

SUPPLEMENT TO
OFFICIAL STATEMENT DATED AUGUST 13, 2019
Town of Litchfield, Connecticut
\$9,400,000 General Obligation Bonds, Issue of 2019 (the “Bonds”)
Supplement Dated August 19, 2019

The following information, dated August 19, 2019 (this “Supplement”), supplements the Official Statement dated August 13, 2019 (the “Official Statement”) relating to the Bonds.

The Official Statement is hereby supplemented, revised and amended as follows:

The tables under the headings “**Sources and Uses of Bond Proceeds**” on page 4 and “**Computation of Statutory Debt Limit**” on page 19 were replaced.

The section under the heading “**Municipal Budget Expenditure Cap**” on page 30 was omitted as information was already provided under the heading “**Budgetary Procedures**”.

This Supplement is an integral part of the Official Statement dated as of August 13, 2019. Investors should read this Supplement together with the August 13, 2019 Official Statement in order to obtain information essential to making an informed investment decision. The attached Official Statement includes the above referenced amendments.

Official Statement Dated August 13, 2019

REFUNDING/NEW ISSUE

S & P GLOBAL RATINGS: AA+

(See "Ratings" herein)

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

TOWN OF LITCHFIELD, CONNECTICUT

\$9,400,000

GENERAL OBLIGATION BONDS, ISSUE OF 2019

BOOK-ENTRY-ONLY

Dated: Date of Delivery

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, 2020.

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, Escrow 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) |
|----------|-------------|--------|--------|-----------|----------|-----------|--------|---------|-----------|
| 2020 | \$1,430,000 | 3.000% | 0.880% | 536597SE8 | 2028 | \$245,000 | 4.000% | 1.300%* | 536597SN8 |
| 2021 | 1,425,000 | 4.000 | 0.880 | 536597SF5 | 2029 | 245,000 | 4.000 | 1.460* | 536597SP3 |
| 2022 | 1,425,000 | 5.000 | 0.880 | 536597SG3 | 2030 | 240,000 | 4.000 | 1.570* | 536597SQ1 |
| 2023 | 1,345,000 | 5.000 | 0.890 | 536597SH1 | 2031 | 240,000 | 4.000 | 1.670* | 536597SR9 |
| 2024 | 1,350,000 | 5.000 | 0.900 | 536597SJ7 | 2032 | 240,000 | 4.000 | 1.740* | 536597SS7 |
| 2025 | 245,000 | 5.000 | 0.950 | 536597SK4 | 2033 | 240,000 | 4.000 | 1.820* | 536597ST5 |
| 2026 | 245,000 | 5.000 | 1.050 | 536597SL2 | 2034 | 240,000 | 4.000 | 1.890* | 536597SU2 |
| 2027 | 245,000 | 5.000 | 1.140 | 536597SM0 | | | | | |

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

ROOSEVELT & CROSS
I N C O R P O R A T E D

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut. Certain matters will be passed upon for the Underwriter by Robinson & Cole LLP, of Hartford, Connecticut, Underwriter's Counsel. It is expected that delivery of the Bonds in definitive book-entry form will be made on or about August 29, 2019.

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

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

No dealer, broker, salesman or other person has been authorized by the 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 and Tax Exemption" herein) and makes no representation that it has independently verified the same.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of this information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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SECTION I - SECURITIES OFFERED

Introduction

This Official Statement, including the cover page and appendices, is provided only in connection with the initial offering and sale of \$9,400,000 General Obligation Bonds, Issue of 2019 (the "Bonds") to present certain financial and supplementary economic and demographic data relevant to the Town of Litchfield, Connecticut (the "Town"), and may not be reproduced or used in whole or in part for any other purpose.

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

Description of the Bonds

The Bonds will be dated the date of delivery and will mature on the dates and in the principal amounts set forth on the cover page hereof. Interest on the Bonds will be payable February 1, 2020 and semiannually thereafter on February 1 and August 1 in each year until the date of maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months 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 total of \$3,650,000 of the Bonds (the "Capital Projects Bonds") will be used to finance certain capital projects of the Town. The remaining \$5,750,000 of the Bonds (the "Refunding Bonds") will be used to refund certain outstanding general obligation bonds of the Town. (See "Authorization and Use of Proceeds of the Bonds" and "Plan of Refunding" herein). 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, Escrow and Paying Agent will be U.S. Bank National Association of Hartford, Connecticut. The legal opinion on the Bonds will be rendered by Joseph Fasi LLC of Hartford, Connecticut, as set forth in Appendix B. The Bonds shall NOT 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 not less than thirty (30) days prior to the redemption date to the registered owner of the Bonds at the address of such registered owner as the same shall last appear on the registration books for the Bonds kept for such purpose. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

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

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

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

Authorization and Use of Proceeds of the Bonds

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

Authorization:

2018-2019 Capital Improvement Program: A \$5,637,685 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2018-2019 was approved at a Town Meeting held on May 10, 2018.

2019-2020 Capital Improvement Program: A \$5,892,270 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2019-2020 was approved at a Town Meeting held on May 9, 2019.

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

| Projects | Total Bond Authorization | Amount of Notes Outstanding | Additions (Reductions) | The Capital Projects Bonds (This Issue) (1) |
|-------------------------------------|-----------------------------|-----------------------------------|---------------------------|---------------------------------------------------|
| 2018-19 Capital Improvement Program | \$ 5,637,685 | \$ - | \$ 1,000,591 | \$ 1,000,591 |
| 2019-20 Capital Improvement Program | 5,192,270 | - | 3,258,409 | 3,258,409 |
| Total | <u>\$10,829,955</u> | <u>\$ -</u> | <u>\$ 4,259,000</u> | <u>\$ 4,259,000</u> |

(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 Capital Projects Bonds.

Plan of Refunding

The Refunding Bonds are being issued pursuant to a refunding bond resolution (the "Resolution") adopted by the Board of Selectmen at a meeting held June 18, 2019. The Resolution authorizes the issuance of bonds not to exceed \$6,500,000 in the aggregate principal amount to be applied to the refunding in whole or in part of the outstanding principal of and interest and any call premium on any of the Town's outstanding bonds, and the payment of costs of issuance of the refunding bonds.

The following is a list of the bonds to be refunded (the "Refunded Bonds") with the proceeds of the Bonds. The refunding is contingent upon delivery of the Bonds.

| Issue | Dated Date | Maturity Date | Amount Outstanding | Interest Rate | Redemption Date | Redemption Price | CUSIP |
|--------|------------|---------------|---------------------|---------------|-----------------|------------------|-----------|
| 2009-B | 12/17/2009 | 8/15/2020 | \$ 90,000 | 3.250% | 9/30/2019 | 100.00% | 536597LF2 |
| 2009-B | 12/17/2009 | 8/15/2021 | 90,000 | 3.375 | 9/30/2019 | 100.00 | 536597LG0 |
| 2009-B | 12/17/2009 | 8/15/2022 | 90,000 | 3.500 | 9/30/2019 | 100.00 | 536597LH8 |
| | | | <u>\$ 270,000</u> | | | | |
| 2009-C | 12/17/2009 | 8/15/2020 | \$ 585,000 | 4.000% | 9/30/2019 | 100.00% | 536597LZ8 |
| 2009-C | 12/17/2009 | 8/15/2021 | 585,000 | 4.000 | 9/30/2019 | 100.00 | 536597MA2 |
| 2009-C | 12/17/2009 | 8/15/2022 | 585,000 | 4.000 | 9/30/2019 | 100.00 | 536597MB0 |
| 2009-C | 12/17/2009 | 8/15/2023 | 585,000 | 4.000 | 9/30/2019 | 100.00 | 536597MC8 |
| 2009-C | 12/17/2009 | 8/15/2024 | 580,000 | 4.000 | 9/30/2019 | 100.00 | 536597MD6 |
| | | | <u>\$ 2,920,000</u> | | | | |
| 2011 | 7/14/2011 | 8/15/2020 | \$ 625,000 | 4.000% | 9/30/2019 | 100.00% | 536597MZ7 |
| 2011 | 7/14/2011 | 8/15/2021 | 625,000 | 4.000 | 9/30/2019 | 100.00 | 536597NA1 |
| 2011 | 7/14/2011 | 8/15/2022 | 620,000 | 3.000 | 9/30/2019 | 100.00 | 536597NB9 |
| 2011 | 7/14/2011 | 8/15/2023 | 615,000 | 3.150 | 9/30/2019 | 100.00 | 536597NC7 |
| 2011 | 7/14/2011 | 8/15/2024 | 610,000 | 3.750 | 9/30/2019 | 100.00 | 536597ND5 |
| | | | <u>\$ 3,095,000</u> | | | | |
| | | | <u>\$ 6,285,000</u> | | | | |

Upon delivery of the Bonds, a portion of the proceeds will be deposited in an irrevocable escrow deposit fund (the "Escrow Deposit Fund") established with U.S. Bank National Association, as escrow agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") dated as of the date of delivery between the Escrow Agent and the Town. The Escrow Agent will use such proceeds to purchase a portfolio of United States Treasury State and Local Government Series ("SLGS") securities which shall not be callable or prepayable at the option of the issuer thereof (the "Escrow Securities"), or such proceeds may remain in cash and not invested. Such cash or the principal of and interest on the Escrow Securities, when due, will provide amounts sufficient to pay the principal, interest and redemption premium on the Refunded Bonds to the redemption dates. All investment income on and the maturing principal of the Escrow Securities held in the Escrow Deposit Fund will be irrevocably deposited by the Town for payment of the Refunded Bonds. The balance of the proceeds of the Bonds will be used to pay costs of issuance and Underwriter's discount.

Verification of Mathematical Computations

The accuracy of the mathematical computations as of the date of the closing on the Bonds of (1) the adequacy of the maturing principal amounts of the Government Obligations together with interest income thereon and uninvested cash, if any, to pay when due, the principal, interest and call premium payments required on the Refunded Bonds to and including on the redemption date, (ii) the yield on the Bonds and the Government Obligations for purposes of determining compliance with certain requirements of Internal Revenue Code of 1986, as amended, and (iii) net present value savings, will be verified by American Municipal Tax-Exempt Compliance Corporation ("AMTEC"). Such verification shall be based on information and assumptions supplied by the underwriters and the Issuer, and such verification, information, assumptions, and calculations of net present value savings to the Issuer as a result of issuance of the Refunding Bonds, will be relied upon by Bond Counsel in rendering its opinion described herein. AMTEC will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the Bonds.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:

| | |
|------------------------|-------------------------|
| Par Amount | \$ 9,400,000.00 |
| Original Issue Premium | 1,248,833.80 |
| Total Sources | \$ 10,648,833.80 |

Uses:

| | |
|------------------------------------------|-------------------------|
| Deposit to Refunding Escrow Deposit Fund | \$ 6,303,242.28 |
| Deposit to Capital Projects Fund | 4,259,000.00 |
| Underwriter's Discount | 38,540.00 |
| Costs of Issuance (1) | 48,051.52 |
| Total Uses | \$ 10,648,833.80 |

(1) Additional cost of issuance will be paid from the Capital Projects Fund.

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"). 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.

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

Qualification for Financial Institutions

The Bonds shall NOT be designated by the Town as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of calculating the deduction by financial institutions for interest expense allocable to the Bonds.

Book-Entry Transfer System

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

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

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

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

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

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

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

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

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

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

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

Replacement Bonds

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

DTC Practices

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

Underwriting

The Bonds are being purchased by Roosevelt & Cross, Incorporated (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Town at the net aggregate purchase price of \$10,610,293.80, (consisting of the principal amount of \$9,400,000.00, plus original issue premium of \$1,248,833.80, and less underwriter's discount of \$38,540.00). The Underwriter will be obligated to purchase all such Bonds, if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

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SECTION II - THE ISSUER

Description of the Town

The Town 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 |
|-----------------------|---------------------|--------------------|-------------------|
| Leo Paul, Jr. | First Selectman | 2 Years -- Elected | 16.0 years |
| Anne C. Dranginis (1) | Selectman | Appointed | 1.5 years |
| Paul J. Parsons | Selectman | 2 Years -- Elected | 10.0 years |
| Jonathan E. Torrant | Selectman | 2 Years -- Elected | 7.0 years |
| Jeffrey J. Zullo | Selectman | 2 Years -- Elected | 8.0 years |
| Francis C. Carpentier | Town Treasurer | 2 Years -- Elected | 2.0 years |
| Lisa A. Losee | Town Clerk | 4 Years -- Elected | 10.0 years |
| Helen Bunnell (1) | Tax Collector | Appointed | 1.0 year |
| Amaechi E. Obi | Director of Finance | Appointed | 4.5 years |

(1) Anne C. Dranginis was appointed and will serve the balance of the term of a deceased selectperson and Helen Bunnell was appointed and will serve the balance of the term of retired tax collector.

Summary of Municipal Services

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sanitary Sewers. Litchfield's first sanitary sewers date back to the 1880s. The existing sanitary sewer system is comprised of more than 26 miles of collection systems. The majority of the Litchfield sewerage is treated at its wastewater treatment plant located in the south western portion of town adjacent to the Bantam River. Utilizing inter municipal agreements, portions of Litchfield’s flows discharge to treatment plants in Torrington and Thomaston and Litchfield accepts flows from the West Shore of Bantam Lake in Morris. Litchfield’s treatment plant was constructed in 1971 and was upgraded between 2002 and 2004. The plants current design flow is 0.940 MGD (million gallons per day) with a peak hourly flow of 2.13 MGD. Total flow for 2015-2016 was 147,150,000 gallons or 0.372 MGD which represents 40% of capacity.

The sanitary sewer operating expenses for 2018-2019 were \$1,081,598, including \$332,186 in debt service payments and \$200,000 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, 2019 through June 30, 2020 - \$83.00 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 2011, the Town participated in a Connecticut Conference of Municipalities bidding process to lower its electrical supply cost. As a result, the Town purchases its electrical supply from Trans Canada. The Litchfield school system purchases its electrical supply from Secure Energy Solutions.

Educational System

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

Educational Facilities

| <u>School</u> | <u>Grades</u> | <u>Occupied</u> | <u>Renovation</u> | <u>Classrooms</u> | <u>Enrollment 10/01/18</u> | <u>Capacity</u> |
|---------------------|---------------|-----------------|-------------------|-------------------|--------------------------------|-----------------|
| Center School | Pre K-3 | 1925 | 1945, 1965, 1988 | 22 | 285 | 300 |
| Intermediate School | 4 - 6 | 1967 | 2007 | 18 | 190 | 200 |
| Middle/High School | 7 - 12 | 1956 | 1963, 1976 & 2007 | 31 | 416 | 500 |
| Total | | | | <u>71</u> | <u>891</u> | <u>1,000</u> |

Source: Director of Business Operations for the Schools.

Educational Enrollment History and Projections

| Actual (1) | | | | |
|----------------------|------------------|--------------|---------------|--------------|
| <u>School Year</u> | <u>Pre K - 3</u> | <u>4 - 6</u> | <u>7 - 12</u> | <u>Total</u> |
| 2009-10 | 342 | 289 | 569 | 1,200 |
| 2010-11 | 339 | 267 | 560 | 1,166 |
| 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 |
| Projected (2) | | | | |
| 2019-20 | 323 | 190 | 386 | 899 |
| 2020-21 | 332 | 197 | 355 | 884 |
| 2021-22 | 348 | 197 | 349 | 894 |
| 2022-23 | 348 | 211 | 338 | 897 |
| 2023-24 | 349 | 219 | 341 | 909 |

(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>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| General Government | 101 | 97 | 98 | 108 | 108 |
| Board of Education | 168 | 164 | 167 | 158 | 165 |
| Total | <u>269</u> | <u>261</u> | <u>265</u> | <u>266</u> | <u>273</u> |

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

Municipal Employees Bargaining Organizations

| Employees | Organization | Employee Covered | Current Contract Expiration Date |
|----------------------------------|-----------------------------------------------|------------------|----------------------------------|
| <u>General Government</u> | | | |
| Public Works | Council; 4, AFSCME | 19 | 6/30/2021 |
| Department Heads | Town of Litchfield Supervisors Association | 6 | 6/30/2020 |
| Clerical | Town of Litchfield Municipal Employees Assoc. | 9 | 6/30/2020 |
| | Non-Bargaining Employees | 67 | |
| Sub-total - General Government | | 101 | |
| <u>Board of Education</u> | | | |
| Teachers | Litchfield Education Association | 108 | 6/30/2020 |
| Administrators | Litchfield Administrators' Association | 6 | 6/30/2020 |
| Classified | Council; 4, AFSCME | 27 | 6/30/2020 |
| Custodians | AFSCME | 12 | 6/30/2021 |
| | Non-Bargaining Employees | 15 | |
| Sub-total - Board of Education | | 168 | |
| Total - Town of Litchfield | | 269 | |

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 of Litchfield. The Commission currently makes recommendations to the appropriate officials and agencies regarding action to improve the Town's economic environment. It also seeks to coordinate the activities of and cooperate with unofficial bodies organized to promote economic activity. The Commission also assists in bringing business and industries into the Town as well as improving existing business and industry relationships.

The Litchfield Planning and Zoning Commission adopted its 10-year Plan of Conservation and Development (POCAD) on 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.

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SECTION III - ECONOMIC AND DEMOGRAPHIC DATA

Population Trends

| <u>Year</u> | <u>Town of Litchfield</u> | <u>Litchfield County</u> | <u>State of Connecticut</u> |
|-------------|-------------------------------|------------------------------|---------------------------------|
| 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 |
| 2017 | 8,252 | 184,454 | 3,594,478 |

Source: U. S. Census Bureau, American Community Survey, 2013-2017.

Age Characteristics of the Population

| | <u>Town of Litchfield</u> | <u>Litchfield County</u> | <u>State of Connecticut</u> |
|----------------------|-------------------------------|------------------------------|---------------------------------|
| Under 5 years of age | 313 | 7,668 | 186,188 |
| 5 - 9 years of age | 323 | 9,498 | 206,536 |
| 10 - 14 years of age | 522 | 10,720 | 225,831 |
| 15 - 19 years of age | 513 | 11,342 | 249,777 |
| 20 - 24 years of age | 306 | 9,816 | 245,849 |
| 25 - 34 years of age | 599 | 18,237 | 439,239 |
| 35 - 44 years of age | 781 | 20,092 | 433,401 |
| 45 - 54 years of age | 1,272 | 30,413 | 535,611 |
| 55 - 59 years of age | 841 | 16,498 | 266,501 |
| 60 - 64 years of age | 719 | 14,782 | 229,788 |
| 65 - 74 years of age | 1,065 | 20,479 | 318,515 |
| 75 - 84 years of age | 642 | 9,365 | 167,133 |
| Over 85 years of age | 356 | 5,544 | 90,109 |
| Total | <u>8,252</u> | <u>184,454</u> | <u>3,594,478</u> |

Source: U. S. Census Bureau, American Community Survey, 2013-2017.

Selected Wealth and Income Indicators

| | <u>Median Family Income</u> | | <u>Per Capita Income</u> | |
|--------------------|-----------------------------|---------------|--------------------------|---------------|
| | <u>(2000)</u> | <u>(2017)</u> | <u>(2000)</u> | <u>(2017)</u> |
| Town of Litchfield | \$ 70,594 | \$ 101,983 | \$ 30,096 | \$ 44,833 |
| Litchfield County | 66,445 | 94,908 | 24,408 | 40,619 |
| Connecticut | 65,521 | 93,800 | 28,766 | 41,365 |
| United States | 49,600 | 70,850 | 21,690 | 31,177 |

Source: U.S. Census Bureau, Census 2000 and 2013-2017 American Community Survey.

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Income Distribution

| | Town of Litchfield | | Litchfield County | | State of Connecticut | |
|--------------------|--------------------|---------|-------------------|---------|----------------------|---------|
| | Families | Percent | Families | Percent | Families | Percent |
| -0- to 9,999 | 57 | 2.5 | 948 | 1.9 | 27,787 | 3.1 |
| 10,000 to 14,999 | 7 | 0.3 | 566 | 1.1 | 16,143 | 1.8 |
| 15,000 to 24,999 | 68 | 3.0 | 1,494 | 3.0 | 41,072 | 4.6 |
| 25,000 to 34,999 | 85 | 3.8 | 2,428 | 4.9 | 52,218 | 5.8 |
| 35,000 to 49,999 | 173 | 7.7 | 4,161 | 8.4 | 82,371 | 9.2 |
| 50,000 to 74,999 | 384 | 17.0 | 8,597 | 17.3 | 134,356 | 15.0 |
| 75,000 to 99,999 | 333 | 14.7 | 8,436 | 17.0 | 122,244 | 13.6 |
| 100,000 to 149,999 | 522 | 23.1 | 12,343 | 24.8 | 186,352 | 20.8 |
| 150,000 to 199,999 | 306 | 13.5 | 5,534 | 11.1 | 100,359 | 11.2 |
| 200,000 or more | 325 | 14.4 | 5,244 | 10.5 | 132,765 | 14.8 |
| Total | 2,260 | 100.0 | 49,751 | 100.0 | 895,667 | 100.0 |

Source: U. S. Census Bureau, American Community Survey, 2013-2017.

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 | 133 | 2.1 | 3,973 | 2.9 | 104,623 | 4.2 |
| 9th to 12th grade | 140 | 2.2 | 6,863 | 5.1 | 137,877 | 5.6 |
| High School graduate | 1,884 | 30.0 | 39,337 | 29.1 | 673,582 | 27.2 |
| Some college - no degree | 962 | 15.3 | 25,156 | 18.6 | 422,535 | 17.0 |
| Associates degree | 566 | 9.0 | 12,717 | 9.4 | 188,481 | 7.6 |
| Bachelor's degree | 1,351 | 21.5 | 27,496 | 20.3 | 532,055 | 21.5 |
| Graduate or professional degree | 1,239 | 19.7 | 19,868 | 14.7 | 421,144 | 17.0 |
| Total | 6,275 | 100.0 | 135,410 | 100.0 | 2,480,297 | 100.0 |
| Total high school graduate or higher (%) | | 95.6% | | 92.0% | | 90.2% |
| Total bachelor degree or higher (%) | | 41.3% | | 35.0% | | 38.4% |

Source: U. S. Census Bureau, American Community Survey, 2013-2017.

Employment by Industry

| | Town of Litchfield | | Litchfield County | | State of Connecticut | |
|-----------------------------------------|--------------------|-------|-------------------|-------|----------------------|-------|
| | Number | % | Number | % | Number | % |
| Agriculture, forestry, fisheries | 53 | 1.3 | 1,084 | 1.1 | 7,166 | 0.4 |
| Construction | 352 | 8.4 | 7,178 | 7.3 | 104,122 | 5.8 |
| Manufacturing | 428 | 10.3 | 12,940 | 13.2 | 191,519 | 10.6 |
| Wholesale trade | 84 | 2.0 | 1,921 | 2.0 | 44,741 | 2.5 |
| Retail trade | 366 | 8.8 | 11,499 | 11.7 | 193,016 | 10.7 |
| Transportation & warehousing, utilities | 147 | 3.5 | 3,352 | 3.4 | 68,926 | 3.8 |
| Information | 78 | 1.9 | 2,511 | 2.6 | 42,200 | 2.3 |
| Finance, insurance, real estate | 362 | 8.7 | 6,916 | 7.0 | 163,810 | 9.1 |
| Professional, scientific, management | 447 | 10.7 | 9,548 | 9.7 | 208,130 | 11.5 |
| Educational, health and social services | 1,203 | 28.9 | 25,310 | 25.8 | 478,083 | 26.5 |
| Arts, entertainment, recreation, food | 293 | 7.0 | 7,218 | 7.4 | 153,679 | 8.5 |
| Other professional services | 199 | 4.8 | 4,931 | 5.0 | 82,538 | 4.6 |
| Public Administration | 156 | 3.7 | 3,758 | 3.8 | 67,156 | 3.7 |
| Total | 4,168 | 100.0 | 98,166 | 100.0 | 1,805,086 | 100.0 |

Source: U. S. Census Bureau, American Community Survey, 2013-2017.

Major Employers

| Name of Employer | Nature of Entity | Estimated Number of Employees |
|-----------------------------------------------------|------------------------------------------------|-------------------------------|
| Town of Litchfield | Local Government and Board of Education | 269 |
| Regional School District 6 | Education | 180 |
| Forman School | Education | 137 |
| Connecticut Junior Republic | Special Needs Education, including Residential | 130 |
| Stop & Shop | Grocery Chain | 110 |
| Brandywine Assisted Living (Sarah Pierce Community) | Assisted Living | 93 |
| State Police & State Department of Transportation | State Employees | 85 |
| Education Connection | State Government, Education Services | 75 |

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

Unemployment Rate Statistics

| Yearly Average | Town of Litchfield % | Torrington Labor Market % | State of Connecticut % | United States % |
|----------------|----------------------|---------------------------|------------------------|-----------------|
| 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 | 3.2 | 4.1 | 4.2 | 3.9 |

2019 Monthly

| | | | | |
|----------|-----|-----|-----|-----|
| January | 4.5 | 4.9 | 4.7 | 4.4 |
| February | 4.2 | 4.8 | 4.4 | 4.1 |
| March | 3.9 | 4.6 | 4.2 | 3.9 |
| April | 2.7 | 3.1 | 3.3 | 3.3 |
| May | 2.9 | 3.2 | 3.6 | 3.4 |
| June | 3.2 | 3.5 | 3.9 | 3.8 |

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

Number and Value of Building Permits

| Fiscal Year Ending 6/30 | Residential | | Industrial/Commercial | Total | |
|----------------------------|---------------------|---------------------------------|-----------------------|--------|--------------|
| | New Homes Number | Renovations/Additions Number | Number | Number | Value |
| 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 |
| 2011 | 3 | 219 | 44 | 266 | 7,289,436 |
| 2010 | 9 | 227 | 48 | 284 | 6,143,254 |

Source: Town of Litchfield, Building Official.

Number of Dwelling Units

| | | | | % Increase | % Increase | % Increase |
|-------------|-------------|-------------|-------------|------------------|------------------|------------------|
| <u>2017</u> | <u>2010</u> | <u>2000</u> | <u>1990</u> | <u>1990-2017</u> | <u>2000-2017</u> | <u>2010-2017</u> |
| 4,224 | 3,975 | 3,629 | 3,430 | 23.1% | 16.4% | 6.3% |

Source: U. S. Census Bureau, American Community Survey, 2013-2017.

Characteristics of Housing Units

| Sales Price Category | Town of Litchfield | | Litchfield County | | State of Connecticut | |
|----------------------|--------------------|---------|-------------------|---------|----------------------|---------|
| | Number | Percent | Number | Percent | Number | Percent |
| Less than \$50,000 | 31 | 1.1 | 1,271 | 2.2 | 24,038 | 2.7 |
| 50,000 to 99,999 | 4 | 0.1 | 2,205 | 3.8 | 29,789 | 3.3 |
| 100,000 to 149,999 | 154 | 5.5 | 6,973 | 12.2 | 83,320 | 9.2 |
| 150,000 to 199,999 | 267 | 9.5 | 9,980 | 17.4 | 141,024 | 15.6 |
| 200,000 to 299,999 | 910 | 32.3 | 15,656 | 27.3 | 244,356 | 26.9 |
| 300,000 to 499,999 | 993 | 35.2 | 14,493 | 25.3 | 236,671 | 26.1 |
| 500,000 to 999,999 | 385 | 13.7 | 5,242 | 9.1 | 106,192 | 11.7 |
| 1,000,000 and over | 74 | 2.6 | 1,510 | 2.6 | 41,408 | 4.6 |
| Total | 2,818 | 100.0 | 57,330 | 100.0 | 906,798 | 100.0 |
| Median Value | \$306,200 | | \$250,100 | | \$270,100 | |

Source: U. S. Census Bureau, American Community Survey, 2013-2017.

Age Distribution of Housing

| Year Built | Town of Litchfield | | Litchfield County | | State of Connecticut | |
|-----------------|--------------------|---------|-------------------|---------|----------------------|---------|
| | Units | Percent | Units | Percent | Units | Percent |
| 1939 or earlier | 1,069 | 25.3 | 21,792 | 24.7 | 338,011 | 22.4 |
| 1940 – 1949 | 358 | 8.5 | 5,476 | 6.2 | 104,251 | 6.9 |
| 1950 – 1959 | 460 | 10.9 | 10,681 | 12.1 | 225,763 | 15.0 |
| 1960 – 1969 | 485 | 11.5 | 9,404 | 10.7 | 205,463 | 13.6 |
| 1970 – 1979 | 629 | 14.9 | 12,754 | 14.5 | 200,217 | 13.3 |
| 1980 – 1989 | 560 | 13.3 | 12,516 | 14.2 | 191,939 | 12.7 |
| 1990 – 1999 | 260 | 6.2 | 7,931 | 9.0 | 114,261 | 7.6 |
| 2000 – 2009 | 342 | 8.1 | 6,727 | 7.6 | 105,131 | 7.0 |
| 2010 – 2013 | 61 | 1.4 | 664 | 0.8 | 17,308 | 1.1 |
| 2014 or later | 0 | 0.0 | 123 | 0.1 | 5,367 | 0.4 |
| Total | 4,224 | 100.0 | 88,068 | 100.0 | 1,507,711 | 100.0 |

Source: U. S. Census Bureau, American Community Survey, 2013-2017.

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.

SECTION IV - INDEBTEDNESS

Computation of Statutory Debt Limit

As of August 29, 2019 (Pro Forma)

| | |
|---------------------------------------------------------------------------|----------------------|
| Total Fiscal Year 2018 tax collections (including interest and lien fees) | \$ 29,374,208 |
| State Reimbursement for Revenue Loss on: | |
| Local Property tax relief for elderly | - |
| Base for Establishing Debt Limit | <u>\$ 29,374,208</u> |

Debt Limit

| | General Purpose | School | Sewer | Urban Renewal | Pension Deficit | Total Debt |
|-----------------------|--------------------|----------------|----------------|------------------|--------------------|----------------|
| (2.25 times base) | \$ 66,091,968 | | | | | |
| (4.50 times base) | | \$ 132,183,936 | | | | |
| (3.75 times base) | | | \$ 110,153,280 | | | |
| (3.25 times base) | | | | \$ 95,466,176 | | |
| (3.00 times base) | | | | | \$ 88,122,624 | |
| (7.00 times base) (1) | | | | | | \$ 205,619,456 |

Indebtedness (Including the Bonds)

| | | | | | | |
|-----------------------------------------------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|-----------------------|
| Bonds Payable | \$ 13,565,760 | \$ 7,129,240 | \$ 270,000 | \$ - | \$ - | \$ 20,965,000 |
| The Refunded Bonds | (2,686,000) | (3,329,000) | (270,000) | | | (6,285,000) |
| The Refunding Bonds (<i>This Issue</i>) | 2,451,000 | 3,041,000 | 258,000 | | | 5,750,000 |
| The Capital Projects Bonds (<i>This Issue</i>) (2) | 3,650,000 | - | - | - | - | 3,650,000 |
| State of Connecticut Permanent Loan Obligation ("PLO") | - | - | 1,061,535 | - | - | 1,061,535 |
| Authorized but Unissued Debt (3) | <u>606,535</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>606,535</u> |
| Total Indebtedness | 17,587,295 | 6,841,240 | 1,319,535 | - | - | 25,748,070 |
| Grants/Assessments Receivable (4) | <u>-</u> | <u>-</u> | <u>(453,702)</u> | <u>-</u> | <u>-</u> | <u>(453,702)</u> |
| Total Net Indebtedness | <u>17,587,295</u> | <u>6,841,240</u> | <u>865,833</u> | <u>-</u> | <u>-</u> | <u>25,294,368</u> |
| Excess of Limit Over Outstanding and Authorized Debt | <u>\$ 48,504,673</u> | <u>\$ 125,342,696</u> | <u>\$ 109,287,447</u> | <u>\$ 95,466,176</u> | <u>\$ 88,122,624</u> | <u>\$ 180,325,088</u> |

(1) Under Connecticut General Statutes, total indebtedness for all classes cannot exceed seven times the base, or \$205,619,456.

(2) Proceeds applied of \$4,259,000 include original issue premium.

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

(4) As of June 30, 2019, the Town's sewer assessments receivable for the payment of sewer debt was \$453,702.

Source: Town Officials.

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Calculation of Net Direct Debt

As of August 29, 2019 (Pro Forma)

Long-Term Indebtedness (1)

| | |
|--------------------------------------------------|-------------------|
| The Refunded Bonds | \$ (6,285,000) |
| The Refunding Bonds (<i>This Issue</i>) | 5,750,000 |
| The Capital Projects Bonds (<i>This Issue</i>) | 3,650,000 |
| General Purpose | 13,565,760 |
| Schools | 7,129,240 |
| Sewers | 270,000 |
| State of Connecticut PLO (Clean Water Fund) | <u>1,061,535</u> |
| Total Long-Term Indebtedness | 25,141,535 |

Short-Term Indebtedness: Notes Payable -

Total Direct Indebtedness 25,141,535

Exclusions: Sewer assessments and Sewer use charges receivable (2) (738,653)

Total Net Direct Indebtedness \$ 24,402,882

(1) Does not include authorized but unissued debt of \$606,535.

(2) Grants and receivables applicable to authorized and unissued debt are not included. As of June 30, 2019, the Town's sewer assessments receivable was \$453,702 and sewer use charges receivable was \$284,951 for the payment of sewer debt.

Current Debt Ratios

As of August 29, 2019 (Pro Forma)

| | |
|---------------------------------------------|-----------------|
| Total Direct Indebtedness (1) | \$ 25,141,535 |
| Total Net Direct Indebtedness (1) | \$ 24,402,882 |
| Population (2) | 8,252 |
| Net Taxable Grand List (10/1/18) | \$1,049,204,603 |
| Estimated Full Value | \$1,498,863,719 |
| Equalized Net Taxable Grand List (2017) (3) | \$1,440,658,955 |
| Per Capita Income (2017) (2) | \$ 44,833 |

Total Direct Indebtedness:

| | |
|-------------------------------------|------------|
| Per Capita | \$3,046.72 |
| To Net Taxable Grand List | 2.40% |
| To Estimated Full Value | 1.68% |
| To Equalized Net Taxable Grand List | 1.75% |
| Per Capita to Per Capita Income | 6.80% |

Total Net Direct Indebtedness:

| | |
|-------------------------------------|------------|
| Per Capita | \$2,957.21 |
| To Net Taxable Grand List | 2.33% |
| To Estimated Full Value | 1.63% |
| To Equalized Net Taxable Grand List | 1.69% |
| Per Capita to Per Capita Income | 6.60% |

(1) Excludes Refunded Bonds, includes the Bonds.

(2) U.S. Census Bureau, 2013-2017 American Community Survey.

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

Historical Debt Statement

| | 2018-19 (1) | 2017-18 | 2016-17 | 2015-16 | 2014-15 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Population (2) | 8,252 | 8,252 | 8,252 | 8,252 | 8,252 |
| Net taxable grand list | \$ 1,046,959,259 | \$ 1,040,712,083 | \$ 1,029,457,478 | \$ 1,024,379,738 | \$ 1,030,897,219 |
| Estimated full value | \$ 1,495,656,084 | \$ 1,486,731,547 | \$ 1,470,653,540 | \$ 1,463,399,626 | \$ 1,472,710,313 |
| Equalized net taxable grand list (3) | \$ 1,440,658,955 | \$ 1,527,189,335 | \$ 1,422,154,129 | \$ 1,467,022,228 | \$ 1,468,964,101 |
| Per capita income (2017) (2) | \$ 44,833 | \$ 44,833 | \$ 44,833 | \$ 44,833 | \$ 44,833 |
| Short-term debt | \$ - | \$ - | \$ - | \$ 1,193,000 | \$ 330,000 |
| Long-term debt | 24,471,760 | 26,105,584 | 26,841,446 | 23,280,130 | 25,952,935 |
| Total Direct Indebtedness | \$ 24,471,760 | \$ 26,105,584 | \$ 26,841,446 | \$ 24,473,130 | \$ 26,282,935 |
| Net Direct Indebtedness | \$ 23,733,107 | \$ 25,226,361 | \$ 25,798,495 | \$ 23,592,182 | \$ 25,446,233 |

(1) Unaudited estimates.

(2) U. S. Census Bureau, American Community Survey, 2013-2017.

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

Historical Debt Ratios

| | 2018-19 (1) | 2017-18 | 2016-17 | 2015-16 | 2014-15 |
|--------------------------------------|-------------|------------|------------|------------|------------|
| Total Direct Indebtedness: | | | | | |
| Per capita | \$2,965.56 | \$3,163.55 | \$3,252.72 | \$2,965.72 | \$3,185.04 |
| To net taxable grand list | 2.34% | 2.51% | 2.61% | 2.39% | 2.55% |
| To estimated full value | 1.64% | 1.76% | 1.83% | 1.67% | 1.78% |
| To equalized net taxable grand list | 1.70% | 1.71% | 1.89% | 1.67% | 1.79% |
| Debt per capita to per capita income | 6.60% | 7.05% | 7.24% | 6.60% | 7.09% |
| Net Direct Indebtedness: | | | | | |
| Per capita | \$2,876.04 | \$3,057.00 | \$3,126.33 | \$2,858.97 | \$3,083.64 |
| To net taxable grand list | 2.27% | 2.42% | 2.51% | 2.30% | 2.47% |
| To estimated full value | 1.59% | 1.70% | 1.75% | 1.61% | 1.73% |
| To equalized net taxable grand list | 1.65% | 1.65% | 1.81% | 1.61% | 1.73% |
| Debt per capita to per capita income | 6.41% | 6.81% | 6.96% | 6.37% | 6.87% |

(1) Unaudited estimates.

Outstanding Short-Term Indebtedness

As of August 29, 2019, the Town will have no outstanding short-term indebtedness.

Overlapping and Underlying Indebtedness

The Town has no overlapping or underlying indebtedness.

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 loans outstanding:

| <u>Project</u> | <u>Date of Issue</u> | <u>Original 2% Loan Amount</u> | <u>Amount Outstanding for the Sewer Construction Projects As of August 29, 2019</u> |
|----------------|----------------------|------------------------------------|-------------------------------------------------------------------------------------------------|
| | | | |
| CWF PLO 499-C | 07/31/2004 | \$ 4,595,198 | \$ 1,061,535 |

Legal Requirements for Approval of Borrowing

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

Temporary Financing

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

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

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

School Projects

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

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.

Authorized but Unissued Debt

| Projects | Total Bond Authorization | Prior Bonds Issued | Paydowns/ Grants | The Bonds (This Issue) (2) | Authorized But Unissued |
|-----------------------------|-----------------------------|-----------------------|---------------------|-------------------------------|-------------------------------|
| 2012-13 Capital Improvement | \$ 5,100,000 | \$ 1,883,569 | \$ 2,609,896 | \$ - | \$ 606,535 |
| 2018-19 Capital Improvement | 5,637,685 | 1,691,000 | 2,946,094 (1) | 1,000,591 | - |
| 2019-20 Capital Improvement | 5,892,270 | - | 2,633,861 (1) | 3,258,409 | - |
| Total | <u>\$16,629,955</u> | <u>\$ 3,574,569</u> | <u>\$ 8,189,851</u> | <u>\$ 4,259,000</u> | <u>\$ 606,535</u> |

- (1) It is estimated that the Town will receive grant payments in the amount of \$1,790,565 for bridge projects and \$2,929,908 for road projects during the construction of the projects. The grants received will reduce the authorized but unissued debt by a similar amount.
- (2) Includes \$609,000 of original issue premium which will be applied to project costs.

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

As of August 29, 2019 (Pro Forma)

| Fiscal Year | Principal Payments (1,2) | Interest Payments | Total Debt Service (1,2) | Refunded Bonds Principal | Refunding Bonds Principal | The Capital Projects Principal | Total Principal All Issues (1,3) |
|----------------|-----------------------------|----------------------|-----------------------------|--------------------------------|---------------------------------|--------------------------------------|----------------------------------------|
| 2020 | \$ 3,461,054 | \$ 639,894 | \$ 4,100,948 | \$ - | \$ - | \$ - | \$ 3,461,054 |
| 2021 | 3,322,243 | 530,703 | 3,852,946 | (1,300,000) | 1,185,000 | 245,000 | 3,452,243 |
| 2022 | 3,302,536 | 429,154 | 3,731,690 | (1,300,000) | 1,180,000 | 245,000 | 3,427,536 |
| 2023 | 3,297,936 | 333,747 | 3,631,683 | (1,295,000) | 1,180,000 | 245,000 | 3,427,936 |
| 2024 | 2,517,992 | 248,824 | 2,766,816 | (1,200,000) | 1,100,000 | 245,000 | 2,662,992 |
| 2025 | 2,220,000 | 179,818 | 2,399,818 | (1,190,000) | 1,105,000 | 245,000 | 2,380,000 |
| 2026 | 1,530,000 | 130,043 | 1,660,043 | - | - | 245,000 | 1,775,000 |
| 2027 | 890,000 | 104,733 | 994,733 | - | - | 245,000 | 1,135,000 |
| 2028 | 715,000 | 85,780 | 800,780 | - | - | 245,000 | 960,000 |
| 2029 | 710,000 | 70,193 | 780,193 | - | - | 245,000 | 955,000 |
| 2030 | 710,000 | 53,968 | 763,968 | - | - | 245,000 | 955,000 |
| 2031 | 705,000 | 37,255 | 742,255 | - | - | 240,000 | 945,000 |
| 2032 | 705,000 | 20,190 | 725,190 | - | - | 240,000 | 945,000 |
| 2033 | 275,000 | 7,425 | 282,425 | - | - | 240,000 | 515,000 |
| 2034 | 110,000 | 1,650 | 111,650 | - | - | 240,000 | 350,000 |
| 2035 | - | - | - | - | - | 240,000 | 240,000 |
| | <u>\$24,471,761</u> | <u>\$2,873,377</u> | <u>\$ 27,345,138</u> | <u>\$ (6,285,000)</u> | <u>\$5,750,000</u> | <u>\$3,650,000</u> | <u>\$ 27,586,761</u> |

- (1) Does not reflect fiscal year 2019-20 principal payments of \$2,445,226 made as of August 29, 2019.
- (2) Includes Refunded Bonds, excludes the Bonds.
- (3) Includes the Bonds, excludes Refunded Bonds.

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

SECTION V - FINANCIAL DATA

Accounting Policies

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

Basis of Accounting

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

Audit

Pursuant to the provisions as delineated in the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes), the Town is obligated to undergo an annual examination by an independent certified public accountant. The firm of 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.

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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, 2018 summarizes actuarial information based upon the July 1, 2016 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:

| Fiscal Year Ending June 30 | Town Plan | | | | |
|---------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total pension liability | \$ 16,890,531 | \$ 16,268,788 | \$ 16,343,434 | \$ 15,601,000 | \$ 14,613,000 |
| Plan fiduciary net position | 14,223,198 | 13,298,567 | 12,004,230 | 11,903,000 | 11,203,000 |
| Net pension liability | <u>\$ 2,667,333</u> | <u>\$ 2,970,221</u> | <u>\$ 4,339,204</u> | <u>\$ 3,698,000</u> | <u>\$ 3,410,000</u> |
| Plan fiduciary net position as a % of total pension liability | 84.2% | 81.7% | 73.4% | 76.3% | 76.7% |

| Fiscal Year Ending June 30 | Merit Service Plan | | | | |
|---------------------------------------------------------------|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total pension liability | \$ 4,252,936 | \$ 4,115,774 | \$ 4,053,725 | \$ 3,903,000 | \$ 3,719,000 |
| Plan fiduciary net position | 3,851,737 | 3,693,369 | 3,369,413 | 3,362,000 | 3,290,000 |
| Net pension liability | <u>\$ 401,199</u> | <u>\$ 422,405</u> | <u>\$ 684,312</u> | <u>\$ 541,000</u> | <u>\$ 429,000</u> |
| Plan fiduciary net position as a % of total pension liability | 90.6% | 89.7% | 83.1% | 86.1% | 88.5% |

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

| | Town Plan | | |
|-----------------------|------------------------------|--------------------------------|------------------------------|
| | Current | | |
| | 1% Decrease 6.00% | Discount Rate 7.00% | 1% Increase 8.00% |
| Net Pension Liability | \$ 4,349,333 | \$ 2,667,333 | \$ 1,211,732 |

| | Merit Service Plan | | |
|-----------------------|------------------------------|--------------------------------|------------------------------|
| | Current | | |
| | 1% Decrease 6.00% | Discount Rate 7.00% | 1% Increase 8.00% |
| Net Pension Liability | \$ 912,196 | \$ 401,199 | \$ (26,598) |

Based upon a July 1, 2018 actuarial valuation, the actuarial value of assets and actuarial liabilities for the Town Plan and Merit Service Plan were as follows:

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

| Actuarial Valuation July 1 | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded (Overfunded) AAL (UAAL) (b) - (a) | Funded Ratio (a) / (b) |
|----------------------------------|----------------------------------------|---------------------------------------------------|--------------------------------------------------------|------------------------------|
| 2010 | \$ 6,216,987 | \$11,660,746 | \$ 5,443,759 | 53.3% |
| 2012 | 8,192,297 | 13,085,274 | 4,892,977 | 62.6 |
| 2014 | 11,177,311 | 14,910,311 | 3,733,000 | 75.0 |
| 2016 | 12,002,600 | 15,614,934 | 3,612,334 | 76.9 |
| 2018 | 14,223,198 | 17,651,590 | 3,428,392 | 80.6 |

(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) |
|----------------------------------|----------------------------------------|---------------------------------------------------|--------------------------------------------------------|------------------------------|
| 2010 | \$ 1,937,389 | \$ 3,121,487 | \$ 1,184,098 | 62.1% |
| 2012 | 2,546,572 | 3,367,567 | 820,995 | 75.6 |
| 2014 | 3,282,069 | 3,749,977 | 467,908 | 87.5 |
| 2016 | 3,368,953 | 3,972,584 | 603,631 | 84.8 |
| 2018 | 3,851,737 | 4,455,182 | 603,445 | 86.5 |

**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, 2018 valuation and assumes (i) that the Town will pay the ADEC each year; and (ii) the method for amortizing the unfunded liability has been changed from an open amortization period of 20 years beginning July 1, 2012 to closed amortization period of 20 years beginning July 1, 2012. As of July 1, 2018 there are 15 years remaining.

| Fiscal Year | Actuarial Determined Employer Contribution | Actual Contribution | Percentage Contributed |
|-------------|-----------------------------------------------|------------------------|---------------------------|
| 2016 | \$ 669,415 | \$ 852,334 | 127.3 |
| 2017 | 682,320 | 736,650 | 108.0 |
| 2018 | 654,162 | 850,000 | 129.9 |
| 2019 (1) | 665,541 | 665,541 | 100.0 |
| 2020 (1) | 559,267 | 559,267 | 100.0 |

(1) As budgeted for fiscal years 2018-19 and 2019-20.

(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, 2018 valuation and assumes that the Town will pay the ADEC each year.

| <u>Fiscal Year</u> | <u>Actuarial Determined Employer Contribution</u> | <u>Actual Contribution</u> | <u>Percentage Contributed</u> |
|--------------------|-------------------------------------------------------|--------------------------------|-----------------------------------|
| 2016 | \$ 107,425 | \$ 150,102 | 139.7 |
| 2017 | 107,425 | 150,102 | 139.7 |
| 2018 | 118,419 | 118,419 | 100.0 |
| 2019 (1) | 118,419 | 118,419 | 100.0 |
| 2020 (1) | 119,508 | 119,508 | 100.0 |

(1) As budgeted for fiscal years 2018-19 and 2019-20.

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, 2016, 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:

| <u>Fiscal Year Ending June 30</u> | <u>2018</u> | <u>2017</u> |
|---------------------------------------------------------------|---------------------|---------------------|
| Total OPEB liability | \$ 2,437,252 | \$ 2,346,310 |
| Plan fiduciary net position | <u>1,372,819</u> | <u>1,289,275</u> |
| Net OPEB liability | <u>\$ 1,064,433</u> | <u>\$ 1,057,035</u> |
| Plan fiduciary net position as a % of total OPEB liability | 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:

| | <u>1% Decrease 6.00%</u> | <u>Current Discount Rate 7.00%</u> | <u>1% Increase 8.00%</u> |
|-----------------------|------------------------------|--------------------------------------------|------------------------------|
| Net Pension Liability | \$ 1,326,307 | \$ 1,064,433 | \$ 836,872 |

As of July 1, 2016, the most recent actuarial valuation date, the actuarial liability amount for OPEB was \$2,299,857. At that same date, there were 103 active participants and 19 retirees or continuing spouses.

Based upon a July 1, 2016 actuarial valuation, the actuarial value of assets and actuarial liabilities were as follows:

Schedule of Funding Progress

| Actuarial Valuation July 1 | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded (Overfunded) AAL (UAAL) (b) - (a) | Funded Ratio (a) / (b) |
|----------------------------------|----------------------------------------|---------------------------------------------------|--------------------------------------------------------|------------------------------|
| 2007 | \$ - | \$ 3,199,000 | \$ 3,199,000 | 0.0% |
| 2010 | - | 5,373,000 | 5,373,000 | 0.0% |
| 2012 | 620,872 | 3,124,371 | 2,503,499 | 19.9% |
| 2014 | 886,171 | 2,570,923 | 1,684,752 | 34.5% |
| 2016 | 1,023,827 | 2,299,857 | 1,276,030 | 44.5% |

The following table represents a prospective forecast of the Plan's accrued liability and corresponding ARC based on the July 1, 2016 valuation and assumes (i) that the Town will pay the ARC each year; (ii) that assets will return 7.0% on a market value basis and (iii) that there are no future changes in the actuarial methods, assumption or plan provisions.

Schedule of Employer Contributions

| Fiscal Year | Actuarial Required Contribution | Actual Contribution | Percentage Contributed |
|-------------|---------------------------------------|------------------------|---------------------------|
| 2016 | \$ 206,921 | \$ 131,123 | 63.4 |
| 2017 | 210,274 | 215,521 | 102.5 |
| 2018 | 173,543 | 199,000 | 114.7 |
| 2019 (1) | 177,535 | N/A | |
| 2020 (1) | 177,535 | N/A | |

Investment Policies and Procedures

The Town's investment practices have been to invest only in the following investments: (1) certificates of deposit; (2) overnight repurchase agreements collateralized by U.S. government agency obligations which are priced daily; 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").

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.

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 39.00 mills for the assessment year commencing October 1, 2016, and 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 2018 assessment year (the fiscal year ending June 30, 2020) is 28.2 mills.

Tax Collection Procedure

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

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

Property Tax Levies and Collections

| FY Ending 6/30 | Net Taxable Grand List (1) | Tax Rate (In Mills) | Total Adjusted Tax Levy | Collected End of Each FY | Uncollected Taxes End of Each FY | Uncollected Taxes As of 6/30/19 In Process |
|----------------------|-------------------------------|------------------------|-------------------------------|--------------------------------|-------------------------------------------|-----------------------------------------------------|
| 2020 (1,3) | \$1,049,204,603 | 28.20 | \$29,041,049 | In Process | In Process | In Process |
| 2019 (2) | 1,046,959,259 | 27.70 | 28,386,763 | 98.7% | \$ 378,830 | \$ 378,830 (2) |
| 2018 | 1,040,712,083 | 27.60 | 28,936,650 | 99.0 | 278,044 | 97,954 |
| 2017 | 1,029,457,478 | 26.70 | 27,729,272 | 98.9 | 313,775 | 54,800 |
| 2016 | 1,024,379,738 | 26.20 | 27,038,635 | 99.0 | 351,327 | 29,284 |
| 2015 | 1,030,897,219 | 25.20 | 25,906,000 | 98.9 | 295,000 | 418 |
| 2014 | 1,110,419,110 | 22.60 | 25,183,000 | 98.4 | 400,000 | 405 |
| 2013 | 1,108,810,149 | 22.20 | 24,668,000 | 98.1 | 482,000 | - |
| 2012 | 1,100,594,853 | 22.20 | 24,488,000 | 98.1 | 468,000 | - |
| 2011 | 1,099,965,435 | 21.90 | 24,097,000 | 98.2 | 446,000 | - |

(1) Adopted Budget.

(2) Unaudited estimates.

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

Source: Town Officials.

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Taxable Grand List (1)

| Grand List Dated | Real Property | Personal Property | Motor Vehicle Property | Gross Taxable Grand List | Less Exemptions | Net Taxable Grand List |
|------------------------|------------------|----------------------|------------------------------|--------------------------------|--------------------|---------------------------|
| 10/01/18 | \$ 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 |
| 10/01/10 | 1,008,741,470 | 26,300,793 | 68,507,350 | 1,103,549,613 | 2,954,760 | 1,100,594,853 |
| 10/01/09 | 1,009,412,020 | 26,812,897 | 66,633,028 | 1,102,857,945 | 2,892,510 | 1,099,965,435 |

- (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

The following table sets forth the ten largest taxpayers in the Town per the Grand List dated October 1, 2018.

| Name of Taxpayer | Nature of Operations | Total As of 10/1/18 |
|--------------------------------|--------------------------|------------------------------------|
| Eversource | Power Company | \$21,778,040 |
| CRP/BWN LLC (Sarah Pierce) | Health Care Facility | 6,951,130 |
| City of Waterbury | Watershed | 6,761,900 |
| 6645 Federal Square Realty LLC | Real Estate | 4,700,040 |
| White Memorial Foundation | Leased Land for Cottages | 3,553,030 |
| C A Litchfield Land LLC | Real Estate | 3,139,350 |
| Aquarion Water Co. | Water Supply | 3,214,170 |
| Union Savings Bank | Bank | 2,612,100 |
| Stillman House LLC | Real Estate | 2,607,250 |
| 130 Chestnut Hill LLC | Real Estate | 2,594,940 |
| Total | | <u>\$57,911,950</u> ⁽¹⁾ |

- (1) Represents 5.51% of the net taxable grand list dated October 1, 2018 of \$1,049,204,603.

Source: Tax Assessor.

Revenues

The Town derives its revenues from a direct tax levy on property, State and Federal aid, various fees and charges, and certain miscellaneous sources. Town revenues are summarized for fiscal years ended 2014 – 2018, see "Statement of Revenues, Expenditures, and Changes in Fund Balance" herein. The prior year's appropriated surplus is also available to support current operating expenditures.

Property Tax Revenues

| <u>Fiscal Year</u> | <u>General Fund Revenues</u> | | <u>Property Tax Revenues</u> | <u>Property Tax As a % of General Fund Revenues</u> |
|--------------------------|----------------------------------|-----|----------------------------------|---------------------------------------------------------|
| 2020 (Adopted Budget) | \$31,665,180 | (1) | \$29,701,049 | 93.8 |
| 2019 (Estimated Actuals) | 31,448,519 | (1) | 29,128,501 | 92.6 |
| 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 |
| 2012 | 28,532,000 | | 24,652,000 | 86.4 |
| 2011 | 27,523,000 | | 24,221,000 | 88.0 |

(1) Adopted budget for fiscal year 2019-20 and unaudited estimates for fiscal year 2018-19, do not include on-behalf payments for state teachers' retirement.

Intergovernmental Revenues

| <u>Fiscal Year</u> | <u>General Fund Revenues</u> | | <u>Intergovernmental Revenues</u> | | <u>Intergovernmental Revenues as a % of General Fund Revenues</u> |
|--------------------------|----------------------------------|-----|---------------------------------------|-----|---------------------------------------------------------------------------|
| 2020 (Adopted Budget) | \$ 31,665,180 | (1) | \$ 1,278,308 | (1) | 4.0 |
| 2019 (Estimated Actuals) | 31,448,519 | (1) | 1,431,579 | (1) | 4.6 |
| 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 |
| 2012 | 28,532,000 | | 3,352,000 | | 11.7 |
| 2011 | 27,523,000 | | 2,846,000 | | 10.3 |

(1) Adopted budget for fiscal year 2019-20 and unaudited estimates for fiscal year 2018-19, do not include on-behalf payments for state teachers' retirement.

Expenditures (1)

| <u>Fiscal Year</u> | <u>Board of Education %</u> | <u>Debt Service %</u> | <u>Public Works %</u> | <u>Benefits and Insurance %</u> | <u>General Government %</u> | <u>Public Safety %</u> |
|--------------------------|-------------------------------------|-------------------------------|-------------------------------|-----------------------------------------|-------------------------------------|--------------------------------|
| 2020 (Adopted Budget) | 60.9 | 13.1 | 10.4 | 5.1 | 5.3 | 3.1 |
| 2019 (Estimated Actuals) | 61.5 | 13.0 | 10.0 | 5.5 | 5.0 | 3.0 |
| 2018 | 66.2 | 10.5 | 9.4 | 5.4 | 3.8 | 2.7 |
| 2017 | 65.9 | 10.8 | 9.0 | 5.4 | 4.3 | 2.6 |
| 2016 | 65.3 | 10.0 | 9.5 | 6.0 | 4.2 | 2.9 |
| 2015 | 64.0 | 10.6 | 9.5 | 6.3 | 4.4 | 2.7 |
| 2014 | 63.7 | 11.2 | 8.8 | 6.4 | 4.7 | 2.8 |
| 2013 | 64.8 | 11.5 | 8.5 | 5.1 | 4.9 | 2.7 |
| 2012 | 64.9 | 12.0 | 8.0 | 5.1 | 4.5 | 3.0 |
| 2011 | 63.2 | 12.3 | 8.6 | 5.2 | 5.1 | 3.1 |

(1) Adopted budget for fiscal year 2019-20 and unaudited estimates for fiscal year 2018-19, do not include on-behalf payments for state teachers' retirement.

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

| | Fiscal Year 2017-18 | | | Fiscal Year 2018-19 | Fiscal Year 2019-20 |
|-------------------------------------------------------------------------------------------------|---------------------|----------------------|----------------------------|------------------------|------------------------|
| | Final Budget | Actual Operations | Favorable (Unfavorable) | Unaudited Estimates | Adopted Budget |
| REVENUES | | | | | |
| Property taxes | \$28,909,513 | \$29,353,144 | \$ 443,631 | \$29,128,501 | \$29,701,049 |
| Intergovernmental | 1,344,991 | 1,324,232 | (20,759) | 1,431,579 | 1,278,308 |
| Licenses, permits and fees | 469,700 | 494,194 | 24,494 | 534,765 | 530,336 |
| Income from investments | 30,000 | 216,721 | 186,721 | 300,623 | 125,000 |
| Other revenues | 5,000 | 171,897 | 166,897 | 53,051 | 30,487 |
| TOTAL REVENUES | 30,759,204 | 31,560,188 | 800,984 | 31,448,519 | 31,665,180 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,392,726 | 1,320,407 | 72,319 | 1,545,070 | 1,709,062 |
| Public safety | 944,539 | 914,288 | 30,251 | 932,272 | 982,264 |
| Public works | 3,272,310 | 3,196,128 | 76,182 | 3,084,338 | 3,320,974 |
| Health and welfare | 41,837 | 40,933 | 904 | 130,425 | 122,630 |
| Cultural and recreation | 663,438 | 649,841 | 13,597 | 111,573 | 132,062 |
| Libraries | - | - | - | 380,744 | 390,738 |
| Board of education | 18,933,526 | 18,919,400 | 14,126 | 18,993,526 | 19,471,500 |
| Other | 1,874,140 | 1,868,332 | 5,808 | 1,691,113 | 1,639,554 |
| Debt service | 4,030,934 | 4,030,934 | - | 4,015,032 | 4,180,948 |
| TOTAL EXPENDITURES | 31,153,450 | 30,940,263 | 213,187 | 30,884,093 | 31,949,732 |
| Revenues over (under) expenditures | <u>(394,246)</u> | <u>619,925</u> | <u>1,014,171</u> | <u>564,426</u> | <u>(284,552)</u> |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Operating transfers in | 394,246 | 394,042 | (204) | 360,186 | 349,552 |
| Operating transfers out | - | - | - | (65,000) | (65,000) |
| Premium on bonds | - | 44,343 | 44,343 | 9,622 | - |
| Appropriation of fund balance | - | - | - | (300,000) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 394,246 | 438,385 | 44,139 | 4,808 | 284,552 |
| Revenues and other financing sources over (under) expenditures and other financing (uses) | <u>\$ -</u> | <u>\$ 1,058,310</u> | <u>\$ 1,058,310</u> | <u>\$ 569,234</u> | <u>\$ -</u> |

Source: Audited financial statements; Fiscal year 2018-19 unaudited estimates and 2019-20 adopted budget.

Comparative Balance Sheets - General Fund
(Fiscal Years 2014 and 2015 In Thousands)

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$14,215,000 | \$14,263,000 | \$12,714,991 | \$16,909,037 | \$15,867,524 |
| Receivables, net | 753,000 | 669,000 | 743,098 | 740,192 | 456,960 |
| Other assets | 105,000 | 71,000 | 60,606 | 85,313 | 114,486 |
| Due from other funds | 323,000 | 323,000 | 1,129,010 | - | - |
| TOTAL ASSETS | \$15,396,000 | \$15,326,000 | \$14,647,705 | \$17,734,542 | \$16,438,970 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 922,000 | \$ 1,363,000 | \$ 814,511 | \$ 1,369,459 | \$ 918,006 |
| Due to other funds | 8,705,000 | 8,437,000 | 8,452,296 | 10,165,082 | 9,077,360 |
| Total liabilities | 9,627,000 | 9,800,000 | 9,266,807 | 11,534,541 | 9,995,366 |
| Deferred inflows of resources: | | | | | |
| Unavailable revenue | | | | | |
| Property taxes | 642,000 | 560,000 | 595,617 | 620,264 | 380,890 |
| Advanced property tax collections | 26,000 | 193,000 | 55,320 | 57,660 | 17,830 |
| Total deferred inflows of resources | 668,000 | 753,000 | 650,937 | 677,924 | 398,720 |
| Fund balances: | | | | | |
| Nonspendable | 105,000 | 71,000 | 60,606 | 85,313 | 114,486 |
| Committed | - | - | - | 311,373 | 474,111 |
| Assigned | 69,000 | 226,000 | 465,792 | 45,386 | 72,364 |
| Unassigned | 4,927,000 | 4,476,000 | 4,203,563 | 5,080,005 | 5,383,923 |
| Total fund balances | 5,101,000 | 4,773,000 | 4,729,961 | 5,522,077 | 6,044,884 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$15,396,000 | \$15,326,000 | \$14,647,705 | \$17,734,542 | \$16,438,970 |

Source: Annual audited financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund
(GAAP Basis)
(Fiscal Years 2014 and 2015 In Thousands)

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUES: | | | | | |
| Property taxes and assessments | \$25,324,000 | \$26,098,000 | \$27,182,059 | \$27,879,012 | \$29,353,144 |
| Intergovernmental | 3,729,000 | 3,426,000 | 3,694,739 | 5,135,647 | 5,034,065 |
| Charges for services | 507,000 | 504,000 | 492,568 | 567,891 | 494,194 |
| Income from investments | 28,000 | 29,000 | 39,137 | 99,144 | 216,721 |
| Other revenues | 24,000 | 51,000 | 47,836 | 27,178 | 199,693 |
| TOTAL REVENUES | <u>29,612,000</u> | <u>30,108,000</u> | <u>31,456,339</u> | <u>33,708,872</u> | <u>35,297,817</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 1,397,000 | 1,308,000 | 1,289,849 | 1,426,358 | 1,301,754 |
| Public safety | 833,000 | 811,000 | 903,892 | 875,941 | 914,288 |
| Public works | 2,603,000 | 2,834,000 | 2,921,026 | 3,003,261 | 3,220,073 |
| Health and welfare | 104,000 | 106,000 | 35,557 | 45,411 | 40,933 |
| Culture and recreation | 602,000 | 612,000 | 622,189 | 635,369 | 649,841 |
| Education | 18,861,000 | 19,117,000 | 20,120,031 | 22,078,393 | 22,629,233 |
| Employee Benefits | 1,886,000 | 1,887,000 | 1,841,785 | 1,793,704 | 1,859,543 |
| Debt service | 3,308,000 | 3,177,000 | 3,069,998 | 3,631,294 | 3,575,110 |
| TOTAL EXPENDITURES | <u>29,594,000</u> | <u>29,852,000</u> | <u>30,804,327</u> | <u>33,489,731</u> | <u>34,190,775</u> |
| Revenues over (under) expenditures | <u>18,000</u> | <u>256,000</u> | <u>652,012</u> | <u>219,141</u> | <u>1,107,042</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Premium on bonds | - | 70,000 | 5,063 | 597,975 | 44,343 |
| Operating transfers in | 428,000 | 427,000 | 59,850 | - | - |
| Operating transfers out | (899,000) | (1,081,000) | (759,964) | (25,000) | (628,578) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(471,000)</u> | <u>(584,000)</u> | <u>(695,051)</u> | <u>572,975</u> | <u>(584,235)</u> |
| Net change in fund balances | (453,000) | (328,000) | (43,039) | 792,116 | 522,807 |
| Fund Balances - beginning of year | <u>5,554,000</u> | <u>5,101,000</u> | <u>4,773,000</u> | <u>4,729,961</u> | <u>5,522,077</u> |
| Fund Balances - end of year | <u>\$ 5,101,000</u> | <u>\$ 4,773,000</u> | <u>\$ 4,729,961</u> | <u>\$ 5,522,077</u> | <u>\$ 6,044,884</u> |

Source: Annual audited financial statements.

SECTION VI – ADDITIONAL INFORMATION

Litigation

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

Legal Matters

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

Municipal Advisor

The Town has retained Hilltop Securities 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.

Availability of Continuing Disclosure Information

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

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

Documents Accompanying Delivery of the Bonds

Upon delivery of the Bonds, the Underwriter 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 and attached to a confirmed copy of the Official Statement, and which will certify to the best of said officials' knowledge and belief, that at the date of execution of the Bond Purchase Agreement, and on the date of delivery of and payment for the Bonds, that the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statement therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement;
3. A Receipt for the purchase price of the Bonds;
4. The approving opinion of Joseph Fasi LLC of Hartford, Connecticut;

5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached to the Official Statement as Appendix C; and
6. Any other documents required by the Bond Purchase Agreement.

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

Concluding Statement

Additional information may be obtained upon request from the office of the Director of Finance at (860) 567-7554 or from the Municipal Advisor at (860) 290-3001.

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

TOWN OF LITCHFIELD, CONNECTICUT

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

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

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

Dated: August 13, 2019

APPENDIX A - AUDITED FINANCIAL STATEMENTS

TOWN OF LITCHFIELD, CONNECTICUT

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JUNE 30, 2018

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Appendix A - Financial Statements - is taken from the Annual Financial Report of the Town of Litchfield for the Fiscal Year ended June 30, 2018 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

ACCOUNTANTS • ADVISORS

Clermont & Associates, LLC
16 Waterbury Road
Prospect CT 06712

Main: 203-758-6658

Fax: 203-758-6758

clermontaccounting.com

INDEPENDENT AUDITOR'S REPORT

Board of Selectmen
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, 2018, 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, 2018, 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 on pages 59-69, 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 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 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 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018 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 Town of Litchfield, Connecticut's internal control over financial reporting and compliance.

CLERMONT & ASSOCIATES, LLC
Prospect, Connecticut



December 27, 2018

TOWN OF LITCHFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018. Please read this MD&A in conjunction with the Town's financial statements.

Financial Highlights

- Net position of our governmental activities increased by \$2.5 million.
- Net position of our business-type activities increased by \$253 thousand
- The General Fund reported a fund balance this year of \$6.0 million; \$522 thousand more than the general fund balance reported in the prior year;
- The resources available for appropriation in the general fund were \$5.4 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 (Exhibit 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 \$2.5 million from \$57.9 million in 2017 to \$60.4 million in 2018.

The net operating income and net investment income increased the business-type activities by \$253 thousand for the fiscal year ending June 30, 2018. The net position ended at \$4.4 million.

TABLE 1 NET POSITION: (in Thousands)

| | | Governmental Activities | |
|---------------------------------------|----|--------------------------------|-------------|
| | | 2018 | 2017 |
| Current and other assets | \$ | 16,730 | 18,212 |
| Capital assets | | 75,753 | 73,673 |
| Deferred inflows | | 117 | 127 |
| Total assets & deferred inflows | \$ | 92,600 | 92,012 |
| Current and other liabilities | \$ | 1,525 | 2,434 |
| Deferred outflows | | 464 | 699 |
| Long-term liabilities | | 30,211 | 30,976 |
| Total liabilities & deferred outflows | \$ | 32,200 | 34,109 |
| Net position: | | | |
| Investment in capital assets | \$ | 45,684 | 47,384 |
| Restricted | | 10 | 10 |
| Unrestricted | | 14,706 | 10,509 |
| Total net position | \$ | 60,400 | 57,903 |

TABLE 2
CHANGE IN NET ASSETS (In Thousands)

| | Governmental Activities | |
|--------------------------------------------------------------|--------------------------------|-------------|
| | 2018 | 2017 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 937 | 1,763 |
| Operating grants and contributions | 6,365 | 5,972 |
| Capital grants and contributions | 1,643 | 1,381 |
| General revenues: | | |
| Property taxes | 29,205 | 27,743 |
| Grants and contributions not restricted to specific purposes | 79 | 340 |
| Unrestricted investment earnings and other revenues | 217 | 102 |
| Other general revenues (and transfers) | 316 | 217 |
| Total revenues | \$ 38,762 | 37,518 |
| Program expenses: | | |
| General government | \$ 2,656 | 2,693 |
| Public safety | 1,222 | 1,075 |
| Public works | 5,279 | 4,237 |
| Health and welfare | 71 | 48 |
| Culture and recreation | 1,041 | 744 |
| Education | 25,402 | 24,429 |
| Interest and fiscal charges | 595 | 553 |
| Total program expenses | \$ 36,266 | 33,779 |
| Increase (Decrease) in Net Position | \$ 2,496 | 3,739 |

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 \$11.9 million which is a \$0.3 million increase from the previous year. Included in this year's total change in fund balance is a decrease of \$0.2 million in the Capital Projects Fund. This is mainly due to the ongoing capital projects bonding of capital expenditures and related premium on issuance.

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 \$180 thousand, which included depreciation expense of \$121 thousand. Net fund position at year end included \$3,274 thousand of net capital investment and \$1,098 thousand unrestricted.

The Internal Service Fund recorded a negative change in net fund position. Operating revenues were less than operating expenses by \$584 thousand with a net fund position of \$2,097.

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).

- Property tax collections were more than expected as well as total revenues
- All departments expended less than the budgeted amounts with the largest savings in the public works department.

The fund balance was \$6.0 million of which \$5.4 million was without restrictions or assignments and available to appropriate.

Capital Assets

At June 30, 2018, the Town had \$80 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 total Town's amount represents a net increase (including additions and deductions) of \$2 million, net of depreciation expenses.

TABLE 3**CAPITAL ASSETS (Net of Depreciation)**

| | | Governmental Activities | |
|-----------------------------------|----|-------------------------------------|---------------|
| | | 2018 | 2017 |
| Land | \$ | 1,679 | 1,679 |
| Buildings and improvements | | 43,526 | 43,311 |
| Furniture, fixtures and equipment | | 3,940 | 3,587 |
| Infrastructure | | 24,633 | 21,403 |
| Construction in progress | | 1,975 | 3,692 |
| Totals | \$ | <u>75,753</u> | <u>73,672</u> |
| | | Business-type Activities | |
| | | 2018 | 2017 |
| Buildings and improvements | \$ | 2,740 | 2,794 |
| Equipment | | 33 | 42 |
| Infrastructure | | 1,732 | 1,791 |
| Totals | \$ | <u>4,505</u> | <u>4,627</u> |

TABLE 4
OUTSTANDING DEBT (In Thousands)

Long-Term Liabilities

At June 30, 2018 the Town had \$31.5 million in long term liabilities versus \$32.6 million last year, a decrease of 3.2% - as shown in Table 4.

| | 2018 | 2017 |
|----|-------------------|-------------------|
| \$ | <u>31,548,047</u> | <u>32,594,251</u> |

General obligation bonds (backed by the Town) were reduced by \$2.99 million in payments with one new issue of \$2.5 million 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 \$1.3 million in notes payable, which was Clean Water Notes 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 2019 budget tax rates. One of those factors is the economy and the benefits of continual development within the Town.

These indicators along with a projected modest inflationary increase were taken into account when adopting the General Fund budget for 2018-19.

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, 2018

| | Governmental Activities | Business-type Activities | Total* |
|-------------------------------------------------|----------------------------|-----------------------------|-------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 6,401,325 | 50 | 6,401,375 |
| Investments | 9,724,650 | | 9,724,650 |
| Receivables, net | 1,231,264 | 207,694 | 1,438,958 |
| Notes receivable | | 106,597 | 106,597 |
| Prepaid expenses | 377,071 | | 377,071 |
| Inventory | 114,486 | | 114,486 |
| Internal balances | (903,445) | 903,445 | - |
| External balances | (215,454) | | (215,454) |
| Capital assets: | | | |
| Capital assets, not being depreciated | 3,654,750 | | 3,654,750 |
| Capital assets, being depreciated, net | 72,098,467 | 4,505,173 | 76,603,640 |
| Total assets | \$ 92,483,114 | 5,722,959 | 98,206,073 |
| Deferred outflows on resources | | | |
| Pension and other post retirement | \$ 116,687 | | 116,687 |
| | 116,687 | - | 116,687 |
| Liabilities: | | | |
| Accounts payable and other current liabilities | \$ 1,315,703 | 11,978 | 1,327,681 |
| Accrued interest | 181,491 | | 181,491 |
| Unearned revenues | 27,914 | 787 | 28,701 |
| Noncurrent liabilities: | | | |
| Due within one year | 3,075,625 | 254,822 | 3,330,447 |
| Due in more than one year | 27,134,838 | 1,082,762 | 28,217,600 |
| Total liabilities | \$ 31,735,571 | 1,350,349 | 33,085,920 |
| Deferred Inflows on Resources | | | |
| Pension and other post retirement | \$ 446,613 | | 446,613 |
| Advance tax collections | 17,830 | | 17,830 |
| Total deferred inflow on resources | \$ 464,443 | - | 464,443 |
| Net Position: | | | |
| Invested in capital assets, net of related debt | \$ 45,683,390 | 3,274,186 | 48,957,576 |
| Restricted for: | | | |
| Donor's Intentions | 10,000 | | 10,000 |
| Unrestricted | 14,706,397 | 1,098,424 | 15,804,821 |
| Total net position | \$ 60,399,787 | 4,372,610 | 64,772,397 |

* 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, 2018

| Functions/programs | Expenses | Program Revenues |
|---------------------------------------|----------------------|----------------------|
| | | Charges for Services |
| Primary Government: | | |
| Governmental activities: | | |
| General government | \$ 2,655,703 | 382,171 |
| Public safety | 1,222,123 | 18,919 |
| Public works | 5,279,026 | 153,793 |
| Community service | 70,878 | |
| Cultural and recreation | 1,041,318 | 27,075 |
| Education | 25,402,938 | 354,942 |
| Interest on long-term debt | 594,019 | |
| Total governmental activities | \$ 36,266,005 | 936,900 |
| Business-type activities: | | |
| Water Pollution Control Authority | \$ 983,448 | 1,163,214 |
| Interest on long-term debt | 29,803 | |
| Total business-type activities | \$ 1,013,251 | 1,163,214 |
| Total primary government | \$ 37,279,256 | 2,100,114 |

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

| Program Revenues | | Net (Expenses) Revenue and Changes in Net Position | | |
|------------------------------------------------------------------|----------------------------------------|----------------------------------------------------|-----------------------------|---------------------|
| Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | Governmental Activities | Business-type Activities | Total |
| | | (2,273,532) | | (2,273,532) |
| | | (1,203,204) | | (1,203,204) |
| 394,902 | 1,642,600 | (3,087,731) | | (3,087,731) |
| | | (70,878) | | (70,878) |
| | | (1,014,243) | | (1,014,243) |
| 5,970,002 | | (19,077,994) | | (19,077,994) |
| | | (594,019) | | (594,019) |
| <u>6,364,904</u> | <u>1,642,600</u> | <u>(27,321,601)</u> | <u>-</u> | <u>(27,321,601)</u> |
| | | | 179,766 | 179,766 |
| | | | (29,803) | (29,803) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>149,963</u> | <u>149,963</u> |
| <u>6,364,904</u> | <u>1,642,600</u> | <u>(27,321,601)</u> | <u>149,963</u> | <u>(27,171,638)</u> |
| General revenues: | | | | |
| Property taxes | | \$ 29,205,498 | | 29,205,498 |
| Grants and contributions not restricted for specific programs | | 79,158 | | 79,158 |
| Unrestricted investment earnings | | 216,727 | 13,345 | 230,072 |
| Other unrestricted income | | 405,871 | | 405,871 |
| Transfers | | (89,578) | 89,578 | - |
| Total general revenues and transfers | | <u>\$ 29,817,676</u> | <u>102,923</u> | <u>29,920,599</u> |
| Change in net position | | <u>\$ 2,496,075</u> | <u>252,886</u> | <u>2,748,961</u> |
| Net position, beginning | | 57,903,712 | 4,119,724 | 62,023,436 |
| Net position, ending | | <u>\$ 60,399,787</u> | <u>4,372,610</u> | <u>64,772,397</u> |

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|-------------------------------------------------------------------------------|----------------------|---------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 6,266,935 | | 134,390 | 6,401,325 |
| Investments | 9,600,589 | | | 9,600,589 |
| Receivables, net | 456,960 | 114,940 | 659,364 | 1,231,264 |
| Due from other funds | | 3,272,760 | 2,384,601 | 5,657,361 |
| Inventories | 114,486 | | | 114,486 |
| Total assets | \$ 16,438,970 | 3,387,700 | 3,178,355 | 23,005,025 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts and other payables | \$ 918,006 | | 69,438 | 987,444 |
| Due to other funds | 9,077,360 | | 30 | 9,077,390 |
| Unearned revenues | | | 27,914 | 27,914 |
| Total liabilities | \$ 9,995,366 | - | 97,382 | 10,092,748 |
| Deferred inflows of resources: | | | | |
| Unavailable receipts | 380,890 | | 659,364 | 1,040,254 |
| Payment in advance | 17,830 | | | 17,830 |
| Total deferred inflows of resources | 398,720 | - | 659,364 | 1,058,084 |
| Fund balances: | | | | |
| Nonspendable | \$ 114,486 | | | 114,486 |
| Restricted for: | | | | |
| Donor's intentions | | | 10,000 | 10,000 |
| Committed for: | | | | |
| Capital Outlays | | 3,387,700 | | 3,387,700 |
| Specified use | 474,111 | | 49,606 | 523,717 |
| Assigned | 72,364 | | 2,362,003 | 2,434,367 |
| Unassigned | 5,383,923 | | | 5,383,923 |
| Total fund balances | \$ 6,044,884 | 3,387,700 | 2,421,609 | 11,854,193 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 16,438,970 | 3,387,700 | 3,178,355 | |

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. | 75,753,217 |
| Other long-term assets and deferred flows are not available to pay for current period expenditures, and, therefore, are deferred in the funds. | 710,328 |
| 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. | 2,096,932 |
| Long-term liabilities , including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (30,014,883) |
| Net position of governmental activities (Exhibit A) | <u>\$ 60,399,787</u> |

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, 2018

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|----------------------------------------------------------------------|----------------------|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| Property taxes and assessments | \$ 29,353,144 | | | 29,353,144 |
| Intergovernmental | 5,034,065 | 1,642,600 | 1,478,599 | 8,155,264 |
| Charges for services | 494,194 | | 374,104 | 868,298 |
| Investment income | 216,721 | | 6 | 216,727 |
| Miscellaneous | 199,693 | | 302,199 | 501,892 |
| Total revenues | <u>\$ 35,297,817</u> | <u>1,642,600</u> | <u>2,154,908</u> | <u>39,095,325</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | \$ 1,301,754 | | | 1,301,754 |
| Public safety | 914,288 | | | 914,288 |
| Public works | 3,220,073 | | | 3,220,073 |
| Public health | 40,933 | | | 40,933 |
| Culture and recreation | 649,841 | | 193,363 | 843,204 |
| Education | 22,629,233 | | 836,291 | 23,465,524 |
| Other | 1,859,543 | | 135,023 | 1,994,566 |
| Capital outlay | | 5,796,506 | | 5,796,506 |
| Debt service | 3,575,110 | | 145,156 | 3,720,266 |
| Total expenditures | <u>\$ 34,190,775</u> | <u>5,796,506</u> | <u>1,309,833</u> | <u>41,297,114</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 1,107,042</u> | <u>(4,153,906)</u> | <u>845,075</u> | <u>(2,201,789)</u> |
| Other financing sources (uses) | | | | |
| Transfer from other funds | \$ | 1,420,924 | | 1,420,924 |
| Transfer to other funds | (628,578) | | (881,924) | (1,510,502) |
| Premium on bond issuance | 44,343 | | | 44,343 |
| Proceeds from sale of bonds | | 2,535,000 | | 2,535,000 |
| Total other financing sources (uses) | <u>\$ (584,235)</u> | <u>3,955,924</u> | <u>(881,924)</u> | <u>2,489,765</u> |
| Net changes in fund balances | <u>\$ 522,807</u> | <u>(197,982)</u> | <u>(36,849)</u> | <u>287,976</u> |
| Fund balances (deficits) - beginning | <u>5,522,077</u> | <u>3,585,682</u> | <u>2,458,458</u> | <u>11,566,217</u> |
| Fund balances (deficits) - ended | <u>\$ 6,044,884</u> | <u>3,387,700</u> | <u>2,421,609</u> | <u>11,854,193</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 (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

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) | \$ 287,976 |
| 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. This is the amount by which capital outlays exceeded depreciation in the current period. | 2,080,459 |
| Revenues previously recognized in the statement of activities that provided current financial resources in the current year. | (59,366) |
| 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. | 770,715 |
| Transfer of capital assets, debt and long-term assets into the business-type fund from the government funds | |
| The net expense of certain activities of internal service funds is reported with governmental activities. | <u>(583,709)</u> |
| Change in net position of governmental activities (Exhibit B) | \$ <u><u>2,496,075</u></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, 2018**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive/ (Negative) |
|--------------------------------------------------------------------------|----------------------|-------------------|-----------------------------------------|----------------------------------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 28,909,513 | 28,909,513 | 29,353,144 | 443,631 |
| Intergovernmental | 1,344,991 | 1,344,991 | 1,324,232 | (20,759) |
| Charges for services | 469,700 | 469,700 | 494,194 | 24,494 |
| Investment income | 30,000 | 30,000 | 216,721 | 186,721 |
| Other revenues | 5,000 | 5,000 | 171,897 | 166,897 |
| Total revenues | \$ 30,759,204 | 30,759,204 | 31,560,188 | 800,984 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | \$ 1,411,295 | 1,392,726 | 1,320,407 | 72,319 |
| Public safety | 937,801 | 944,539 | 914,288 | 30,251 |
| Public works | 3,191,551 | 3,272,310 | 3,196,128 | 76,182 |
| Health and welfare | 41,632 | 41,837 | 40,933 | 904 |
| Cultural and recreation | 663,438 | 663,438 | 649,841 | 13,597 |
| Education | 18,933,526 | 18,933,526 | 18,919,400 | 14,126 |
| Other | 1,971,541 | 1,874,140 | 1,868,332 | 5,808 |
| Debt service: | | | | |
| Principal retirements | 3,270,864 | 3,270,864 | 3,270,864 | - |
| Interest and other charges | 731,802 | 760,070 | 760,070 | - |
| Total expenditures | \$ 31,153,450 | 31,153,450 | 30,940,263 | 213,187 |
| Revenues over (under) expenditures | \$ (394,246) | (394,246) | 619,925 | 1,014,171 |
| Other financing sources (uses): | | | | |
| Premium on debt issuance | | | 44,343 | 44,343 |
| Debt reimbursement | \$ 394,246 | 394,246 | 394,042 | 394,042 |
| Total other financing sources (uses) | \$ 394,246 | 394,246 | 438,385 | 438,385 |
| Revenues Over Expenditures and Other Financing Sources (Uses) | \$ - | - | 1,058,310 | 1,452,556 |
| Less: | | | | |
| Change in nonspendable | | | (29,173) | |
| Appropriation to capital projects | | | (539,000) | |
| Appropriation to pension obligations | | | (186,219) | |
| Net Change in unassigned fund balance | | | \$ 303,918 | |
| Unassigned fund balance, July 1, 2017 | | | 5,080,005 | |
| Unassigned fund balance, June 30, 2018 | | | <u>\$ 5,383,923</u> | |

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

STATEMENT OF NET FUND POSITION
PROPRIETARY FUNDS
June 30, 2018

| | Business-type Activities Water Pollution Control | Governmental Activities Internal Service Funds |
|----------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 50 | 124,061 |
| Investments | | |
| Receivables, net of allowance | 207,694 | |
| Notes receivable, current portion | 20,125 | |
| Due from other funds | 903,445 | 2,301,130 |
| Total current assets | \$ 1,131,314 | 2,425,191 |
| Noncurrent assets: | | |
| Notes receivable, less current portion | \$ 86,472 | |
| Capital assets, net of accumulated depreciation | 4,505,173 | |
| Total noncurrent assets | \$ 4,591,645 | - |
| Total assets | \$ 5,722,959 | 2,425,191 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable & accrued liabilities | \$ 11,978 | |
| Payments in advance | 787 | |
| Notes payable - current | 254,822 | |
| Total current liabilities | \$ 267,587 | - |
| Noncurrent liabilities: | | |
| Incurred, but not reported claims | \$ | 328,259 |
| Notes payable, less current portion | 1,082,762 | |
| Total noncurrent liabilities | \$ 1,082,762 | 328,259 |
| Total liabilities | \$ 1,350,349 | 328,259 |
| Net Fund Position | | |
| Invested in capital assets, net of related debt | \$ 3,274,186 | |
| Unrestricted | 1,098,424 | 2,096,932 |
| Total net fund position | \$ 4,372,610 | 2,096,932 |

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, 2018

| | Business-type Activities Water Pollution Control | Governmental Activities Internal Service Funds |
|-----------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------|
| Operating revenues: | | |
| Charges for services and other revenues | \$ 1,159,125 | |
| Other revenues | 4,089 | 3,736,094 |
| Total operating revenues | <u>\$ 1,163,214</u> | <u>3,736,094</u> |
| Operating expenses: | | |
| Salaries and benefits | \$ 455,576 | |
| Claims and administrative | | 4,319,803 |
| Material and supplies | 44,371 | |
| Utilities | 74,508 | |
| Depreciation | 121,624 | |
| Administration and operation | 287,369 | |
| Total operating expenses | <u>\$ 983,448</u> | <u>4,319,803</u> |
| Operating income (loss) | <u>\$ 179,766</u> | <u>(583,709)</u> |
| Nonoperating revenues (expenses): | | |
| Interest income | \$ 13,345 | |
| Interest expense | (29,803) | |
| Total nonoperating revenues (expenses) | <u>\$ (16,458)</u> | <u>-</u> |
| Transfer from other funds | <u>\$ 89,578</u> | <u>-</u> |
| | <u>\$ 89,578</u> | <u>-</u> |
| Change in Net Fund Position | <u>\$ 252,886</u> | <u>(583,709)</u> |
| Net Fund Position, beginning | <u>\$ 4,119,724</u> | <u>\$ 2,680,641</u> |
| Net Fund Position, (Deficit), ending | <u>\$ 4,372,610</u> | <u>2,096,932</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, 2018

| | Business-type Activities Water Pollution Control | Governmental Activities Internal Service Funds |
|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------|
| Cash Flows From Operating Activities | | |
| Receipts from customers and users | \$ 1,207,507 | 3,736,094 |
| Payments to suppliers | (410,432) | (4,253,061) |
| Payments to employees | (455,576) | |
| Net cash flows from operating activities | \$ 341,499 | (516,967) |
| Cash Flows From Noncapital and Related Financing Activities | | |
| Transfer in and payments made through governmental activities | \$ (63,904) | 371,950 |
| Net cash provided by (used in) noncapital and related financing activities | \$ (63,904) | 371,950 |
| Cash Flows From Capital and Related Financing Activities | | |
| Receipts on notes related to capital debt | \$ 19,727 | |
| Principal payments on capital debt | (280,864) | |
| Interest paid on capital debt | (29,803) | |
| Net cash provided by (used in) capital and related financing activities | \$ (290,940) | |
| Cash Flows From Investing Activities | | |
| Interest received on investments | \$ 13,345 | |
| Net cash provided by investing activities | \$ 13,345 | - |
| Net increase (decrease) in cash and cash equivalents | \$ - | (145,017) |
| Cash and Cash Equivalents, beginning | 50 | 269,078 |
| Cash and Cash Equivalents, ending | \$ 50 | 124,061 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) | | |
| Operating Activities: | | |
| Operating Income (Loss) | \$ 179,766 | (583,709) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | |
| Depreciation | 121,624 | |
| Changes in assets and liabilities: | | |
| Decrease (increase) in receivable accounts | 45,277 | |
| Increase (decrease) in accounts payable | (4,184) | |
| Increase (decrease) in payments in advance | (984) | |
| Increase (decrease) in claims incurred but not reported | | 66,742 |
| Net cash flows from operating activities | \$ 341,499 | (516,967) |

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

| | Private Purpose Trust Funds | Agency Funds |
|--------------------------------------------------|-----------------------------------|-----------------|
| Assets | | |
| Cash and cash equivalents | \$ 703,222 | 157,403 |
| Receivables other | | 215,454 |
| Investments, at fair value: | | |
| Mutual funds | 11,468,307 | |
| Common Stock | <u>7,276,225</u> | |
| Total assets | <u>\$ 19,447,754</u> | <u>372,857</u> |
| Liabilities | | |
| Held for deposit for others | \$ <u> </u> | <u>372,857</u> |
| Total liabilities | <u>\$ -</u> | <u>372,857</u> |
| Net Position: | | |
| Held in trust for benefits and other purposes | <u>\$ 19,447,754</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, 2018

| | Private Purpose Trust Funds |
|-------------------------------------------|-----------------------------------|
| ADDITIONS | |
| Contributions: | |
| Contributions and donations | \$ 1,007,102 |
| Total contributions | <u>\$ 1,007,102</u> |
| Investment earnings: | |
| Net increase in fair value of investments | \$ 812,793 |
| Interest and dividends | 448,034 |
| Less: Administrative expenses | <u>(73,374)</u> |
| Total investment earnings | <u>\$ 1,187,453</u> |
| Total additions | <u>\$ 2,194,555</u> |
| DEDUCTIONS | |
| Benefits | <u>\$ 1,027,745</u> |
| Total deductions | <u>\$ 1,027,745</u> |
| Change in net position | <u>\$ 1,166,810</u> |
| NET POSITION, beginning | <u>\$ 18,280,944</u> |
| NET POSITION, ending | <u><u>\$ 19,447,754</u></u> |

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018

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 revenues 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, 2018

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, 2018

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 |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2018

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

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 period 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, 2018

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*** represent 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, 2018

In the fund financial statements, fund balances of governmental funds are classified into two 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 assets or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

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

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

Investments are carried at fair value based on quoted market prices and are presented in Note 4.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Note 2 - Budgets and Budgetary Accounting

General Fund

The Statement of Revenues and Expenditures, and Change 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 these estimates and may revise them as he deems advisable, except that in the case of the department of education, he has 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:

| | <u>Revenues</u> | <u>Expenditures and Encumbrances</u> |
|----------------------------------------------------------------------------------------------------|----------------------|----------------------------------------------|
| Balance, budgetary basis | \$ 31,560,188 | 30,940,263 |
| Encumbrances of June 30, 2018 | | (216,683) |
| Encumbrances of June 30, 2017 | | 53,945 |
| Net difference – canine fund expenses | | (26,978) |
| Reclassify capital appropriation | | 186,219 |
| Reclassify debt reimbursement | 27,796 | (455,824) |
| State Teachers' Retirement "on-behalf" payment, not recognized for budgetary purposes | 3,709,833 | 3,709,833 |
| Balance, GAAP basis | \$ <u>35,297,817</u> | <u>34,190,775</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

| | | |
|----------------------------------|----|-------------------------|
| Balance, budgetary basis | \$ | (438,385) |
| Reclassify capital appropriation | | 158,614 |
| Net debt payment, W.P.C.A | | <u>(304,464)</u> |
| Balance, GAAP basis | \$ | <u><u>(584,235)</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 | | 1,975,277 |
| Net capital assets being depreciated | | <u>72,098,467</u> |
| Net adjustment to increase fund balance to arrive at net position of government activities | \$ | <u><u>75,753,217</u></u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2018

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 | \$ (24,768,000) |
| Premium on bond issuances | (1,026,409) |
| Deferred portion on refunding | 377,071 |
| Compensated absences | (266,089) |
| Net pension liability | (3,068,532) |
| Net OPEB liability | (1,064,433) |
| Claims and judgments | (14,250) |
| Accrued interest on debt | (181,491) |
| Liabilities related to the landfill | <u>(2,750)</u> |
| Net adjustment to reduce fund balance to arrive at net position of government activities | \$ <u>(30,014,883)</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 | \$ 311,990 |
| Delinquent accounts receivable | 68,900 |
| Deferred outflow/ inflows included in pension | (329,926) |
| Notes receivable – assessments | <u>659,364</u> |
| Net adjustment to increase fund balance to arrive at net position of government activities | \$ <u>710,328</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 | \$ 3,610,217 |
| Depreciation | <u>(1,529,758)</u> |
| Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities | \$ <u>2,080,459</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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 | \$ | 2,990,000 |
| New Issuances | | (2,535,000) |
| Deferred portion on refunding | | (47,134) |
| Premium new issuances | | 39,395 |
| Net change in compensated absences | | (18,134) |
| Net change in claims and judgment estimates | | 2,875 |
| Net change in OPEB liability | | (40,640) |
| Net change in pension liability | | 324,094 |
| Net change in other long-term liabilities | | 2,750 |
| Accrued interest | | <u>52,509</u> |
| Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities | \$ | <u><u>770,715</u></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 | \$ 6,401,325 | | 6,401,325 |
| Business-type activities | 50 | | 50 |
| Fiduciary funds | 703,222 | | 703,222 |
| Investments: | | | |
| Governmental activities | | 9,724,650 | 9,724,650 |
| Fiduciary funds | | <u>18,744,532</u> | <u>18,744,532</u> |
| Total Deposits and Investments | \$ <u>7,104,597</u> | <u>28,469,182</u> | <u>35,573,779</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, 2018

The carrying amounts of the Town's deposits at June 30, 2018 consist of the following:

| | | |
|---------------------------|----|------------------|
| | \$ | |
| Bank Deposit Accounts | | 6,401,325 |
| Investment Portfolio Cash | | 703,222 |
| Cash on Hand | | <u>50</u> |
| Total Deposits | \$ | <u>7,104,597</u> |

Custodial Credit Risk

As of June 30, 2018, the carrying amount of the Town's deposits had bank deposit balances of approximately \$6,318,755. The amount of the bank balance covered under federal depository insurance was approximately \$500,000. 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, 2018 approximately \$630,000 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, 2018, 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 | \$ 3,600,589 | .02 | - |
| Certificates of Deposit | General Fund | 6,000,000 | 2.12 | - |
| State Investment Fund | Internal Service Funds | 124,061 | .02 | - |
| Mutual Funds | Trust Funds | 7,276,226 | n/a | - |
| Equities | Trust Funds | <u>11,468,306</u> | n/a | - |
| Total Investments | | \$ <u>28,469,182</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, 2018

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, 2018 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 | | | Total |
|------------------------------|---------------------------|-------------------------|------------------------|------------------|
| | General Fund | Capital Projects | Non-major Funds | |
| Property taxes | \$ 456,960 | | | 456,960 |
| Intergovernmental | | 114,940 | | 114,940 |
| Accounts | | | 94,432 | 94,432 |
| Assessments | | | 564,932 | 564,932 |
| Total Net Receivables | \$ 456,960 | 114,940 | 659,364 | 1,231,264 |

The receivables as of June 30, 2018 for the Town's business-type activities are as follows:

| | W.P.C.A. |
|------------------------------|-------------------|
| Accounts | \$ 207,694 |
| Notes | 106,597 |
| Total Net Receivables | \$ 314,291 |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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, and future General Obligation Debt principal, and interest at 2%, costs of the Town of Litchfield totaling \$244,649. 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 | \$ 126,324 | | 19,727 | 106,597 | 20,125 |

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 | \$ 311,990 | | 311,990 |
| Delinquent receivable | 68,900 | | 68,900 |
| Advanced tax collections | | 17,830 | 17,830 |
| Other Governmental Funds: | | | |
| Intergovernmental | 94,432 | 27,914 | 122,346 |
| Assessments | 564,932 | | 564,932 |
| Total deferred portion | <u>\$ 1,040,254</u> | <u>45,744</u> | <u>1,085,998</u> |

TOWN OF LITCHFIELD, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2018Payables

Payables as of June 30, 2018 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 | \$ 809,676 | 108,330 | 918,006 |
| Non-major Funds | 69,438 | | 69,438 |
| Total governmental funds | \$ 879,114 | 108,330 | 987,444 |
| W.P.C.A. | \$ 11,978 | | 11,978 |
| Total Payables | \$ 891,092 | 108,330 | 999,422 |

Note 6 - Inter-fund Receivables, Payables and TransfersInter-funds Receivables and Payables

Inter-fund receivables and payables at June 30, 2018 consisted of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------------|
| Capital Projects | General Fund | \$ 3,272,760 |
| Internal Service | General Fund | 2,301,130 |
| Nonmajor Governmental | General Fund | 2,384,571 |
| Agency fund | General Fund | 215,454 |
| W.P.C.A. | General Fund | 903,445 |
| | Total | \$ 9,077,360 |

Inter-fund Transfers

Inter-fund receivables and payables at June 30, 2018 consisted of the following:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|--------------------|------------------------|---------------------|
| Capital Projects | General Fund | \$ 539,000 |
| Capital Projects | Town Road Aid | 881,924 |
| W.P.C.A. | General Fund, debt pmt | 89,578 |
| | | \$ 1,510,502 |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2018 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 | 3,692,087 | | 1,716,810 | 1,975,277 |
| Total capital assets, not being deprec. | <u>\$ 5,371,560</u> | <u>-</u> | <u>1,716,810</u> | <u>3,654,750</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 52,901,120 | 689,974 | | 53,591,094 |
| Machinery and equipment | 10,515,356 | 714,155 | | 11,229,511 |
| Infrastructure | 33,182,773 | 3,922,898 | | 37,105,671 |
| Total capital assets being depreciated | <u>\$ 96,599,249</u> | <u>5,327,027</u> | <u>-</u> | <u>101,926,276</u> |
| Less: Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 9,590,079 | 475,214 | | 10,065,293 |
| Machinery and equipment | 6,928,243 | 360,811 | | 7,289,054 |
| Infrastructure | 11,779,729 | 693,733 | | 12,473,462 |
| Total accumulated depreciation | <u>\$ 28,298,051</u> | <u>1,529,758</u> | <u>-</u> | <u>29,827,809</u> |
| Net capital assets, being depreciated | <u>\$ 68,301,198</u> | <u>3,797,269</u> | <u>-</u> | <u>72,098,467</u> |
| Total capital assets, governmental | <u>\$ 73,672,758</u> | <u>3,797,269</u> | <u>1,716,810</u> | <u>75,753,217</u> |

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

| | |
|-----------------------------------|---------------------|
| Governmental Activities: | |
| General government | \$ 49,346 |
| Public safety | 232,347 |
| Public works | 1,093,005 |
| Recreation | 26,565 |
| Education | 128,495 |
| Total depreciation expense | <u>\$ 1,529,758</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

| | <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 | 4,412,899 | | | 4,412,899 |
| Total capital assets being depreciated | <u>\$ 8,344,389</u> | <u>-</u> | <u>-</u> | <u>8,344,389</u> |
| Less: Accumulated depreciation: | | | | |
| Buildings and improvements | \$ 1,059,831 | 53,782 | | 1,113,613 |
| Machinery and equipment | 35,524 | 8,524 | | 44,048 |
| Sewers | 2,622,237 | 59,318 | | 2,681,555 |
| Total accumulated depreciation | <u>\$ 3,717,592</u> | <u>121,624</u> | <u>-</u> | <u>3,839,216</u> |
| Net capital assets being depreciated | <u>\$ 4,626,797</u> | <u>(121,624)</u> | <u>-</u> | <u>4,505,173</u> |
| Total capital assets, business-type | <u>\$ 4,626,797</u> | <u>(121,624)</u> | <u>-</u> | <u>4,505,173</u> |

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2018 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 | \$ 11,343,000 | 2,535,000 | 1,175,000 | 12,703,000 | 1,427,000 |
| G.O.B refunding bonds | 13,880,000 | | 1,815,000 | 12,065,000 | 1,643,000 |
| Total long-term debt | <u>\$ 25,223,000</u> | <u>2,535,000</u> | <u>2,990,000</u> | <u>24,768,000</u> | <u>3,070,000</u> |
| Deferred amount on: | | | | | |
| Issuance premium | 1,065,804 | 44,343 | 83,738 | 1,026,409 | |
| Net long-term debt | <u>\$ 26,288,804</u> | <u>2,579,343</u> | <u>3,073,738</u> | <u>25,794,409</u> | <u>3,070,000</u> |
| Other Long-Term Liabilities: | | | | | |
| Compensated absence | 247,955 | 18,134 | | 266,089 | |
| Net pension liability | 3,392,626 | | 324,094 | 3,068,532 | |
| Net OPEB liability | 1,023,793 | 40,640 | | 1,064,433 | |
| Landfill closure | 5,500 | | 2,750 | 2,750 | 2,750 |
| Claims and judgments | 17,125 | | 2,875 | 14,250 | 2,875 |
| Total governmental activities long-term liabilities | <u>\$ 30,975,803</u> | <u>2,638,117</u> | <u>3,403,457</u> | <u>30,210,463</u> | <u>3,075,625</u> |
| Business-type Activities: | | | | | |
| Clean water fund notes | \$ 1,618,448 | | 280,864 | 1,337,584 | 254,822 |
| Total business-type activities long-term liabilities | <u>\$ 1,618,448</u> | <u>-</u> | <u>280,864</u> | <u>1,337,584</u> | <u>254,822</u> |
| Total long-term liabilities | <u>\$ 32,594,251</u> | <u>2,638,117</u> | <u>3,684,321</u> | <u>31,548,047</u> | <u>3,276,489</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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. These bonds generally are issued as 5 year and 10 year serial bonds with equal amounts of principal maturing each year. As of June 30, 2018, the outstanding general obligation bonded indebtedness of the Town was as follows:

| | <u>General</u> | <u>Refunding</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------|
| \$2,655,000 GOB 2010, refunding, Series B issue of 2010, due 8/1/2022, interest at 2.0% to 3.75%, annual principal payments of \$825,000. | \$ | 455,000 |
| \$8,405,000 GOB 2010, refunding issue of 2010, due 8/1/2020, interest at 2.0% to 4.0% annual principal payments of \$1,775,000 to \$2,625,000 | | 4,105,000 |
| \$1,355,000 GOB 2011 , issue of 8/1/2011, due 8/1/2019, interest at 2.0 to 3.125%, annual principal payments of \$445,000 | 330,000 | |
| \$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 | | 4,340,000 |
| \$2,900,000 GOB 2013 , issue of, due 8/1/2028, interest at 2.0% to 4%, annual principal payments of approximately \$890,000 | 1,750,000 | |
| \$4,555,000 GOB 2014, refunding issue of 8/1/2014, due 8/1/2025, interest at 2.0% to 4.0%, annual principal payments of approximately \$380,000 | | 3,165,000 |
| \$2,130,000 GOB 2011 , issue of 2012, due 2022, interest at 1.5% to 2.0%, annual principal payments of \$225,000 | 1,125,000 | |
| \$1,270,000 GOB 2015 , issue of 2016, due 2022, interest at 2.0% to 4.0%, annual | 950,000 | |
| \$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 | 6,013,000 | |
| \$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 | <u>2,535,000</u> | |
| Total general obligation bonds | <u>\$ 12,703,000</u> | <u>12,065,000</u> |

TOWN OF LITCHFIELD, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2018

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> |
| 2019 | \$ | 3,070,000 | 667,199 |
| 2020 | | 3,093,000 | 569,804 |
| 2021 | | 2,945,000 | 470,321 |
| 2022 | | 2,920,000 | 378,666 |
| 2023 | | 2,910,000 | 293,259 |
| 2024-2028 | | 7,275,000 | 616,602 |
| 2029-2033 | | 2,555,000 | 131,418 |
| Total | \$ | <u>24,768,000</u> | <u>3,127,269</u> |

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, 2018, as follows:

| | <u>Authorized</u> | <u>Authorized and Unissued</u> |
|------------------------------|-------------------|----------------------------------------|
| 2012-13 Capital Improvements | 5,100,000 | 661,535 |
| 2014-15 Capital Improvements | 3,020,000 | 1,035,309 |
| 2015-16 Capital Improvements | 5,745,000 | 3,323,427 |
| 2017-18 Capital Improvements | 6,875,000 | 68,281 |
| 2018-19 Capital Improvements | 5,367,685 | 2,691,591 |
| Total | \$ | <u>7,780,143</u> |

A portion of bonds authorized and unissued will be reduced by grants 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 181-C | 07/29/1999 | 570,427 | \$ | 2,854 |
| CWF PLO 499-C | 7/31/2004 | 4,595,198 | | <u>1,334,730</u> |
| Total Clean Water Fund Loans | | | \$ | <u>1,337,584</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

| Year Ended June 30, | Business-type Activity | |
|------------------------|------------------------|---------------|
| | Principal | Interest |
| 2019 | \$ 254,823 | 24,399 |
| 2020 | 257,054 | 19,307 |
| 2021 | 262,243 | 14,119 |
| 2022 | 267,536 | 8,826 |
| 2023 | 272,936 | 3,426 |
| 2024 | 22,992 | 38 |
| | <u>\$ 1,337,584</u> | <u>70,115</u> |

Landfill Closure and Postclosure Care Costs

The Town's estimated cost to monitor the landfill for next year is \$2,750 at June 30, 2018. This amount is based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

Claims and Judgments

In connection with the settlement of claims brought against the Town by a neighborhood alleging that the Town's landfill contaminated their drinking water, the Town agreed to pay to connect the residents to the Town water supply and pay their water bills for 20 years. The properties were connected during 2001, and, at June 30, 2018, \$14,250 has been accrued as an estimate of the cost to provide water for the remaining 7 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.

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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 directly to a dedicated health insurance fund. There is no cost to the Town.

The activities of the self insured employee medical are recorded in an internal service fund. Anthem Blue Cross/Blue Shield administers 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. The Town covers all claims up to \$100,000 per participant per year with an individual stop-loss policy that would cover 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> |
|---------------------------------------|-----------------------------------------|------------------------------------------------|------------------------|--------------------------------------|
| 2017 | 208,279 | 3,606,738 | 3,553,500 | 261,517 |
| 2018 | 261,517 | 4,319,803 | 4,253,061 | 328,259 |

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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.

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

Membership in the plans consisted of the following at July 1, 2016 the date of the last actuarial valuation:

| | Town Plan | Merit Service Plan |
|---------------------------------------------------------------------|-----------|--------------------|
| Retirees and beneficiaries currently receiving benefits | 66 | 64 |
| Terminated plan members entitled to, but not yet receiving benefits | 39 | 59 |
| Active plan members | 68 | 147 |
| Total | 173 | 270 |

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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.

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 6.47% for the Town Plan and 6.51% 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

The components of the net pension liability of the Town at June 30, 2018 were as follows:

| | <u>Town Plan</u> | <u>Merit Service</u> | <u>Total</u> |
|----------------------------------------------------------------------------|---------------------|----------------------|-------------------|
| Total pension liability | \$ 16,890,531 | 4,252,936 | 21,143,467 |
| Plan fiduciary net position | <u>14,223,198</u> | <u>3,851,737</u> | <u>18,074,935</u> |
| Net pension liability | \$ <u>2,667,333</u> | <u>401,199</u> | <u>3,068,532</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 84.21% | 90.57% | 85.49% |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumption, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table combined version for small plans – separate male and female rates, with no collar adjustment, separate tables for non-annuitants and annuitants, projected to the valuation date with Scale AA.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

The actuarial assumptions used in the July 1, 2016 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.

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 arithmetic real rates of return for each major asset class included in both pension plan's actuarial valuation as of July 1, 2016 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------------|-------------------|----------------------------------------|
| US 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 7.0% 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, 2018

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, 2017 | \$ 16,268,788 | 13,298,567 | 2,970,221 |
| Changes for the year: | | | |
| Service cost | 316,176 | | 316,176 |
| Interest on total pension liability | 1,132,494 | | 1,132,494 |
| Difference between expected and actual experience | | | - |
| Employer contributions | | 850,572 | (850,572) |
| Employee contributions | | 37,280 | (37,280) |
| Net investment income | | 863,706 | (863,706) |
| Benefit payments, including refund of employee contributions | (826,927) | (826,927) | - |
| Net changes | \$ 621,743 | 924,631 | (302,888) |
| Balances as of June 30, 2018 | \$ 16,890,531 | 14,223,198 | 2,667,333 |

Merit Service Plan

| | Increase (Decrease) | | |
|--------------------------------------------------------------|--------------------------------------|------------------------------------------|----------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balances as of June 30, 2017 | \$ 4,115,774 | 3,693,369 | 422,405 |
| Changes for the year: | | | |
| Service cost | 52,540 | | 52,540 |
| Interest on total pension liability | 284,891 | | 284,891 |
| Difference between expected and actual Experience | | | - |
| Employer contributions | | 118,419 | (118,419) |
| Net investment income | | 240,218 | (240,218) |
| Benefit payments, including refund of employee contributions | (200,269) | (200,269) | - |
| Net changes | 137,162 | 158,368 | (21,206) |
| Balances as of June 30, 2018 | \$ 4,252,936 | 3,851,737 | 401,199 |

TOWN OF LITCHFIELD, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2018

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.00%) or 1 percent higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|------------------------------------------|------------------------------------|--------------------------------------------------|------------------------------------|
| Town Plan net pension liability | \$ 4,349,333 | 2,667,333 | 1,211,732 |
| Merit Service Plan net pension liability | 912,196 | 401,199 | (26,598) |

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, 2018 and the changes in net position for the year then ended.

Schedule of Net Position

| | Town Retirement Plan | Merit Service Retirement Plan | Total |
|-----------------------------------------------|-------------------------------------|--------------------------------------------------|-------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 578,856 | 91,476 | 670,332 |
| Investments | <u>13,644,342</u> | <u>3,760,261</u> | <u>17,404,603</u> |
| Net Assets Held in Trust for Pension Benefits | \$ <u>14,223,198</u> | <u>3,851,737</u> | <u>18,074,935</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Schedule of Changes in Net Position

| | Town Retirement Plan | Merit Service Retirement Plan | Total |
|-------------------------------------------------------------|-------------------------------------|--------------------------------------------------|--------------|
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 850,854 | 118,968 | 969,822 |
| Employee | 37,280 | | 37,280 |
| Total | \$ 888,134 | 118,968 | 1,007,102 |
| Investment Income: | | | |
| Net appreciation(depreciation) in fair value of Investments | \$ 590,935 | 164,604 | 755,539 |
| Interest and dividends | 326,081 | 90,590 | 416,671 |
| Total | \$ 917,016 | 255,194 | 1,172,210 |
| Less investment expense: | | | |
| Investment management fees | 52,923 | 15,378 | 68,301 |
| Net investment income | \$ 864,093 | 239,816 | 1,103,909 |
| Total additions | \$ 1,752,227 | 358,784 | 2,111,011 |
| Deductions: | | | |
| Benefits | 826,928 | 200,817 | 1,027,745 |
| Net increase | \$ 925,299 | 157,967 | 1,083,266 |
| Net position and beginning of year | \$ 13,297,899 | 3,693,770 | 16,991,669 |
| Net position at end of year | \$ 14,223,198 | 3,851,737 | 18,074,935 |

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

For the year ended June 30, 2018, the Town recognized pension expense of \$258,234 and \$89,823 for the Town Plan and Merit Plan, respectively. As of June 30, 2018, 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 |
|----------------------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ 92,505 | 23,037 | 115,542 |
| Total | \$ 92,505 | 23,037 | 115,542 |

TOWN OF LITCHFIELD, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2018

| | Town Plan Deferred Inflows of Resources | Merit Service Plan Deferred Inflows of Resources | Total Deferred Inflows |
|----------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------------------|
| Differences between expected and actual experience | \$ 264,777 | 70,332 | 335,109 |
| Total | \$ 264,777 | 70,332 | 335,109 |

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 |
|----------------------------|-------------------------------------|--------------------------------------------------|--------------|
| 2019 | \$ (190,796) | 8,112 | (182,684) |
| 2020 | 73,981 | 8,113 | 82,094 |
| 2021 | (68,867) | (32,053) | (100,920) |
| 2022 | 13,410 | (8,819) | 4,591 |
| 2023 | - | (11,921) | (11,921) |
| Thereafter | - | (10,727) | (10,727) |
| Total | \$ (172,272) | (47,295) | (219,567) |

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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 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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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, 2018, \$578,005 mandatory contributions were deducted from the salaries of teachers who were participants in the System. The estimated covered payroll for the Town was \$8,762,327.

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, 2018 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 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>29,074,044</u> |
| Total net pension liability | \$ | <u><u>29,074,044</u></u> |

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The assumptions used in the June 30, 2016 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, 2018 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$3,363,018 as payments made by the State of Connecticut on behalf of the Town for teachers' pension.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, 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 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:

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

| <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.

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(k) on the employee behalf. In addition, eligible employees may make an additional contribution up to the amount allowed by law. There are currently twenty nine participants in the plan as of June 30, 2018, and contributions of \$29,167 have been made in the fiscal year ended June 30, 2018.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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, 2018. The plan does not issue a stand-alone financial report.

At July 1, 2016, plan participation consisted of the following (not rounded):

| | |
|---------------------------------------------------------------------|------------|
| Retirees and beneficiaries currently receiving benefits | 19 |
| Terminated plan members entitled to, but not yet receiving benefits | - |
| Active plan members | 103 |
| Total participants | <u>122</u> |

Funding Policy

The BOE's contributions are actuarially determined on an annual basis using the entry age normal actuarial cost method, level dollar.

Benefits

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

Litchfield Education Association OPEB Contract Provisions

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

Amount of Benefit:

1. For those who retire 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,

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2018

- 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 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 will be provided at BOE expense:

1. The cost of health and dental insurance coverage for the retiree and eligible dependents under one of the plans (excluding the high deductible/health savings account option) offered by the BOE to actively employed administrators, less contribution from the State of Connecticut Teachers' Retirement Board, until eligible for Medicare; or,
2. \$5,000 annual payment until eligible for Medicare, age 65, or for 5 years immediately following retirement, whichever is less.

Investments

Investment Policy

The pension 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 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, 2018, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 6.89%. 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 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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

The components of the net OPEB liability of the Town at June 30, 2018 were as follows:

| | | |
|-------------------------------------------------------------------------|----|------------------|
| Total OPEB liability | \$ | 2,437,252 |
| Plan fiduciary net position | | <u>1,372,819</u> |
| Net OPEB liability | \$ | <u>1,064,433</u> |
| | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 56.33% |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumption, applied to all periods included in the measurement:

| | |
|-----------------------------|--------------------------------------------------------------------------------------------|
| Inflation | 2.75% |
| Salary increase | 4.00%, average, including inflation |
| Investment rate of return | 7.00%, net of investment and administrative expense |
| Healthcare cost trend rates | 7.75% in 2016, reducing by .5% each year to a final 4.75% per year rate for 2022 and later |

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table combined version for small plans – separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected to the valuation date with Scale AA.

The actuarial assumptions used in the July 1, 2016 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.

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 arithmetic real rates of return for each major asset class as of the July 1, 2016 actuarial valuation are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------------|-------------------|----------------------------------------|
| US equities | 46.00% | 5.90% |
| REIT | 3.00% | 4.10% |
| International developed economies | 6.00% | 6.80% |
| International emerging economies | 5.00% | 8.40% |
| High quality bond | 33.00% | 3.10% |
| High yield bond | 5.00% | 4.10% |
| Cash equivalents | 2.00% | 2.00% |
| | <u>100.00%</u> | |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0%. 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.

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|--------------------------------------------------------------|-----------------------------------|------------------------------------------|----------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) |
| Balances as of June 30, 2017 | \$ 2,346,310 | 1,289,275 | 1,057,035 |
| Changes for the year: | | | |
| Service cost | 53,304 | | 53,304 |
| Interest on total pension liability | 167,805 | | 167,805 |
| Difference between expected and actual experience | (125,270) | | (125,270) |
| Employer contributions | | | |
| Employee contributions | | | |
| Net investment income | | 88,617 | (88,617) |
| Benefit payments, including refund of employee contributions | (4,897) | (5,073) | 176 |
| Net changes | \$ 90,942 | 83,544 | 7,398 |
| Balances as of June 30, 2018 | \$ 2,437,252 | 1,372,819 | 1,064,433 |

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 7.00%, 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 (6.00%) or 1 percent higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|--------------------|---------------------------|----------------------------------------|---------------------------|
| Net OPEB liability | \$ 1,326,307 | 1,064,433 | 836,872 |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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 7.75% decreasing to 4.75%, 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 (6.75% decreasing to 3.75%) or 1 percent higher (8.75% decreasing to 5.75%) than the current healthcare trend rates:

| | | 1% Decrease (6.75% decreasing to 3.75%) | Current Healthcare Trend Rate (7.75% decreasing to 4.75%) | 1% Increase (8.75% decreasing to 5.75%) |
|--------------------|----|-----------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------|
| Net OPEB liability | \$ | 768,684 | 1,064,433 | 1,416,558 |

The following schedule presents the net position held in trust for OPEB benefits at June 30, 2018 and the changes in net position for the year ended June 30, 2018:

Schedule of Net Position

| | OPEB Trust |
|------------------------------------------------------------|---------------------|
| Assets: | |
| Cash and cash equivalents | \$ 32,890 |
| Investments | <u>1,339,929</u> |
| Net position restricted for other post employment benefits | \$ <u>1,372,819</u> |

Schedule of Changes in Net Position

| | OPEB Trust |
|-------------------------------------------------------------|----------------------------|
| Additions: | |
| Contributions | <u>-</u> |
| Investment Income: | |
| Net appreciation(depreciation) in fair value of investments | \$ 57,254 |
| Interest and dividends | <u>31,363</u> |
| Total | \$ 88,617 |
| Less administrative expenses: | |
| Investment management fees | <u>5,073</u> |
| Net investment income | \$ <u>83,544</u> |
| Total additions | \$ |
| Deductions: | |
| Benefits | <u>-</u> |
| Net increase | \$ |
| Net position and beginning of year | \$ <u>1,289,275</u> |
| Net position at end of year | \$ <u><u>1,372,819</u></u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$91,854. As of June 30, 2018, 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 | \$ | 111,504 |
| Net difference between projected and actual earnings on OPEB plan investments | 1,145 | |
| Total | \$ <u>1,145</u> | <u>111,504</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> | |
|----------------------------|---------------------|
| 2019 | \$ (13,480) |
| 2020 | (13,480) |
| 2021 | (13,480) |
| 2022 | (13,479) |
| 2023 | (13,766) |
| Thereafter | <u>(42,674)</u> |
| Total | \$ <u>(110,359)</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, 2018

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 for the calendar year 2017 are as follows:

- | | |
|--------------------------------------------------------------------|-------|
| • Medicare Supplement with Prescriptions | \$ 92 |
| • Medicare Supplement with Prescriptions and Dental | 136 |
| • Medicare Supplement with Prescriptions, Dental, Vision & Hearing | 141 |

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.

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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 year 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, 2018, \$578,005 mandatory contributions were deducted from the salaries of active teachers who were participants in the System. The estimated covered payroll for the Town was \$8,762,000.

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, 2018 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 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 | | 7,483,319 |
| Total net OPEB liability | \$ | <u>7,483,319</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The assumptions used in the June 30, 2016 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, 2018 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures related to OPEB in the amount of \$346,815 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, 2016, 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 | 2.75%, net of pension plan investment expense, including inflation |
| Real wage growth | 0.50% |
| Wage inflation | 3.25% |
| Municipal bond index rate | 3.56% |
| Single equivalent interest rate | 3.56%, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rates | 7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022 |
| Administrative expenses | \$0 assumption as expenses are paid for by the State of CT General Assembly |
| Year fund net position will be depleted | 2018 |

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 2017 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 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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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% | 0.04% |
| Total | 100.0% | |

Discount Rate

The discount rate used to measure the total OPEB was 3.56%. 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 2018 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

Fund Deficits

The Town has the following Fund Deficits at June 30, 2018 and expects to eliminate the deficits in the future as follows:

| <u>Fund</u> | <u>Deficit</u> | <u>Plan For Elimination</u> |
|----------------|----------------|-----------------------------|
| Cafeteria Fund | \$ 2,900 | Future grant receipts |

Restricted Fund Position

| <u>Fund</u> | <u>Restricted Net Position</u> | <u>Restriction</u> |
|----------------|----------------------------------------|----------------------|
| Cemetery Trust | \$ 10,000 | For donor intentions |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

Note 13 - Subsequent Events

General Obligation Bond

On August 22, 2018, the Town issued a general obligation bond in the amount of \$1,691,000. The Bond will be paid over a 15 year period with an interest rate ranging from 1.4% - 3.1%. The bond will fund the Town's capital improvement program.

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

Last Five Fiscal Years

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------------------------------------------------------------|---------------|------------|------------|------------|------------|
| Total pension liability: | | | | | |
| Service cost | \$ 316,176 | 372,872 | 358,531 | 344,741 | 396,238 |
| Interest | 1,132,494 | 1,144,711 | 1,092,779 | 1,023,014 | 976,938 |
| Differences between expected and actual experience | | (853,171) | | 318,394 | |
| Benefit payments, including refunds of member contributions | (826,927) | (739,058) | (708,980) | (697,793) | (630,245) |
| Net change in total pension liability | \$ 621,743 | (74,646) | 742,330 | 988,356 | 742,931 |
| Total pension liability - beginning | 16,268,788 | 16,343,434 | 15,601,104 | 14,612,748 | 13,869,817 |
| Total pension liability - ending | \$ 16,890,531 | 16,268,788 | 16,343,434 | 15,601,104 | 14,612,748 |
| Plan fiduciary net position: | | | | | |
| Contributions - employer | \$ 850,572 | 719,626 | 682,350 | 1,093,734 | 1,067,885 |
| Contributions - employee | 37,280 | 60,322 | 20,527 | | |
| Net investment income | 863,706 | 1,255,077 | 114,893 | 304,997 | 1,289,448 |
| Benefit payments, including refunds of member contributions | (826,927) | (739,058) | (718,919) | (697,793) | (630,245) |
| Net change in plan fiduciary net position | \$ 924,631 | 1,295,967 | 98,851 | 700,938 | 1,727,088 |
| Plan fiduciary net position - beginning | 13,298,567 | 12,002,600 | 11,903,749 | 11,202,811 | 9,475,723 |
| Plan fiduciary net position - ending | \$ 14,223,198 | 13,298,567 | 12,002,600 | 11,903,749 | 11,202,811 |
| Net pension liability - ending | \$ 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 | 84.21% | 81.74% | 73.44% | 76.30% | 76.66% |
| Covered payroll | 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 | 69.61% | 80.61% | 101.61% | 90.01% | 77.54% |

Notes To Schedule

| | |
|-------------------------------|-----------------------------------------------|
| Changes in benefit terms | None |
| Changes in assumptions | None |
| Actuarial cost method | Entry age |
| Amortization method | Level dollar |
| Remaining amortization period | 15 years |
| Asset valuation method | Market value of assets |
| Inflation | 2.75% |
| Salary increase | 4.00%, including inflation |
| Investment rate of return | 7.00%, 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 Five Fiscal Years

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|------------------------------------------------------------------------|--------------|-----------|-----------|-----------|-----------|
| Total pension liability: | | | | | |
| Service cost | \$ 52,540 | 59,412 | 59,412 | 59,412 | 65,858 |
| Interest | 284,891 | 281,563 | 271,181 | 258,709 | 247,891 |
| Differences between expected and actual experience | | (94,174) | | 33,529 | |
| Benefit payments, including refunds of member contributions | (200,269) | (184,752) | (179,891) | (167,268) | (138,757) |
| Net change in total pension liability | \$ 137,162 | 62,049 | 150,702 | 184,382 | 174,992 |
| Total pension liability - beginning | 4,115,774 | 4,053,725 | 3,903,023 | 3,718,641 | 3,543,649 |
| Total pension liability - ending | \$ 4,252,936 | 4,115,774 | 4,053,725 | 3,903,023 | 3,718,641 |
| Plan fiduciary net position: | | | | | |
| Contributions - employer | \$ 118,419 | 158,102 | 154,100 | 150,102 | 150,102 |
| Contributions - employee | | | | | |
| Net investment income | 240,218 | 351,066 | 32,649 | 97,690 | 395,941 |
| Benefit payments, including refunds of member contributions | (200,269) | (184,752) | (180,389) | (167,268) | (138,757) |
| Net change in plan fiduciary net position | \$ 158,368 | 324,416 | 6,360 | 80,524 | 407,286 |
| Plan fiduciary net position - beginning | 3,693,369 | 3,368,953 | 3,362,593 | 3,282,069 | 2,874,783 |
| Plan fiduciary net position - ending | \$ 3,851,737 | 3,693,369 | 3,368,953 | 3,362,593 | 3,282,069 |
| Net pension liability - ending | \$ 401,199 | 422,405 | 684,772 | 540,430 | 436,572 |
| Plan fiduciary net position as a percentage of total pension liability | 90.57% | 89.74% | 83.11% | 86.15% | 88.26% |
| Covered payroll | 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 |

Notes to Schedule

| | |
|--------------------------|------|
| Changes in benefit terms | None |
| Changes in assumptions | None |

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|-----------------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level dollar |
| Remaining amortization period | 15 years |
| Asset valuation method | Market value of assets |
| Inflation | 2.75% |
| Salary increases | N/A |
| Investment rate of return | 7.00%, 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 Two Fiscal Years

| | 2018 | 2017 |
|---------------------------------------------------------------------|--------------|-----------|
| Total OPEB liability: | | |
| Service cost | \$ 53,304 | 51,501 |
| Interest | 167,805 | 158,952 |
| Differences between expected and actual experience | (125,270) | (68,299) |
| Benefit payments, including refunds of member contributions | (4,897) | (95,701) |
| Net change in total OPEB liability | \$ 90,942 | 46,453 |
| Total OPEB liability - beginning | 2,346,310 | 2,299,857 |
| Total OPEB liability - ending | \$ 2,437,252 | 2,346,310 |
| Plan fiduciary net position: | | |
| Contributions - employer | \$ (25,903) | 215,521 |
| Contributions - employee | | - |
| Contributions - TRB subsidy | 30,800 | 27,170 |
| Net investment income | 88,644 | 124,083 |
| Benefit payments, including refunds of member contributions | (4,897) | (95,701) |
| Administrative and other costs | (5,100) | (5,625) |
| Net change in plan fiduciary net position | \$ 83,544 | 265,448 |
| Plan fiduciary net position - beginning | 1,289,275 | 1,023,827 |
| Plan fiduciary net position - ending | \$ 1,372,819 | 1,289,275 |
| Net OPEB liability - ending | \$ 1,064,433 | 1,057,035 |
| Plan fiduciary net position as a percentage of total OPEB liability | 56.33% | 54.95% |
| Covered payroll | 8,451,000 | 8,165,000 |
| Net OPEB liability as a percentage of its covered payroll | 12.60% | 12.95% |

Notes to Schedule

| | |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Change in benefit terms | None |
| Changes in assumptions | In 2016 the healthcare trend rates were decreased to 7.75% decreasing 0.5% per year to an ultimate rate of 4.75% for 2022 and later, from 8.00% in 2014 decreasing 0.5% per year to an ultimate rate of 4.00% 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 |
|------|-------------------------------------------|------------------------|----------------------------------------|--------------------|----------------------------------------------------------|
| 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 |
| 2010 | 773 | 921 | (148) | N/A | N/A |
| 2009 | 609 | 530 | 79 | N/A | N/A |

Notes to Schedule

Valuation Date: July 1, 2016
Measurement Date: June 30, 2018

Changes in benefit terms: None
Changes in assumptions: None

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age
Amortization method: Level dollar
Remaining amortization period: 15 years
Asset valuation method: Market value of assets
Inflation: 2.75%
Salary increases: 4.00%, including inflation
Investment rate of return: 7.00%, 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 |
|------|-------------------------------------------|------------------------|----------------------------------------|--------------------|----------------------------------------------------------|
| 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 |
| 2010 | 224 | 198 | 26 | N/A | N/A |
| 2009 | 160 | 145 | 15 | N/A | N/A |

Notes to Schedule

Valuation Date: July 1, 2016
Measurement Date: June 30, 2018

Changes in benefit terms: None
Changes in assumptions: None

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age
Amortization method: Level dollar
Remaining amortization period: 15 years
Asset valuation method: Market value of assets
Inflation: 2.75%
Salary increases: N/A
Investment rate of return: 7.00%, 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 |
|------|-------------------------------------------|------------------------|----------------------------------------|--------------------|----------------------------------------------------------|
| 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 |
| 2010 | N/A | N/A | N/A | N/A | N/A |
| 2009 | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule

Valuation Date: July 1, 2016
Measurement Date: June 30, 2018

Changes in benefits: None

Changes in Assumptions: In 2016 the healthcare trend rates were decreased to 7.75% decreasing 0.5% per year to an ultimate rate of 4.75% for 2022 and later, from 8.00% in 2014 decreasing 0.5% per year to an ultimate rate of 4.00% 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: 7.75% in 2016, reduced by 0.5% year year to final 4.75% per year rate for 2022 and later.
Inflation: 2.75%
Investment rate of return: 7.00%, 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 Five Fiscal Years

| <u>Year ended June 30:</u> | <u>Annual money- weighted rate of return, net of investment expense:</u> |
|----------------------------|------------------------------------------------------------------------------------------|
| 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 Five Fiscal Years

| <u>Year ended June 30:</u> | <u>Annual money- weighted rate of return, net of investment expense:</u> |
|----------------------------|------------------------------------------------------------------------------------------|
| 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 Five Fiscal Years

| <u>Year ended June 30:</u> | <u>Annual money- weighted rate of return, net of investment expense:</u> |
|----------------------------|------------------------------------------------------------------------------------------|
| 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 Four Fiscal Years

| | 2018 | 2017 | 2016 | 2015 |
|------------------------------------------------------------------------------------------------|---------------|------------|------------|------------|
| Town's proportion of the net pension liability | 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 | \$ 29,074,044 | 30,673,339 | 22,686,851 | 20,969,447 |
| Total | \$ 29,074,044 | 30,673,339 | 22,686,851 | 20,969,447 |
| Town's covered payroll | 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% |
| Plan fiduciary net position as a percentage of total pension liability | 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. |
| Actuarial cost method | Entry age |
| Amortization method | Level percent of salary, closed |
| Single Equivalent amortization period | 20.4 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 Fiscal Year

| | <u>2018</u> |
|------------------------------------------------------------------------------------------------|----------------------------|
| Town's proportion of the net OPEB liability | 0.00% |
| Town's proportionate share of the net OPEB liability | \$ - |
| State's proportionate share of the net OPEB liability associated with the Town | \$ <u>7,483,319</u> |
| Total | \$ <u><u>7,483,319</u></u> |
| Town's covered payroll | 8,762,327 |
| Town's proportionate share of the net OPEB liability as a percentage of its covered payroll | 0.00% |
| Plan fiduciary net position as a percentage of total OPEB liability | 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 3.01% to 3.56% 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, 2015, 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. |
| Actuarial cost method | Entry age |
| Amortization method | Level percent of payroll |
| Amortization period | 30 years, open |
| Asset valuation method | Market value of assets |
| Inflation | 2.75% |
| Salary increase | 3.25-6.50%, including inflation |
| Investment rate of return | 2.75%, 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.

JOSEPH FASI LLC

56 ARBOR STREET, SUITE 418
HARTFORD, CONNECTICUT 06106

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

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

FORM OF OPINION OF BOND COUNSEL

Town of Litchfield
Litchfield, Connecticut

Ladies and Gentlemen:

We have represented the Town of Litchfield, Connecticut (the "Town") as bond counsel with respect to the issuance and sale of \$9,400,000 Town of Litchfield General Obligation Bonds, Issue of 2019, bearing a Dated Date and original issue date of August 29, 2019 (the "Bonds"). A portion of the proceeds of the bonds will be used to refund certain outstanding maturities of the Town's General Obligation Bonds, Issues of 2009 Series B, 2009 Series C and 2011 (hereafter the "Refunded Bonds").

We have examined a record of the proceedings authorizing the Bonds, a Tax Regulatory Agreement of the Town dated August 29, 2019 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

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

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

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

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

In our opinion, under existing statutes and court decisions, interest on the Bonds is excludable from gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not a specific preference item for purposes of the Federal alternative minimum tax. We express no opinion regarding any other Federal tax consequences of ownership or disposition of, or receipt of interest on, the Bonds.

In rendering the foregoing opinions regarding the Federal income tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, (ii) continuing compliance by the Town with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters, and (iii) the material accuracy of the calculations of AMTEC with respect to the yield on the Bonds and the escrowed securities purchased with the proceeds of the Bonds, the sufficiency of the escrowed securities to pay debt service due and redeem on the date set for redemption the Refunded Bonds, and net present value savings to the Town as a result of issuance of 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 in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. We express no opinion regarding any other State tax consequences of ownership or disposition of, or receipt of interest on, the Bonds.

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

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

Respectfully yours,

JOSEPH FASI LLC

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met at and subsequent to delivery of the Bonds in order that interest on the Bonds not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Town concurrently with the Bonds, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Town also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code. Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds irrespective of the date on which non-compliance occurs. In rendering its opinion, Bond Counsel relies on the continuing compliance by the Town with the Tax Regulatory Agreement, and on the Verification Report of AMTEC with respect to the i) yield on the bonds and on the escrowed securities purchased with the proceeds of the bonds, ii) the sufficiency of the escrowed securities to pay debt service due and redeem the Refunded Bonds on the date set for redemption, and iii) net present value savings to the Town as a result of issuance of the portion of the bonds issued to refund the Refunded Bonds.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Issuer with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds is excludable from gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not a specific preference item for purposes of the Federal alternative minimum tax.

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

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

Additional Tax Matters

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

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

Original Issue Premium

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

Original Issue Premium

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

FUTURE EVENTS

The Federal and State tax treatment of municipal bonds is determined by Federal, State and local legislation, administrative pronouncements and court decisions. For example, The Tax Cut and Jobs Act, H.R.1, signed by the President on December 22, 2017, eliminated the alternative minimum tax on corporations for tax years beginning January 1, 2019, and changed individual and corporate tax rates and deductions. These changes to Federal tax law may also change the benefit of tax exempt bond ownership. Such Federal legislative proposals are continually being proposed and introduced into Congress which, if enacted, would eliminate or curtail the exclusion from gross income of interest paid on municipal bonds or have other collateral tax consequences that will adversely affect their tax treatment, including limiting the exclusion from gross income on tax exempt bonds for higher income taxpayers. The enactment of such proposals may adversely affect the tax treatment of: the interest paid on the Bonds, their sale or disposition, market price, marketability, or otherwise prevent Beneficial Owners from receiving the full current tax benefit of ownership. There can be no assurance that changes of law by Federal or State governments will not occur or that they will not be made retroactive. Bond Counsel does not opine as to post issuance acts, including changes of law. Prospective purchases and Beneficial Owners should consult their own tax advisors regarding pending or proposed law changes.

APPENDIX C – FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF LITCHFIELD, CONNECTICUT

Dated As Of August 29, 2019

In Connection With The Issuance And Sale Of

\$9,400,000 Town Of Litchfield, Connecticut

General Obligation Bonds, Issue of 2019,

Dated August 29, 2019

WHEREAS, the Town of Litchfield, Connecticut (the "Issuer") has heretofore authorized the issuance of \$9,400,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2019 (the "Bonds") to be dated August 29, 2019 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

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

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

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

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

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

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

"Financial Obligation" shall mean 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 Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

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

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

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

<http://emma.msrb.org>

Section 2. Annual Reports.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF LITCHFIELD, CONNECTICUT

Dated As Of August 29, 2019

In Connection With The Issuance And Sale Of

\$9,400,000 Town Of Litchfield, Connecticut

General Obligation Bonds, Issue of 2019,

Dated August 29, 2019

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

TOWN OF LITCHFIELD, CONNECTICUT

By _____
Leo Paul, Jr.
First Selectman

By _____
Francis C. Carpentier
Town Treasurer

By _____
Amaechi E. Obi
Director of Finance

Municipal Advisory Services
Provided By

