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

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

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

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

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

This Official Statement may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Without limiting the foregoing, the words "may," "believe," "could," "might," "possible," "potential," "project," "will," "should," "expect," "intend," "plan," "predict," "anticipate," "estimate," "approximate," "contemplate," "continue," "target," "goal" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Official Statement are based on information available to the Town up to the date as of which such statements are to be made, or otherwise up to, and including, the date of this document, and the Town assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof or after the date of any report containing such forward-looking statement, as applicable. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including, but not limited to (i) the effect of and from, future municipal, state and federal budgetary matters, including state and federal grants and other forms of financial aid to the Town; (ii) federal tax policy, including the deductibility of state and local taxes for federal tax purposes; (iii) macroeconomic economic and business developments, both for the country as a whole and particularly affecting the Town; (iv) financial services industry developments; (v) litigation or arbitration; (vi) climate and weather related developments, natural disasters and other acts of God; (vii) factors used in estimating future obligations of the Town; (viii) the effects of epidemics and pandemics, including economic effects; and (ix) other factors contained in this Official Statement.

The Bonds were purchased by Morgan Stanley & Co. LLC through a competitive bid process.

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
The Bond Issue Summary.....	i	V. Financial Information	
I. Securities Offered		Fiscal Year	25
Introduction	1	Accounting Policies	25
Description of the Bonds	1	Basis of Accounting	25
Optional Redemption.....	1	Annual Audit	25
Notice of Redemption.....	1	Budgetary Procedures	25
Authorization and Use of Proceeds of		Supplemental Appropriations.....	26
the Bonds	2	Employee Pension Systems.....	26
Ratings.....	2	Other Post-Employment Benefits.....	29
Security and Remedies	2	Investment Policies and Procedures	30
Book-Entry Transfer System	3	Revenues	30
Replacement Bonds	5	Property Tax Revenues	30
DTC Practices.....	5	Intergovernmental Revenues.....	30
Tax Matters	5	Expenditures	31
Global Health Emergency Risk	7	Comparative General Fund Operating Statement..	32
Qualification for Financial Institutions.....	8	Comparative General Fund Balance Sheet	33
Availability of Continuing Disclosure.....	8	Analysis of General Fund Equity	33
II. The Issuer		Comparative General Fund Revenues and	
Description of the Town	9	Expenditures.....	34
Form of Government	10	VI. Debt Summary	
Municipal Officials.....	10	Principal Amount of Indebtedness	35
Summary of Municipal Services	10	Combined Schedule of Long-term Debt.....	36
Educational System	13	Outstanding Short-term Indebtedness	36
Educational Facilities	14	Overlapping and Underlying Indebtedness	36
Educational Enrollment History and		Debt Statement.....	37
Projections	14	Current Debt Ratios	37
Municipal Employment.....	14	Legal Requirements for Approval of Borrowing..	38
Municipal Employees Bargaining		Temporary Financing	38
Organizations.....	15	School Building Grant Reimbursements	38
Economic Development	15	Clean Water Fund Program.....	38
III. Economic and Demographic Information		Limitation of Indebtedness.....	39
Population Trends.....	17	Statement of Statutory Debt Limitation	40
Age Characteristics of the Population	17	Authorized but Unissued Debt	40
Income Distribution.....	17	Historical Debt Statement	41
Selected Wealth and Income Indicators.....	18	Historical Debt Ratios	41
Educational Attainment	18	Ratio of Annual Debt Service Expenditures	
Major Employers.....	18	To Total General Fund Expenditures and	
Employment by Industry	19	Transfers Out.....	41
Unemployment Rate Statistics.....	19	VII. Legal and Other Litigation	
Number of Dwelling Units	20	Litigation.....	42
Characteristics of Housing Units	20	Municipal Advisor	42
Age Distribution of Housing	20	Documents Accompanying Delivery of the	
Number and Value of Building Permits.....	21	Bonds.....	42
Breakdown of Land Use.....	21	Concluding Statement	43
IV. Tax Base Data		Appendix A – Audited Financial Statements	
Assessment Practices	22	Appendix B – Form of Opinion of Bond Counsel	
Property Tax Collection Procedure.....	22	Appendix C – Form of Continuing Disclosure Agreement	
Motor Vehicle Property Tax Rate.....	23	Appendix D – Notice of Sale	
Property Tax Levies and Collections.....	23		
Taxable Grand List	23		
Largest Taxpayers	24		
Equalized Net Grand List	24		

THE BOND ISSUE SUMMARY

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

Issuer:	Town of Litchfield, Connecticut (the "Town").
Issue:	\$2,020,000 General Obligation Bonds, Issue of 2021 (the "Bonds").
Dated Date:	Date of Delivery.
Interest Due:	February 1 and August 1 in each year until maturity, commencing February 1, 2022.
Principal Due:	Serially, August 1, 2022 through 2036, as detailed in this Official Statement.
Purpose and Authority:	The Bonds are being issued to finance certain capital projects undertaken by the Town. (See "Authorization and Purpose of the Bonds" herein).
Redemption:	The Bonds are subject to optional redemption prior to maturity. (See "Optional Redemption" herein.)
Security:	The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due. (See "Security and Remedies" herein.)
Credit Rating:	The Bonds have been rated "AA+" by S&P Global Ratings ("S&P"). The bond rating on the Town's outstanding bonds is currently "AA+" by S&P. (See "Ratings" herein.)
Tax Status:	See Appendix B – "Form of Opinion of Bond Counsel" herein.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, (i) annual financial information and operating data, (ii) notices of certain events not in excess of ten (10) business days of occurrence of such events and (iii) timely notice of a failure to provide the required financial information by the date specified pursuant to a Continuing Disclosure Agreement to be executed by the Town in substantially the form attached as Appendix C to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank National Association, Corporate Trust Services, CityPlace I, 185 Asylum Street, 27 th Floor, Hartford, Connecticut 06103.
Legal Opinion:	Pullman & Comley, LLC of Hartford, Connecticut will act as Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about September 14, 2021 against payment in Federal Funds .
Issuer Official:	Questions concerning the Town and this Official Statement should be directed to Amaechi E. Obi, Director of Finance, Town of Litchfield, Connecticut - Telephone (860) 567-7554.
Municipal Advisor:	Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, attention: Mr. Mark N. Chapman, Managing Director, Telephone: (203) 421-2087.

I. SECURITIES OFFERED

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided only in connection with the initial offering and sale of \$2,020,000 General Obligation Bonds, Issue of 2021 (the "Bonds") to present certain financial and supplementary economic and demographic data relevant to the Town of Litchfield, Connecticut (the "Town"), and may not be reproduced or used in whole or in part for any other purpose.

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

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town. Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the Town.

Bond Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth in their opinion in Appendix B) and they make no representation that they have independently verified the same.

DESCRIPTION OF THE BONDS

The Bonds will be dated the date of delivery and will mature on the dates and in the principal amounts set forth on the cover page hereof. Interest on the Bonds will be payable February 1 and August 1 in each year until maturity, commencing February 1, 2022. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable to the registered owners of the Bonds at the rates per annum specified by the successful bidder as set forth on the cover page, as of the close of business on the fifteenth day of January and July in each year, or the preceding business day if the fifteenth is not a business day. A book-entry system will be employed evidencing ownership of the Bonds in principal amounts of \$1,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein). The Certifying Bank, Registrar, Transfer and Paying Agent will be U.S. Bank National Association of Hartford, Connecticut. The legal opinion on the Bonds will be rendered by Pullman & Comley, LLC of Hartford, Connecticut, as set forth in Appendix B. The Bonds SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended and described herein. **The Bonds are subject to redemption prior to maturity as described herein. (See "Optional Redemption" herein.)**

OPTIONAL REDEMPTION

The Bonds maturing on or before August 1, 2027 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2028 and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after August 1, 2027, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption price or prices (expressed as a percentage of the principal amount of Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Redemption Dates</u>	<u>Redemption Price</u>
August 1, 2027 and thereafter	100%

NOTICE OF REDEMPTION

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

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

The Town, so long as a book-entry system is used for the Bonds being called for redemption, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by Direct Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, the Registrar or Paying Agent.

AUTHORIZATION AND USE OF PROCEEDS OF THE BONDS

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

Authorization:

2021-2022 Capital Improvement Program: A \$4,500,218 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2021-2022 was approved at a Town Meeting held on May 20, 2021.

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

<u>Projects</u>	<u>Total Bond Authorization</u>	<u>Amount of Notes Outstanding</u>	<u>Additions (Reductions)</u>	<u>The Bonds (This Issue) (1)</u>	<u>Premium Applied (This Issue) (1)</u>
2021-22 Capital Improvement Program.....	\$ 4,500,218	\$ -	\$ 2,154,419	\$ 2,020,000	\$ 134,419

(1) Expected use, however, the Town may spend proceeds on other capital projects to meet its capital cash flow needs. Amounts used to finance capital projects of the Town include a portion of the original issue premium for the Bonds.

RATINGS

The Bonds have been rated "AA+" by S&P Global Ratings ("S&P"). Certain outstanding bonds of the Town are also rated "Aa2" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by S&P. However, the Town did not seek a rating from Moody's on this issue. Such ratings reflect only the views of such rating agency and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 and Standard & Poor's Rating Services, 55 Water Street, New York, New York 10041-003. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Town may furnish certain information and materials to the rating agencies, some of which may not have been included in this official statement. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Town's bonds and notes, including the Bonds.

SECURITY AND REMEDIES

The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

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

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

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

Enforcement of a claim for payment of principal of or interest on such bonds or notes of the Town would also be subject to the applicable provisions of Federal bankruptcy laws, as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, heretofore or hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied and to the exercise of judicial discretion. Under the Federal bankruptcy code, the Town may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9 thereof, or by State law or a governmental officer or organization empowered by State law to authorize such entity to become a debtor under such chapter. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy under Chapter 9 of Title 11 of the United States Code without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State of Connecticut having the power to levy taxes and issue bonds or other obligations.

BOOK-ENTRY TRANSFER SYSTEM

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

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

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

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

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

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

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

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

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

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

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

REPLACEMENT BONDS

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

DTC PRACTICES

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

TAX MATTERS

Federal Taxes. In the opinion of Bond Counsel, under existing law, (i) interest on the Bonds is excluded from gross income for federal income tax purposes, and (ii) such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

Bond Counsel's opinion with respect to the Bonds will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the Town with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Code and regulations promulgated thereunder establish certain requirements which must be satisfied at and subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds irrespective of the date on which such noncompliance occurs. In the Tax Regulatory Agreement with respect to the Bonds and in the Tax Regulatory Agreement with respect to the Bonds, each of which will be delivered concurrently with the issuance of the Bonds, the Town will covenant to comply with certain provisions of the Code and will make certain representations designed to assure compliance with such requirements of the Code including, but not limited to, investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of the Bond proceeds and certain other matters. The opinion of Bond Counsel delivered on the date of issuance of the Bonds is conditioned upon compliance by the Town with such requirements.

No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Bonds.

Original Issue Discount. The initial public offering prices of certain maturities of the Bonds may be less than the stated principal amount (the "OID Bonds"). Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds will constitute original issue discount. The offering prices relating to the yields set forth on the cover page of this Official Statement for such OID Bonds are expected to be the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the OID Bonds are sold. Under existing law, original issue discount on the OID Bonds accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if interest on the OID Bonds is excludable from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in an OID Bond purchased at an original issue discount, original issue discount is treated as having accrued while the owner holds such OID Bond and will be added to the owner's basis. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of such an OID Bond.

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

Original Issue Premium. The initial public offering prices of certain maturities of the Bonds may be more than their stated principal amounts payable at maturity (the “OIP Bonds”). In general, an owner who purchases an OIP Bond must amortize the original issue premium as provided in the applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the OIP Bonds for federal income tax purposes. Prospective purchasers of OIP Bonds at a premium to its principal amount should consult their tax advisors regarding the amortization of premium and its effect upon basis.

Other Federal Tax Matters. Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, recipients of Social Security or Railroad Retirement benefits, certain S corporations, foreign corporations subject to the branch profits tax, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxes. In the opinion of Bond Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax. Accrued original issue discount on an OID Bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax. Owners of the Bonds should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or original issue premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such Bonds.

Changes in Federal and State Tax Law. Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Investors in the Bonds should be aware that future legislative actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be adversely affected and the ability of holders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds.

General. The opinion of Bond Counsel is rendered as of its date, and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the date of its opinion. Bond Counsel’s opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel’s opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The discussion above does not purport to deal with all aspects of federal or state or local taxation that may be relevant to a particular owner of the Bonds. Prospective owners of the Bonds and the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal, state and local tax consequences of owning and disposing of the Bonds.

GLOBAL HEALTH EMERGENCY RISK

The COVID-19 Outbreak

The outbreak of COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization. On March 13, 2020, the President of the United States declared a national emergency as a result of the COVID-19 outbreak. The outbreak of the virus has affected travel, commerce and financial markets globally. There can be no assurances that the continuing prevalence of COVID-19 will not materially affect local, state, national, and global activity; increase public health emergency response costs; and materially adversely impact the financial condition of the Town.

State and Local Efforts to Mitigate the Ongoing Impact of COVID-19

On March 10, 2020, Governor Lamont declared a state of emergency throughout the State of Connecticut (the “State”) and took and continues to take steps designed to mitigate the spread and impacts of COVID-19. Public-schools began to operate remotely immediately following the outbreak and continued remotely through the 2019-2020 school year. For the 2020-2021 school year, schools were permitted to reopen and school districts were given the discretion to choose in-person learning, virtual learning or a hybrid model.

Connecticut’s COVID-19 vaccination plan commenced on December 14, 2020, and the State is currently making vaccinations available to all individuals aged 12 and over.

Due to a decline in the number of positive COVID-19 cases and hospitalizations, effective May 19, 2021, all capacity restrictions related to establishments and social/recreational gatherings were eliminated. The Governor regularly reviews conditions and, accordingly, expands or reduces restrictions. Face-covering requirements remain in effect for individuals who have not been vaccinated. Face-covering requirements have been lifted for those who have been vaccinated.

The potential long-term impact of the COVID-19 pandemic on the Town cannot be predicted at this time. The continued efforts to mitigate the spread of the outbreak and any prolonged effects on the national, State and local economy could have a materially adverse effect on the Town’s finances.

COVID-19 Outbreak – Municipal Tax Relief Programs

On April 1, 2020, in response to the COVID-19 emergency, Governor Ned Lamont issued Executive Order No. 7S (“Order 7S”), as amended by Executive Order No. 7W on April 9, 2020 (“Order 7W”), which created two short-term tax relief programs and required all towns, cities, and boroughs as well as their water pollution control authorities to adopt either or both of them by a vote of the legislative body. One program defers tax payments and benefit assessments by three months for taxpayers based on a showing of need, while the other program reduces the interest chargeable on overdue tax and assessment payments for all taxpayers in the municipality for three months.

All municipalities were directed to notify the Secretary of the Office of Policy and Management (“OPM”) no later than April 25, 2020 which program or programs it intended to elect. The Town adopted the “Deferment Program” for eligible taxpayers and landlords. The “Deferment Program” delayed by three months payments due on any unescrowed taxes on real estate, motor vehicles, and personal property as well as unescrowed municipal utility charges (the “Taxes and Charges”) if taxpayers, businesses, nonprofits and residents demonstrate significant economic impact caused by COVID-19 and/or demonstrate that they are assisting people who are experiencing significant economic impact caused by COVID-19.

On December 16, 2020, the Governor issued Executive Order 9R (“Order 9R”), which applied the two tax relief programs to tax deadlines for Taxes and Charges that became due and payable on January 1, 2021. As of December 30, 2020, the Town was deemed to have adopted the Deferment Program. The Deferment Program deferred any Taxes and Charges that were due on January 1, 2021 through and to April 1, 2021 without penalty.

For Fiscal Year 2021, the Town did not experience a material negative financial impact as a result of the Deferment Program. As of June 30, 2021, the Town had collected approximately 98.7% of Fiscal Year 2021 budgeted taxes, with 98.7% having been collected at the same time last year for Fiscal Year 2020 and 98.7% having been collected at the same time in Fiscal Year 2019.

Government Response to COVID-19's Impact on the Economy

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that provided in excess \$2 trillion of relief to industries and entities throughout the country, including state and local governments. Under the CARES Act, \$150 billion was appropriated to states and other units of government for activities that are directly related to COVID-19. The State received approximately \$1.4 billion in such funding, and it was given the discretion to provide those funds to local governments.

On June 4, 2020, Governor Lamont established the Connecticut Municipal Coronavirus Relief Fund Program (the "Program") which established a process by which Connecticut municipalities can receive funds from the State to offset non-budgeted COVID-19 related expenditures that were incurred between March 1, 2020 and December 30, 2020. In Fiscal Year 2020, the Town received \$78,186 in reimbursement from the Program and FEMA for pandemic-related costs. The Town received \$911,823 in reimbursement from the two programs in Fiscal Year 2021.

On December 27, 2020, President Trump signed into law the Coronavirus Response and Relief Supplemental Appropriations Act of 2021, which extends certain programs and benefits first authorized by the CARES Act. The relief package includes, amongst other items, over \$900 billion in stimulus for various COVID-19 relief programs, \$8.75 billion for vaccine distribution, \$54.3 billion of Elementary and Secondary School Emergency Relief Funds, \$4.1 billion for the Governors Emergency Education Relief Fund, and an allocation of \$284 billion of Paycheck Protection Program funds to support eligible small businesses and non-profits, and the legislation expands and modifies the program by allowing second draw loans for certain borrowers.

On March 11, 2021, President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021 (the "Rescue Plan"). The Rescue Plan relief package includes, amongst other provisions, \$350 billion in state and local government aid. Of the \$350 billion, the State and its local governments are expected to receive approximately \$4.2 billion as a result of this legislation, with \$2.6 billion in State relief and another \$1.6 billion in relief for local governments. The Rescue Plan relief package also includes approximately \$123 billion to allow for a return to full-time, in-person teaching at elementary and high schools, which funds could be used for numerous purposes, including but not limited to expanding testing, modifying classrooms, improving ventilation, and hiring more custodial staff. The State's K-12 schools are expected to receive approximately \$1.1 billion.

The Rescue Plan relief package includes another \$160 billion dedicated to COVID-19 vaccination development and distribution.

Over the next two years, the Town expects to receive \$1.824 million in federal funding as a result of the Rescue Plan. The Town received its first installment of \$912 thousand in funding from this program.

QUALIFICATION FOR FINANCIAL INSTITUTIONS

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

AVAILABILITY OF CONTINUING DISCLOSURE INFORMATION

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

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

II. THE ISSUER



DESCRIPTION OF THE TOWN

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

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

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

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

FORM OF GOVERNMENT

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

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

MUNICIPAL OFFICIALS

Name	Position	Term	Length of Service
Denise Raap.....	First Selectman.....	2 Years -- Elected	1.5 years
Jodian Tenney (1).....	Selectman.....	Appointed	1.5 years
Thomas Waterhouse.....	Selectman.....	2 Years -- Elected	1.5 years
Jonathan E. Tarrant.....	Selectman.....	2 Years -- Elected	9.0 years
Jeffrey J. Zullo.....	Selectman.....	2 Years -- Elected	10.0 years
Francis C. Carpentier.....	Town Treasurer.....	2 Years -- Elected	4.0 years
Lisa A. Losee.....	Town Clerk.....	4 Years -- Elected	12.0 years
Helen Bunnell.....	Tax Collector.....	Appointed	2.0 years
Amaechi E. Obi.....	Director of Finance.....	Appointed	6.5 years

(1) Jodiann Tenney was appointed and will serve the balance of the term of a selectman who has resigned.

SUMMARY OF MUNICIPAL SERVICES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sanitary Sewers. Litchfield's first sanitary sewers date back to the 1880s. The existing sanitary sewer system is comprised of more than 26 miles of collection systems. The majority of the Litchfield sewerage is treated at its wastewater treatment plant located in the south western portion of town adjacent to the Bantam River. Utilizing inter municipal agreements, portions of Litchfield's flows discharge to treatment plants in Torrington and Thomaston and Litchfield accepts flows from the West Shore of Bantam Lake in Morris. Litchfield's treatment plant was constructed in 1971 and was upgraded between 2002 and 2004. The plants current design flow is 0.940 MGD (million gallons per day) with a peak hourly flow of 2.13 MGD. Total flow for 2020-2021 was 147,150,000 gallons or 0.447 MGD which represents 40% of capacity.

The sanitary sewer operating expenses for 2020-2021 were \$1,121,328, including \$321,552 in debt service payments and \$300,000 in transfers to WPCA Capital Reserve Fund for future plant improvements. The treatment facility has 4 full time employees.

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

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

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

Solid Waste. The Town signed a Tier 2 contract with MIRA on July 29, 2015 for a term ending June 30, 2027 for waste disposal. The fees are as follows: July 1, 2021 through June 30, 2022 - \$105.00 per ton.

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

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

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

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

Utilities. The Town is serviced by Frontier Communications for telephone service. The delivery of electricity for the Town and Board of Education is through Eversource. Beginning in fiscal year 2011, the Town participated in a Connecticut Conference of Municipalities bidding process to lower its electrical supply cost. As a result, the Town purchases its electrical supply from Constellation Newenergy. The Litchfield school system purchases its electrical supply from Eversource. The Town and Board of Education are installing a solar system which will reduce the utility bills and move towards green energy initiative.

EDUCATIONAL SYSTEM

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

EDUCATIONAL FACILITIES

<u>School</u>	<u>Grades</u>	<u>Occupied</u>	<u>Renovation</u>	<u>Classrooms</u>	<u>Enrollment 10/01/20</u>	<u>Capacity</u>
Center School.....	Pre K-3	1925	1945, 1965, 1988	22	256	300
Intermediate School.....	4 - 6	1967	2007	18	194	200
Middle/High School.....	7 - 12	1956	1963, 1976 & 2007	31	368	500
Total				<u>71</u>	<u>818</u>	<u>1,000</u>

Source: Director of Business Operations for the Schools.

EDUCATIONAL ENROLLMENT HISTORY AND PROJECTIONS

<u>Actual (1)</u>				
<u>School Year</u>	<u>Pre K -</u>	<u>4 - 6</u>	<u>7 - 12</u>	<u>Total</u>
2011-12	316	262	544	1,122
2012-13	281	251	498	1,030
2013-14	267	245	471	983
2014-15	272	229	477	978
2015-16	271	220	471	962
2016-17	296	188	452	936
2017-18	295	189	433	917
2018-19	285	190	416	891
2019-20	286	199	371	856
2020-21	256	194	368	818
<u>Projected (2)</u>				
2021-22	348	197	349	894
2022-23	348	211	338	897
2023-24	349	219	341	909
2024-25	304	230	338	872

(1) As of October 1.

(2) Projections based on Cohort Survival Method.

Source: Director of Business Operations for the Schools.

MUNICIPAL EMPLOYMENT

<u>Fiscal Year</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Government.....	105	103	101	97	98
Board of Education.....	157	157	168	164	167
Total.....	<u>262</u>	<u>260</u>	<u>269</u>	<u>261</u>	<u>265</u>

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

MUNICIPAL EMPLOYEES BARGAINING ORGANIZATIONS

<u>Employees</u>	<u>Organization</u>	<u>Employees Covered</u>	<u>Current Contract Expiration Date</u>
<u>General Government</u>			
Public Works	Council; 4, AFSCME.....	19	6/30/2024
Department Heads	Town of Litchfield Supervisors Association.....	6	6/30/2024
Clerical.....	Town of Litchfield Municipal Employees Assoc.....	9	6/30/2020 (1)
Police.....	Council: 4 Local 1303-485.....	2	6/30/2024
	Non-Bargaining Employees	69	
Sub-total - General Government.....		105	
<u>Board of Education</u>			
Teachers.....	Litchfield Education Association.....	108	6/30/2023
Administrators	Litchfield Administrators' Association.....	6	6/30/2023
Classified Employees	Council; 4, AFSCME.....	27	6/30/2022
Custodians.....	AFSCME.....	12	6/30/2024
	Non-Bargaining Employees	4	
Sub-total - Board of Education.....		157	
Total - Town of Litchfield.....		262	

(1) In negotiations.

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either of the parties. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of (i) 5% or less with respect to teachers' contracts, and (ii) 15% or less with respect to municipal employees, is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

ECONOMIC DEVELOPMENT

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

The Litchfield Planning and Zoning Commission adopted its 10-year Plan of Conservation and Development (POCAD) on May 20, 2017. As supplements to POCAD, the Commission adopted a set of maps including the zoning map on May 20, 2017.

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

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

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

The Town has expanded the Community Emergency Response Team to 50 plus volunteers. The Bantam Annex Food Co-op is fully stocked and operational. The Municipal Bus has been taken back by the Town and provides an essential service to its seniors and disabled. The Town joined Sustainable CT in January 2020 and has achieved Bronze Certification and soon to submit its application for Silver. The Solar project was completed, providing a savings of over \$3 million to the Town taxpayers over the next 30 years. The Town implemented a Food Waste Diversion program and Textile Collection program. The Town has increased transparency and communication to its residents through the Town of Litchfield Facebook page, Instagram presence, virtual meetings with access to ZOOM recordings and a new comprehensive Town Website. The Town has introduced the acceptance of credit cards at many town offices. The Town has launched the Visit Litchfield CT Marketing Campaign to highlight all the wonderful things about the Town. The Town supports and encourages the renewed energy and expanded efforts of the Litchfield Park & Recreation Department, the Litchfield Social Service Department and the Economic Development Commission. The Town has applied for and received thousands of dollars' worth of new grants to offset costs to the taxpayers. The Town has created a Community Traffic Action Group, that applied for and received a Road Safety Audit Report, who continues to work closely with the CTDOT to implement structural and visual improvements to make the Town's roads safer and slower. The Town has assembled a Broadband Committee to explore the options available in the Town and region to improve opportunities for residents to work from home, attend virtual classrooms and provide telehealth access.

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III. ECONOMIC AND DEMOGRAPHIC INFORMATION

POPULATION TRENDS

Year	Town of Litchfield	Litchfield County	State of Connecticut
1980	7,605	156,769	3,107,576
1990	8,391	174,092	3,287,116
2000	8,316	182,193	3,405,565
2010	8,466	189,927	3,574,097
2019	8,147	182,002	3,575,074

Source: U. S. Census Bureau, American Community Survey, 2015-2019.

AGE CHARACTERISTICS OF THE POPULATION

Age	Town of Litchfield	Litchfield County	State of Connecticut
Under 5.....	303	7,453	183,808
5 - 9.....	359	9,177	198,000
10 - 14.....	393	10,016	221,325
15 - 19.....	440	10,779	244,249
20 - 24.....	391	9,958	244,597
25 - 34.....	604	18,550	441,742
35 - 44.....	719	19,184	424,739
45 - 54.....	970	28,090	508,428
55 - 59.....	823	15,753	264,804
60 - 64.....	750	15,585	242,329
65 - 74.....	1,257	21,823	336,422
75 - 84.....	709	10,199	174,887
85 and over....	429	5,435	89,744
Total	8,147	182,002	3,575,074

Source: U. S. Census Bureau, American Community Survey, 2015-2019.

INCOME DISTRIBUTION

	Town of Litchfield		Litchfield County		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000	34	1.5	612	1.3	24,799	2.8
\$ 10,000 to 14,999	14	0.6	621	1.3	16,037	1.8
\$ 15,000 to 24,999	39	1.8	1,338	2.8	38,364	4.3
\$ 25,000 to 34,999	111	5.0	2,488	5.1	48,110	5.4
\$ 35,000 to 49,999	191	8.6	4,204	8.7	77,010	8.6
\$ 50,000 to 74,999	313	14.1	7,351	15.2	123,980	13.9
\$ 75,000 to 99,999	298	13.4	7,205	14.9	116,676	13.1
\$100,000 to 149,999	399	18.0	11,827	24.4	186,246	20.8
\$150,000 to 199,999	416	18.7	6,317	13.0	109,258	12.2
\$200,000 or more	404	18.2	6,508	13.4	152,958	17.1
Total	2,219	100.0	48,471	100.0	893,438	100.0

Source: U. S. Census Bureau, American Community Survey, 2015-2019.

SELECTED WEALTH AND INCOME INDICATORS

	Median Family Income		Per Capita Income	
	(2000)	(2019)	(2000)	(2019)
Town of Litchfield....	\$ 70,594	\$ 112,669	\$ 30,096	\$ 49,602
Litchfield County.....	66,445	101,374	24,408	44,480
Connecticut.....	65,521	100,418	28,766	44,496
United States.....	49,600	77,263	21,690	34,103

Source: U.S. Census Bureau, Census 2000 and 2015-2019 American Community Survey.

EDUCATIONAL ATTAINMENT

(Years of School Completed, Age 25 & Over)

Educational Attainment Group	Town of Litchfield		Litchfield County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade.....	118	1.9	3,351	2.5	99,837	4.0
9th to 12th grade.....	202	3.2	6,131	4.6	132,826	5.3
High School graduate.....	1,810	28.9	40,214	29.9	666,828	26.9
Some college - no degree.....	958	15.3	24,673	18.3	416,175	16.8
Associates degree.....	534	8.5	12,592	9.4	191,964	7.7
Bachelor's degree.....	1,376	22.0	27,631	20.5	541,380	21.8
Graduate or professional degree.....	1,263	20.2	20,027	14.9	434,085	17.5
Total.....	<u>6,261</u>	<u>100.0</u>	<u>134,619</u>	<u>100.0</u>	<u>2,483,095</u>	<u>100.0</u>
Percent High School Graduate or Higher.		94.9%		93.0%		90.6%
Percent Bachelor's Degree or Higher.....		42.1%		35.4%		39.3%

Source: U. S. Census Bureau, American Community Survey, 2015-2019.

MAJOR EMPLOYERS

Name of Employer	Nature of Entity	Estimated Number of Employees
Town of Litchfield.....	Local Government and Board of Education.....	2,062
Connecticut Junior Republic.....	Special Needs Education, including Residential...	250
Regional School District 6.....	Education.....	180
Forman School.....	Education.....	132
Stop & Shop.....	Grocery Chain.....	110
State Police & State Department of Transportation.....	State Employees.....	85
Brandywine Assisted Living (Sarah Pierce Community)....	Assisted Living.....	82
Education Connection.....	State Government, Education Services.....	75

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

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EMPLOYMENT BY INDUSTRY

Employment Sector	Town of Litchfield		Litchfield County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fisheries.....	50	1.3	887	0.9	7,057	0.4
Construction.....	306	8.0	7,373	7.6	109,467	6.0
Manufacturing.....	384	10.0	12,834	13.2	189,162	10.4
Wholesale trade.....	39	1.0	1,762	1.8	44,344	2.4
Retail trade.....	445	11.6	11,495	11.8	191,756	10.6
Transportation & warehousing, utilities....	84	2.2	3,674	3.8	76,439	4.2
Information.....	99	2.6	2,403	2.5	39,585	2.2
Finance, insurance, real estate	315	8.2	6,527	6.7	162,153	8.9
Professional, scientific, management.....	359	9.4	9,753	10.0	208,379	11.5
Educational, health and social services.....	1,148	30.0	24,498	25.2	484,166	26.7
Arts, entertainment, recreation, food.....	251	6.6	7,247	7.5	152,041	8.4
Other professional services.....	178	4.6	5,122	5.3	84,915	4.7
Public Administration.....	171	4.5	3,605	3.7	66,172	3.6
Total.....	3,829	100.0	97,180	100.0	1,815,636	100.0

Source: U. S. Census Bureau, American Community Survey, 2015-2019.

UNEMPLOYMENT RATE STATISTICS

Yearly Average	Town of Litchfield %	Torrington Labor Market %	State of Connecticut %	United States %
2008	4.7	5.2	5.6	5.8
2009	7.1	8.3	8.3	9.3
2010	7.2	9.1	9.1	9.6
2011	6.8	8.4	8.8	9.0
2012	6.1	7.8	8.3	8.1
2013	5.7	7.2	7.8	7.4
2014	5.0	6.1	6.6	6.2
2015	4.3	5.2	5.6	5.3
2016	4.0	4.8	5.1	4.7
2017	3.9	4.6	4.7	4.4
2018	3.1	4.0	4.2	3.9
2019	3.0	3.5	3.7	3.7
2020	5.2	6.4	7.3	8.1

2021 Monthly

January	6.8	8.1	8.5	6.8
February	6.9	8.2	8.5	6.6
March	6.9	8.2	8.3	6.2
April	6.7	7.2	7.6	5.7
May	4.8	5.4	6.0	5.5

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

NUMBER OF DWELLING UNITS

2019	2010	2000	1990	% Increase 1990-2019	% Increase 2000-2019	% Increase 2010-2019
4,136	3,975	3,629	3,430	20.6%	14.0%	4.1%

Source: U.S. Census Bureau and 2015-2019 American Community Survey.

CHARACTERISTICS OF HOUSING UNITS (Owner Occupied)

Sales Price Category	Town of Litchfield		Litchfield County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000	18	0.7	920	1.6	17,522	1.9
\$ 50,000 to \$ 99,999	0	0.0	2,174	3.8	28,440	3.1
\$ 100,000 to \$149,999	110	4.2	6,968	12.3	78,467	8.7
\$ 150,000 to \$199,999	255	9.6	9,212	16.2	137,944	15.2
\$ 200,000 to \$299,999	860	32.5	16,405	28.9	248,431	27.4
\$ 300,000 to \$499,999	884	33.4	14,270	25.2	244,855	27.0
\$ 500,000 to \$999,999	399	15.1	5,093	9.0	107,504	11.9
\$1,000,000 and over	118	4.5	1,672	2.9	42,518	4.7
Total	2,644	100.0	56,714	100.0	905,681	100.0
Median Value.....	\$ 313,900		\$ 251,000		\$ 275,400	

Source: U. S. Census Bureau, American Community Survey, 2015-2019.

AGE DISTRIBUTION OF HOUSING

Year Built	Town of Litchfield		Litchfield County		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
1939 or earlier.....	1,012	24.5	21,834	24.7	334,845	22.1
1940 - 1949.....	326	7.9	5,287	6.0	103,008	6.8
1950 - 1959.....	403	9.7	10,318	11.7	224,393	14.8
1960 - 1969.....	536	13.0	9,521	10.8	204,879	13.5
1970 - 1979.....	539	13.0	13,109	14.9	203,700	13.4
1980 - 1989.....	601	14.5	12,504	14.2	188,655	12.4
1990 - 1999.....	298	7.2	7,699	8.7	116,028	7.7
2000 - 2009.....	329	8.0	6,702	7.6	103,075	6.8
2010 - 2013.....	66	1.6	707	0.8	21,126	1.4
2014 or later.....	26	0.6	571	0.6	16,920	1.1
Total.....	4,136	100.0	88,252	100.0	1,516,629	100.0

Source: U. S. Census Bureau, American Community Survey, 2015-2019.

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NUMBER AND VALUE OF BUILDING PERMITS

Fiscal Year Ending 6/30	Residential		Industrial/Commercial	Total	
	New Homes Number	Renovations/Additions Number	Number	Number	Value
2021	40	378	51	469	\$ 28,603,670
2020	9	270	52	331	12,857,389
2019	8	248	50	306	9,237,626
2018	10	253	55	318	11,808,305
2017	5	261	67	333	19,704,191
2016	16	299	59	374	15,345,369
2015	15	229	56	300	12,758,497
2014	18	298	51	367	15,279,767
2013	11	286	53	350	9,884,996
2012	7	287	49	343	10,674,033

Source: Town of Litchfield, Building Official.

BREAKDOWN OF LAND USE

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

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

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IV. TAX BASE DATA

ASSESSMENT PRACTICES

The Town of Litchfield last revalued its real property effective October 1, 2018. Section 12-62 of the Connecticut General Statutes establishes the revaluation cycle for Connecticut municipalities. The law requires a revaluation every five years, and the Assessor shall perform a full inspection of all parcels once every ten years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may choose to phase-in real property assessment increases resulting from a revaluation, but such phase-in must be implemented in less than five assessment years. The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Every year the Board of Assessment Appeals ("BAA") determines whether each taxpayer petition for assessment reduction on the current grand list is warranted. BAA also has the authority to increase assessments.

When a new structure or modification to an existing structure is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed as of the revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automotive price schedule as recommended by the State Office of Policy and Management and the Assessor. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the pro-rata is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not taxed until the next October 1 Grand list. If the motor vehicle replaces a motor vehicle that was taxed on the October Grand List, the taxpayer is entitled to certain credits.

All business personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually. An assessor's clerk and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at seventy (70%) of present market value.

Section 12-124a of the Connecticut General Statutes permits a municipality, upon approval of its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at 6% per annum, or at such rate approved by the legislative body, at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien. The Town has approved the use of this abatement provision. See "Global Health Emergency Risk" herein.

PROPERTY TAX COLLECTION PROCEDURE

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

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

See "Global Health Emergency Risk" herein.

MOTOR VEHICLE PROPERTY TAX RATE

Connecticut General Statutes Section 12-71e, as amended, allows municipalities to tax motor vehicles at a different rate than other taxable property, but caps the motor vehicle tax rate at (1) 39.00 mills for the assessment year commencing October 1, 2016 and ending June 30, 2018, and (2) 45.00 mills for the assessment year commencing October 1, 2017, and each assessment year thereafter. Section 4-66l of the General Statutes, as amended, establishes the municipal revenue sharing amount which provides that sales tax revenue diverted to the fund shall mitigate the revenue loss attributed to the motor vehicle property tax cap. The Town's motor vehicle tax rates for the current 2019 assessment year (the fiscal year ending June 30, 2021) is 27.7 mills.

See "Global Health Emergency Risk" herein.

PROPERTY TAX LEVIES AND COLLECTIONS

FY Ending 6/30	Net Taxable Grand List (1)	Tax Rate (In Mills)	Total Adjusted Tax Levy	Collected End of Each FY	Uncollected Taxes End of Each FY	Uncollected Taxes As of 6/30/21
2022 (1)	\$ 1,063,593,130	27.60	\$ 28,889,615	In Process	In Process	In Process
2021 (2)	1,056,909,813	27.70	28,770,262	98.7%	\$ 398,956	\$ 398,956 (2)
2020 (3)	1,049,204,603	28.20	29,721,294	98.7	400,134	400,134
2019	1,046,959,259	27.70	29,135,586	98.7	378,830	98,003
2018	1,040,712,083	27.60	28,936,650	99.0	278,044	34,517
2017	1,029,457,478	26.70	27,729,272	98.9	313,775	27,461
2016	1,024,379,738	26.20	27,038,635	99.0	351,327	-
2015 (3)	1,030,897,219	25.20	25,906,000	98.9	295,000	44
2014	1,110,419,110	22.60	25,183,000	98.4	400,000	50
2013	1,108,810,149	22.20	24,668,000	98.1	482,000	-

(1) Adopted Budget.

(2) Unaudited estimates.

(3) The Town last revalued property effective with the grand list of October 1, 2018.

Source: Town Officials.

TAXABLE GRAND LIST (1)

Grand List Dated	Real Property	Personal Property	Motor Vehicle Property	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
10/01/20	\$ 932,754,718	\$53,249,325	\$82,406,300	\$ 1,068,410,343	\$4,817,213	\$ 1,063,593,130
10/01/19	929,475,160	53,239,035	77,158,050	1,059,872,245	2,962,432	1,056,909,813
10/01/18	930,528,925	45,287,860	76,820,239	1,052,637,024	3,432,421	1,049,204,603
10/01/17	936,009,587	38,716,523	76,038,539	1,050,764,649	3,805,390	1,046,959,259
10/01/16	931,177,091	37,609,801	73,957,401	1,042,744,293	2,032,210	1,040,712,083
10/01/15	928,350,490	31,299,638	72,243,800	1,031,893,928	2,436,450	1,029,457,478
10/01/14	925,274,240	29,380,893	72,257,740	1,026,912,873	2,533,135	1,024,379,738
10/01/13	929,016,160	32,380,659	73,083,990	1,034,480,809	3,583,590	1,030,897,219
10/01/12	1,010,457,150	31,400,990	71,821,130	1,113,679,270	3,260,160	1,110,419,110
10/01/11	1,010,027,160	29,990,659	72,296,980	1,112,314,799	3,504,650	1,108,810,149

(1) The Grand List represents the total of assessed value for all taxable real and personal property located within the Town as of October 1. The Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments are computed at seventy percent (70%) of market value at the time of the last revaluation (Grand List of 10/1/18).

Source: Town Officials

LARGEST TAXPAYERS

Name of Taxpayer	Nature of Operations	Total As of 10/1/20	Rank	Percent of Total
Eversource.....	Power Company.....	\$ 27,156,750	1	2.55
City of Waterbury.....	Watershed.....	6,761,900	2	0.64
CRP/BWN LLC (Sarah Pierce).....	Health Care Facility.....	6,757,100	3	0.64
6645 Federal Square Realty LLC.....	Real Estate.....	4,700,040	4	0.44
White Memorial Foundation.....	Leased Land for Cottages.....	3,557,500	5	0.33
Aquarion Water Co.....	Water Supply.....	3,551,960	6	0.33
130 Chestnut Hill LLC.....	Real Estate.....	2,605,440	7	0.24
Union Savings Bank.....	Bank.....	2,605,390	8	0.24
C A Litchfield Land LLC.....	Real Estate.....	2,525,160	9	0.24
Arethusa Farm.....	Farming.....	2,321,770	10	0.22
Total.....		<u>\$ 62,543,010</u>		<u>5.88</u>

Source: Tax Assessor.

EQUALIZED NET GRAND LIST

Grand List of 10/1	Equalized Net Grand List	% Growth
2018 (1)	\$ 1,500,782,011	4.17%
2017	1,440,658,955	-5.67%
2016	1,527,189,335	7.39%
2015	1,422,154,129	-3.06%
2014	1,467,022,228	-0.13%
2013 (1)	1,468,964,101	3.34%
2012	1,421,529,441	-0.31%
2011	1,425,894,469	0.03%
2010	1,425,528,147	-7.35%
2009	1,538,582,916	-1.23%

(1) Years of revaluation.

Source: Town of Litchfield, Assessor's Office.

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V. FINANCIAL INFORMATION

FISCAL YEAR

The Town's fiscal year begins July 1 and ends June 30.

ACCOUNTING POLICIES

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

BASIS OF ACCOUNTING

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

ANNUAL AUDIT

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

The most recent annual audit covers the fiscal year ended June 30, 2018, a portion of which is included in this document and made a part hereof as Appendix A. Included in Appendix A are the Independent Auditor's Report, Management's Discussion and Analysis, the Town's Basic Financial Statements, the Notes to Financial Statements and the Required Supplementary Information, together with the report of the independent auditor as prepared by Clermont & Associates LLC, Independent Certified Public Accountants. The information contained in "Appendix A" is not the whole audit report. A full report is available from the Director of Finance, Town of Litchfield, upon request.

BUDGETARY PROCEDURES

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

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

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

The Town's budget process must also anticipate the impact of the State's budget which proceeds simultaneously with the Town's.

Section 4-66l(h) (the "Act"), as amended, reduces a municipality's revenue sharing grant if its general budget expenditures (as modified by the Act) in any fiscal year exceeds a threshold set forth in the Act. As a result of utilizing modified budget growth to reduce a municipality's revenue sharing grant the Act is sometimes popularly referred to as imposing a "spending cap". Beginning in fiscal year 2018, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose spending, with certain exceptions, exceeds the spending limits specified in the Act. Each fiscal year, OPM must determine the municipality's percentage growth in spending over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap.

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

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

For fiscal years ending June 30, 2020 and each year thereafter, each municipal revenue sharing grant is proportionately reduced if amounts in the revenue sharing account are insufficient to fund all the revenue sharing grants.

SUPPLEMENTAL APPROPRIATIONS

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

EMPLOYEE PENSION SYSTEMS

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

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

Employees hired on or after July 1, 2012 will no longer be eligible to participate in the defined benefit pension plan and will be eligible to participate in the defined contribution plan for which the Town will contribute a sum equal to 3% of the employee's bi-weekly wages to a 401A account commencing the first payroll after the employee's one year anniversary.

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

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

The Town's audit report dated June 30, 2020 summarizes actuarial information based upon the July 1, 2018 actuarial valuation, funding, pension cost and net pension asset amounts for the Town Plan and the Merit Service Plan. The Audit Report also provides information on eligibility and additional information on the BOE plan. (See Appendix A, Note 10 "Pension Plans and Benefits Provided", of the "Notes to Financial Statements").

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

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

	Town Plan				
	2020	2019	2018	2017	2016
Total pension liability.....	\$ 18,757,398	\$ 18,802,845	\$ 16,890,531	\$ 16,268,788	\$ 16,343,434
Plan fiduciary net position.....	15,696,537	15,285,894	14,223,198	13,298,567	12,004,230
Net pension liability.....	<u>\$ 3,060,861</u>	<u>\$ 3,516,951</u>	<u>\$ 2,667,333</u>	<u>\$ 2,970,221</u>	<u>\$ 4,339,204</u>
Plan fiduciary net position as a % of total pension liability.....	83.7%	81.3%	84.2%	81.7%	73.4%

	Merit Service Plan				
	2020	2019	2018	2017	2016
Total pension liability.....	\$ 4,738,779	\$ 4,590,114	\$ 4,252,936	\$ 4,115,774	\$ 4,053,725
Plan fiduciary net position.....	4,138,486	4,033,747	3,851,737	3,693,369	3,369,413
Net pension liability.....	<u>\$ 600,293</u>	<u>\$ 556,367</u>	<u>\$ 401,199</u>	<u>\$ 422,405</u>	<u>\$ 684,312</u>
Plan fiduciary net position as a % of total pension liability.....	87.3%	87.9%	90.6%	89.7%	83.1%

The following represents the net pension liability of the Town, calculated using the current discount rate of each plan, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Town Plan		
	Current		
	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability.....	\$ 4,928,661	\$ 3,060,861	\$ 1,454,306

	Merit Service Plan		
	Current		
	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability.....	\$ 1,193,183	\$ 600,293	\$ 109,638

Based upon a July 1, 2020 actuarial valuation, the actuarial value of assets and actuarial liabilities for the Town Plan and Merit Service Plan were as follows:

(Town Plan)

Actuarial Valuation July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)
2012	\$ 8,192,297	\$ 13,085,274	\$ 4,892,977	62.6%
2014	11,177,311	14,910,311	3,733,000	75.0
2016	12,002,600	15,614,934	3,612,334	76.9
2018	14,223,198	17,651,590	3,428,392	80.6
2020	15,696,537	18,874,498	3,177,961	83.2

(Merit Service Plan)

Actuarial Valuation July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)
2012	\$ 2,546,572	\$ 3,367,567	\$ 820,995	75.6%
2014	3,282,069	3,749,977	467,908	87.5
2016	3,368,953	3,972,584	603,631	84.8
2018	3,851,737	4,455,182	603,445	86.5
2020	4,138,486	4,763,908	625,422	86.9

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

The following table represents a prospective forecast of the Town Plan's Actuarial Determined Employer Contribution ("ADEC") based on the July 1, 2020 valuation and assumes (i) that the Town will pay the ADEC each year; and (ii) the method for amortizing the unfunded liability has been changed from an open amortization period of 20 years to closed amortization period, with a minimum period of 15 years. As of July 1, 2020 there are 18 years remaining.

Fiscal Year	Actuarial Determined Employer Contribution	Actual Contribution	Percentage Contributed
2018	\$ 654,162	\$ 654,162	100.0
2019	665,541	851,760	128.0
2020	550,742	559,267	101.5
2021	559,267	559,267	100.0
2022 (1)	520,645	520,645	100.0

(1) As budgeted for fiscal year 2021-22.

(Merit Service Plan)

The following table represents a prospective forecast of the Town Plan's Actuarial Determined Employer Contribution ("ADEC") based on the July 1, 2020 valuation and assumes that the Town will pay the ADEC each year.

Fiscal Year	Actuarial Determined Employer Contribution	Actual Contribution	Percentage Contributed
2018	\$ 118,419	\$ 118,419	100.0
2019	118,419	118,419	100.0
2020	119,508	119,508	100.0
2021	119,508	119,508	100.0
2022 (1)	127,954	127,954	100.0

(1) As budgeted for fiscal year 2021-22.

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

OTHER POST-EMPLOYMENT BENEFITS

As disclosed in the audited financial statements for the year ended June 30, 2020, the Board of Education ("BOE") provides certain retirees with health care, life insurance and lump sum benefits, in accordance with certain union contracts.

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

The Retiree Health Plan ("RHP") is a single-employer defined benefit healthcare plan administered by the BOE. The RHP provides medical and dental insurance benefits to eligible retirees and their spouses. All employees of the BOE are eligible to participate in the plan.

A trust was officially established on March 29, 2011 between the Town and the Litchfield Board of Education and the Town's Pension Commission. The monies in the OPEB special revenue fund were transferred to the OPEB trust fund at the date. As in prior years, all expenses for postemployment benefits were paid out of the General Fund during fiscal year ended June 30, 2016. The plan does not issue a stand-alone financial report.

For fiscal year 2016-17, the Town and Board of Education implemented Government Accounting Standards Board's ("GASB") Statement No. 74. In accordance with GASB Statement No. 74, the net position is based on the fair market value as of the end of the fiscal year and the total OPEB liability is based on the actuarial assumptions as of the prior valuation date updated to the end of the fiscal year. The components of the net OPEB liability of the Town and Board of Education as of June 30 were as follows:

	2020	2019	2018	2017
Total OPEB liability.....	\$ 2,075,598	\$ 2,013,952	\$ 2,437,252	\$ 2,346,310
Plan fiduciary net position.....	1,572,024	1,495,122	1,372,819	1,289,275
Net OPEB liability.....	<u>\$ 503,574</u>	<u>\$ 518,830</u>	<u>\$ 1,064,433</u>	<u>\$ 1,057,035</u>
Plan fiduciary net position as a % of total OPEB liability.....	75.7%	74.2%	56.3%	54.9%

The following represents the net OPEB liability of the Town and Board of Education, calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Net OPEB Liability.....	\$ 722,738	\$ 503,574	\$ 312,844

INVESTMENT POLICIES AND PROCEDURES

The Town's investment practices have been to invest only in the following investments: (1) certificates of deposit; (2) overnight repurchase agreements collateralized by U.S. government agency obligations which are priced daily; and (3) the State of Connecticut Short-Term Investment Fund ("STIF"). Additional information on the Town's investment policies and investments related to the Pension Trust Funds are available upon request to the Director of Finance. (See Appendix A, Note 3, "Cash, Cash Equivalents and Investments" of the "Notes to Financial Statements").

REVENUES

The Town derives its revenues from a direct tax levy on property, State and Federal aid, various fees and charges, and certain miscellaneous sources. Town revenues are summarized for fiscal years ended 2016 – 2020, see "Statement of Revenues, Expenditures, and Changes in Fund Balance" herein. The prior year's appropriated surplus is also available to support current operating expenditures.

PROPERTY TAX REVENUES

Fiscal Year	General Fund Revenues	Property Tax Revenues	Property Tax As a % of General Fund Revenues
2022 (Adopted Budget)	\$ 31,674,621 (1)	\$ 29,494,615	93.1
2021 (Unaudited Estimates)	32,163,271 (1)	29,658,585	92.2
2020	34,914,564	29,828,194	85.4
2019	34,665,181	29,189,846	84.2
2018	35,297,817	29,353,144	83.2
2017	33,708,872	27,879,012	82.7
2016	31,456,339	27,182,059	86.4
2015	30,108,000	26,908,000	89.4
2014	29,612,000	25,324,000	85.5
2013	28,877,000	24,794,000	85.9

(1) Adopted budget for fiscal year 2021-22 and unaudited estimates for fiscal year 2020-21, do not include on-behalf payments for state teachers' retirement.

INTERGOVERNMENTAL REVENUES

Fiscal Year	General Fund Revenues	Intergovernmental Revenues	Intergovernmental Revenues as a % of General Fund Revenues
2022 (Adopted Budget)	\$ 31,674,621 (1)	\$ 1,339,659 (1)	4.2
2021 (Unaudited Estimates)	32,163,271 (1)	1,384,249 (1)	4.3
2020	34,914,564	4,219,168	12.1
2019	34,665,181	4,570,667	13.2
2018	35,297,817	5,034,065	14.3
2017	33,708,872	5,135,647	15.2
2016	31,456,339	3,694,739	11.7
2015	30,108,000	3,426,000	11.4
2014	29,612,000	3,729,000	12.6
2013	28,877,000	3,502,000	12.1

(1) Adopted budget for fiscal year 2021-22 and unaudited estimates for fiscal year 2020-21, do not include on-behalf payments for state teachers' retirement.

EXPENDITURES ⁽¹⁾

Fiscal Year	Board of Education %	Debt Service %	Public Works %	General Government %	Benefits and Insurance %	Public Safety %
2022 (Adopted Budget)	60.3	13.2	11.1	5.8	4.7	3.0
2021 (Unaudited Estimates)	61.1	13.1	11.4	5.4	4.5	2.9
2020	64.2	12.3	8.9	4.5	5.0	3.0
2019	65.4	10.7	8.6	4.2	6.0	2.9
2018	66.2	10.5	9.4	3.8	5.4	2.7
2017	65.9	10.8	9.0	4.3	5.4	2.6
2016	65.3	10.0	9.5	4.2	6.0	2.9
2015	64.0	10.6	9.5	4.4	6.3	2.7
2014	63.7	11.2	8.8	4.7	6.4	2.8
2013	64.8	11.5	8.5	4.9	5.1	2.7

(1) Adopted budget for fiscal year 2021-22 and unaudited estimates for fiscal year 2020-21, do not include on-behalf payments for state teachers' retirement.

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COMPARATIVE GENERAL FUND OPERATING STATEMENT
Budget and Actual (Budgetary Basis)

	Fiscal Year 2019-20			Fiscal Year 2020-21	Fiscal Year 2021-22
	Final Budget	Actual Operations	Favorable (Unfavorable)	Unaudited Estimates	Adopted Budget
Revenues					
Property taxes.....	\$ 29,701,049	\$ 29,828,194	\$ 127,145	\$ 29,658,585	\$ 29,494,615
Intergovernmental.....	1,306,931	1,423,687	116,756	1,384,249	1,339,659
Licenses, permits and fees.....	502,200	557,266	55,066	830,752	606,700
Income from investments.....	125,000	259,663	134,663	34,766	39,924
Other revenues.....	30,000	50,273	20,273	254,919	193,723
Total Revenues.....	31,665,180	32,119,083	453,903	32,163,271	31,674,621
Expenditures					
Current:					
General government.....	1,588,113	1,507,455	80,658	1,700,568	1,865,830
Public safety.....	991,639	947,106	44,533	903,651	974,028
Public works.....	3,208,144	3,066,100	142,044	3,597,973	3,539,964
Health and welfare.....	48,131	47,208	923	49,743	58,459
Cultural and recreation.....	692,756	680,671	12,085	104,881	99,607
Recreation.....	-	-	-		
Board of education.....	19,471,500	19,230,827	240,673	19,277,500	19,277,500
Other.....	1,768,047	1,729,481	38,566	1,406,421	1,517,718
Debt service.....	4,180,948	4,155,785	25,163	4,137,619	4,233,304
Total Expenditures.....	31,949,278	31,364,633	584,645	31,569,094	31,953,379
Excess (deficiency) of revenues over (under) expenditures.....	(284,098)	754,450	1,038,548	594,177	(278,758)
Other Financing Sources (Uses)					
Operating transfers in.....	349,552	349,552	-	349,552	343,758
Operating transfers out.....	(65,000)	(51,000)	14,000	(813,990)	(65,000)
Total Other Financing Sources (Uses).....	284,552	298,552	14,000	(464,438)	278,758
Net change in fund balances.....	\$ 454	\$ 1,053,002	\$ 1,052,548	\$ 129,739	\$ -

Source: Audited financial statements; Fiscal year 2020-21 unaudited estimates and 2021-22 adopted budget.

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COMPARATIVE GENERAL FUND BALANCE SHEET
(Summary of Assets and Liabilities)
(GAAP Basis)
(Fiscal Year 2015 In Thousands)

Fiscal Year Ended:	2016	2017	2018	2019	2020
Assets					
Cash and cash equivalents.....	\$ 12,714,991	\$ 16,909,037	\$ 15,867,524	\$ 13,173,561	\$ 15,179,165
Receivables, net.....	743,098	740,192	456,960	696,187	654,885
Other assets.....	60,606	85,313	114,486	28,188	171,571
Due from other funds.....	1,129,010	-	-	-	45,925
Total Assets.....	\$ 14,647,705	\$ 17,734,542	\$ 16,438,970	\$ 13,897,936	\$ 16,051,546
Liabilities					
Accounts payable and accrued liabilities.....	\$ 814,511	\$ 1,369,459	\$ 918,006	\$ 1,657,003	\$ 1,116,370
Due to other funds.....	8,452,296	10,165,082	9,077,360	5,056,195	6,748,867
Total Liabilities.....	9,266,807	11,534,541	9,995,366	6,713,198	7,865,237
Deferred Inflows of Resources					
Unavailable revenue					
Property taxes.....	595,617	620,264	380,890	572,108	565,778
Advanced property tax collections.....	55,320	57,660	17,830	24,064	30,424
Total Deferred Inflows of Resources.....	650,937	677,924	398,720	596,172	596,202
Fund Balances (Deficits)					
Nonspendable.....	60,606	85,313	114,486	28,189	171,571
Committed.....	-	311,373	474,111	458,109	389,838
Assigned.....	465,792	45,386	72,364	59,634	65,472
Unassigned.....	4,203,563	5,080,005	5,383,923	6,042,634	6,963,226
Total Fund Balances.....	4,729,961	5,522,077	6,044,884	6,588,566	7,590,107
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	\$ 14,647,705	\$ 17,734,542	\$ 16,438,970	\$ 13,897,936	\$ 16,051,546

Source: Annual audited financial statements.

ANALYSIS OF GENERAL FUND EQUITY
(GAAP BASIS)

	Actual 2015-16	Actual 2016-17	Actual 2017-18	Actual 2018-19	Actual 2019-20
Nonspendable.....	\$ 60,606	\$ 85,313	\$ 114,486	\$ 28,189	\$ 171,571
Committed.....	-	311,373	474,111	458,109	389,838
Assigned.....	465,792	45,386	72,364	59,634	65,472
Unassigned.....	4,203,563	5,080,005	5,383,923	6,042,634	6,963,226
Total Fund Balance.....	\$ 4,729,961	\$ 5,522,077	\$ 6,044,884	\$ 6,588,566	\$ 7,590,107
Unassigned Fund Balance as % of					
Total Expenditures & Transfers.....	14.99%	16.48%	17.36%	19.30%	22.12%

COMPARATIVE GENERAL FUND REVENUES AND EXPENDITURES

Summary of Audited Revenues and Expenditures

(GAAP Basis)

(Fiscal Year 2015 In Thousands)

Fiscal Year Ended:	2016	2017	2018	2019	2020
Revenues					
Property taxes and assessments.	\$ 27,182,059	\$ 27,879,012	\$ 29,353,144	\$ 29,189,846	\$ 29,828,194
Intergovernmental.....	3,694,739	5,135,647	5,034,065	4,570,667	4,219,168
Charges for services.....	492,568	567,891	494,194	524,538	557,266
Income from investments.....	39,137	99,144	216,721	320,328	259,663
Other revenues.....	47,836	27,178	199,693	59,802	50,273
Total Revenues.....	31,456,339	33,708,872	35,297,817	34,665,181	34,914,564
Expenditures					
Current:					
General government.....	1,289,849	1,426,358	1,301,754	1,429,942	1,559,980
Public safety.....	903,892	875,941	914,288	991,770	1,015,614
Public works.....	2,921,026	3,003,261	3,220,073	2,904,543	3,040,481
Health and welfare.....	35,557	45,411	40,933	48,338	49,501
Culture and recreation.....	622,189	635,369	649,841	661,378	684,040
Education.....	20,120,031	22,078,393	22,629,233	22,048,582	22,026,308
Employee Benefits.....	1,841,785	1,793,704	1,859,543	2,020,691	1,730,866
Debt service.....	3,069,998	3,631,294	3,575,110	3,625,671	4,211,057
Total Expenditures.....	30,804,327	33,489,731	34,190,775	33,730,915	34,317,847
Revenues over (under) expenditures.....	652,012	219,141	1,107,042	934,266	596,717
Other Financing Sources (Uses)					
Premium on bonds.....	5,063	597,975	44,343	9,622	-
Operating transfers in.....	59,850	-	-	-	404,824
Operating transfers out.....	(759,964)	(25,000)	(628,578)	(400,206)	-
Total Other Financing Sources (Uses).....	(695,051)	572,975	(584,235)	(390,584)	404,824
Net change in fund balances.....	(43,039)	792,116	522,807	543,682	1,001,541
Fund Balances - beginning of year	4,773,000	4,729,961	5,522,077	6,044,884	6,588,566
Fund Balances - end of year.....	<u>\$ 4,729,961</u>	<u>\$ 5,522,077</u>	<u>\$ 6,044,884</u>	<u>\$ 6,588,566</u>	<u>\$ 7,590,107</u>

Source: Annual audited financial statements.

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VI. DEBT SUMMARY

PRINCIPAL AMOUNT OF INDEBTEDNESS

As of September 14, 2021

(Pro Forma)

Long-Term Debt: Bonds

<u>Date of Issue</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue Amount</u>	<u>Principal Outstanding as of 9/14/21</u>	<u>Date of Fiscal Year Maturity</u>
<u>General Purpose</u>					
2/8/2012	General Purpose	2.00 - 3.00	\$ 2,718,400	\$ 1,080,000	2027
3/15/2012	Refunding - General Purpose	2.00 - 4.00	2,302,000	524,000	2026
2/7/2013	General Purpose	1.50 - 2.00	10,472,000	442,000	2023
2/5/2015	General Purpose	2.00 - 4.00	1,270,000	400,000	2023
8/11/2016	General Purpose	2.00 - 3.00	6,411,000	4,282,300	2032
8/16/2017	General Purpose	2.00 - 3.00	2,535,000	1,855,000	2033
9/4/2018	General Purpose	2.125 - 4.00	1,691,000	1,350,000	2034
8/29/2019	Refunding - General Purpose	3.00 - 5.00	374,000	224,000	2025
8/29/2019	General Purpose	4.00 - 5.00	3,650,000	3,160,000	2035
11/5/2020	General Purpose	2.00 - 4.00	2,000,000	1,900,000	2036
9/14/2021	General Purpose	2.00 - 4.00	2,020,000	2,020,000	2037
			\$ 35,443,400	\$ 17,237,300	
<u>Schools</u>					
2/8/2012	Schools	2.00 - 3.00	\$ 181,600	\$ 70,000	2027
3/15/2012	Refunding - Schools	2.00 - 4.00	2,253,000	1,001,000	2026
2/7/2013	Schools	1.50 - 2.00	7,000,000	8,000	2023
8/11/2016	Schools	2.00 - 3.00	26,600	17,700	2032
8/29/2019	Refunding - Schools	3.00 - 5.00	5,188,000	3,073,000	2025
			\$ 14,649,200	\$ 4,169,700	
<u>Sewers</u>					
7/31/2004	Clean Water Fund Loan # 499-C.....	2.00	\$ 4,595,198	\$ 519,245	2024
8/29/2019	Refunding - Sewers	3.00 - 5.00	258,000	88,000	2023
			\$ 19,502,398	\$ 607,245	
	Total		\$ 69,594,998	\$ 22,014,245	

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COMBINED SCHEDULE OF LONG-TERM DEBT THROUGH MATURITY

As of September 14, 2021

(Pro Forma)

Fiscal Year	Principal Payments (1)	Interest Payments	Total Debt Service (1)	The Bonds Principal	Total Principal All Issues (1)
2022	\$ 3,527,536	\$ 680,768	\$ 4,208,303	\$ -	\$ 3,527,536
2023	3,527,936	551,849	4,079,785	135,000	3,662,936
2024	2,802,992	436,837	3,239,829	135,000	2,937,992
2025	2,520,000	339,280	2,859,280	135,000	2,655,000
2026	1,915,000	267,068	2,182,068	135,000	2,050,000
2027	1,275,000	223,908	1,498,908	135,000	1,410,000
2028	1,100,000	187,105	1,287,105	135,000	1,235,000
2029	1,095,000	155,593	1,250,593	135,000	1,230,000
2030	1,095,000	125,368	1,220,368	135,000	1,230,000
2031	1,085,000	95,455	1,180,455	135,000	1,220,000
2032	1,085,000	65,990	1,150,990	135,000	1,220,000
2033	650,000	40,875	690,875	135,000	785,000
2034	485,000	22,800	507,800	135,000	620,000
2035	375,000	8,850	383,850	135,000	510,000
2036	135,000	1,350	136,350	135,000	270,000
2037	-	-	-	130,000	130,000
	<u>\$ 22,673,463</u>	<u>\$ 3,203,096</u>	<u>\$ 25,876,559</u>	<u>\$ 2,020,000</u>	<u>\$ 24,693,463</u>

(1) Does not reflect fiscal year 2021-22 principal payments of \$2,679,219 made as of September 14, 2021.

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

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

OUTSTANDING SHORT-TERM INDEBTEDNESS

As of September 14, 2021, the Town will have no outstanding short-term indebtedness.

OVERLAPPING AND UNDERLYING INDEBTEDNESS

The Town has no overlapping or underlying indebtedness.

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DEBT STATEMENT
As of September 14, 2021
(Pro Forma)

Long-Term Indebtedness (1)	
The Bonds (This Issue).....	\$ 2,020,000
General Purpose.....	15,217,300
Schools.....	4,169,700
Sewers.....	88,000
State of Connecticut PLO (Clean Water Fund).....	519,245
Total Long-Term Indebtedness	<u>22,014,245</u>
Short-Term Indebtedness: Notes Payable.....	<u>-</u>
Total Direct Indebtedness.....	22,014,245
Exclusions: Sewer assessments and Sewer use charges receivable (2)...	<u>(594,628)</u>
Total Net Direct Indebtedness.....	<u>\$ 21,419,617</u>

- (1) Does not include authorized but unissued debt of \$761,590.
- (2) Grants and receivables applicable to authorized and unissued debt are not included. As of June 30, 2021, the Town's sewer assessments receivable was \$269,096 and sewer use charges receivable was \$325,532 for the payment of sewer debt.

CURRENT DEBT RATIOS
As of September 14, 2021
(Pro Forma)

Total Direct Indebtedness.....	\$ 22,014,245
Total Net Direct Indebtedness.....	\$ 21,419,617
Population (1).....	8,147
Net Taxable Grand List (10/1/20).....	\$ 1,063,593,130
Estimated Full Value.....	\$ 1,519,418,757
Equalized Net Taxable Grand List (2018) (2).....	\$ 1,500,782,011
Per Capita Income (2019) (1).....	\$ 49,602
Total Direct Indebtedness:	
Per Capita.....	\$2,702.13
To Net Taxable Grand List	2.07%
To Estimated Full Value	1.45%
To Equalized Net Taxable Grand List.....	1.47%
Per Capita to Per Capita Income.....	5.45%
Total Net Direct Indebtedness:	
Per Capita.....	\$2,629.14
To Net Taxable Grand List.....	2.01%
To Estimated Full Value.....	1.41%
To Equalized Net Taxable Grand List.....	1.43%
Per Capita to Per Capita Income.....	5.30%

- (1) U.S. Census Bureau, 2015-2019 American Community Survey.
- (2) Office of Policy and Management, State of Connecticut.

LEGAL REQUIREMENTS FOR APPROVAL OF BORROWING

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

TEMPORARY FINANCING

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

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

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

SCHOOL BUILDING GRANT REIMBURSEMENTS

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

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

CLEAN WATER FUND PROGRAM

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

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

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

The Town has the following Clean Water Fund loan outstanding:

<u>Project</u>	<u>Date of Issue</u>	<u>Original 2% Loan Amount</u>	<u>Amount Outstanding for the Sewer Construction Projects As of September 14, 2021</u>
CWF PLO 499-C.....	07/31/2004	\$ 4,595,198	\$ 519,245

LIMITATION OF INDEBTEDNESS

Municipalities shall not incur indebtedness through the issuance of bonds or notes which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Pension Liability Purposes:	3.00 times annual receipts from taxation

In no case however, shall total indebtedness exceed seven times the base. "Annual receipts from taxation," (the "base") are defined as total tax collections including interest, penalties and late payment of taxes and state payments for revenue loss under CGS Sections 12-129d and 7-528.

The CGS also provide for exclusion from the debt limit calculation debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, gas, electricity, electric demand response, conservation and load management, distributed generation and renewable energy projects; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; for the construction and operation of a municipal community antenna television system and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or for which allocation has been approved by the State Bond Commission or from a contract with the state, state agencies or another municipality providing for the reimbursement of costs but only to the extent such indebtedness can be paid from such proceeds; (v) issued for certain water pollution control projects; and (vi) upon placement in an escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient to provide for the payment when due of principal of and interest on such bond, note or other evidence of indebtedness.

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STATEMENT OF STATUTORY DEBT LIMITATION

As of September 14, 2021

(Pro Forma)

Total Fiscal Year 2020 tax collections (including interest and lien fees)	\$ 29,890,157
State Reimbursement for Revenue Loss on:	
Local Property tax relief for elderly	-
Base for Establishing Debt Limit	<u>\$ 29,890,157</u>

Debt Limitation	General Purpose	School	Sewer	Urban Renewal	Pension Deficit	Total Debt
(2.25 times base).....	\$ 67,252,853					
(4.50 times base).....		\$ 134,505,707				
(3.75 times base).....			\$ 112,088,089			
(3.25 times base).....				\$ 97,143,010		
(3.00 times base).....					\$ 89,670,471	
(7.00 times base).....						\$ 209,231,099

Indebtedness (Including the Bonds)

Bonds Payable.....	\$ 15,217,300	\$ 4,169,700	\$ 88,000	\$ -	\$ -	\$ 19,475,000
The Bonds (This Issue).....	2,020,000	-	-	-	-	2,020,000
State of Connecticut						
Permanent Loan						
Obligation ("PLO").....	-	-	519,245	-	-	519,245
Authorized but						
Unissued Debt (1).....	761,590	-	-	-	-	761,590
Total Indebtedness.....	17,998,890	4,169,700	607,245	-	-	22,775,835
Grants/Assessments						
Receivable (2).....	-	-	(269,096)	-	-	(269,096)
Total Net Indebtedness.....	17,998,890	4,169,700	338,149	-	-	22,506,739
Excess of Limit Over						
Outstanding and						
Authorized Debt.....	<u>\$ 49,253,963</u>	<u>\$ 130,336,007</u>	<u>\$ 111,749,939</u>	<u>\$ 97,143,010</u>	<u>\$ 89,670,471</u>	<u>\$ 186,724,360</u>

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

(2) As of June 30, 2021, the Town's sewer assessments receivable for the payment of sewer debt was \$269,096.

AUTHORIZED BUT UNISSUED DEBT

Projects	Total Bond Authorization	Prior Bonds Issued	Paydowns/ Grants	The Bonds (This Issue)	Premium Applied (This Issue)	Authorized But Unissued
2012-13 Capital Improvement Program.....	\$ 5,100,000	\$ 1,883,569	\$ 2,554,896	\$ -	\$ -	\$ 661,535
2020-21 Capital Improvement Program.....	4,391,398	2,125,000	2,166,343 (1)	-	-	100,055
2021-22 Capital Improvement Program.....	4,500,218	-	2,345,799 (1)	2,020,000	134,419	-
Total.....	<u>\$ 13,991,616</u>	<u>\$ 4,008,569</u>	<u>\$ 7,067,038</u>	<u>\$ 2,020,000</u>	<u>\$ 134,419</u>	<u>\$ 761,590</u>

(1) It is estimated that the Town will receive grant payments in the amount of \$2,166,343 and \$2,345,799 for the 2020-21 and 2021-22 Capital Improvement Program authorizations, respectively. The grants received will reduce the authorized but unissued debt by a similar amount.

Source: Town Officials.

HISTORICAL DEBT STATEMENT

	<u>2020-21 (1)</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Population (2).....	8,147	8,147	8,147	8,147	8,147
Net taxable grand list.....	\$ 1,056,909,813	\$ 1,049,204,603	\$ 1,046,959,259	\$ 1,040,712,083	\$ 1,029,457,478
Estimated full value.....	\$ 1,509,871,161	\$ 1,498,863,719	\$ 1,495,656,084	\$ 1,486,731,547	\$ 1,470,653,540
Equalized net taxable grand list (3)...	\$ 1,500,782,011	\$ 1,500,782,011	\$ 1,440,658,955	\$ 1,527,189,335	\$ 1,422,154,129
Per capita income (2019) (2).....	\$ 49,602	\$ 49,602	\$ 49,602	\$ 49,602	\$ 49,602
Short-term debt.....	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term debt.....	22,673,463	24,125,707	24,471,760	26,105,582	26,841,446
Total Direct Indebtedness.....	\$ 22,673,463	\$ 24,125,707	\$ 24,471,760	\$ 26,105,582	\$ 26,841,446
Net Direct Indebtedness.....	\$ 22,078,835	\$ 23,389,108	\$ 23,656,971	\$ 25,226,359	\$ 25,798,495

(1) Unaudited estimates.

(2) U.S. Census Bureau, 2015-2019 American Community Survey.

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

HISTORICAL DEBT RATIOS

	<u>2020-21 (1)</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>
Total Direct Indebtedness:					
Per capita.....	\$2,783.04	\$2,961.30	\$3,003.78	\$3,204.32	\$3,294.64
To net taxable grand list.....	2.15%	2.30%	2.34%	2.51%	2.61%
To estimated full value.....	1.50%	1.61%	1.64%	1.76%	1.83%
To equalized net taxable grand list..	1.51%	1.61%	1.70%	1.71%	1.89%
Debt per capita to per capita income.....	6.20%	6.60%	6.69%	7.14%	7.34%
Net Direct Indebtedness:					
Per capita.....	\$2,710.06	\$2,870.89	\$2,903.76	\$3,096.40	\$3,166.63
To net taxable grand list.....	2.09%	2.23%	2.26%	2.42%	2.51%
To estimated full value.....	1.46%	1.56%	1.58%	1.70%	1.75%
To equalized net taxable grand list..	1.47%	1.56%	1.64%	1.65%	1.81%
Debt per capita to per capita income.....	6.04%	6.39%	6.47%	6.90%	7.05%

(1) Unaudited estimates.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS OUT

<u>Fiscal Year</u> <u>Ended 6/30</u>	<u>Annual</u> <u>Debt Service</u>	<u>Total General</u> <u>Fund Expenditures</u> <u>and Transfers out</u>	<u>Ratio of General Fund Debt</u> <u>Service to Total General Fund</u> <u>Expenditures and Transfers Out %</u>
2022 (1)	\$ 4,233,304	\$ 32,018,379	13.22%
2021 (1)	4,137,619	32,383,085	12.78%
2020	4,211,057	34,317,847	12.27%
2019	3,625,671	34,131,121	10.62%
2018	3,575,110	34,819,353	10.27%
2017	3,631,294	33,514,731	10.83%
2016	3,069,998	31,564,291	9.73%
2015	3,177,000	30,933,000	10.27%

(1) Fiscal years 2020-21 and 2021-22 are presented on a budgetary basis, all other fiscal years are presented on a GAAP basis.

Source: Annual audited financial statements, fiscal year 2020-21 unaudited estimates and 2021-22 adopted budget.

VII. LEGAL AND OTHER LITIGATION

LITIGATION

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

MUNICIPAL ADVISOR

The Town has retained Munistat Services, Inc. (the "Municipal Advisor") to serve as its municipal advisor in connection with the issuance of the Bonds. The Municipal Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Town may engage the Municipal Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of Bond proceeds.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

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

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them;
2. A certificate on behalf of the Town signed by the First Selectman, Town Treasurer, and the Director of Finance, which will be dated the date of delivery of the Bonds, and which will certify to the best of said officials' knowledge and belief, that the descriptions and statements in the Official Statement relating to the Town of Litchfield and its finances were true and correct in all material respects and did not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statement therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement;
3. A Receipt for the purchase price of the Bonds;
4. The approving opinion of Pullman & Comley, LLC, Bond Counsel, of Hartford, Connecticut in substantially the form attached to the Official Statement as Appendix B;
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached to the Official Statement as Appendix C; and
6. Within seven business days of the bid opening, the Town will furnish the purchaser of the Bonds a reasonable number of copies of the Official Statement, as prepared by the Town.

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

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CONCLUDING STATEMENT

Additional information may be obtained upon request from the office of the Director of Finance at (860) 567-7554 or from the Municipal Advisor at (203) 421-2087.

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

TOWN OF LITCHFIELD, CONNECTICUT

BY: / s / Denise Raap
DENISE RAAP
First Selectman

BY: / s / Francis C. Carpentier
FRANCIS C. CARPENTIER
Town Treasurer

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

Dated: August 26, 2021

APPENDIX A - AUDITED FINANCIAL STATEMENTS

TOWN OF LITCHFIELD, CONNECTICUT

TABLE OF CONTENTS

JUNE 30, 2020

	<u>Page</u>
<i>Independent Auditors' Report</i>	1
<i>Management's Discussion and Analysis</i>	3a
Basic Financial Statements:	
<u>Exhibits</u>	
A Statement of Net Position	4
B Statement of Activities	5
C Balance Sheet – Governmental Funds	7
D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
E Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities	9
F Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – General Fund	10
G Statement of Net Fund Position – Proprietary Fund	11
H Statement of Revenues, Expenses and Changes in Net Fund Position (Deficit) – Proprietary Fund	12
I Statement of Cash Flows – Proprietary Fund	13
J Statement of Fiduciary Net Position – Fiduciary Funds	14
K Statement of Changes in Plan Net Position – Fiduciary Funds	15
<i>Notes to Financial Statements</i>	16
RSI 1 Schedule of Changes in Net Pension Liability and Related Ratios – Town Plan	52
RSI 2 Schedule of Changes in Net Pension Liability and Related Ratios – Merit Service Plan	53
RSI 3 Schedule of Employer Contributions – Town Plan	54
RSI 4 Schedule of Employer Contributions – Merit Service Plan	55
RSI 5 Schedule of Investment Returns – Town Plan	56
RSI 6 Schedule of Investment Returns – Merit Service Plan	57
RSI 7 Schedule of the Town's Proportionate Share of the Net Pension Liability – Teachers' Retirement Plan	58

Appendix A - Financial Statements - is taken from the Annual Financial Report of the Town of Litchfield for the Fiscal Year ended June 30, 2020 as presented by the Auditors. This appendix does not include all of the schedules made in such report. A copy of the complete report is available upon request to the Director of Finance, Town of Litchfield, Connecticut.

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

CLERMONT

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INDEPENDENT AUDITOR'S REPORT

Board of Finance
Town of Litchfield, Connecticut
Litchfield, CT 06759

Report on the Financial Statements

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 Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Litchfield, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Litchfield, Connecticut as of June 30, 2020, and the respective changes in the financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3a through 3g and the required supplemental information relating to pension on pages 60-70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Litchfield, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the statement of changes in fund balance – by project, the schedule of property taxes levied, collected and outstanding, and the schedule of debt limitation are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, the statement of changes in fund balance – by project, the schedule of property taxes levied, collected and outstanding, and the schedule of debt limitation are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules described in the above paragraph are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2020, on our consideration of the Town of Litchfield, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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, Connecticut'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, Connecticut's internal control over financial reporting and compliance.

CLERMONT & ASSOCIATES, LLC
Prospect, Connecticut



December 24, 2020

TOWN OF LITCHFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

This discussion and analysis of the Town of Litchfield, Connecticut's, (the "Town"), financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2020. Please read this MD&A in conjunction with the Town's financial statements.

Financial Highlights

- Net position of our governmental activities increased by \$3.4 million.
- Net position of our business-type activities increased by \$252 thousand.
- The General Fund reported a fund balance this year of \$7.6 million;
\$1.0 million more than the General Fund balance reported in the prior year.
- The resources available for appropriation in the General Fund were \$7.0 million.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits A and B, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits C and D. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. In addition, beginning this fiscal year, the Town maintains the water pollution control authority as a proprietary fund (Exhibits G, H and I). The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

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

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

In the statement of net position and the statement of activities, the Town reports its activities as follows:

- *Governmental activities* - The Town's basic services are reported here, including general government, public safety, community services, public works, education, public library and municipal facilities. Property taxes, charges for services and state and federal grants finance most of these activities.
- *Business-type activities* – The Water Pollution Control Authority's activity is reported here.

Fund Financial Statements

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by Charter. However, the Board of Selectman establishes many other funds to help control and manage financial activities for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (like grants received for education from the State and Federal governments). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental funds (Exhibits C and D)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibits G, H and I)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Internal service funds (the component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities, such as the Town's self medical insurance Internal Service Fund.
- *Fiduciary funds (Exhibits J and K)* - The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities and business-type activities. The Town's net position for governmental activities increased \$3.4 million from \$62.4 million in 2019 to \$65.4 million in 2020.

The net operating income and net investment income increased the business-type activities by \$252 thousand for the fiscal year ending June 30, 2020. The net position ended at \$4.9 million.

TABLE 1 NET POSITION (In Thousands)

		Governmental Activities	
		2020	2019
Current and other assets	\$	16,349	14,720
Capital assets		81,448	78,800
Deferred inflows		250	691
Total assets & deferred inflows	\$	98,047	94,211
Current and other liabilities	\$	4,764	2,289
Deferred outflows		857	924
Long-term liabilities		26,619	28,596
Total liabilities & deferred outflows	\$	32,240	31,809
Net position:			
Investment in capital assets	\$	55,789	50,204
Restricted		10	97
Unrestricted		10,008	12,101
Total net position	\$	65,807	62,402

TABLE 2 CHANGE IN NET ASSETS (In Thousands)

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 490	767
Operating grants and contributions	5,673	4,328
Capital grants and contributions	2,317	2,533
General revenues:		
Property taxes	29,822	29,450
Grants and contributions not restricted to specific purposes	123	134
Unrestricted investment earnings and other revenues	230	320
Other general revenues (and transfers)	(55)	(20)
Total revenues	\$ 38,600	37,512
Program expenses:		
General government	\$ 2,405	1,758
Public safety	1,595	1,410
Public works	6,344	6,304
Health and welfare	56	52
Culture and recreation	860	806
Education	23,306	24,625
Interest and fiscal charges	630	554
Total program expenses	\$ 35,196	35,509
Increase (decrease) in net position	\$ 3,404	2,003

Town Funds Financial Analysis**Governmental Funds**

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit C) reported a combined fund balance of \$11.5 million which is a \$2.0 million increase from the previous year, which included a \$1.3 million Capital Project funded during the previous year by federal and state grants.

Proprietary Funds

The Town reports the Water Pollution Control Authority as a proprietary fund (Exhibit G, H, and I). Under this presentation, the operating income was \$252 thousand, which included depreciation expense of \$166 thousand. Net fund position at year end included \$3.736 million of net capital investment and \$1.118 million unrestricted.

The Internal Service Fund recorded a negative change in net fund position. Operating revenues were more than operating expenses by \$517 thousand with a net fund position of \$2.1 million. The Town ended the self insurance medical program as of June 30, 2019, leaving \$2.1 million in fund balance reserved for any outstanding medical benefits incurred prior to June 30, 2019.

General Fund Budgetary Highlights

Exhibit F shows the summary information of budget to actual revenues, expenditures and changes in undesignated, unreserved fund balance (funds available to be appropriated).

- Government grants and investment income were more than expected as well as total revenues.
- All departments expended less than the budgeted amounts with the largest savings in the general government and the education department.

The fund balance was \$6.6 million of which \$6.0 million was unassigned and available to appropriate.

Capital Assets

At June 30, 2020, the Town had \$80.5 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines. In separating the Water Pollution Control Authority from the government funds, \$4.5 million in capital assets, which mainly includes sewers and the newly constructed facility. The Town's total amount represents a net decrease (including additions and deductions) of \$2.6 million, net of depreciation expenses.

TABLE 3 CAPITAL ASSETS (Net of Depreciation)

		Governmental	
		Activities	
		2020	2019
Land	\$	1,679	1,679
Buildings and improvements		44,429	44,289
Furniture, fixtures and equipment		3,244	3,609
Infrastructure		28,404	27,247
Construction in progress		3,692	1,975
Total	\$	<u>81,448</u>	<u>78,799</u>
		Business-type	
		Activities	
		2020	2019
Buildings and improvements	\$	2,531	2,636
Equipment		29	31
Infrastructure		1,936	1,892
Total	\$	<u>4,496</u>	<u>4,559</u>

TABLE 4 OUTSTANDING DEBT (In Thousands)

Long-Term Liabilities

At June 30, 2020 the Town had \$30.6 million in long-term liabilities versus \$29.6 million last year, as shown in Table 4.

	2020	2019
\$	<u>30,649,573</u>	<u>29,652,440</u>

General obligation bonds (backed by the Town) were increased by \$1.2 million in payments with the new issue of \$9.4 million (\$5.1 million in refunding) during the fiscal year.

Other obligations include accrued vacation pay and sick leave, and net pension and other post retirement benefit obligations. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements. Included in the business-type activities is \$825 thousand in notes payable, which included the Clean Water Notes due to the State of Connecticut for the construction of the new water pollution control facilities.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2020 budget tax rates. One of those factors is the economy and the benefits of continual development within the Town as well as the continual reduction in State financial assistance, the imposition of unfunded mandates and potential risks associated with the COVID-19 pandemic.

These indicators along with a projected modest inflationary increase were taken into account when adopting the General Fund budget for 2020-21.

Contacting the Town's Financial Management

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

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-type Activities	Total*
Assets:			
Cash and cash equivalents	\$ 15,627,489	50	15,627,539
Receivables, net	1,119,492	266,239	1,385,731
Notes receivable		65,941	65,941
Prepaid expenses	297,933		297,933
Inventory	171,571		171,571
Internal balances	(867,547)	867,547	-
Capital assets:			
Capital assets, not being depreciated	5,371,560		5,371,560
Capital assets, being depreciated, net	76,076,320	4,496,173	80,572,493
Total assets	\$ 97,796,818	5,695,950	103,492,768
Deferred outflows on resources:			
Pension and other post retirement	\$ 250,184		250,184
Total deferred outflows on resources	\$ 250,184	-	250,184
Liabilities:			
Accounts payable and other current liabilities	\$ 1,294,239	9,087	1,303,326
Accrued interest			-
Unearned revenues	265,652	7,229	272,881
Noncurrent liabilities:			
Due within one year	3,204,000	262,243	3,466,243
Due in more than one year	26,618,866	563,464	27,182,330
Total liabilities	\$ 31,382,757	842,023	32,224,780
Deferred inflows on resources:			
Pension and other post retirement	\$ 826,478		826,478
Advance tax collections	30,424		30,424
Total deferred inflows on resources	\$ 856,902	-	856,902
Net position:			
Invested in capital assets, net of related debt	\$ 55,789,280	3,736,407	59,525,687
Restricted for:			
Donor's intentions	10,000		10,000
Unrestricted	10,008,063	1,117,520	11,125,583
Total net position	\$ 65,807,343	4,853,927	70,661,270

* After internal balances have been eliminated

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, 2020

		Program Revenues
Functions/programs	Expenses	Charges for Services
Primary government:		
Governmental activities:		
General government	\$ 2,405,568	109,033
Public safety	1,595,766	
Public works	6,343,568	213,709
Community service	56,203	50,890
Culture and recreation	859,613	
Education	23,305,816	116,982
Interest on long-term debt	629,939	
Total governmental activities	\$ 35,196,473	490,614
Business-type activities:		
Water Pollution Control Authority	\$ 1,038,122	1,237,744
Interest on long-term debt	19,308	
Total business-type activities	\$ 1,057,430	1,237,744
Total primary government	\$ 36,253,903	1,728,358

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

EXHIBIT B

Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Primary Government		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
270,796		(2,025,739)		(2,025,739)
19,213		(1,576,553)		(1,576,553)
534,443	2,317,393	(3,278,023)		(3,278,023)
24,075		18,762		18,762
1,974		(857,639)		(857,639)
4,823,213		(18,365,621)		(18,365,621)
		(629,939)		(629,939)
<u>5,673,714</u>	<u>2,317,393</u>	<u>(26,714,752)</u>	<u>-</u>	<u>(26,714,752)</u>
			199,622	199,622
			(19,308)	(19,308)
<u>-</u>	<u>-</u>	<u>-</u>	<u>180,314</u>	<u>180,314</u>
<u>5,673,714</u>	<u>2,317,393</u>	<u>(26,714,752)</u>	<u>180,314</u>	<u>(26,534,438)</u>
General revenues:				
Property taxes	\$	29,821,864		29,821,864
Grants and contributions not restricted for specific programs		122,929		122,929
Unrestricted investment earnings			16,786	16,786
Other unrestricted income		229,705		229,705
Transfers		(55,272)	55,272	-
Total general revenues and transfers	\$	<u>30,119,226</u>	<u>72,058</u>	<u>30,191,284</u>
Change in net position	\$	<u>3,404,474</u>	<u>252,372</u>	<u>3,656,846</u>
Net position - beginning		<u>62,402,869</u>	<u>4,601,555</u>	<u>67,004,424</u>
Net position - ending	\$	<u>65,807,343</u>	<u>4,853,927</u>	<u>70,661,270</u>

TOWN OF LITCHFIELD, CONNECTICUT

EXHIBIT C

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 15,179,165		124,227	15,303,392
Receivables, net	654,885	16,558	448,049	1,119,492
Due from other funds	45,925	1,883,592	2,139,949	4,069,466
Inventories	171,571			171,571
Total assets	\$ 16,051,546	1,900,150	2,712,225	20,663,921
Liabilities and Fund Balances				
Liabilities:				
Accounts and other payables	\$ 1,116,370		177,869	1,294,239
Due to other funds	6,748,867		45,925	6,794,792
Total liabilities	\$ 7,865,237	-	223,794	8,089,031
Deferred inflows of resources:				
Unavailable receipts	\$ 565,778		448,049	1,013,827
Payments in advance	30,424			30,424
Total deferred inflows of resources	\$ 596,202	-	448,049	1,044,251
Fund balances:				
Nonspendable	\$ 171,571			171,571
Restricted for:				
Donor's intentions			10,000	10,000
Committed for:				
Board of Education nonlapsing	132,410			132,410
Capital outlays		1,900,150		1,900,150
Specified use	257,428		66,115	323,543
Assigned	65,472		2,129,822	2,195,294
Unassigned	6,963,226		(165,555)	6,797,671
Total fund balances	\$ 7,590,107	1,900,150	2,040,382	11,530,639
Total liabilities, deferred inflows of resources and fund balances	\$ 16,051,546	1,900,150	2,712,225	

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

Capital assets used in the governmental activities are not financial resources, and therefore, are not reported in the funds.	81,447,880
Other long-term assets and deferred inflows and outflows are not available to pay for current period expenditures, and therefore, are deferred in the funds.	437,533
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities column in the statement of net position.	2,181,876
Long-term liabilities , including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(29,790,585)
Net position of governmental activities (Exhibit A)	\$ 65,807,343

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes and assessments	\$ 29,828,194			29,828,194
Intergovernmental	4,219,168	2,317,393	1,181,877	7,718,438
Charges for services	557,266		427,556	984,822
Investment income	259,663		1,142	260,805
Miscellaneous	50,273		57,558	107,831
Total revenues	<u>\$ 34,914,564</u>	<u>2,317,393</u>	<u>1,668,133</u>	<u>38,900,090</u>
Expenditures:				
Current:				
General government	\$ 1,559,980		363,413	1,923,393
Public safety	1,015,614			1,015,614
Public works	3,040,481		448,064	3,488,545
Public health	49,501			49,501
Culture and recreation	684,040		41,001	725,041
Education	22,026,308		1,099,371	23,125,679
Other	1,730,866			1,730,866
Capital outlay		5,294,521		5,294,521
Debt service	4,211,057			4,211,057
Total expenditures	<u>\$ 34,317,847</u>	<u>5,294,521</u>	<u>1,951,849</u>	<u>41,564,217</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 596,717</u>	<u>(2,977,128)</u>	<u>(283,716)</u>	<u>(2,664,127)</u>
Other financing sources (uses):				
Transfer from other funds	\$ 404,824			404,824
Proceeds from sale of bonds		4,259,000		4,259,000
Total other financing sources (uses)	<u>\$ 404,824</u>	<u>4,259,000</u>	<u>-</u>	<u>4,663,824</u>
Net changes in fund balances	<u>\$ 1,001,541</u>	<u>1,281,872</u>	<u>(283,716)</u>	<u>1,999,697</u>
Fund balances (deficits) - beginning	<u>6,588,566</u>	<u>618,278</u>	<u>2,324,098</u>	<u>9,530,942</u>
Fund balances (deficits) - ended	<u>\$ 7,590,107</u>	<u>1,900,150</u>	<u>2,040,382</u>	<u>11,530,639</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2020

Differences in amounts reported for government-wide activities in the Statement of Activities are due to:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 1,999,697
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 and reported as a depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,648,140
Revenues previously recognized in the statement of activities that provided current financial resources in the current year.	(470,008)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,290,079)
Transfer of capital assets, debt and long-term assets into the business-type fund from the governmental funds.	
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>516,724</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 3,404,474</u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 29,701,049	29,701,049	29,828,194	(127,145)
Intergovernmental	1,306,931	1,306,931	1,423,687	(116,756)
Charges for services	502,200	502,200	557,266	(55,066)
Investment income	125,000	125,000	259,663	(134,663)
Other revenues	30,000	30,000	50,273	(20,273)
Total revenues	<u>\$ 31,665,180</u>	<u>31,665,180</u>	<u>32,119,083</u>	<u>(453,903)</u>
Expenditures:				
Current:				
General government	\$ 1,543,099	1,588,113	1,507,455	80,658
Public safety	982,264	991,639	947,106	44,533
Public works	3,178,974	3,208,144	3,066,100	142,044
Health and welfare	47,155	48,131	47,208	923
Culture and recreation	692,756	692,756	680,671	12,085
Education	19,471,500	19,471,500	19,230,827	240,673
Other	1,853,036	1,768,047	1,729,481	38,566
Debt service:				
Principal retirements	3,461,054	3,461,054	3,461,054	-
Interest and other charges	719,894	719,894	694,731	25,163
Total expenditures	<u>\$ 31,949,732</u>	<u>31,949,278</u>	<u>31,364,633</u>	<u>584,645</u>
Revenues over (under) expenditures	<u>\$ (284,552)</u>	<u>(284,098)</u>	<u>754,450</u>	<u>(1,038,548)</u>
Other financing sources (uses):				
Transfer to other funds	\$ (65,000)	(65,000)	(51,000)	(14,000)
Premium on debt issuance				-
Debt and other reimbursement	349,552	349,552	349,552	-
Total other financing sources (uses)	<u>\$ 284,552</u>	<u>284,552</u>	<u>298,552</u>	<u>(14,000)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>454</u>	<u>1,053,002</u>	<u>(1,052,548)</u>
Transfer to nonlapsing Board of Education			(132,410)	
Unassigned fund balance, July 1, 2019			<u>6,042,634</u>	
Unassigned fund balance, June 30, 2020			<u>\$ 6,963,226</u>	

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

STATEMENT OF NET FUND POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ 50	324,097
Investments		
Receivables, net of allowance	266,239	
Notes receivable, current portion	20,945	
Due from other funds	867,547	1,857,780
Total current assets	\$ 1,154,781	2,181,877
Noncurrent assets:		
Notes receivable, less current portion	\$ 44,996	
Capital assets, net of accumulated depreciation	4,496,173	
Total noncurrent assets	\$ 4,541,169	-
Total assets	\$ 5,695,950	2,181,877
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,087	
Payments in advance	7,229	
Notes payable - current	262,243	
Total current liabilities	\$ 278,559	-
Noncurrent liabilities:		
Incurred, but not reported claims	\$	
Notes payable, less current portion	563,464	
Total noncurrent liabilities	\$ 563,464	-
Total liabilities	\$ 842,023	-
Net fund position:		
Invested in capital assets, net of related debt	\$ 3,736,407	
Unrestricted	1,117,520	2,181,877
Total net fund position	\$ 4,853,927	2,181,877

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND POSITION (DEFICIT)
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for services and other revenues	\$ 1,237,744	1,021,128
Other revenues		284,810
Total operating revenues	<u>\$ 1,237,744</u>	<u>1,305,938</u>
Operating expenses:		
Salaries and benefits	\$ 487,340	
Claims and administrative		815,619
Material and supplies	56,257	
Utilities	61,342	
Depreciation	165,852	
Administration and operation	267,331	
Total operating expenses	<u>\$ 1,038,122</u>	<u>815,619</u>
Operating income (loss)	<u>\$ 199,622</u>	<u>490,319</u>
Nonoperating revenues (expenses):		
Interest income	\$ 16,786	26,406
Interest expense	(19,308)	
Total nonoperating revenues (expenses)	<u>\$ (2,522)</u>	<u>26,406</u>
Transfer from other funds	<u>\$ 55,272</u>	<u>-</u>
	<u>\$ 55,272</u>	<u>-</u>
Change in net fund position	<u>\$ 252,372</u>	<u>516,725</u>
Net fund position - beginning	<u>4,601,555</u>	<u>1,665,152</u>
Net fund position (deficit) - ending	<u><u>\$ 4,853,927</u></u>	<u><u>2,181,877</u></u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,255,960	1,305,938
Payments to suppliers	(487,340)	(1,124,379)
Payments to employees	(389,687)	
Net cash flows from operating activities	\$ 378,933	181,559
Cash flows from noncapital and related financing activities:		
Transfer in and payments made through governmental activities	\$ (92,292)	(511,790)
Transfer from other funds	-	
Net cash provided by (used in) noncapital and related financing activities	\$ (92,292)	(511,790)
Cash flows from capital and related financing activities:		
Purchase of assets	\$ (102,867)	
Receipts on notes related to capital debt	20,531	
Principal payments on capital debt	(205,644)	
Interest paid on capital debt	(15,447)	
Net cash provided by (used in) capital and related financing activities	\$ (303,427)	-
Cash flows from investing activities:		
Interest received on investments	\$ 16,786	26,406
Net cash provided by investing activities	\$ 16,786	26,406
Net increase (decrease) in cash and cash equivalents	\$ -	(303,825)
Cash and cash equivalents - beginning	50	627,922
Cash and cash equivalents - ending	\$ 50	324,097
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 199,622	490,319
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	165,852	
Changes in assets and liabilities:		
Decrease (increase) in receivable accounts	12,442	
Increase (decrease) in accounts payable	(4,757)	
Increase (decrease) in payments in advance	5,774	
Increase (decrease) in claims incurred but not reported		(308,760)
Net cash flows from operating activities	\$ 378,933	181,559

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Private Purpose Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 481,976	161,806
Receivables		115,884
Investments, at fair value:		
Mutual funds	<u>20,925,071</u>	
Total assets	<u>\$ 21,407,047</u>	<u>277,690</u>
Liabilities:		
Held for deposit for others	\$	<u>277,690</u>
Total liabilities	\$ <u>-</u>	<u>277,690</u>
Net position:		
Held in trust for benefits and other purposes	\$ <u>21,407,047</u>	<u>-</u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2020

	Private Purpose Trust Funds
Additions:	
Contributions:	
Contributions and donations	\$ 725,561
Total contributions	<u>\$ 725,561</u>
Investment earnings:	
Net increase in fair value of investments	\$ 606,394
Interest and dividends	477,622
Less: administrative expenses	<u>(60,445)</u>
Total investment earnings	<u>\$ 1,023,571</u>
Total additions	<u>\$ 1,749,132</u>
Deductions:	
Benefits	\$ <u>1,156,848</u>
Total deductions	<u>\$ 1,156,848</u>
Change in net position	\$ 592,284
Net position - beginning	<u>20,814,763</u>
Net position - ending	<u><u>\$ 21,407,047</u></u>

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Town of Litchfield, Connecticut, (the Town), was incorporated in 1719. It operates under a Selectmen/Town Meeting form of government with a Board of Finance and provides general government, public safety, public works, recreation, health and welfare, education services and sanitation services.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting board for governmental accounting financial reporting principles. These principles require that the Town report government-wide and fund financial statements, which are described below.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. *Government activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately than *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 of, 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*.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary fund and fiduciary fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity, or internal balances, has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the business-type funds and the various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Fund Financial Statements

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability has occurred, as under accrual accounting. However, expenditures related to long-term liabilities, such as debt service payments and compensated absences, are recorded only when payment is due.

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. Liens are filed on delinquent real estate taxes within one year. Revenues from property taxes are recognized when they become available. Available means due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers property tax revenue to be available if they are collected within 60 days of the end of the fiscal year.

Those revenues susceptible to accrual are property taxes, special assessments and interest revenue. Fines, permits and charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

Intergovernmental revenue grants and similar items are recognized as soon as all eligible requirements imposed by the provider have been met and are collected soon enough to pay liabilities of the current period. For this purpose, grants may be recognized and received after 60 days of the fiscal year end.

The Town reports the following major governmental funds:

The **general fund** is the general operating fund of the Town's government. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt and capital improvement costs of the Town, which were not paid through a special fund.

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 and low interest state loans.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

The Town reports the following major proprietary funds:

The **Water Pollution Control Authority (W.P.C.A.)** accounts for the operations of the Town's wastewater treatment system. The Town operates its own sewage treatment plant, sewage pumping stations and collection system. Its operations are financed from direct charges to the users of the service.

Additionally, the Town reports the following fund types:

The **internal service fund** account for employee heart and hypertension and workers' compensation insurance provided to departments of the Town.

The **private-purpose trust fund** is used to account for assets held by the Town in a trustee capacity or as an agent on behalf of others.

The **agency funds** account for monies held as a custodian for outside groups and agencies such as student activity funds, senior trip funds and performance bonds.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise and internal service funds include the cost of operations and maintenance, provisions for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

The Town considers cash on hand, deposits and short-term investments, with an original maturity of three months or less from the date of acquisition.

Investments

Investments are stated at the fair value using quoted market prices.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2020

Inventories

Inventories are stated at the lower of cost or market using the consumption method on the first-in, first-out basis for governmental fund types.

Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion of interfund loans) or "advances to/from other funds" (noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable funds to indicate that they are not available for appropriation and are not expendable as financial resources.

All trade and property tax receivables, including those for W.P.C.A. funds, are shown net of an allowance for uncollectible accounts. Trade account receivables allowance for uncollectible accounts is estimated based on the inherent risk associated with the accounts.

Capital Assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in 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 in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the net assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	25-50
Infrastructure	10-65
Machinery and equipment	5-20

Capital assets are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2020**

Deferred Outflows/Inflows of Resources

The Statement of Net Position (Exhibit A) reports a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until a future period. The Town reports borrowing costs as well as a deferred charge on refunding as a result from the differences in the carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the related debt. A deferred outflow of resources related to pension and other postemployment benefits other than pensions ("OPEB") results from net difference between projected and actual experience and earnings on plan investments. These amounts are deferred and will be included as pension and OPEB expense in a systematic and rational manner.

The Statement of Net Position (Exhibit A) and the Balance Sheet for the government funds (Exhibit C) report a separate section for deferred inflows of resources. This separate financial element represents the addition of net position or fund balance that applies to future periods and will not be recognized as revenue until that time. The Town reports advance tax collections in the statement of net position and the balance sheet for the government funds. The Town reports a deferred inflow of resources related to pensions and OPEB in the statement of net position.

A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience and earnings. These amounts are deferred and included in pension and benefits expense in a systematic and rational manner. The government funds report unavailable revenue, which arises only under the modified accrual basis of accounting because it does not meet the measurable and available criteria for the recognition in the current period.

Compensated Absences

Under the terms of its various union contracts, Town and Board of Education employees are granted vacation and sick time in varying amounts based on length of service. Certain employees may also carry over a limited number of unused vacation days to subsequent years based on the terms of an employment or union contract. In the event of termination, these employees are reimbursed for accumulated vacation. The Town recognizes a liability in the government-wide financial statements for the vested portion, as well as the unvested portion to the extent expected to be paid, as compensated absences.

Net Pension Liability

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Net OPEB Liability

The net OPEB liability 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 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.

Long-Term Obligations

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

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

Fund Equity and Net Position

In the government-wide financial statements, net position is classified in the following categories:

Investment in capital assets, net of related debt - 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 reduce this category.

The ***restricted net position*** represents amounts of external restrictions imposed by creditors, grantors, contributors and laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The ***unrestricted net position*** represents the net position of the Town which are not restricted for any project or other purpose.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

In the fund financial statements, fund balances of governmental funds are classified into five separate categories. The five categories and their general meanings are as follows:

The ***nonspendable*** are those net assets that are not in expendable form or are legally or contractually required to be maintained.

The ***restricted fund balances*** are defined in the same manner as for the restricted government-wide net assets.

Committed fund balances are those balances that can only be used for a specific purpose as a result of constraints imposed by formal action of the government's highest level of decision-making authority. For the *Town of Litchfield*, that was considered to be the Board of Selectmen.

Assigned fund balances are amounts that are contained by the government's intent to be used as a specific purpose.

Unassigned fund balance is defined as the residual classification for the general fund and includes those remaining balances that cannot be categorized in the four categories.

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

Fair Value of Financial Instruments

In accordance with GASB 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 asset 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 based on quoted market prices and are presented in Note 4.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Note 2 - Budgets and Budgetary Accounting

General Fund

The Statement of Revenues and Expenditures, and Changes in Fund Balance – Budgetary Basis - Budget to Actual presented in the financial statements for the General Fund is on the budgetary basis of accounting which is a basis of accounting other than the accrual basis and the modified basis of accounting. The budgetary basis of accounting and the Town's general budget policies are as follows:

- A. Prior to July 1 of each year, the budget is legally enacted through passage of a resolution.
- B. The Board of Finance is authorized to transfer budgeted amounts between appropriations and can approve additional estimates and may revise them as they deem advisable, except that in the case of the Department of Education, they have the authority to revise only the total estimated expenditures.
- C. The formal budgetary integration is employed as a management control device during the year.
- D. Legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- E. Other than the Department of Education, all transfers \$20,000 or greater require approval from the Board of Finance and the approval of the Town Meeting.

Encumbrance accounting is utilized in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported in either restricted, committed or assigned fund balance depending on the level of restriction and are not recognized as expenditures or liabilities because the commitments will be re-appropriated and recognized in the subsequent year.

A reconciliation of General Fund operations and fund balance presented on a budgetary basis to the amounts presented in accordance with accounting principles generally accepted in the United States of America (GAAP) is as follows:

	Revenues	Expenditures and Encumbrances
Balance, budgetary basis	\$ 32,119,083	31,364,633
Encumbrances of June 30, 2019		200,681
Canine net income		45,162
Change in nonspendable		(32,838)
Reclassifications (debt service, reserve, canine)		(55,272)
State Teachers' Retirement "on-behalf" payment, not recognized for budgetary purposes	2,795,481	2,795,481
Balance, GAAP basis	\$ 34,914,564	34,317,847

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

The other financial sources (uses) were adjusted as follows:

Balance, budgetary basis	\$	298,552
Consolidate canine fund		51,000
Reclassify W.P.C.A. debt service		<u>55,272</u>
Balance, GAAP basis	\$	<u><u>404,824</u></u>

Special Revenue Funds

The Town does not have legally adopted annual budgets for the Special Revenue Funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets carry over until completion of the grants and, therefore, may comprise more than one fiscal year.

Capital Projects Funds

Legal authorization for expenditures of the Capital Projects Funds is provided by the related bond ordinances and/or intergovernmental grant agreements or Connecticut State Statutes. Capital appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned.

Note 3 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Government Fund Balance Sheet and the Government-Wide Statement of Net Position

The details of the components included in Exhibit C are as follows:

Capitalized assets are expensed in the fund financial statements in the period the expense is incurred while the expense is incurred over the useful life of the related asset in the government-wide financial statements:

Land	\$	1,679,473
Construction in progress		3,692,087
Net capital assets being depreciated		<u>76,076,320</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u><u>81,447,880</u></u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The detail of this difference is as follows:

Net long-term debt	\$ (23,300,000)
Premium on bond issuances	(2,092,948)
Deferred portion on refunding	297,933
Compensated absences	(256,690)
Net pension liability	(3,661,154)
Net OPEB liability	(503,574)
Claims and judgments	(8,500)
Accrued interest on debt	<u>(265,652)</u>
Net adjustment to reduce fund balance to arrive at net position of government activities	\$ <u>(29,790,585)</u>

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

Delinquent property tax and interest	\$ 565,778
Deferred outflows/inflows included in pension	(576,294)
Notes receivable – assessments	<u>448,049</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$ <u>437,533</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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 and reported as depreciation expense." The details of this difference are as follows:

Acquisitions	\$ 4,884,685
Depreciation	<u>(2,236,545)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>2,648,140</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

Payments of debt	\$	4,348,000
New issuances		(4,259,000)
Deferred portion on refunding		(37,241)
Premium new issuances		(1,164,134)
Net change in compensated absences		17,693
Net change in claims and judgment estimates		2,875
Net change in OPEB liability		15,256
Net change in pension liability		(187,836)
Net change in other long-term liabilities		
Accrued interest		(25,692)
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>(1,290,079)</u>

Note 4 - Deposits and Investments

The Town's deposits and investments are presented in the accompanying balance sheets as follows:

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Governmental activities	\$ 11,879,239	3,424,153	15,303,392
Business-type activities	50		50
Fiduciary funds	643,782		643,782
Investments:			
Fiduciary funds		20,925,071	20,925,071
Total deposits and investments	\$ <u>12,523,071</u>	<u>24,349,224</u>	<u>36,872,295</u>

Deposits

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."

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

The carrying amounts of the Town's deposits consist of the following:

Bank deposit accounts	\$	5,554,688
Certificate of deposits		6,482,912
Cash on hand		<u>476</u>
Total deposits	\$	<u>12,038,076</u>

Custodial Credit Risk

As of June 30, 2020, the carrying amount of the Town's deposits had bank deposit balances of approximately \$12,038,076. The amount of the bank balance covered under federal depository insurance was approximately \$1,000,000. The remaining deposits were uninsured, however, provisions of the Connecticut General Statutes provide for protection against loss in excess of deposit insurance by requiring all qualified public depositories to maintain segregated collateral for public deposits. As of June 30, 2020, approximately \$1.2 million of uninsured deposits were collateralized under the provision.

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."

As of June 30, 2020, the Town held the following investments:

<u>Investment Type</u>	<u>Fund</u>	<u>Fair Value (Level 1 hierarchy)</u>	<u>Weighted Average to Maturity (years)</u>	<u>Risk</u>
State Investment Fund	General Fund	\$ 3,424,153	.02	-
Mutual Funds	Trust Funds	<u>20,925,071</u>	n/a	-
Total Investments		\$ <u>24,349,224</u>		

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates which will adversely affect the fair value of an investment. 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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Credit Risk

Generally, credit risk is the risk that an 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. It is the Town's policy to invest only in securities that meet the ratings requirements set by General State Statute, Chapter 112, Section 7-400.

Investment Policies

The Pension Commissions Investment Policy requires its fixed income portion to be high quality bonds managed consistent with Union Savings Bank's forecast of interest rates, inflation and valuation levels. The benchmark is the Lehman Brothers Aggregate Index for high quality and the J.P. Morgan Developed B/B Index for high yield.

The Pension Commission's benchmark for large capitalization companies is the S&P 500 Index, and for small capitalization companies uses the Russell 2000. The benchmark for international equities is the Morgan Stanley EAFE Index. The Policy uses these asset allocation targets; Equities 50%-70%; Fixed Income 30%-50%; Cash 0%-20%.

Other than the private purpose trust funds, State Statutes limit the investment options of cities and towns. The Investment Policy (described in the preceding paragraph) further limits its investment choices. The Town's interest-bearing investments are not subject to rating.

Note 5 - Receivables, Deferred Revenue and Payables

Receivables

The receivables as of June 30, 2020 for the Town's individual major funds and non-major, internal service and fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

Governmental Funds				
	General Fund	Capital Projects	Non-major Funds	Total
Property taxes	\$ 560,208			560,208
Interest on taxes	109,677			109,677
Intergovernmental		16,558		16,558
Assessments			448,049	448,049
Allowance	(15,000)			(15,000)
Total net receivables	\$ 654,885	16,558	448,049	1,119,492

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

The receivables as of June 30, 2020 for the Town's business-type activities are as follows:

	<u>W.P.C.A.</u>
Accounts	\$ <u>266,239</u>
Total net receivables	\$ <u><u>266,239</u></u>

Note Receivable – Business-Type Activity

Pursuant to a 1984 agreement between the Towns of Litchfield and Morris, the Town of Litchfield receives and treats sanitary sewage from the Town of Morris at the Litchfield Sewage Treatment Plant. The agreement required the Town of Morris to finance Sewage Treatment Plant capital costs that benefit the Town of Morris. In a prior year, the Town of Litchfield Water Pollution Control Authority assessed the Town of Morris Sewer Authority for costs incurred to upgrade the Sewage Treatment Plant. Details of the assessment required the Town of Morris Sewer Authority to finance project costs incurred to date of \$214,583, future general obligation debt principal, and interest at 2%. Terms of the assessment include annual payments of \$22,074, including principal and interest. A final payment of \$1,825 will be due in October 2023.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note receivable – Town of Morris	\$ <u>86,472</u>	<u> </u>	<u>20,531</u>	<u>65,941</u>	<u>20,945</u>

Deferred Payments and Unavailable Receipts

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities in 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 fiscal year the components of deferred revenue and unearned revenues reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Delinquent property taxes	\$ 565,778		565,778
Advanced tax collections		30,424	30,424
Other Governmental Funds:			
Assessments	<u>448,049</u>	<u> </u>	<u>448,049</u>
Total deferred portion	\$ <u><u>1,013,827</u></u>	<u><u>30,424</u></u>	<u><u>1,044,251</u></u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Payables

Payables as of June 30, 2020 for the Town's individual major funds and non-major funds were as follows:

	<u>Vendors</u>	<u>Payroll</u>	<u>Total</u>
General Fund	\$ 993,977	61,923	1,055,900
Non-major funds	177,869		177,869
Total governmental funds	\$ 1,171,846	61,923	1,233,769
W.P.C.A.	9,087		9,087
Total payables	\$ <u>1,180,933</u>	<u>61,923</u>	<u>1,242,856</u>

Note 6 - Inter-fund Receivables, Payables and Transfers

Inter-funds Receivables and Payables

Inter-fund receivables and payables at June 30, 2020 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	\$ 1,883,592
Internal Service	General Fund	1,857,780
Nonmajor Governmental	General Fund	2,139,949
W.P.C.A.	General Fund	<u>867,546</u>
	Total	\$ <u>6,748,867</u>

Inter-fund Transfers

Inter-fund receivables and payables at June 30, 2020 consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
W.P.C.A.	General Fund	\$ <u>349,552</u>
	Total	\$ <u>349,552</u>

The purpose of the transfer was to supplement the State clean water fund debt payment.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,679,473			1,679,473
Construction in progress	1,975,277	1,716,810		3,692,087
Total capital assets, not being deprec.	<u>\$ 3,654,750</u>	<u>1,716,810</u>		<u>5,371,560</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 55,019,642	678,649		55,698,291
Machinery and equipment	11,416,645	34,382		11,451,027
Infrastructure	40,755,042	2,454,844		43,209,886
Total capital assets being depreciated	<u>\$ 107,191,329</u>	<u>3,167,875</u>		<u>110,359,204</u>
Less: accumulated depreciation:				
Buildings and improvements	\$ 10,730,749	538,933		11,269,682
Machinery and equipment	7,807,658	399,683		8,207,341
Infrastructure	13,507,932	1,297,929		14,805,861
Total accumulated depreciation	<u>\$ 32,046,339</u>	<u>2,236,545</u>		<u>34,282,884</u>
Net capital assets, being depreciated	<u>\$ 75,144,990</u>	<u>931,330</u>		<u>76,076,320</u>
Total capital assets, governmental	<u>\$ 78,799,740</u>	<u>2,648,140</u>		<u>81,447,880</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General government	\$ 46,019
Public safety	267,990
Public works	1,719,048
Recreation	32,064
Education	171,424
Total depreciation expense	<u>\$ 2,236,545</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 3,853,887			3,853,887
Machinery and equipment	77,603			77,603
Sewers	4,632,736	102,867		4,735,603
Total capital assets being depreciated	\$ 8,564,226	102,867	-	8,667,093
Less: accumulated depreciation:				
Buildings and improvements	\$ 1,218,007	104,394		1,322,401
Machinery and equipment	46,187	2,139		48,326
Sewers	2,740,874	59,319		2,800,193
Total accumulated depreciation	\$ 4,005,068	165,852	-	4,170,920
Net capital assets being depreciated	\$ 4,559,158	(62,985)	-	4,496,173
Total capital assets, business-type	\$ 4,559,158	(62,985)	-	4,496,173

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ended Balance</u>	<u>Due In One Year</u>
Governmental activities:					
Long-term debt:					
General obligation bonds	\$ 13,049,000	4,259,000	2,098,000	15,210,000	1,572,000
G.O.B. refunding bonds	10,340,000	5,141,000	7,391,000	8,090,000	1,632,000
Total long-term debt	\$ 23,389,000	9,400,000	9,489,000	23,300,000	3,204,000
Deferred amount on:					
Issuance premium	928,814	1,248,834	84,700	2,092,948	
Net long-term debt	\$ 24,317,814	10,648,834	9,573,700	25,392,948	3,204,000
Other long-term liabilities:					
Compensated absence	274,383		17,693	256,690	
Net pension liability	3,473,318	187,836		3,661,154	
Net OPEB liability	518,830		15,256	503,574	
Claims and judgments	11,375		2,875	8,500	
Total governmental activities long-term liabilities	\$ 28,595,720	10,836,670	9,609,524	29,822,866	3,204,000
Business-type activities:					
Clean water fund notes	\$ 1,082,761		257,054	825,707	262,243
Total business-type activities long-term liabilities	\$ 1,082,761		257,054	825,707	262,243
Total long-term liabilities	\$ 29,678,481	10,836,670	9,866,578	30,648,573	3,466,243

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities and are direct obligations and pledge the good faith and credit of the government. Certain general obligation bonds are to be repaid by revenues of the enterprise funds. As of June 30, 2020 the outstanding general obligation bonded indebtedness of the Town was as follows:

	<u>General</u>	<u>Refunding</u>
\$2,130,000 GOB 2012 , issue of 2012, due 2022, interest at 1.5% to 2.0%, annual principal payments of \$225,000	\$ 1,350,000	
\$7,555,000 GOB 2012, refunding issue of 8/1/2012, due 8/1/2024, interest at 3.0% to 4.0%, annual principal payments of approximately \$890,000		2,340,000
\$2,900,000 GOB 2013 , issue of 2013, due 8/1/2028, interest at 2.0% to 4.0%, annual principal payments of approximately \$890,000	675,000	
\$1,270,000 GOB 2015 , issue of 2016, due 8/24/2023, interest at 2.0% to 4.0%, annual principal payments of \$145,000 to \$200,000	600,000	
\$6,438,000 GOB 2016 , issue of 2016, due 8/24/2032, interest at 2.0% to 4.0%, annual principal payments of \$425,000 to \$430,000	5,160,000	
\$2,535,000 GOB 2017 , issue of 2017, due 8/16/2033, interest at 2.1% to 4.0%, annual principal payments of \$165,000 to \$170,000	2,195,000	
\$1,691,000 GOB 2018 , issue of 2018, due 8/1/2033, interest at 2.1% to 4.0%, annual principal payments of \$110,000 to \$115,000	1,580,000	
\$9,400,000 GOB 2019 , issue of 2018, due 8/1/2033, interest at 2.1% to 4.0%, annual principal payments of \$110,000 to \$115,000	3,650,000	5,750,000
Total general obligation bonds	\$ 15,210,000	8,090,000

Annual debt service requirements for government funds to maturity for general obligation bonds are as follows:

<u>Year Ended, June 30</u>	<u>Governmental Activity</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 3,190,000	688,035
2022	3,160,000	595,127
2023	3,155,000	492,109
2024	2,640,000	386,807
2025	2,380,000	294,880
2026-2030	5,780,000	818,240
2031-2035	2,995,000	186,520
Total	\$ 23,300,000	3,461,718

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Bonds authorized but unissued

Under regulations issued by the Internal Revenue Service, effective March 2, 1992, in order for capital projects to be funded through tax-exempt debt, all projects must be appropriated and designated as being funded through debt prior to any expenditure on these projects.

The Town has authorized but unissued bonds relating to capital projects at June 30, 2020, as follows:

		Authorized	Authorized and Unissued
2012-13 Capital Improvements	\$	5,100,000	\$ 606,535
2020-21 Capital Improvements		2,125,055	<u>2,125,055</u>
Total			\$ <u>2,731,590*</u>

*As described in Note 13, \$2,125,000 of this balance was issued subsequent to June 30, 2020, leaving a total issued and unauthorized balance of \$100,055 subsequent to the October 27, 2020 bond issuance.

A portion of bonds authorized and unissued will be reduced by grants and loans received.

Clean Water Fund Loans Payable

The Town has an outstanding balance on loans payable to the State of Connecticut's Department of Environmental Protection, under its Clean Water Fund Program, for sanitary sewer projects. The individual loans were as follows:

<u>Note</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Balance</u>
CWF PLO 499-C	7/31/2004	\$ 4,595,198	\$ <u>825,707</u>
Total Clean Water Fund Loans			\$ <u>825,707</u>

These loans bear interest at 2% per annum and the annual debt service requirements to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Business-type Activity</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 262,243	14,119
2022	267,536	8,826
2023	272,936	3,426
2024	<u>22,992</u>	<u>38</u>
	\$ <u>825,707</u>	<u>26,409</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Claims and Judgments

In connection with the settlement of claims brought against the Town by a neighborhood alleging that the Town's landfill contaminated their drinking water, the Town agreed to pay to connect the residents to the Town water supply and pay their water bills for 20 years. The properties were connected during 2001, and at June 30, 2020, \$8,500 has been accrued as an estimate of the cost to provide water for the remaining 2 years of the agreement.

Note 9 - Commitments and Contingencies

Lawsuits

There were several personal injury, negligence and personnel related lawsuits pending against the Town. The outcome and eventual liability of the Town, if any in these cases, is not known at this time. Based upon consultation with counsel, the Town's management estimates that potential claims against the Town not covered by insurance resulting from such litigation would not materially affect the financial position of the Town.

The Town received federal and state grants for specific purposes and is subject to review and audit by the grantor agency for compliance and disallowed expenses under the grant. Management believes that such disallowances, if any, will not be material to the financial position of the Town.

The spread of the COVID-19 virus has caused business disruption throughout the United States and in the State of Connecticut specifically through the State of Connecticut Executive Orders. While disruption is expected to be temporary, there is a considerable uncertainty concerning the duration and financial impact of this disruption. Although the Town does not expect this matter to negatively impact its financial condition, results of operation, or cash flow, the extent of the financial impact and duration cannot be reasonably estimated.

Risk Management and Self-Insurance

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

Under Public Act 9-342, health insurance for retired teachers, subsidy equal to the equivalents flat dollar premium amount of Blue Cross 65/Blue Shield 65 is paid by the State directly to the local school districts. Where it is applied to reduce premium payments of the retired members' 1% supplemental contributions, since July 1, 1989, have been directed to a dedicated health insurance fund. There is no cost to the Town.

Prior to July 1, 2019, the Town offered health insurance to participating employees through a self insured medical plan. The activities of the self insured employee medical were recorded in an internal service fund. Anthem Blue Cross/Blue Shield administered the plan. The Town and Board of Education contribute to the plan through the general fund and the W.P.C.A. contributes through the enterprise fund based on the administrators best estimates based on historical data.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Under the medical plan, the Town covered all claims up to \$100,000 per participant per year with an individual stop-loss policy, which covered claims exceeding 120% of the total estimated claims for the plan year.

Claims transactions for the last two years were as follows:

<u>Fiscal Year Ended June 30,</u>		<u>Claims Payable Beginning</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable Ending</u>
2019	\$	328,259	4,708,789	4,413,289	308,759
2020		308,759		308,759	-

Note 10 - Employee Retirement Plans

Plan Description and Benefits Provided

Town Retirement Plan

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

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

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

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

Merit Service Plan

This single-employer defined benefit retirement plan (the Merit Service Plan) covers all volunteer firemen who belong to the volunteer fire departments and, as of July 1, 1992, the members of the volunteer ambulance corps. Volunteer firemen and ambulance corps members are eligible to participate in the Merit Service Plan on July 1 following the date on which one year of eligible service has been completed 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, Continued June 30, 2020

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

Membership in the plans consisted of the following at July 1, 2018 the date of the last actuarial valuation:

	Town Plan	Merit Service Plan
Retirees and beneficiaries currently receiving benefits	72	67
Terminated plan members entitled to, but not yet receiving benefits	38	60
Active plan members	57	147
Total	167	274

Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

Funding Policy

For the Town Plan, effective July 1, 2015 all active employees will be required to contribute 1% of their salary to the defined benefit plan. Effective July 1, 2016 active employees in the Highway and Sewer departments contribute 2% of pay. The Town is required to contribute amounts necessary to fund the Plan. State of Connecticut Statutes assign the authority to establish and amend the contribution provisions of the Plan to the Town of Litchfield.

Investments

Investment Policy

The pension plan's policy in regard to 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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 4.96% for the Town Plan and 7.40% for the Merit Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The Town's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018.

The components of the net pension liability of the Town at June 30, 2020 were as follows:

	Town Plan	Merit Service Plan	Total
Total pension liability	\$ 18,757,398	4,738,779	23,496,177
Plan fiduciary net position	15,696,537	4,138,486	19,835,023
Net pension liability	\$ 3,060,861	600,293	3,661,154
Plan fiduciary net position as a percentage of the total pension liability	83.68%	87.33%	84.41%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.50% (previously 2.75%)
Salary increase	3.50%, average, including inflation (previously 4.00%) (n/a for Merit Plan)
Investment rate of return	6.75%, net of investment and administrative expense (previously 7.00%)

Mortality rates were based on the RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2018.

The actuarial assumptions used in the July 1, 2018 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. A full experience study has not been completed.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities	46.00%	5.60%
REIT	3.00%	4.50%
International developed economies	6.00%	5.90%
International emerging economies	5.00%	7.20%
High quality bond	33.00%	2.10%
High yield bond	5.00%	4.00%
Cash equivalents	2.00%	0.80%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.75% for both plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Changes in the Net Pension Liability

Town Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2019	\$ 18,202,845	15,285,894	2,916,951
Changes for the year:			
Service cost	\$ 261,842		261,842
Interest on total pension liability	1,215,723		1,215,723
Difference between expected and actual experience			-
Change in assumptions			-
Employer contributions		550,742	(550,742)
Employee contributions		34,944	(34,944)
Net investment income		747,969	(747,969)
Benefit payments, including refund of employee contributions	(923,012)	(923,012)	-
Net changes	\$ 554,553	410,643	143,910
Balances as of June 30, 2020	\$ 18,757,398	15,696,537	3,060,861

Merit Service Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2019	\$ 4,590,114	4,033,747	556,367
Changes for the year:			
Service cost	\$ 54,579		54,579
Interest on total pension liability	306,466		306,466
Difference between expected and actual experience			-
Change in assumptions			-
Employer contributions		118,419	(118,419)
Net investment income		198,700	(198,700)
Benefit payments, including refund of employee contributions	(212,380)	(212,380)	-
Net changes	\$ 148,665	104,739	43,926
Balances as of June 30, 2020	\$ 4,738,779	4,138,486	600,293

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percent point lower or 1 percent higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town Plan net pension liability	\$ 4,928,661	3,060,861	1,454,306
Merit Service Plan net pension liability	1,193,183	600,293	109,638

Pension Trust Funds

The Town maintains two pension trust funds (Town Employees Retirement Plan and Merit Service Plan) to account for its fiduciary responsibility. The following schedules present the net position held in trust for pension benefits at June 30, 2020 and the changes in net position for the year then ended.

Schedule of Net Position

	Town Retirement Plan	Merit Service Retirement Plan
Assets:		
Cash and cash equivalents	\$ 352,427	93,708
Investments	<u>15,344,110</u>	<u>4,044,778</u>
Net assets held in trust for pension benefits	\$ <u>15,696,537</u>	<u>4,138,486</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2020

Schedule of Changes in Net Position

	Town Retirement Plan	Merit Service Retirement Plan
Additions:		
Contributions:		
Employer	\$ 550,742	118,836
Employee	34,944	
Total	\$ 585,686	118,836
Investment income:		
Net appreciation (depreciation) in fair value of investments	\$ 441,972	117,960
Interest and dividends	350,341	92,440
Total	\$ 792,313	210,400
Less investment expense:		
Investment management fees	44,344	11,700
Net investment income	\$ 747,969	198,700
Total additions	\$ 1,333,655	317,536
Deductions:		
Benefits	923,012	212,797
Net increase	\$ 410,643	104,739
Net position at beginning of year	15,285,894	4,033,747
Net position at end of year	\$ 15,696,537	4,138,486

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the Town recognized pension expense of \$566,423 and \$113,547 on behalf of the Town Plan and Merit Plan, respectively. As of June 30, 2020, deferred outflows and inflows of resources related to pension are reported as follows:

		Town Plan Deferred Outflows of Resources	Merit Service Plan Deferred Outflows of Resources	Total Deferred Outflows
Change in assumptions	\$	107,388	190,668	298,056
Net difference between projected and actual earnings on pension plan investment		127,050	30,808	157,858
Total	\$	<u>234,438</u>	<u>221,476</u>	<u>455,914</u>

		Town Plan Deferred Inflows of Resources	Merit Service Plan Deferred Inflows of Resources	Total Deferred Inflows
Differences between expected and actual experience	\$	17,014	85,686	102,700
Total	\$	<u>17,014</u>	<u>85,686</u>	<u>102,700</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as an increase/decrease in pension expenses as follows:

Year Ended June 30,		Town Retirement Plan	Merit Service Retirement Plan	Total
2021	\$	64,168	7,247	71,415
2022		56,071	30,481	86,552
2023		42,659	27,377	70,036
2024		54,526	31,413	85,939
2025			28,050	28,050
Thereafter			11,222	11,222
Total	\$	<u>217,424</u>	<u>135,790</u>	<u>353,214</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Teachers' Retirement

All Town of Litchfield Board of Education certified employees participate in the State of Connecticut Teachers' Retirement System ("TRS" or the "Plan") under Section 10.183 of the General Statutes of the State of Connecticut.

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System – a cost sharing, multiemployer, defined benefit pension plan administered by the Teachers' Retirement Board. Title 10, Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the State Teachers' Retirement Board ("TRB"). The State Treasurer is responsible for investing Teachers' Retirement System funds for the exclusive benefit of the TRS members.

The Teachers' Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106, by calling 860-702-3480, or by visiting the State's website www.ct.gov.

Benefit Provisions

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

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

In addition, amounts derived from the accumulation of the 6% contributions made prior to July 1, 1989 and voluntary contributions are payable.

Early Retirement: Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefits are reduced for those retiring before normal retirement age.

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this plan (without regard to cost-of-living

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary.

A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement deductions are based on the number of years of service the member would have had if they had continued work until age 60.

Pre-Retirement Death Benefit: The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z, (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut is amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

Employer (School Districts)

School district employers are not required to make contributions to the Plan.

Employees

Effective July 1, 1992, participants are required to contribute 6.00% of their pensionable salary to the pension System as required by CGS Section 10-183b (7). Effective January 1, 2018, the required contribution increased to 7.00% of pensionable salary. For the year ended June 30, 2020, \$609,750 mandatory contributions were deducted from the salaries of teachers who were participants in the System. The estimated covered payroll for the Town was \$8,711,000.

Administrative Expenses

Administrative expenses of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

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

The State has a statutory requirement to pay 100% of the required plan contribution, therefore, as of June 30, 2020 the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows. The amount recognized by the Town as its

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Town		<u>27,718,392</u>
Total net pension liability	\$	<u>27,718,392</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For the year ended June 30, 2020 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$3,110,900 as payments made by the State of Connecticut on behalf of the Town for teachers' pension.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the State of CT General Assembly

Mortality rates were based on the RPH-2014 White Collar Table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

Future Cost-of-Living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	21.0%	5.8%
Developed non U.S. equities	18.0%	6.6%
Emerging markets – non U.S.	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bonds	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investment	8.0%	4.1%
Cash	6.0%	0.4%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The Town's proportionate share of the net pension liability is \$0. Any change in the discount rate would only have an effect on the amount recorded by the State of Connecticut.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Defined Contribution Retirement Plan

On July 1, 2012 the Town established a defined contribution retirement plan that covers employees of the Town and Board of Education hired on or after July 1, 2012. This plan was adopted and can be amended by the Board of Selectmen. Under this plan, the Town contributes an amount equal to 3% each year of an eligible employee's wages into a 401(a) on the employee's behalf. In addition, eligible employees may make an additional contribution up to the amount allowed by law. There are currently 29 participants in the plan as of June 30, 2020, and contributions of \$23,181 have been made in the fiscal year ended June 30, 2020.

Note 11 – Other Postemployment Benefits Plans

Board of Education OPEB Plan

Plan Description

The Retiree Health Plan (RHP) is a single-employer defined benefit healthcare plan administered by the Board of Education (BOE). The RHP provides medical and dental insurance benefits to eligible retirees and their spouses. All employees of the BOE are eligible to participate in the plan.

A trust was officially established on March 29, 2011 between the Town of Litchfield and the Litchfield Board of Education and the Town's Pension Commission. The monies in the OPEB special revenue fund were transferred to the OPEB trust fund at that date. As in prior years, all expenses for postemployment benefits were paid out of the General Fund during the fiscal year ended June 30, 2020. The plan does not issue a stand-alone financial report.

At July 1, 2019, plan participation consisted of the following (not rounded):

Retirees and beneficiaries currently receiving benefits	12
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	109
Total participants	<u>121</u>

Funding Policy

The BOE's contributions are actuarially determined on an annual basis using the entry age normal actuarial cost method, level dollar. The BOE's policy is to contribute the actuarially determined contribution with the end of year remaining budget balance, if available.

Benefits

The BOE provides certain retirees with health care and lump-sum benefits, in accordance with Teacher and Administrators union contracts.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2020**

Litchfield Education Association OPEB Contract Provisions

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

Amount of Benefit:

1. For those who retire in either fiscal year 2008 or 2009:
 - a. \$5,000 on date of retirement and the BOE shall pay the cost of single health and dental insurance coverage under one of the plans (excluding the high deductible/health savings account option) offered by the BOE to actively employed teachers, less the contribution from the State of Connecticut Teachers' Retirement Board, for a period of 5 years immediately following retirement; or,
 - b. Teachers who do not elect the option set forth in (a) above shall receive ten thousand dollars at the time of retirement and no other compensation or benefits.
2. For those who retire in fiscal year 2010 or before 2014:
 - a. \$5,000 at the time of retirement; or,
 - b. The BOE shall pay the cost of single health and dental insurance coverage under one of the plans (excluding the high, deductible/health savings account option) offered by the BOE to actively employed teachers, less the contribution from the State of Connecticut Teachers' Retirement Board, for a period of 4 years immediately following retirement.
3. For those who retire after June 2013 or after the 4 or 5 year periods in (1) and (2) above, the retiree and spouse of retiree must pay 100% of the cost for medical coverage.

Litchfield Administrators Association OPEB Contract Provisions

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

For those who retire after June 2013 the retiree and spouse of retiree must pay 100% of the cost for medical coverage.

Superintendent

BOE provides a \$5,000 annual payment until eligible for Medicare, age 65, or for 5 years immediately following retirement, whichever is less. The superintendent is also eligible for a \$250,000 life insurance policy until age 67, after five years of service.

Investments

Investment Policy

The OPEB plan's policy in regard to allocation of invested assets is established and may be amended by the Board of Education. 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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans.

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on the OPEB plan investments, net of pension plan investment expense, was 7.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

During the prior year, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions* (OPEB). This statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position.

The components of the net OPEB liability of the Town at June 30, 2020 were as follows:

Total OPEB liability	\$	2,075,598
Plan fiduciary net position		<u>1,572,024</u>
Net OPEB liability	\$	<u><u>503,574</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		75.74%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.50% (previously 2.75%)
Salary increase	3.50%, average, including inflation (previously 4.00%)
Investment rate of return	6.75%, net of investment and administrative expense (previously 7.00%)
Healthcare cost trend rates	7.00% in 2018, reducing by .5% each year to a final 4.50% per year rate for 2024 and later

Mortality rates were based on the RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2018.

The actuarial assumptions used in the July 1, 2018 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. A full experience study has not been completed.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Long-Term Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2018 actuarial valuation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities	46.00%	5.60%
REIT	3.00%	4.50%
International developed economies	6.00%	5.90%
International emerging economies	5.00%	7.20%
High quality bond	33.00%	2.10%
High yield bond	5.00%	4.00%
Cash equivalents	2.00%	.80%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members and administrative expenses. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position	Net OPEB Liability (a)-(b)
Balances as of June 30, 2019	\$ 2,013,952	1,495,122	518,830
Changes for the year:			
Service cost	\$ 48,092		48,092
Interest on total pension liability	138,490		138,490
Difference between expected and actual experience	(103,897)		(103,897)
Change in assumptions			
Employer contributions		9,049	(9,049)
TRB Subsidy		11,990	(11,990)
Employee contributions			
Net investment income		76,902	(76,902)
Benefit payments, including refund of employee contributions	(21,039)	(21,039)	-
Net changes	\$ 61,646	76,902	(15,256)
Balances as of June 30, 2020	\$ 2,075,598	1,572,024	503,574

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1 percent point lower or 1 percent higher than the current rate:

		1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	\$	722,738	503,574	312,844

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Town, calculated using the healthcare trend rate of 10.65% decreasing to 4.50%, as well as what the Town's net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percent point lower or 1 percent higher than the current healthcare trend rates:

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

		1% Decrease (9.65% decreasing to 3.50%)	Current Healthcare Trend Rate (10.65% decreasing to 4.50%)	1% Increase (11.65% decreasing to 5.50%)
Net OPEB liability	\$	253,277	503,574	802,625

The following schedule presents the net position held in trust for OPEB benefits at June 30, 2019 and the changes in net position for the year ended June 30, 2019:

Schedule of Net Position

	OPEB Trust Fund
Assets:	
Cash and cash equivalents	\$ 35,842
Investments	<u>1,536,182</u>
Net position restricted for other post employment benefits	<u>\$ 1,572,024</u>

Schedule of Changes in Net Position

	OPEB Trust Fund
Additions:	
Contributions	\$ <u>21,039</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	\$ 46,462
Interest and dividends	<u>34,841</u>
Total	\$ 81,303
Less administrative expenses:	
Investment management fees	<u>4,401</u>
Net investment income	\$ <u>76,902</u>
Total additions	\$ 97,941
Deductions:	
Benefits	<u>21,039</u>
Net increase	\$ 76,902
Net position at beginning of year	<u>1,495,122</u>
Net position at end of year	<u>\$ 1,572,024</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$8,440. As of June 30, 2020, deferred outflows and inflows of resources related to OPEB are reported as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	(561,240)
Changes of assumptions		(162,538)
Net difference between projected and actual earnings on OPEB plan investments	15,746	
Total	\$ <u>15,746</u>	<u>(723,778)</u>

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

<u>Year Ended June 30,</u>	
2021	\$ (55,909)
2022	(55,908)
2023	(56,196)
2024	(54,849)
2025	(59,652)
Thereafter	<u>(425,518)</u>
Total	\$ <u>(708,032)</u>

Teachers' Retirement OPEB Plan

All Town of Litchfield Board of Education certified employees participate in the State of Connecticut Teachers' Retirement System ("TRS" or the "Plan") under Section 10.183 of the General Statutes of the State of Connecticut.

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut State Teachers' Retirement System – a cost sharing, multiemployer, defined benefit pension plan administered by the Teachers' Retirement Board. Title 10, Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the State Teachers' Retirement Board ("TRB"). The State Treasurer is responsible for investing Teachers' Retirement System funds for the exclusive benefit of the TRS members.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2020

The Teachers' Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106, by calling 860-702-3480, or by visiting the State's website www.ct.gov.

Benefit Provisions

The plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A or Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

The choices and calendar year premiums charged as of July 1, 2019 are as follows:

- | | |
|--------------------------------------------------------------------|--------|
| • Medicare Supplement with Prescriptions | \$ 199 |
| • Medicare Supplement with Prescriptions and Dental | 254 |
| • Medicare Supplement with Prescriptions, Dental, Vision & Hearing | 259 |

Survivor Health Care Coverage: Survivors of former employees or retirees remain eligible to participate in the plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplemental Plans, as long as they do not remarry.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2020

Normal Retirement: Eligible after age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Early Retirement: Eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service.

Proratable Retirement: Eligible after age 60 with 10 years of credited service.

Disability Retirement: Eligible after 5 years of credited service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.

Termination of Employment: Eligible after 10 or more years of credited service.

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut is amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund.

Employer (School Districts)

School district employers are not required to make contributions to the Plan.

Employees

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows:

- Active teachers pay one third of the Plan costs through a contribution of 1.25% of pensionable salary.
- Retired teachers pay one third of the Plan costs through monthly premiums.

For the year ended June 30, 2020, \$108,884 mandatory contributions were deducted from the salaries of active teachers who were participants in the System. The estimated covered payroll for the Town was \$8,711,000.

Administrative Expenses

Administrative expenses of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The State has a statutory requirement to pay 100% of the required plan contribution, therefore as of June 30, 2020 the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows. The amount recognized by the Town as its

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2020

proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability associated with the Town were as follows:

Town's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the Town		5,541,084
Total net OPEB liability	\$	<u>5,541,084</u>

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For the year ended June 30, 2020 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures related to OPEB in the amount of \$1,840,745 as payments made by the State of Connecticut on behalf of the Town teachers' OPEB.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Long-term investment rate of return	3.00%, net of pension plan investment expense, including inflation
Real wage growth	0.50%
Wage inflation	3.25%
Municipal bond index rate	3.87% (3.56% at prior measurement date)
Single equivalent interest rate	3.87%, net of OPEB plan investment expense, including inflation (3.56% at prior measurement date)
Healthcare cost trend rates	5.395% for 2018 decreasing to an ultimate rate of 4.75% by 2025
Year fund net position will be depleted	2019

Mortality rates were based on the RPH-2014 White Collar Table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality Table projected to 2020 using the BB improvement scale.

Long-Term Rate of Return

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2020

class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Treasuries (cash equivalents)	100.0%	3.00%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total OPEB was 3.87%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to have been made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The Town's proportionate share of the net OPEB liability is \$0. Any change in the health care cost trend rate or the discount rate would only have an effect on the amount recorded by the State of Connecticut.

Note 12 - Fund Deficits and Restrictions to Fund Position

Restricted Fund Position

<u>Fund</u>	<u>Restricted Net Position</u>	<u>Restriction</u>
Cemetery Trust	\$ 10,000	For donor intentions
Scholarship Fund	49,202	Scholarships
Small Cities Grant	<u>48,220</u>	Small Cities Program
	<u>\$ 107,422</u>	

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

General Fund Committed and Assigned Fund Balance

In accordance with Connecticut General Statute 10-248, the Town's Board of Finance established a non-lapsing account to be used for Board of Education capital expenses defined as being at least \$10,000 or a useful life of 10 years. The account will have deposits equal to one half of the operating surplus plus one half of the education tuition paid to the Town during the previous fiscal year. The deposit may not exceed 2% of the Board of Education's total appropriation for one year.

The activity of the non-lapsing account was as follows:

Balance at July 1, 2019	\$	-
Deposits:		
½ Education Surplus (\$240,673)		120,337
½ Tuition received (\$24,145)		12,073
Expenditures		-
Balance June 30, 2020	\$	<u>132,410</u>

In addition, the Town's management assigned a portion of the general fund balance to the dog fund through the annual operating budget. This is presented in the General Fund's balance sheet as assigned fund balance.

General Fund Unassigned Balance Policy

The Board of Finance formally adopted a general fund 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. As of June 30, 2020, \$2.56 million of general fund unassigned balance was limited for these purposes.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TOWN PLAN

Last Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Total pension liability:							
Service cost	\$ 261,842	325,668	316,176	372,872	358,531	344,741	396,238
Interest	1,215,723	1,174,819	1,132,494	1,144,711	1,092,779	1,023,014	976,938
Differences between expected and actual experience		(130,438)		(853,171)		318,394	
Change in assumptions		823,306					
Benefit payments, including refunds of member contributions	(923,012)	(881,041)	(826,927)	(739,058)	(708,980)	(697,793)	(630,245)
Net change in total pension liability	\$ 554,553	1,312,314	621,743	(74,646)	742,330	988,356	742,931
Total pension liability - beginning	18,202,845	16,890,531	16,268,788	16,343,434	15,601,104	14,612,748	13,869,817
Total pension liability - ending	\$ 18,757,398	18,202,845	16,890,531	16,268,788	16,343,434	15,601,104	14,612,748
Plan fiduciary net position:							
Contributions - employer	\$ 550,742	851,760	850,572	719,626	682,350	1,093,734	1,067,885
Contributions - employee	34,944	36,769	37,280	60,322	20,527		
Net investment income	747,969	1,055,208	863,706	1,255,077	114,893	304,997	1,289,448
Benefit payments, including refunds of member contributions	(923,012)	(881,041)	(826,927)	(739,058)	(718,919)	(697,793)	(630,245)
Net change in plan fiduciary net position	\$ 410,643	1,062,696	924,631	1,295,967	98,851	700,938	1,727,088
Plan fiduciary net position - beginning	15,285,894	14,223,198	13,298,567	12,002,600	11,903,749	11,202,811	9,475,723
Plan fiduciary net position - ending	\$ 15,696,537	15,285,894	14,223,198	13,298,567	12,002,600	11,903,749	11,202,811
Net pension liability - ending	\$ 3,060,861	2,916,951	2,667,333	2,970,221	4,340,834	3,697,355	3,409,937
Plan fiduciary net position as a percentage of total pension liability	83.68%	83.98%	84.21%	81.74%	73.44%	76.30%	76.66%
Covered payroll	\$ 3,484,630	3,366,792	3,831,932	3,684,550	4,272,039	4,107,730	4,397,899
Net pension liability as a percentage of its covered payroll	87.84%	86.64%	69.61%	80.61%	101.61%	90.01%	77.54%

Notes To Schedule

Changes in benefit terms: None

Changes in assumptions: The July 1, 2018 valuation reflects changes in investment rate of return from 7.00% to 6.75%, inflation from 3.00% to 2.50%, salary increase from 4.00% to 3.50%, mortality was updated based on the most recently published pension mortality study released by the Society of Actuaries.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	14 years
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increase	3.50%, including inflation
Investment rate of return	6.75%, net of pension plan investment expense

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - MERIT SERVICE PLAN

Last Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Total pension liability:							
Service cost	\$ 54,579	52,540	52,540	59,412	59,412	59,412	65,858
Interest	306,466	293,922	284,891	281,563	271,181	258,709	247,891
Differences between expected and actual experience		(53,714)		(94,174)		33,529	
Change in assumptions		261,286					
Benefit payments, including refunds of member contributions	(212,380)	(216,856)	(200,269)	(184,752)	(179,891)	(167,268)	(138,757)
Net change in total pension liability	\$ 148,665	337,178	137,162	62,049	150,702	184,382	174,992
Total pension liability - beginning	4,590,114	4,252,936	4,115,774	4,053,725	3,903,023	3,718,641	3,543,649
Total pension liability - ending	\$ 4,738,779	4,590,114	4,252,936	4,115,774	4,053,725	3,903,023	3,718,641
Plan fiduciary net position:							
Contributions - employer	\$ 118,419	118,419	118,419	158,102	154,100	150,102	150,102
Contributions - employee							
Net investment income	198,700	280,447	240,218	351,066	32,649	97,690	395,941
Benefit payments, including refunds of member contributions	(212,380)	(216,856)	(200,269)	(184,752)	(180,389)	(167,268)	(138,757)
Net change in plan fiduciary net position	\$ 104,739	182,010	158,368	324,416	6,360	80,524	407,286
Plan fiduciary net position - beginning	4,033,747	3,851,737	3,693,369	3,368,953	3,362,593	3,282,069	2,874,783
Plan fiduciary net position - ending	\$ 4,138,486	4,033,747	3,851,737	3,693,369	3,368,953	3,362,593	3,282,069
Net pension liability - ending	\$ 600,293	556,367	401,199	422,405	684,772	540,430	436,572
Plan fiduciary net position as a percentage of total pension liability	87.33%	87.88%	90.57%	89.74%	83.11%	86.15%	88.26%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Changes in benefit terms None

Changes in assumptions The July 1, 2018 valuation reflects changes in investment rate of return from 7.00% to 6.75%, inflation from 3.00% to 2.50%, and mortality was updated using the most recently published pension mortality study released by the Society of Actuaries.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	14 years
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increases	N/A
Investment rate of return	6.75%, net of pension plan investment expense

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

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - OPEB FOR THE BOARD OF EDUCATION

Last Four Fiscal Years

	2020	2019	2018	2017
Total OPEB liability:				
Service cost	\$ 48,092	55,169	53,304	51,501
Interest	138,490	173,411	167,805	158,952
Differences between expected and actual experience	(103,897)	(435,011)	(125,270)	(68,299)
Changes of assumptions	(21,039)	(186,094)		
Benefit payments, including refunds of member contributions		(30,775)	(4,897)	(95,701)
Net change in total OPEB liability	\$ 61,646	(423,300)	90,942	46,453
Total OPEB liability - beginning	2,013,952	2,437,252	2,346,310	2,299,857
Total OPEB liability - ending	\$ 2,075,598	2,013,952	2,437,252	2,346,310
Plan fiduciary net position:				
Contributions - employer	\$ 9,049	26,828	(25,903)	215,521
Contributions - employee				-
Contributions - TRB subsidy	11,990	22,770	30,800	27,170
Net investment income	76,902	103,480	88,644	124,083
Benefit payments, including refunds of member contributions	(21,039)	(30,775)	(4,897)	(95,701)
Administrative and other costs			(5,100)	(5,625)
Net change in plan fiduciary net position	\$ 76,902	122,303	83,544	265,448
Plan fiduciary net position - beginning	1,495,122	1,372,819	1,289,275	1,023,827
Plan fiduciary net position - ending	\$ 1,572,024	1,495,122	1,372,819	1,289,275
Net OPEB liability - ending	\$ 503,574	518,830	1,064,433	1,057,035
Plan fiduciary net position as a percentage of total OPEB liability	75.74%	74.24%	56.33%	54.95%
Covered payroll	\$ 9,176,000	8,865,708	8,451,000	8,165,000
Net OPEB liability as a percentage of its covered payroll	5.49%	5.85%	12.60%	12.95%

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	The July 1, 2018 valuation reflects changes in investment rate of return from 7.00% to 6.75%, inflation from 3.00% to 2.50%, mortality was updated based on the most recently published pension mortality study released by the Society of Actuaries. In 2018 the healthcare trend rates were decreased to 7.00%, reducing 0.5% per year to a final rate of 4.50% for 2024 and later, from 7.75% in 2016 reducing 0.5% per year to a final rate of 4.75% per year for 2022 and later.

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

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

	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2020	\$ 551	551	-	3,485	15.81%
2019	666	852	(186)	3,367	25.30%
2018	654	850	(196)	3,832	22.18%
2017	682	720	(38)	3,685	19.54%
2016	669	672	(3)	4,272	15.73%
2015	844	1,094	(250)	4,108	26.63%
2014	828	1,068	(240)	4,398	24.28%
2013	838	838	-	N/A	N/A
2012	824	824	-	N/A	N/A
2011	726	726	-	N/A	N/A

Notes to Schedule

Valuation date: July 1, 2018
Measurement date: June 30, 2019

Changes in benefit terms: None
Changes in assumptions: The July 1, 2018 valuation reflects changes in investment rate of return from 7.00% to 6.75%, inflation from 3.00% to 2.50%, salary increase from 4.00% to 3.50%, mortality was updated based on the most recently published pension mortality study released by the Society of Actuaries.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
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	6.75%, net of pension plan investment expense

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - MERIT SERVICE PLAN
LAST TEN FISCAL YEARS
(In Thousands)

	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2020	\$ 120	118	2	N/A	N/A
2019	118	118	-	N/A	N/A
2018	118	118	-	N/A	N/A
2017	107	158	(51)	N/A	N/A
2016	107	154	(47)	N/A	N/A
2015	150	150	-	N/A	N/A
2014	150	150	-	N/A	N/A
2013	188	188	-	N/A	N/A
2012	188	188	-	N/A	N/A
2011	212	212	-	N/A	N/A

Notes to Schedule

Valuation date: July 1, 2018
Measurement date: June 30, 2019

Changes in benefit terms: None
Changes in assumptions: The July 1, 2018 valuation reflects changes in investment rate of return from 7.00% to 6.75%, inflation from 3.00% to 2.50%, mortality was updated based on the most recently published pension mortality study released by the Society of Actuaries.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	14 years
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increases	N/A
Investment rate of return	6.75%, net of pension plan investment expense

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB FOR THE BOARD OF EDUCATION
LAST TEN FISCAL YEARS
(In Thousands)

	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2020	\$ 178	27	151	8,866	0.30%
2019	178	27	151	8,866	0.30%
2018	173	(26)	199	8,165	-0.32%
2017	210	215	(5)	8,165	2.63%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date:	July 1, 2018
Measurement date:	June 30, 2019
Changes in benefits	None
Changes in assumptions	The July 1, 2018 valuation reflects changes in investment rate of return from 7.00% to 6.75%, inflation from 3.00% to 2.50%, mortality was updated based on the most recently published pension mortality study released by the Society of Actuaries. In 2018 the healthcare trend rates were decreased to 7.00%, reducing 0.5% per year to a final rate of 4.50% for 2024 and later from 7.75% in 2016 reducing 0.5% per year to a final rate of 4.75% per year for 2022 and later.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Asset valuation method	Market value of assets
Healthcare cost trend	7.00% in 2018, reduced by 0.5% per year to final 4.50% per year rate for 2024 and later
Inflation	2.50%
Investment rate of return	6.75%, net of investment related and administrative expenses

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

SCHEDULE OF INVESTMENT RETURNS - TOWN PLAN
Last Seven Fiscal Years

<u>Year ended June 30</u>	<u>Annual money- weighted rate of return, net of investment expense</u>
2020	4.96%
2019	7.41%
2018	6.47%
2017	10.50%
2016	1.01%
2015	2.91%
2014	13.76%

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

SCHEDULE OF INVESTMENT RETURNS - MERIT PLAN
Last Seven Fiscal Years

<u>Year ended June 30</u>	<u>Annual money- weighted rate of return, net of investment expense</u>
2020	5.00%
2019	7.40%
2018	6.51%
2017	10.52%
2016	1.02%
2015	2.97%
2014	14.01%

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

SCHEDULE OF INVESTMENT RETURNS - OTHER POSTEMPLOYMENT BENEFITS (OPEB) BOARD OF EDUCATION
Last Four Fiscal Years

<u>Year ended June 30</u>	<u>Annual money- weighted rate of return, net of investment expense</u>
2020	5.14%
2019	7.46%
2018	6.89%
2017	10.85%
2016	N/A
2015	N/A
2014	N/A

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

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
TEACHERS' RETIREMENT PLAN**

Last Six Fiscal Years

	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	-	-	-	-	-
State's proportionate share of the net pension liability associated with the Town	35,948,513	27,718,392	29,074,044	30,673,339	22,686,851	20,969,447
Total	\$ 35,948,513	27,718,392	29,074,044	30,673,339	22,686,851	20,969,447
Town's covered payroll	\$	8,710,714	8,762,327	8,558,683	8,440,514	8,041,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability		57.69%	55.93%	52.26%	59.50%	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	In 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the experience study for the system for the five-year period ended June 30, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Single equivalent amortization period	17.6 years
Asset valuation method	4-year smoothed market
Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of investment related expense, including inflation

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

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
TEACHERS' RETIREMENT PLAN**

Last Three Fiscal Years

	2020	2019	2018
Town's proportion of the net OPEB liability	0.00%	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	-	-
State's proportionate share of the net OPEB liability associated with the Town	5,606,372	5,541,084	7,483,319
Total	\$ 5,606,372	5,541,084	7,483,319
Town's covered payroll	\$ 8,698,205	8,710,714	8,762,327
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability	2.08%	1.49%	1.79%

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	<ul style="list-style-type: none"> - The single equivalent interest rate was increased from 3.56% to 3.87% to reflect the change in the Municipal Bond Index Rate. - Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations. - As a result of the experience study for the five-year period ending June 30, 2019, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Last, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board. - In June 30, 2020 the investment rate of return was increased .25% to 3.00% and inflation was reduced by .25% to 2.50%

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period	30 years, open
Asset valuation method	Market value of assets
Inflation	2.50%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	6.90%, net of investment related expense, including inflation

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

APPENDIX B – FORM OF OPINION OF BOND COUNSEL

September __, 2021

Town of Litchfield
Town Hall
74 West Street
Litchfield, Connecticut 06759

We have acted as Bond Counsel in connection with the issuance by the Town of Litchfield, Connecticut (the “Town”), of its \$_____ General Obligation Bonds, Issue of 2021 (the “Bonds”) dated September __, 2021. In such capacity, we have examined a record of proceedings of the Town authorizing the Bonds, a Tax Regulatory Agreement of the Town dated September __, 2021 (the “Agreement”), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that when the Bonds are duly certified by U.S. Bank National Association, the Bonds will be valid and legally binding general obligations of the Town payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the Town and was duly authorized by the Town.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be satisfied at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be excluded from gross income under Section 103 of the Code. In the Agreement, the Town has made covenants and representations designed to assure compliance with such requirements of the Code. The Town has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds.

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

The Town has designated the Bonds as “qualified tax exempt obligations” within the meaning of Code Section 265(b)(3) for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

In our opinion, under existing statutes and court decisions, (i) interest on the Bonds is excluded from gross income for federal income tax purposes; and (ii) such interest is not an item of tax preference for purposes of calculating the federal alternative minimum tax. We express no opinion regarding other federal income tax consequences caused by ownership or disposition of, or receipt of interest on the Bonds.

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

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Preliminary Official Statement, the Official Statement and other offering material relating to the Bonds.

The foregoing opinion is based upon existing laws, regulations, rules and court decisions. We undertake no responsibility to inform you of changes in law or fact occurring after the date hereof which may affect the conclusions herein. In addition, we have not undertaken to advise in the future whether any events after the date of issuance of the Bonds, including the adoption of federal tax legislation, may affect the tax status of interest on the Bonds.

Respectfully,

PULLMAN & COMLEY, LLC

APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Issuer will agree, pursuant to a Continuing Disclosure Agreement for the Bonds to be executed by the Issuer substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds, and (iii) timely notice of a failure by the Issuer to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”) is executed and delivered as of September __, 2021, by the Town of Litchfield, Connecticut (the “Issuer”), acting by its undersigned officers, duly authorized, in connection with the issuance of \$_____ General Obligation Bonds, Issue of 2021, dated September __, 2021 (the “Bonds”) for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions.

For purposes of this Agreement, the following capitalized terms shall have the following meanings:

“Final Official Statement” means the official statement of the Issuer, dated August __, 2021, prepared in connection with the Bonds.

“Listed Events” means any of the events listed in Section 3 of this Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Repository” means the MSRB, through the operation of the Electronic Municipal Market Access (EMMA) system as described in 1934 Act Release No. 59061 and maintained by the MSRB for purposes of the Rule, or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for purposes of the Rule.

“Rule” means rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as of the date of this Agreement.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The Issuer agrees to provide, or cause to be provided, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, and otherwise in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2021) as follows:

(i) Audited financial statements of the Issuer as of and for the year ending on its Fiscal Year End prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer is required to prepare audited financial statements of its various funds and accounts.

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

(A) the amounts of the gross and net taxable grand list;

(B) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer’s taxable valuation thereon;

- (C) the percentage or amount of the annual property tax levy collected and uncollected;
- (D) a schedule of annual debt service on outstanding long-term bonded indebtedness;
- (E) a calculation of the direct debt, net direct debt and overall net debt (reflecting overlapping and underlying debt);
- (F) the direct debt and overall net debt of the Issuer per capita;
- (G) the ratios of direct debt and overall net debt of the Issuer to the Issuer's equalized net (taxable) grand list;
- (H) a statement of statutory debt limitations and debt margins;
- (I) the funding status of the Issuer's pension benefit obligation.

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight (8) months after the close of the fiscal year for which such information is being provided. The Issuer's fiscal year currently ends on June 30. The Issuer agrees that if audited information is not available eight (8) months after the close of any fiscal year, it shall submit unaudited information by such time and will submit audited information when available.

(c) Annual financial information or operating data may be provided in whole or in part by specific reference to other documents available to the public on the MSRB's Electronic Municipal Market Access (EMMA) system, the current internet web address of which is www.emma.msrb.org, or filed with the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by cross-reference. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or the annual adopted budget.

(d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated statutory accounting principles as in effect from time to time, provided that the Issuer agrees that the exercise of any such right will be done in a manner consistent with the Rule.

(e) The Issuer may file information with the Repository, from time to time, in addition to that specifically required by this Agreement (a "Voluntary Filing"). If the Issuer chooses to make a Voluntary Filing, the Issuer shall have no obligation under this Agreement to update information contained in such Voluntary Filing or include such information in any future filing. Notwithstanding the foregoing provisions of this Section 2(e), the Issuer is under no obligation to provide any Voluntary Filing.

Section 3. Reporting of Listed Events.

The Issuer agrees to provide, or cause to be provided, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of the occurrence of any of the following Listed Events with respect to the Bonds, in a timely manner not later than ten (10) business days after the occurrence of any such Listed Event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;

- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (l): For the purposes of the event identified in clause (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of trustee, if material;
- (o) incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Issuer, any of which reflect financial difficulties.

Note to clauses (o) and (p): For the purposes of the events identified in clauses (o) and (p), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 4. Notice of Failure to Provide Annual Financial Information.

The Issuer agrees to provide, or cause to be provided, in a timely manner, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of any failure by the Issuer to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

Section 6. Termination.

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The Issuer acknowledges that the undertakings set forth in Sections 2, 3 and 4 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding thirty (30) days with respect to undertakings set forth in Section 2 of this Agreement or five (5) business days with respect to undertakings set forth in Sections 3 and 4 of this Agreement) from the time the First Selectman, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. For purposes of this section, notice to the Issuer should be made to the First Selectman, Town of Litchfield, 74 West Street, Litchfield, Connecticut 06759.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any of the Bonds shall be entitled only to the remedy of specific performance. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Issuer elects to provide any such additional information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provisions of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, (ii) this Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of this Agreement, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than 66 2/3% of the aggregate principal amount of the Bonds then outstanding. A copy of any such amendment or waiver will be filed in a timely manner with the Repository in electronic format. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating or financial information provided.

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

TOWN OF LITCHFIELD, CONNECTICUT

By: _____
DENISE RAAP
First Selectman

By: _____
FRANCIS C. CARPENTIER
Town Treasurer

By: _____
AMAECHI E. OBI
Director of Finance

(Signature Page to Continuing Disclosure Agreement.)

APPENDIX D – NOTICE OF SALE

TOWN OF LITCHFIELD, CONNECTICUT
\$2,154,000* GENERAL OBLIGATION BONDS, ISSUE OF 2021
(BANK QUALIFIED)
BOOK-ENTRY-ONLY

NOTICE IS GIVEN that ELECTRONIC BIDS *solely* via **PARITY**® will be received by the TOWN OF LITCHFIELD, CONNECTICUT (the “Issuer”), until 11:30 A.M. (E.T.) on THURSDAY,

AUGUST 26, 2021

(the “Sale Date”) for the purchase, when issued, of all (but not less than all) of the Issuer’s \$2,154,000* General Obligation Bonds, Issue of 2021, dated September 14, 2021 (the “Bonds”), at no less than par and accrued interest from the date of the Bonds to the date of delivery, if any, maturing on August 1 in the principal amounts and in each of the years as follows:

<u>Maturity</u>	<u>Amount (\$)*</u>	<u>Maturity</u>	<u>Amount (\$)*</u>
2022	144,000	2030	145,000
2023	145,000	2031	145,000
2024	145,000	2032	145,000
2025	145,000	2033	140,000
2026	145,000	2034	140,000
2027	145,000	2035	140,000
2028	145,000	2036	140,000
2029	145,000		

The Bonds will bear semiannually on February 1 and August 1 in each year until maturity, commencing February 1, 2022, as further described in the Preliminary Official Statement (as hereinafter defined), at the rate or rates per annum specified by the winning bidder.

**Preliminary, subject to change. See “Adjustment of Principal Amount and Maturity Schedule of the Bonds” herein.*

Optional Redemption

The Bonds maturing on or before August 1, 2027 are not subject to redemption prior to maturity. The Bonds maturing August 1, 2028 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on and after August 1, 2027, either in whole or in part at any time, in such order of maturity and amount as the Issuer may determine, and by lot within a maturity, at the respective prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
August 1, 2027 and thereafter	100.0%

Nature of Obligation

The Bonds will constitute general obligations of the Issuer, and the Issuer will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to provisions of the Connecticut General Statutes, as amended.

Bank Qualification

The Bonds SHALL be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Registration

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$1,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The purchaser, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Issuer or its agent to DTC or its nominee as registered owner of the Bonds. Principal and interest payments by DTC to participants of DTC will be the responsibility of DTC; principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants or indirect participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Upon receipt from the Issuer, the Paying Agent will pay principal of and interest on the Bonds directly to DTC so long as DTC or its nominee, Cede & Co, is the bondholder.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the Issuer fails to identify another qualified securities depository to replace DTC, or (b) the Issuer determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Issuer will authenticate and deliver replacement Bonds in the form of fully registered certificates. Any such replacement Bonds will provide that interest will be payable by check mailed by the Paying Agent to the registered owner whose name appears on the registration books of the Issuer as of the close of business on the record date preceding each interest payment date. The record dates for the Bonds will be the fifteenth day of January and July, or the preceding business day if such fifteenth day is not a business day, in each year.

Proposals

Each bid must be for the entire \$2,154,000* of the Bonds. Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and must specify in a multiple of one-twentieth of one percent (1/20 of 1%) or one-eighth of one percent (1/8 of 1%) the rate or rates of interest per annum which the Bonds are to bear, provided that such proposal shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate for any Bonds of one maturity which exceeds the interest rate stated in such proposal for Bonds of a different maturity by more than two (2) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on **PARITY**® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost ("TIC") to the Issuer, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. No proposal for less than par and accrued interest to the date of delivery will be considered.

Basis of Award; Right to Reject Proposals; Waiver; Postponement; Change of Terms

Unless all bids are rejected, as between proposals which comply with this Notice of Sale, the Bonds will be awarded to the bidder whose bid proposes the lowest true interest cost ("TIC") to the Issuer. The TIC will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one bidder making said offer at the same lowest TIC, the Bonds will be sold to the bidder whose proposal is selected by the Issuer by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of TIC computed and rounded to six decimal places. Such statement shall not be considered as part of the proposal. The purchase price must be paid in immediately available federal funds.

* Preliminary, subject to change

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Issuer further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including Internet difficulties. The Issuer will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Upon the establishment of an alternative sale date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

Adjustment of Principal Amount and Maturity Schedule of the Bonds

The Issuer reserves the right to change the maturity schedule after the determination of the winning bidder. In such event, the final aggregate principal amount of the Bonds will be increased or decreased by a net amount of such change or changes in principal amount of one or more maturities. The Issuer anticipates the adjustments to eliminate excess premium proceeds. The winning bidder will be required to provide the coupon, yield and reoffering price information to be included in the issue price certificate, if requested, for purposes of determining the adjustment. The dollar amount bid by the bidder will be adjusted to reflect any adjustments in the final maturity schedule and the aggregate principal amount of the Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount/premium, if any, but every effort will be made to not change the per bond underwriter's discount as calculated from the bid and the initial reoffering prices required to be delivered to the Issuer as stated herein. **The winning bidder may not withdraw its bid or change the interest rates bid or initial reoffering prices provided as a result of any changes made to the principal amounts within these limits.**

CUSIP Numbers

The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the purchaser to apply for CUSIP numbers for the Bonds prior to delivery. Neither the failure to print such CUSIP number on any bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Issuer; provided, however, that the Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Electronic Proposals Bidding Procedure

Electronic bids for the purchase of the Bonds must be submitted through the facilities of **PARITY®**. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, c/o i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 – email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

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

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

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

Certifying Agent, Registrar, Paying Agent and Transfer Agent

The Bonds will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will also act as Registrar, Paying Agent and Transfer Agent.

Delivery, Payment and Closing Requirements

At or prior to the delivery of the Bonds the purchaser shall be furnished, without cost, with (a) the approving opinion of Pullman & Comley, LLC of Hartford, Connecticut, Bond Counsel ("Bond Counsel") (see "Bond Counsel Opinion" below); (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Bonds, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Bonds or the power of the Issuer to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this bond issue; (d) a certificate of Issuer Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Bonds.

The Bonds will be delivered against payment in immediately available federal funds through the facilities of DTC, New York, New York or its agent via Fast Automated Securities Transfer ("FAST") on or about September 14, 2021 (the "Closing Date").

The Issuer will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the Issuer's costs of issuance except to the extent specifically stated in this Notice of Sale.

The purchaser will be responsible for the clearance or exemption with respect to the status of the Bonds for sale under securities or "Blue Sky" laws and the preparation of any surveys or memoranda in connection with such sale. The Issuer shall have no responsibility for such clearance, exemption or preparation.

Bond Counsel Opinion

The legality of the issue will be passed upon by Pullman & Comley, LLC of Hartford, Connecticut, Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form set forth in Appendix B to the Official Statement. The opinion will appear on each Bond certificate and will state that the Bonds are valid and binding obligations of the Issuer. If the Competitive Sale Rule (as defined below in the "Establishment of Issue Price" section) is met, Bond Counsel will require as a precondition to release of its opinion printed on the Bonds that the purchaser of such Bonds deliver to it a completed "issue price" certificate, or similar certificate, regarding expectations or public offering prices, as applicable, with respect to the Bonds awarded to such bidder, as described below under "Establishment of Issue Price".

Establishment of Issue Price

In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer at or prior to the delivery of the Bonds an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Bonds, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Sandra Dawson, Esq., Pullman & Comley, LLC, 90 State House Square, Hartford, CT 06103, Telephone: (860) 424-4348, E-mail: sdawson@pullcom.com and (2) the Municipal Advisor at Mark Chapman, Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, CT 06443, Telephone: (203) 421-2087, E-mail: Mark.Chapman@munistat.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Issuer and the Municipal Advisor may act on behalf of the Issuer.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Bonds, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Bonds pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds.

By submitting a bid, a bidder represents to the Issuer that it has an established industry reputation for underwriting new issuances of municipal bonds such as the Bonds, represents that such bidder’s bid is submitted for or on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Bonds, and understands that upon award by the Issuer that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Issuer.

By submitting a bid, the bidder agrees that if the Competitive Sale Rule (as set forth below) is not met, it will satisfy either the Actual Sales Rule (as set forth below) or the Hold-the-Offering-Price Rule (as set forth below).

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

Notification of Contact Information of Winning Bidder. Promptly upon award, the winning bidder shall notify the Municipal Advisor and Bond Counsel of the contact name, telephone number and e-mail address of the person(s) of the winning bidder for purposes of communications concerning this “Establishment of Issue Price” section.

Competitive Sale Rule. The Issuer intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Rule”) because:

- (1) the Issuer shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Issuer anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost (“TIC”), as set forth in this Notice of Sale.

Competitive Sale Rule Met. The Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder if the Competitive Sale Rule has been met. Within two (2) hours of award (or such other time as agreed to by Bond Counsel), the winning bidder shall provide Bond Counsel and the Municipal Advisor, via e-mail, a completed “ISSUE PRICE CERTIFICATE” in the form attached hereto as Attachment A.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder. The Issuer may determine to treat (i) the first price at which ten percent (10%) of a Maturity of the Bonds (the “Actual Sales Rule”) is sold to the Public as the issue price of that Maturity, and/or (ii) the Initial Offering Price to the Public as of the Sale Date of any Maturity of the Bonds as the issue price of that Maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a Maturity-by-Maturity basis. In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 4:30 p.m. (E.T.) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (I) of the first price at which ten percent (10%) of each Maturity of Bonds has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel; i.e., those Maturities of the Bonds that satisfy the Actual Sales Rule as of the Sale Date. After such receipt, the Issuer, or Bond Counsel on behalf of the Issuer, shall promptly confirm with the winning bidder, via e-mail, which Maturities of the Bonds shall be subject to the Actual Sales Rule and which Maturities shall be subject to the Hold-the-Offering-Price Rule.

For those Maturities of Bonds subject to the Hold-the-Offering-Price Rule, the winning bidder shall (i) provide Bond Counsel (via e-mail) a copy of pricing wire or equivalent communication for the Bonds (ii) confirm that each Underwriter (as defined below) has offered or will offer all of the Bonds to the Public on or before the date of award at the Initial Offering Prices and (ii) agree, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell unsold Bonds of any Maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price for such Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price.

The winning bidder shall promptly advise Bond Counsel and the Municipal Advisor, via e-mail, when the Underwriters have sold ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale.

Definitions. For purposes of this “Establishment of Issue Price” section:

- (1) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (2) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

- (3) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (4) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Official Statement

For more information regarding the Bonds or the Issuer, reference is made to the Preliminary Official Statement dated August 17, 2021 (the “Official Statement”) describing the Bonds and the financial condition of the Issuer. The Preliminary Official Statement is available in electronic format at www.i-dealprospectus.com, and such electronic access is being provided as a matter of convenience only. Copies of the Preliminary Official Statement may be obtained from Mark Chapman, Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, CT 06443, Telephone: (203) 421-2087, E-mail: Mark.Chapman@munistat.com. The Issuer deems such Official Statement to be a final official statement for purposes of complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”), but such Official Statement is subject to revision or amendment as appropriate. The Issuer will make available to the purchaser a reasonable number of copies of the final Official Statement at the Issuer’s expense, and the final Official Statement will be made available to the purchaser by no later than the earlier of the delivery of the Bonds or by the seventh (7th) business day after the day bids on the Bonds are received. If the Issuer’s Municipal Advisor, is provided with the necessary information from the purchaser by 12:00 o’clock noon on the day after the Sale Date, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices and the name of the managing underwriter of the Bonds, and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the final Official Statement to the purchaser. Additional copies of the final Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement

As required by the Rule, the Issuer will undertake, pursuant to a Continuing Disclosure Agreement (the “Agreement”), to provide annual financial information and operating data including audited financial statements, notice of the occurrence of certain events with respect to the Bonds within ten (10) business days of such event, and timely notice of any failure by the Issuer to provide annual reports on or before the date specified in the Agreement. A form of the Agreement is attached to the Official Statement as Appendix C. The purchaser’s obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to delivery of the Bonds, an executed Agreement.

TOWN OF LITCHFIELD, CONNECTICUT

DENISE RAAP
First Selectman

FRANCIS C. CARPENTIER
Town Treasurer

August 17, 2021

ATTACHMENT A

ISSUE PRICE CERTIFICATE

(If Competitive Sale Rule Met)

TOWN OF LITCHFIELD, CONNECTICUT
\$_____ GENERAL OBLIGATION BONDS, ISSUE OF 2021
Dated September 14, 2021

The undersigned, on behalf of [UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Due Authorization.*** The undersigned is a duly authorized representative of [SHORT NAME OF UNDERWRITER], the purchaser of the Bonds.

2. ***Purchase Price.*** The TOWN OF LITCHFIELD, CONNECTICUT (the “Issuer”) sold to [SHORT NAME OF UNDERWRITER], for delivery on or about September 14, 2021, the Bonds at a price of par (\$_____), plus an aggregate net premium of \$_____ and less an underwriter’s discount of \$_____, resulting in an aggregate net purchase price of \$_____.

3. ***Reasonably Expected Initial Offering Price.***

(a) As of August 26, 2021 (the “Sale Date”), the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in **Schedule A** (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

4. ***Defined Terms.***

(a) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than fifty percent (50%) common ownership, directly or indirectly.

(c) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of the selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

5. ***Representations and Information.*** The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder (collectively, the "Code"). The undersigned understands that the foregoing information will be relied upon by the Issuer in making its certification as to issue price of the Bonds under the Code and with respect to compliance with the federal income tax rules affecting the Bonds. Pullman & Comley, LLC, bond counsel, may rely on the foregoing representations in rendering its opinion on the exclusion from federal gross income of the interest on the Bonds, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer relating to the Bonds. Except as set forth above, no third party may rely on the foregoing certifications, and no party may rely hereon for any other purpose.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of August 26, 2021.

[UNDERWRITER]

By: _____

Name:

Title:

Schedule A to Issue Price Certificate

<u>Maturity, August 1</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price (\$, not Yield)</u>
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			

Schedule B to Issue Price Certificate

Municipal Advisory Services
Provided by

