

Official Statement Dated August 1, 2017

NEW ISSUE

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

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

TOWN OF LITCHFIELD, CONNECTICUT

\$2,535,000

GENERAL OBLIGATION BONDS, ISSUE OF 2017

(BANK QUALIFIED)

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, 2018.

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 \$5,000 or integral multiples thereof. DTC will act as security depository for the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

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

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

MATURITY SCHEDULE AND AMOUNTS

Maturity	Amount	Coupon	Yield	CUSIP (1)	Maturity	Amount	Coupon	Yield	CUSIP (1)
2018	\$170,000	2.000%	0.860%	536597QY6	2026	\$170,000	2.000%	2.000%	536597RG4
2019	170,000	2.000	0.950	536597QZ3	2027	170,000	2.250	2.100*	536597RH2
2020	170,000	2.000	1.040	536597RA7	2028	170,000	2.500	2.250*	536597RJ8
2021	170,000	3.000	1.130	536597RB5	2029	170,000	2.750	2.400*	536597RK5
2022	170,000	3.000	1.230	536597RC3	2030	165,000	3.000	2.500*	536597RL3
2023	170,000	2.000	1.500	536597RD1	2031	165,000	3.000	2.650*	536597RM1
2024	170,000	2.000	1.700*	536597RE9	2032	165,000	3.000	2.800*	536597RN9
2025	170,000	2.000	1.850*	536597RF6					

* Priced assuming redemption on August 1, 2023 however any such redemption is at the option of the Town. (See "Optional Redemption" herein).

BAIRD

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in definitive book-entry form will be made on or about August 16, 2017.

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

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

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

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

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

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

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

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

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

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

BOND COUNSEL

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Joseph P. Fasi, Esq.

Hartford, Connecticut
(860) 296-0510

INDEPENDENT FINANCIAL ADVISOR

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

Madison, Connecticut
(203) 245-8715

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BOND SALE SUMMARY

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

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

Date of Sale:	Tuesday, August 1, 2017, at 11:30 A.M. (E.D.T).
Location of Sale:	Office of the First Selectman, Town of Litchfield, Town Hall, 74 West Street, Litchfield, Connecticut 06759.
Issuer:	Town of Litchfield, Connecticut (the "Town").
Issue:	\$2,535,000 General Obligation Bonds, Issue of 2017.
Dated Date:	August 16, 2017.
Interest Due:	February 1 and August 1 in each year of maturity, commencing February 1, 2018.
Principal Due:	Serially August 1, 2018 - 2032.
Purpose and Authority:	The Bonds are being issued to finance certain school and capital projects undertaken by the Town. (See "Authorization and Purpose of the Bonds" herein).
Redemption:	The Bonds are subject to redemption prior to maturity, as more fully described herein.
Security:	The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of the principal of and interest on the Bonds when due. (See "Security and Remedies" herein).
Credit rating:	The Bonds have been rated "Aa2" by Moody's Investors Service, Inc. ("Moody's"). The rating on the Town's outstanding bonds has been affirmed as "Aa2" by Moody's. (See "Ratings" herein).
Basis for Award:	Lowest True Interest Cost ("TIC") as of the dated date.
Tax Exemption:	See Appendix B, "Form of Opinion of Bond Counsel and Tax Exemption".
Continuing Disclosure:	See Appendix C, "Form of Continuing Disclosure Agreement".
Bank Qualification:	The Bonds SHALL be designated by the Town as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Certifying Bank, Registrar, Transfer and Paying Agent:	U.S. Bank National Association of Hartford, Connecticut.
Legal Opinion:	Joseph Fasi LLC of Hartford, Connecticut is Bond Counsel.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry form will be made to the Depository Trust Company via "FAST" on or about August 16, 2017, against payment in Federal Funds.
Issuer Official:	Questions concerning the Town and this Official Statement should be directed to Amaechi E. Obi, Director of Finance, Town of Litchfield, Connecticut - Telephone (860) 567-7554.

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 \$2,535,000 General Obligation Bonds, Issue of 2017 (the "Bonds") to present certain financial and supplementary economic and demographic data relevant to the Town of Litchfield, Connecticut (the "Town"), and may not be reproduced or used in whole or in part for any other purpose.

The Bonds are being offered for sale at public bidding. A Notice of Sale dated July 24, 2017 has been furnished to prospective bidders. Reference is made to the Notice of Sale, which is included as Appendix D, for the terms and conditions of the bidding.

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

Description of the Bonds

The Bonds will be dated the date of delivery and will mature on the dates and in the principal amounts set forth on the cover page hereof. Interest on the Bonds will be payable February 1, 2018 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 as set forth on the cover page, as of the close of business on the fifteenth day of January and July in each year, or the preceding business day if the fifteenth is not a business day. A book-entry system will be employed evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein). The Certifying Bank, Registrar, Transfer and Paying Agent will be U.S. Bank National Association of Hartford, Connecticut. The legal opinion on the Bonds will be rendered by Joseph Fasi LLC of Hartford, Connecticut, as set forth in Appendix B. The Bonds SHALL be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended and described herein. **The Bonds are subject to redemption prior to maturity as described herein. (See "Optional Redemption" herein.)**

Optional Redemption

The Bonds maturing on or before August 1, 2023 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2024, and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after August 1, 2023, 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, 2023 and thereafter	100%

Notice of Redemption

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

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

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

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

Authorization and Use of Proceeds of the Bonds

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

Authorization:

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

2017-2018 Capital Improvement Program: A \$6,875,000 appropriation and bond authorization for the planning, acquisition and construction of the Town of Litchfield Capital Improvement Program 2017-2018 was approved at a Town Meeting held on May 10, 2017.

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

Projects	Total Bond Authorization	Amount of Notes Outstanding	Additions (Reductions)	The Bonds (<i>This Issue</i>)
2015-16 Capital Improvement Program	\$ 5,745,000	\$ -	\$ 133,708	\$ 133,708
2017-18 Capital Improvement Program	6,875,000	-	2,401,292	2,401,292
Total	<u>\$ 12,620,000</u>	<u>\$ -</u>	<u>\$ 2,535,000</u>	<u>\$ 2,535,000</u>

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

Ratings

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

Security and Remedies

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

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

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

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

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

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

Qualification for Financial Institutions

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

Book-Entry Transfer System

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

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

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

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

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

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

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

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

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

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

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

Replacement Bonds

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

DTC Practices

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

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SECTION II - THE ISSUER

Description of the Town

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

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

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

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

Form of Government

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

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

Municipal Officials

Name	Position	Term	Length of Service
Leo Paul, Jr.	First Selectman	2 Years -- Elected	13.0 years
Diane Knox	Selectman	2 Years -- Elected	6.0 years
Paul J. Parsons	Selectman	2 Years -- Elected	7.5 years
Jonathan E. Tarrant	Selectman	2 Years -- Elected	5.0 years
Jeffrey J. Zullo	Selectman	2 Years -- Elected	5.0 years
Francis C. Carpentier (1)	Town Treasurer	Appointed	0.5 years
Lisa A. Losee	Town Clerk	4 Years -- Elected	8.5 years
Nancy W. Southard	Tax Collector	4 Years -- Elected	26.5 years
Amaechi E. Obi	Director of Finance	Appointed	2.5 years

(1) Francis C. Carpentier is serving the remainder of David T. Wilson's term as an appointee of the Board of Selectman.

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 2014-2015 were \$1,041,004, including \$228,418 in debt service payments and \$40,000 in transfers to WPCA Capital Reserve fund for future plant improvements. The sanitary sewer operating budgeted expenses for 2015-16 were \$1,027,806, including \$228,418 in debt service. The treatment facility has 4 full time employees.

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

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

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

Solid Waste. The Town signed a Tier 2 contract with MIRA on July 29, 2015 for a term ending June 30, 2027 for waste disposal. The fees are as follows: July 1, 2017 through June 30, 2018 - \$64.00/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 10/01/16</u>	<u>Capacity</u>
Center School	Pre K-3	1925	1945, 1965, 1988	22	300	300
Intermediate School	4 - 6	1967	2007	18	191	200
Middle/High School	7 - 12	1956	1963, 1976 & 2007	31	456	500
Total				<u>71</u>	<u>947</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>
2007-08	337	250	624	1,211
2008-09	348	276	578	1,202
2009-10	342	289	569	1,200
2010-11	339	267	560	1,166
2011-12	316	262	544	1,122
2012-13	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
Projected (2)				
2017-18	252	198	459	909
2018-19	237	192	449	878
2019-20	232	194	429	855
2020-21	223	195	403	821

(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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Government	98	108	108	105	108	117	103	103	105	106
Board of Education	<u>167</u>	<u>158</u>	<u>165</u>	<u>153</u>	<u>157</u>	<u>157</u>	<u>171</u>	<u>170</u>	<u>172</u>	<u>177</u>
Total	<u>265</u>	<u>266</u>	<u>273</u>	<u>258</u>	<u>265</u>	<u>274</u>	<u>274</u>	<u>273</u>	<u>277</u>	<u>283</u>

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

Municipal Employees Bargaining Organizations

As of June 30, 2017, the Town employs 265 persons. The following table sets forth a breakdown of employee representation by collective bargaining agent and the dates of expiration of the various collective bargaining agreements:

Employees	Organization	Employees Covered	Current Contract Expiration Date
<u>General Government</u>			
Public Works	Council; 4, AFSCME	19	6/30/2017 (1)
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	64	
Sub-total - General Government		98	
<u>Board of Education</u>			
Teachers	Litchfield Education Association	103	6/30/2020
Administrators	Litchfield Administrators' Association	6	6/30/2020
Classified Employees	Council; 4, AFSCME	36	6/30/2019
Custodians	AFSCME	10	6/30/2016 (1)
	Non-Bargaining Employees	12	
Sub-total - Board of Education		167	
Total - Town of Litchfield		265	

(1) In negotiations.

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

Economic Development

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

The Litchfield Planning and Zoning Commission adopted its 10-year Plan of Conservation and Development (POCAD) on 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
2015	8,306	186,304	3,593,222

Source: U. S. Census Bureau, American Community Survey, 2011-2015.

Age Characteristics of the Population

	<u>Town of Litchfield</u>	<u>Litchfield County</u>	<u>State of Connecticut</u>
Under 5 years of age	306	8,088	191,445
5 - 9 years of age	446	10,177	214,983
10 - 14 years of age	557	11,286	231,075
15 - 19 years of age	544	11,911	255,286
20 - 24 years of age	355	9,484	237,578
25 - 34 years of age	508	18,075	436,678
35 - 44 years of age	928	21,618	448,840
45 - 54 years of age	1,447	32,218	556,454
55 - 59 years of age	745	16,566	259,565
60 - 64 years of age	674	13,854	219,040
65 - 74 years of age	911	18,653	291,955
75 - 84 years of age	597	9,141	162,332
Over 85 years of age	288	5,233	87,991
Total	<u>8,306</u>	<u>186,304</u>	<u>3,593,222</u>

Source: U. S. Census Bureau, American Community Survey, 2011-2015.

Selected Wealth and Income Indicators

	<u>Median Family Income</u>		<u>Per Capita Income</u>	
	<u>(2000)</u>	<u>(2015)</u>	<u>(2000)</u>	<u>(2015)</u>
Town of Litchfield	\$ 70,594	\$ 102,209	\$ 30,096	\$ 45,766
Litchfield County	66,445	89,735	24,408	38,530
Connecticut	65,521	89,031	28,766	38,803
United States	49,600	66,011	21,690	28,930

Source: U.S. Census Bureau, Census 2000 and 2011-2015 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	50	2.2	1,060	2.1	30,926	3.5
10,000 to 14,999	0	0.0	513	1.0	18,063	2.0
15,000 to 24,999	109	4.8	1,829	3.7	46,085	5.1
25,000 to 34,999	128	5.7	2,451	4.9	55,716	6.2
35,000 to 49,999	183	8.1	4,953	10.0	83,173	9.3
50,000 to 74,999	306	13.6	9,105	18.4	139,724	15.6
75,000 to 99,999	313	13.9	8,043	16.2	126,557	14.1
100,000 to 149,999	605	26.8	11,893	24.0	183,030	20.4
150,000 to 199,999	297	13.2	5,442	11.0	94,575	10.6
200,000 or more	263	11.7	4,326	8.7	117,791	13.2
Total	2,254	100.0	49,615	100.0	895,640	100.0

Source: U. S. Census Bureau, American Community Survey, 2011-2015.

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	136	2.2	4,126	3.0	105,725	4.3
9th to 12th grade	179	2.9	7,504	5.5	144,132	5.9
High School graduate	1,566	25.7	39,720	29.3	673,973	27.4
Some college - no degree	1,144	18.8	26,358	19.5	430,129	17.5
Associates degree	644	10.6	12,193	9.0	183,289	7.4
Bachelor's degree	1,281	21.0	26,350	19.5	516,001	21.0
Graduate or professional degree	1,148	18.8	19,107	14.1	409,606	16.6
Total	6,098	100.0	135,358	100.0	2,462,855	100.0
Total high school graduate or higher (%)		94.8%		91.4%		89.9%
Total bachelor degree or higher (%)		39.8%		33.6%		37.6%

Source: U. S. Census Bureau, American Community Survey, 2011-2015.

Employment by Industry

	Town of Litchfield		Litchfield County		State of Connecticut	
	Number	%	Number	%	Number	%
Agriculture, forestry, fisheries	52	1.2	1,023	1.0	7,214	0.4
Construction	378	8.8	7,703	7.8	100,593	5.6
Manufacturing	437	10.1	12,267	12.5	191,286	10.7
Wholesale trade	58	1.3	1,958	2.0	44,581	2.5
Retail trade	340	7.9	10,909	11.1	193,799	10.9
Transportation & warehousing, utilities	122	2.8	3,471	3.5	66,850	3.8
Information	71	1.6	2,091	2.1	41,486	2.3
Finance, insurance, real estate	390	9.0	6,888	7.0	163,822	9.2
Professional, scientific, management	576	13.3	9,487	9.7	199,942	11.2
Educational, health and social services	1,167	27.0	26,463	26.9	471,587	26.5
Arts, entertainment, recreation, food	304	7.0	7,594	7.7	153,516	8.6
Other professional services	229	5.3	4,684	4.8	79,998	4.5
Public Administration	194	4.5	3,756	3.8	66,743	3.7
Total	4,318	100.0	98,294	100.0	1,781,417	100.0

Source: U. S. Census Bureau, American Community Survey, 2011-2015.

Major Employers

Name of Employer	Nature of Entity	Estimated Number of Employees
Town of Litchfield	Local Government and Board of Education	265
Regional School District 6	Education	178
Connecticut Junior Republic	Special Needs Education, including Residential	138
Forman School	Education	121
Stop & Shop	Grocery Chain	96
Brandywine Assisted Living (Sarah Pierce Community)	Assisted Living	91
State Police & State Department of Transportation	State Employees	80
Education Connection	State Government, Education Services	75
Rosehaven, Ltd.	Skilled Nursing Facility & Home for Aged	60

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

Unemployment Rate Statistics

Yearly Average	Town of Litchfield %	Torrington Labor Market %	State of Connecticut %	United States %
2007	3.9	4.4	4.6	4.6
2008	4.7	5.2	5.6	5.8
2009	7.1	8.3	8.3	9.3
2010	7.2	9.1	9.1	9.6
2011	6.8	8.4	8.8	9.0
2012	6.1	7.8	8.3	8.1
2013	5.7	7.2	7.8	7.4
2014	5.0	6.1	6.6	6.2
2015	4.3	5.2	5.6	5.3
2016	4.0	4.8	5.1	4.7

2017 Monthly

January	4.8	5.7	5.4	5.1
February	5.0	5.9	5.5	4.9
March	4.8	5.5	5.1	4.6
April	3.8	4.7	4.7	4.1
May	3.6	4.4	4.8	4.1

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
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
2009	15	266	47	328	12,179,143
2008	8	228	35	271	11,035,559

Source: Town of Litchfield, Building Official.

Number of Dwelling Units

2015	2010	2000	1990	% Increase 1990-2015	% Increase 2000-2015	% Increase 2010-2015
4,151	3,975	3,629	3,430	21.0%	14.4%	4.4%

Source: U. S. Census Bureau, American Community Survey, 2011-2015.

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	54	2.0	1,214	2.8	24,620	2.7
50,000 to 99,999	3	0.1	1,851	4.3	28,771	3.2
100,000 to 149,999	154	5.6	6,498	15.1	78,066	8.6
150,000 to 199,999	293	10.7	10,262	23.8	140,544	15.5
200,000 to 299,999	810	29.5	1,590	3.7	251,106	27.7
300,000 to 499,999	967	35.2	14,449	33.5	235,670	26.0
500,000 to 999,999	404	14.7	5,516	12.8	106,965	11.8
1,000,000 and over	65	2.4	1,700	3.9	40,485	4.5
Total	2,750	100.0	43,080	100.0	906,227	100.0
Median Value	\$ 309,100		\$ 254,600		\$ 270,500	

Source: U. S. Census Bureau, American Community Survey, 2011-2015.

Age Distribution of Housing

Year Built	Town of Litchfield		Litchfield County		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
1939 or earlier	1,223	29.5	22,109	25.3	331,829	22.2
1940 – 1949	236	5.7	5,215	6.0	105,253	7.1
1950 – 1959	625	15.1	10,852	12.4	230,868	15.5
1960 – 1969	253	6.1	9,174	10.5	200,380	13.4
1970 – 1979	577	13.9	12,695	14.5	199,447	13.4
1980 – 1989	618	14.9	12,252	14.0	193,595	13.0
1990 – 1999	272	6.6	7,978	9.1	115,076	7.7
2000 – 2009	326	7.9	6,815	7.8	103,911	7.0
2010 – 2013	21	0.5	357	0.4	10,812	0.7
2014 or later	0	0.0	0	0.0	615	0.0
Total	4,151	100.0	87,447	100.0	1,491,786	100.0

Source: U. S. Census Bureau, American Community Survey, 2011-2015.

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 16, 2017 (Pro Forma)

Total Fiscal Year 2016 tax collections (including interest and lien fees)	\$ 27,136,444
State Reimbursement for Revenue Loss on:	
Local Property tax relief for elderly	-
Base for Establishing Debt Limit	<u>\$ 27,136,444</u>

Debt Limit

	General Purpose	School	Sewer	Urban Renewal	Pension Deficit	Total Debt
(2.25 times base)	\$ 61,056,999					
(4.50 times base)		\$ 122,113,998				
(3.75 times base)			\$ 101,761,665			
(3.25 times base)				\$ 88,193,443		
(3.00 times base)					\$ 81,409,332	
(7.00 times base) (1)						\$ 189,955,108

Indebtedness (Including the Bonds)

Bonds Payable	\$ 12,673,220	\$ 9,854,780	\$ 455,000	\$ -	\$ -	\$ 22,983,000
The Bonds (<i>This Issue</i>)	2,535,000	-	-	-	-	2,535,000
State of Connecticut Permanent Loan Obligation ("PLO")	-	-	1,595,254	-	-	1,595,254
Authorized but Unissued Debt	808,084	-	-	-	-	808,084
Total Indebtedness	16,016,304	9,854,780	2,050,254	-	-	27,921,338
Grants/Assessments Receivable (2)	-	-	(664,905)	-	-	(664,905)
Total Net Indebtedness	16,016,304	9,854,780	1,385,349	-	-	27,256,433
Excess of Limit Over Outstanding and Authorized Debt	<u>\$ 45,040,695</u>	<u>\$ 112,259,218</u>	<u>\$ 100,376,316</u>	<u>\$ 88,193,443</u>	<u>\$ 81,409,332</u>	<u>\$ 162,698,675</u>

(1) Under Connecticut General Statutes, total indebtedness for all classes cannot exceed seven times the base, or \$189,955,108.

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

(3) As of June 30, 2017, the Town's sewer assessments receivable for the payment of sewer debt was \$664,905.

Source: Town Officials.

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Calculation of Net Direct Debt

As of August 16, 2017 (Pro Forma)

Long-Term Indebtedness (1)	
The Bonds (<i>This Issue</i>)	\$ 2,535,000
General Purpose	12,673,220
Schools	9,854,780
Sewers	455,000
State of Connecticut PLO (Clean Water Fund)	<u>1,595,254</u>
Total Long-Term Indebtedness	27,113,254
Short-Term Indebtedness: Notes Payable	<u>-</u>
Total Direct Indebtedness	27,113,254
Exclusions: Sewer assessments and Sewer use charges receivable (2)	<u>(874,620)</u>
Total Net Direct Indebtedness	<u><u>\$ 26,238,634</u></u>

(1) Does not include authorized but unissued debt of \$808,084.

(2) Grants and receivables applicable to authorized and unissued debt are not included. As of June 30, 2017, the Town's sewer assessments receivable was \$664,905 and sewer use charges receivable was \$209,715 for the payment of sewer debt.

Current Debt Ratios

As of August 16, 2017 (Pro Forma)

Total Direct Indebtedness	\$ 27,113,254
Total Net Direct Indebtedness	\$ 26,238,634
Population (1)	8,306
Net Taxable Grand List (10/1/16)	\$ 1,040,712,083
Estimated Full Value	\$ 1,486,731,547
Equalized Net Taxable Grand List (2014) (2)	\$ 1,467,022,228
Per Capita Income (2015) (1)	\$ 45,766
Total Direct Indebtedness:	
Per Capita	\$3,264.30
To Net Taxable Grand List	2.61%
To Estimated Full Value	1.82%
To Equalized Net Taxable Grand List	1.85%
Per Capita to Per Capita Income	7.13%
Total Net Direct Indebtedness:	
Per Capita	\$3,159.00
To Net Taxable Grand List	2.52%
To Estimated Full Value	1.76%
To Equalized Net Taxable Grand List	1.79%
Per Capita to Per Capita Income	6.90%

(1) U. S. Census Bureau, American Community Survey, 2011-2015.

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

Historical Debt Statement

	2016-17 (1)	2015-16	2014-15	2013-14	2012-13
Population (2)	8,306	8,306	8,306	8,306	8,306
Net taxable grand list	\$ 1,029,457,478	\$ 1,024,379,738	\$ 1,030,897,219	\$ 1,110,419,110	\$ 1,108,810,149
Estimated full value	\$ 1,470,653,540	\$ 1,463,399,626	\$ 1,472,710,313	\$ 1,586,313,014	\$ 1,584,014,499
Equalized net taxable grand list (3)	\$ 1,467,022,228	\$ 1,467,022,228	\$ 1,468,964,101	\$ 1,421,529,441	\$ 1,425,894,469
Per capita income (2015) (2)	\$ 45,766	\$ 45,766	\$ 45,766	\$ 45,766	\$ 45,766
Short-term debt	\$ -	\$ 1,193,000	\$ 330,000	\$ 1,640,000	\$ 400,000
Long-term debt	26,841,446	23,280,130	25,952,935	27,149,354	29,994,512
Total Direct Indebtedness	\$ 26,841,446	\$ 24,473,130	\$ 26,282,935	\$ 28,789,354	\$ 30,394,512
Net Direct Indebtedness	\$ 26,176,541	\$ 23,592,182	\$ 25,446,233	\$ 27,867,460	\$ 29,400,535

(1) Unaudited estimates.

(2) U. S. Census Bureau, American Community Survey, 2011-2015.

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

Historical Debt Ratios

	2016-17 (1)	2015-16	2014-15	2013-14	2012-13
Total Direct Indebtedness:					
Per capita	\$3,231.57	\$2,946.44	\$3,164.33	\$3,466.09	\$3,659.34
To net taxable grand list	2.61%	2.39%	2.55%	2.59%	2.74%
To estimated full value	1.83%	1.67%	1.78%	1.81%	1.92%
To equalized net taxable grand list	1.83%	1.67%	1.79%	2.03%	2.13%
Debt per capita to per capita income	7.20%	6.56%	7.05%	7.72%	8.15%
Net Direct Indebtedness:					
Per capita	\$3,151.52	\$2,840.38	\$3,063.60	\$3,355.10	\$3,539.67
To net taxable grand list	2.54%	2.30%	2.47%	2.51%	2.65%
To estimated full value	1.78%	1.61%	1.73%	1.76%	1.86%
To equalized net taxable grand list	1.78%	1.61%	1.73%	1.96%	2.06%
Debt per capita to per capita income	7.02%	6.33%	6.82%	7.47%	7.88%

(1) Unaudited estimates.

Outstanding Short-Term Indebtedness

As of August 16, 2017, the Town will have no outstanding in short-term indebtedness.

Overlapping and Underlying Indebtedness

The Town has no overlapping or underlying indebtedness.

Clean Water Fund Program

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

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

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

The Town has the following Clean Water Fund loans outstanding:

Project	Date of Issue	Original 2% Loan Amount	Amount Outstanding for the Sewer Construction Projects As of August 16, 2017
CWF PLO 181-C	07/29/1999	\$ 570,427	\$ 33,936
CWF PLO 499-C	07/31/2004	4,595,198	1,561,318
		<u>\$ 5,165,625</u>	<u>\$ 1,595,254</u>

Legal Requirements for Approval of Borrowing

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

Temporary Financing

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

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

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

School Projects

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

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)	Authorized But Unissued
2012-13 Capital Improvement	\$ 5,100,000	\$ 1,883,569	\$ 2,554,896	\$ -	\$ 661,535
2015-16 Capital Improvement	5,745,000	3,072,219	2,539,073	133,708	-
2017-18 Capital Improvement	6,875,000	-	4,327,159 ⁽¹⁾	2,401,292	146,549
Total	<u>\$ 17,720,000</u>	<u>\$ 4,955,788</u>	<u>\$ 9,421,128</u>	<u>\$ 2,535,000</u>	<u>\$ 808,084</u>

(1) It is estimated that the Town will receive grant payments in the amount of \$2,864,328 for bridge projects and \$706,931 for road projects during the construction of the projects. The grants received will reduce the authorized but unissued debt by a similar amount.

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

As of August 16, 2017 (Pro Forma)

Fiscal Year	Principal Payments (1)	Interest Payments	Total Debt Service (1)	The Bonds Principal	Total Principal All Issues (1)
2018	\$ 3,270,864	\$ 731,802	\$ 4,002,666	\$ -	\$ 3,270,864
2019	3,154,822	631,698	3,786,520	170,000	3,324,822
2020	3,180,054	532,611	3,712,665	170,000	3,350,054
2021	3,037,243	431,340	3,468,583	170,000	3,207,243
2022	3,017,536	338,641	3,356,177	170,000	3,187,536
2023	3,012,936	252,934	3,265,870	170,000	3,182,936
2024	2,232,992	176,861	2,409,853	170,000	2,402,992
2025	1,935,000	114,777	2,049,777	170,000	2,105,000
2026	1,245,000	70,918	1,315,918	170,000	1,415,000
2027	605,000	51,668	656,668	170,000	775,000
2028	430,000	39,130	469,130	170,000	600,000
2029	430,000	30,530	460,530	170,000	600,000
2030	430,000	21,930	451,930	170,000	600,000
2031	430,000	13,330	443,330	165,000	595,000
2032	430,000	4,515	434,515	165,000	595,000
2033	-	-	-	165,000	165,000
	<u>\$ 26,841,446</u>	<u>\$ 3,442,685</u>	<u>\$ 30,284,131</u>	<u>\$ 2,535,000</u>	<u>\$ 29,376,446</u>

(1) Does not reflect fiscal year 2017-18 principal payments of \$2,263,192 made as of August 16, 2017.

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

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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, 2016, 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. The Governor's revised proposed budget dated May 15, 2017, includes reductions in municipal funding for Education Cost Sharing, grants for municipal projects and transfer to the Town of 1/3 of the pension cost of the Town's teachers, for a total of approximately \$2.3 million in local cost increases next fiscal year, which represents 2.3 mills. The Connecticut legislature has responded to the Governor's proposal with counter proposals that do not significantly impact the Town. The Governor's proposal is the extreme with respect to impact on municipalities and is not viewed by Town Officials as likely to be enacted. There can be no assurance whether any of the proposed budgets will be adopted or the impact on the Town the State budget as adopted will have. The Town's adopted budget reduced anticipated State Funding by \$500,000 (25%). At the present time the Town intends to utilize a supplemental tax bill if necessary to respond to significant State funding reductions.

Public Act No. 15-244 (the "Act") 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. However, for municipalities that taxed motor vehicles at more than 32.00 mills for the 2013 assessment year (for taxes levied in FY 15), the reduction may not exceed the difference between the amount of property taxes the municipality levied on motor vehicles for the 2013 assessment year and the amount the levy would have been had the motor vehicle mill rate been 32.00 mills. (See "Assessments" herein).

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

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

Supplemental Appropriations

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

Employee Pension Systems

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

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

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

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

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

The Town's audit report dated June 30, 2016 summarizes actuarial information based upon the July 1, 2014 actuarial valuation, funding, pension cost and net pension asset amounts for the Town Plan and the Merit Service Plan. The Audit Report also provides information on eligibility and additional information on the BOE plan. (See Appendix A, Note 10 "Pension Plans and Benefits Provided", of the "Notes to Financial Statements").

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

In accordance with Government Accounting Standards Board's (GASB) Statement No. 67, the components of the net pension liability of the Town plans as of June 30, 2016 were as follows:

Fiscal Year Ending June 30	Town Plan		
	2016	2015	2014
Total pension liability	\$ 16,343,434	\$ 15,601,000	\$ 14,613,000
Plan fiduciary net position	12,004,230	11,903,000	11,203,000
Net pension liability	<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	73.4%	76.3%	76.7%

Fiscal Year Ending June 30	Merit Service Plan		
	2016	2015	2014
Total pension liability	\$ 4,053,725	\$ 3,903,000	\$ 3,719,000
Plan fiduciary net position	3,369,413	3,362,000	3,290,000
Net pension liability	<u>\$ 684,312</u>	<u>\$ 541,000</u>	<u>\$ 429,000</u>
Plan fiduciary net position as a % of total pension liability	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	\$ 6,013,946	\$ 4,339,204	\$ 2,895,146

	Merit Service Plan		
	Current		
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$ 1,192,654	\$ 684,312	\$ 260,773

Based upon a July 1, 2016 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
(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)
2009	\$ 5,044,224	\$ 10,516,645	\$ 5,472,421	48.0%
2010	6,216,987	11,660,746	5,443,759	53.3
2012	8,192,297	13,085,274	4,892,977	62.6
2014	11,177,311	14,910,311	3,733,000	75.0
2016	12,002,600	15,614,934	3,612,334	76.9

(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)
2009	\$ 1,648,251	\$ 3,154,608	\$ 1,506,357	52.2%
2010	1,937,389	3,121,487	1,184,098	62.1
2012	2,546,572	3,367,567	820,995	75.6
2014	3,282,069	3,749,977	467,908	87.5
2016	3,368,953	3,972,584	603,631	84.8

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

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

The following table represents a prospective forecast of the Town Plan's Actuarial Determined Employer Contribution ("ADEC") based on the July 1, 2016 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, 2016 there are 16 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 (1)	654,162	654,162	100.0

(1) As budgeted and to be made for fiscal year 2017-18.

(Merit Service Plan)

<u>Fiscal Year</u>	<u>Actuarial Determined Employer Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 150,102	\$ 150,102	100.0
2015	150,102	150,102	100.0

The following table represents a prospective forecast of the Town Plan's Actuarial Determined Employer Contribution ("ADEC") based on the July 1, 2016 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 (1)	118,419	118,419	100.0

(1) As budgeted and to be made for fiscal year 2017-18.

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

As of July 1, 2016, the most recent actuarial valuation date, the actuarial liability amount for OPEB was \$2,570,923. 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

<u>Actuarial Valuation July 1</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded (Overfunded) AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a) / (b)</u>
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

<u>Fiscal Year</u>	<u>Actuarial Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 290,566	\$ 270,642	93.1
2015	294,364	100,000	34.0
2016	206,921	131,123	63.4
2017	210,274	N/A	
2018	173,543	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, 2013. Section 12-62 of the Connecticut General Statutes establishes the revaluation cycle for Connecticut municipalities. The law requires a revaluation every five years, and the Assessor shall perform a full inspection of all parcels once every ten years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may choose to phase-in real property assessment increases resulting from a revaluation, but such phase-in must be implemented in less than five assessment years. The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Every year the Board of Assessment Appeals ("BAA") determines whether each taxpayer petition for assessment reduction on the current grand list is warranted. BAA also has the authority to increase assessments.

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Motor Vehicle Property Taxes

Public Act No. 16-3, May Special Session (the “Act”), allows municipalities to tax motor vehicles at a different rate than other taxable property but caps the motor vehicle tax rate at (1) 37.00 mills for the 2015 assessment year (fiscal year beginning July 1, 2016 and ending June 30, 2017) and (2) 32.00 mills for the 2016 assessment year (fiscal year beginning July 1, 2017 and ending June 30, 2018) and thereafter. The Act also diverts a portion of state collected sales tax revenue to provide funding to municipalities to mitigate the revenue loss attributed to the motor vehicle property tax cap.

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 6/30/17
2018 (2)	\$ 1,040,712,083	27.60	\$ 28,249,513	In Process	In Process	In Process
2017 (3)	1,029,457,478	26.70	27,508,046	99.4%	\$ 155,847	\$ 155,847
2016	1,024,379,738	26.20	27,038,635	99.0	351,327	130,371
2015 (1)	1,030,897,219	25.20	25,906,000	98.9	295,000	57,928
2014	1,110,419,110	22.60	25,183,000	98.4	400,000	35,483
2013	1,108,810,149	22.20	24,668,000	98.1	482,000	17,160
2012	1,100,594,853	22.20	24,488,000	98.1	468,000	16,746
2011	1,099,965,435	21.90	24,097,000	98.2	446,000	13,920
2010	1,089,925,297	21.20	23,154,000	98.3	387,000	9,420
2009	898,484,511	25.50	23,032,859	98.1	445,000	8,081

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

(2) Adopted Budget.

(3) Unaudited Estimates.

Source: Town Officials.

Taxable Grand List (1)

Grand List Dated	Real Property	Personal Property	Motor Vehicle Property	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
10/01/16	\$ 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
10/01/08	1,002,767,850	25,039,165	65,281,752	1,093,088,767	3,163,470	1,089,925,297
10/01/07	805,692,775	24,593,239	71,457,581	901,743,595	3,259,084	898,484,511

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

Source: Town Officials

Largest Taxpayers

The following table sets forth the ten largest taxpayers in the Town per the Grand List dated October 1, 2016.

Name of Taxpayer	Nature of Operations	Total As of 10/1/16
Eversource	Power Company	\$ 15,137,530
CRP/BWN LLC (Sarah Pierce)	Health Care Facility	6,279,650
City of Waterbury	Watershed	5,818,050
C A Litchfield Land LLC	Real Estate	3,793,480
White Memorial Foundation	Leased Land for Cottages	3,523,640
Aquarion Water Co.	Water Supply	3,459,710
Union Savings Bank	Bank	2,452,370
Arethusa Farm	Farming	2,441,850
Litchfield Developers LLC	Real Estate	2,176,850
Daddario, Raymond F.	Real Estate	1,832,220
Total		<u>\$ 46,915,350</u> (1)

(1) Represents 4.51% of the net taxable grand list dated October 1, 2016 of \$1,040,712,083.

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 2012 – 2016, see "Statement of Revenues, Expenditures, and Changes in Fund Balance" herein. The prior year's appropriated surplus is also available to support current operating expenditures.

Property Tax Revenues

Fiscal Year	General Fund Revenues	Property Tax Revenues	Property Tax As a % of General Fund Revenues
2018 (Adopted Budget)	\$ 30,759,154 (1)	\$ 28,909,513	94.0
2017 (Unaudited Estimates)	30,451,233 (1)	27,850,515	91.5
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
2010	26,565,000	23,398,000	88.1
2009	26,634,000	23,034,000	86.5

(1) Adopted budget for fiscal year 2017-18 and unaudited estimates for fiscal year 2016-17. Does not include on-behalf payments for state teachers' retirement.

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Intergovernmental Revenues

Fiscal Year	General Fund Revenues		Intergovernmental Revenues		Intergovernmental Revenues as a % of General Fund Revenues
2018 (Adopted Budget)	\$ 30,759,154	(1)	\$ 1,283,796	(1)	4.2
2017 (Unaudited Estimates)	30,451,233	(1)	1,384,431	(1)	4.5
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
2010	26,565,000		2,703,000		10.2
2009	26,634,000		2,973,000		11.2

(1) Adopted budget for fiscal year 2017-18 and unaudited estimates for fiscal year 2016-17. Does not include on-behalf payments for state teachers' retirement.

Expenditures (1)

Fiscal Year	Board of Education %	Debt Service %	Public Works %	Benefits and Insurance %	General Government %	Public Safety %
2018 (Adopted Budget)	61.6	13.0	10.2	5.5	5.4	3.0
2017 (Unaudited Estimates)	61.5	12.1	9.4	5.4	6.6	2.7
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
2010	62.9	12.8	7.7	6.1	4.9	3.1
2009	64.0	13.1	7.5	4.7	4.6	3.1

(1) Adopted budget for fiscal year 2017-18 and unaudited estimates for fiscal year 2016-17. Does not include on-behalf payments for state teachers' retirement.

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

	Fiscal Year 2015-16			Fiscal Year 2016-17	Fiscal Year 2017-18
	Final Budget	Actual Operations	Favorable (Unfavorable)	Unaudited Estimates	Adopted Budget
REVENUES					
Property taxes	\$ 26,968,335	\$ 27,182,059	\$ 213,724	\$ 27,850,515	\$ 28,909,513
Intergovernmental	1,671,949	1,701,895	29,946	1,384,431	1,283,796
Licenses, permits and fees	449,249	492,568	43,319	977,323	502,845
Income from investments	25,000	39,137	14,137	95,679	30,000
Other revenues	5,000	47,836	42,836	143,285	33,000
TOTAL REVENUES	<u>29,119,533</u>	<u>29,463,495</u>	<u>343,962</u>	<u>30,451,233</u>	<u>30,759,154</u>
EXPENDITURES					
Current:					
General government	1,382,591	1,339,840	42,751	1,999,508	1,650,585
Public safety	895,761	862,572	33,189	826,803	937,801
Public works	3,158,166	3,022,547	135,619	2,841,651	3,152,561
Health and welfare	39,678	35,091	4,587	190,791	230,076
Cultural and recreation	632,349	622,689	9,660	-	-
Libraries	-	-	-	371,969	380,744
Recreation	-	-	-	102,224	117,000
Board of education	18,202,902	18,125,347	77,555	18,583,463	18,933,526
Capital improvement	75,000	75,000	-	-	-
Other	1,722,937	1,656,361	66,576	1,634,197	1,683,491
Debt service	3,434,817	3,434,816	1	3,667,254	4,002,666
TOTAL EXPENDITURES	<u>29,544,201</u>	<u>29,174,263</u>	<u>369,938</u>	<u>30,217,860</u>	<u>31,088,450</u>
Revenues over (under) expenditures	<u>(424,668)</u>	<u>289,232</u>	<u>713,900</u>	<u>233,373</u>	<u>(329,296)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	424,668	424,668	-	400,088	394,296
Operating transfers out	-	(992,570)	(992,570)	(90,000)	(65,000)
Premium on bonds	-	5,063	5,063	-	-
Appropriation of fund balance	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>424,668</u>	<u>(562,839)</u>	<u>(987,507)</u>	<u>310,088</u>	<u>329,296</u>
Revenues and other financing sources over (under) expenditures and other financing (uses)	<u>\$ -</u>	<u>\$ (273,607)</u>	<u>\$ (273,607)</u>	<u>\$ 543,461</u>	<u>\$ -</u>

Source: Audited financial statements; Fiscal year 2016-17 unaudited estimates and 2017-18 adopted budget.

Comparative Balance Sheets - General Fund
(Fiscal Years 2012-2015 In Thousands)

	2012	2013	2014	2015	2016
ASSETS					
Cash and cash equivalents	\$ 14,069,000	\$ 15,284,000	\$ 14,215,000	\$ 14,263,000	\$ 12,714,991
Receivables, net	955,000	973,000	753,000	669,000	743,098
Other assets	56,000	61,000	105,000	71,000	60,606
Due from other funds	140,000	323,000	323,000	323,000	1,129,010
TOTAL ASSETS	<u>\$ 15,220,000</u>	<u>\$ 16,641,000</u>	<u>\$ 15,396,000</u>	<u>\$ 15,326,000</u>	<u>\$ 14,647,705</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,271,000	\$ 1,433,000	\$ 922,000	\$ 1,363,000	\$ 814,511
Due to other funds	8,300,000	9,021,000	8,705,000	8,437,000	8,452,296
Deferred revenue	754,000	633,000	-	-	-
Total liabilities	<u>10,325,000</u>	<u>11,087,000</u>	<u>9,627,000</u>	<u>9,800,000</u>	<u>9,266,807</u>
Deferred inflows of resources:					
Unavailable revenue					
Property taxes	-	-	642,000	560,000	595,617
Advanced property tax collections	-	-	26,000	193,000	55,320
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>668,000</u>	<u>753,000</u>	<u>650,937</u>
Fund balances:					
Nonspendable	56,000	61,000	105,000	71,000	60,606
Assigned	522,000	245,000	69,000	226,000	465,792
Unassigned	4,317,000	5,248,000	4,927,000	4,476,000	4,203,563
Total fund balances	<u>4,895,000</u>	<u>5,554,000</u>	<u>5,101,000</u>	<u>4,773,000</u>	<u>4,729,961</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,220,000</u>	<u>\$ 16,641,000</u>	<u>\$ 15,396,000</u>	<u>\$ 15,326,000</u>	<u>\$ 14,647,705</u>

Source: Annual audited financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund
(GAAP Basis)
(Fiscal Years 2012-2015 In Thousands)

	2012	2013	2014	2015	2016
REVENUES:					
Property taxes and assessments	\$ 24,652,000	\$ 24,794,000	\$ 25,324,000	\$ 26,098,000	\$ 27,182,059
Intergovernmental	3,352,000	3,502,000	3,729,000	3,426,000	3,694,739
Charges for services	363,000	441,000	507,000	504,000	492,568
Income from investments	37,000	29,000	28,000	29,000	39,137
Other revenues	128,000	111,000	24,000	51,000	47,836
TOTAL REVENUES	<u>28,532,000</u>	<u>28,877,000</u>	<u>29,612,000</u>	<u>30,108,000</u>	<u>31,456,339</u>
EXPENDITURES					
Current:					
General government	1,252,000	1,412,000	1,397,000	1,308,000	1,289,849
Public safety	846,000	779,000	833,000	811,000	903,892
Public works	2,232,000	2,439,000	2,603,000	2,834,000	2,921,026
Health and welfare	105,000	116,000	104,000	106,000	35,557
Culture and recreation	595,000	599,000	602,000	612,000	622,189
Education	18,102,000	18,545,000	18,861,000	19,117,000	20,120,031
Employee Benefits	1,422,000	1,448,000	1,886,000	1,887,000	1,841,785
Debt service	3,354,000	3,293,000	3,308,000	3,177,000	3,069,998
TOTAL EXPENDITURES	<u>27,908,000</u>	<u>28,631,000</u>	<u>29,594,000</u>	<u>29,852,000</u>	<u>30,804,327</u>
Revenues over (under) expenditures	<u>624,000</u>	<u>246,000</u>	<u>18,000</u>	<u>256,000</u>	<u>652,012</u>
OTHER FINANCING SOURCES (USES)					
Premium on bonds	-	-	-	70,000	5,063
Operating transfers in	447,000	438,000	428,000	427,000	59,850
Operating transfers out	(353,000)	(25,000)	(899,000)	(1,081,000)	(759,964)
TOTAL OTHER FINANCING SOURCES (USES)	<u>94,000</u>	<u>413,000</u>	<u>(471,000)</u>	<u>(584,000)</u>	<u>(695,051)</u>
Net change in fund balances	718,000	659,000	(453,000)	(328,000)	(43,039)
Fund Balances - beginning of year	<u>4,177,000</u>	<u>4,895,000</u>	<u>5,554,000</u>	<u>5,101,000</u>	<u>4,773,000</u>
Fund Balances - end of year	<u>\$ 4,895,000</u>	<u>\$ 5,554,000</u>	<u>\$ 5,101,000</u>	<u>\$ 4,773,000</u>	<u>\$ 4,729,961</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.

Financial Advisor

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

Availability of Continuing Disclosure Information

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

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

Documents Accompanying Delivery of the Bonds

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

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

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

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

Concluding Statement

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

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

TOWN OF LITCHFIELD, CONNECTICUT

BY: /s/ LEO PAUL, JR.
LEO PAUL, JR.
First Selectman

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

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

Dated: August 1, 2017

APPENDIX A - AUDITED FINANCIAL STATEMENTS

TOWN OF LITCHFIELD, CONNECTICUT

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Appendix A - Financial Statements - is taken from the Annual Financial Report of the Town of Litchfield for the Fiscal Year ended June 30, 2016 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.

INDEPENDENT AUDITOR'S REPORT

Board of Selectman
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, 2016, 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 *Governments 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, 2016, 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 52-58, 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 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 9, 2016 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 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 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 9, 2016

TOWN OF LITCHFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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, 2016. Please read this MD&A in conjunction with the Town's financial statements.

Financial Highlights

- Net position of our governmental activities decreased by \$197 thousand. This included a net assets transfer of \$3,286,788 to the business type activities related to the creation of an enterprise fund for the W.P.C.A.
- Net position of our business-type activities increased by \$ 3.6 million. This included a net assets transfer of \$3,286,788 from the governmental activities related to the creation of an enterprise fund for the W.P.C.A.
- The General Fund reported a fund balance this year of \$4.7 million; \$43 thousand less than the general fund balance reported in the prior year;
- The resources available for appropriation in the general fund were \$4.2 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 decreased \$.2 million from \$54.3 million in 2015 to \$54.1 million in 2016.

The Town now reports the activities of the W.P.C.A. as a proprietary fund. This was done by transferring the assets and related liabilities, which net total was \$3.4 million to a business-type activity. The net operating income and net investment income increased the business-type activities by \$252 thousand for the fiscal year ending June 30, 2016. The net position ended at \$3.8 million.

TABLE 1 NET POSITION: (in Thousands)

		Governmental Activities	
		2016	2015
Current and other assets	\$	14,362	16,385
Capital assets		70,189	71,904
Deferred inflows		1,209	1,276
Total assets & deferred inflows	\$	85,760	89,565
Current and other liabilities	\$	2,617	5,232
Deferred outflows		55	194
Long-term liabilities		28,924	29,779
Total liabilities & deferred outflows	\$	31,596	35,205
Net position:			
Investment in capital assets	\$	48,048	45,092
Restricted		10	10
Unrestricted		6,106	9,258
Total net position	\$	54,164	54,360

TABLE 2
CHANGE IN NET ASSETS (In Thousands)

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 1,185	2,018
Operating grants and contributions	3,142	4,007
Capital grants and contributions	816	1,284
General revenues:		
Property taxes	27,218	26,016
Grants and contributions not restricted to specific purposes	153	206
Unrestricted investment earnings and other revenues	87	91
Other general revenues (and transfers)	(3,401)	
Total revenues	\$ 29,200	33,622
Program expenses:		
General government	\$ 1,883	1,812
Public safety	1,242	1,127
Public works	5,005	5,136
Health and welfare	53	137
Culture and recreation	801	750
Education	19,707	20,277
Interest and fiscal charges	705	638
Total program expenses	\$ 29,396	29,877
Increase (Decrease) in Net Position	\$ (196)	3,745

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 \$7.5 million which is a \$2 million decrease from the previous year. Included in this year's total change in fund balance is a decrease of \$2.2 million in the Capital Projects Fund. This is mainly due to the ongoing capital projects, which will mostly be bonded in the subsequent year.

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 \$289 thousand, which included depreciation expense of \$218 thousand. Net fund position at year end included \$2,938 thousand of net capital investment and \$879 thousand unrestricted.

The Internal Service Fund recorded a negative change in net fund position. Operating revenues were less than operating expenses by \$48 thousand with a net fund position of \$2,794

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 slightly 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 \$4.7 million of which \$4.2 million was without restrictions or assignments and available to appropriate.

Capital Assets

At June 30, 2016, the Town had \$75 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, \$4.7 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 \$3 million, net of depreciation expenses.

TABLE 3

CAPITAL ASSETS (Net of Depreciation)

		Governmental Activities	
		2016	2015
Land	\$	1,679	1,296
Buildings and improvements		42,435	40,406
Furniture, fixtures and equipment		2,920	2,612
Infrastructure		19,462	19,108
Construction in progress		3,692	3,679
Totals	\$	70,188	67,101

		Business-type Activities	
		2016	2015
Buildings and improvements	\$	2,817	2,893
Equipment		51	
Infrastructure		1,850	1,908
Totals	\$	4,718	4,801

TABLE 4
OUTSTANDING DEBT (In Thousands)

Long-Term Liabilities

At June 30, 2016 the Town had \$30.6 million in long term liabilities versus \$32.5 million last year, a decrease of 1.9% - as shown in Table 4. This does not include the bond anticipation note of \$1.2 million.

	2016	2015
\$	<u>30,641,098</u>	<u>32,543,940</u>

General obligation bonds (backed by the Town) were reduced by \$2.4 million in payments with no new issues during the fiscal year. This does not include the July 2016 bond issuance.

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 \$1.9 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 2017 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 2016-17.

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, 2016

	Governmental Activities	Business-type Activities	Total*
Assets:			
Cash and cash equivalents	\$ 11,858,881	50	11,858,931
Investments	1,258,518		1,258,518
Receivables, net	1,937,635	132,605	2,070,240
Notes receivable		145,654	145,654
Inventory	60,606		60,606
Internal balances	(753,800)	753,800	-
Capital assets:			
Capital assets, not being depreciated	5,371,560		5,371,560
Capital assets, being depreciated, net	64,817,184	4,717,726	69,534,910
Total assets	\$ 84,550,584	5,749,835	90,300,419
Deferred outflows on resources			
Deferred charges	\$ 477,231		477,231
Pension contributions subsequent to measurement date	732,057		732,057
	<u>1,209,288</u>	<u>-</u>	<u>1,209,288</u>
Liabilities:			
Accounts payable and other current liabilities	\$ 1,102,871	5,243	1,108,114
Accrued interest	286,509		286,509
Unearned revenues	33,822	1,621	35,443
Bond anticipation notes	1,193,000		1,193,000
Claims incurred, but not reported	208,279		208,279
Noncurrent liabilities:			
Due within one year	2,575,625	306,684	2,882,309
Due in more than one year	26,140,343	1,618,446	27,758,789
Total liabilities	\$ 31,540,449	1,931,994	33,472,443
Deferred Inflows on Resources			
Advance tax collections	\$ 55,320		55,320
Total deferred inflow on resources	\$ 55,320	-	55,320
Net Position:			
Invested in capital assets, net of related debt	\$ 48,047,912	2,938,250	50,986,162
Restricted for:			
Donor's Intentions	10,398		10,398
Debt service			-
Unrestricted	6,105,793	879,591	6,985,384
Total net position	\$ 54,164,103	3,817,841	57,981,944

* 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, 2016

Functions/programs	Expenses	Program Revenues
		Charges for Services
Primary Government:		
Governmental activities:		
General government	\$ 1,883,447	544,362
Public safety	1,242,318	21,977
Public works	5,005,079	66,816
Community service	52,649	27,928
Cultural and recreation	800,543	95,777
Education	19,707,240	278,213
Interest on long-term debt	704,830	150,024
Total governmental activities	\$ 29,396,106	1,185,097
Business-type activities:		
Water Pollution Control Authority	\$ 895,217	1,184,918
Interest on long-term debt	42,014	
Total business-type activities	\$ 937,231	1,184,918
Total primary government	\$ 30,333,337	2,370,015

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

EXHIBIT B

Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Primary Government		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
38,439		(1,300,646)		(1,300,646)
		(1,220,341)		(1,220,341)
387,567	816,617	(3,734,079)		(3,734,079)
		(24,721)		(24,721)
		(704,766)		(704,766)
2,715,600		(16,713,427)		(16,713,427)
		(554,806)		(554,806)
<u>3,141,606</u>	<u>816,617</u>	<u>(24,252,786)</u>	<u>-</u>	<u>(24,252,786)</u>
			289,701	289,701
			(42,014)	(42,014)
			<u>247,687</u>	<u>247,687</u>
<u>3,141,606</u>	<u>816,617</u>	<u>(24,252,786)</u>	<u>247,687</u>	<u>(24,005,099)</u>
General revenues:				
Property taxes	\$	27,217,737		27,217,737
Grants and contributions not restricted for specific programs		153,274		153,274
Unrestricted investment earnings		39,157	4,694	43,851
Other unrestricted income		47,836		47,836
Transfers		(3,401,115)	3,401,115	-
Total general revenues and transfers	\$	<u>24,056,889</u>	<u>3,405,809</u>	<u>27,462,698</u>
Change in net position	\$	<u>(195,897)</u>	<u>3,653,496</u>	<u>3,457,599</u>
Net position, beginning		54,360,000	-	54,360,000
Prior period adjustment			164,345	164,345
Net position, beginning, restated		<u>54,360,000</u>	<u>164,345</u>	<u>54,524,345</u>
Net position, ending	\$	<u>54,164,103</u>	<u>3,817,841</u>	<u>57,981,944</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 11,748,880		110,001	11,858,881
Investments	966,111			966,111
Receivables, net	743,098	330,501	864,036	1,937,635
Due from other funds	1,129,010	3,018,863	1,969,618	6,117,491
Inventories	60,606			60,606
Total assets	\$ 14,647,705	3,349,364	2,943,655	20,940,724
Liabilities and Fund Balances				
Liabilities:				
Accounts and other payables	\$ 814,511	235,222	53,138	1,102,871
Due to other funds	8,452,296	1,129,010		9,581,306
Unearned revenues			33,822	33,822
Bond anticipation notes		1,193,000		1,193,000
Total liabilities	\$ 9,266,807	2,557,232	86,960	11,910,999
Deferred inflows of resources:				
Unavailable receipts	595,617		864,036	1,459,653
Payment in advance	55,320			55,320
Total deferred inflows of resources	650,937	-	864,036	1,514,973
Fund balances:				
Nonspendable	\$ 60,606			60,606
Restricted for:				
Donor's intentions			10,398	10,398
Committed for:				
Capital Outlays		926,198		926,198
Specified use			501,980	501,980
Assigned	465,792		1,494,182	1,959,974
Unassigned	4,203,563	(134,066)	(13,901)	4,055,596
Total fund balances	\$ 4,729,961	792,132	1,992,659	7,514,752
Total liabilities, deferred inflows of resources and fund balances	\$ 14,647,705	3,349,364	2,943,655	

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.	70,188,744
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds.	2,191,710
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.	2,794,143
Long-term liabilities , including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(28,525,246)
Net position of governmental activities (Exhibit A)	\$ 54,164,103

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, 2016

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes and assessments	\$ 27,182,059			27,182,059
Intergovernmental	3,694,739	815,717	1,418,829	5,929,285
Charges for services	492,568	900	455,526	948,994
Investment income	39,137		20	39,157
Miscellaneous	47,836		307,328	355,164
Total revenues	\$ 31,456,339	816,617	2,181,703	34,454,659
Expenditures:				
Current:				
General government	\$ 1,289,849		234,955	1,524,804
Public safety	903,892			903,892
Public works	2,921,026			2,921,026
Public health	35,557			35,557
Culture and recreation	622,189		70,693	692,882
Education	20,120,031		1,241,466	21,361,497
Other	1,841,785		28,916	1,870,701
Capital outlay		3,371,621		3,371,621
Debt service	3,069,998			3,069,998
Total expenditures	\$ 30,804,327	3,371,621	1,576,030	35,751,978
Excess (deficiency) of revenues over (under) expenditures	\$ 652,012	(2,555,004)	605,673	(1,297,319)
Other financing sources (uses)				
Transfer from other funds	\$ 59,850	1,044,964		1,104,814
Transfer to other funds	(759,964)	(721,000)	(355,177)	(1,836,141)
Premium on bond issuance	5,063			5,063
Proceeds from sale of bonds				-
Total other financing sources (uses)	\$ (695,051)	323,964	(355,177)	(726,264)
Net changes in fund balances	\$ (43,039)	(2,231,040)	250,496	(2,023,583)
Fund balances (deficits) - beginning	4,773,000	3,023,172	1,742,163	9,538,335
Fund balances (deficits) - ended	\$ 4,729,961	792,132	1,992,659	7,514,752

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, 2016

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)	\$ (2,023,583)
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.	3,087,551
Revenues previously recognized in the statement of activities that provided current financial resources in the current year.	(67,553)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,525,884
Transfer of capital assets, debt and long-term assets into the business-type fund from the government funds	(2,669,788)
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>(48,408)</u>
Change in net position of governmental activities (Exhibit B)	\$ <u><u>(195,897)</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, 2016**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 26,968,335	26,968,335	27,182,059	213,724
Intergovernmental	1,671,949	1,671,949	1,701,895	29,946
Charges for services	449,249	449,249	492,568	43,319
Investment income	25,000	25,000	39,137	14,137
Other revenues	5,000	5,000	47,836	42,836
Total revenues	\$ 29,119,533	29,119,533	29,463,495	343,962
Expenditures:				
Current:				
General government	\$ 1,352,844	1,382,591	1,339,840	42,751
Public safety	864,526	895,761	862,572	33,189
Public works	3,109,559	3,158,166	3,022,547	135,619
Health and welfare	39,678	39,678	35,091	4,587
Cultural and recreation	632,348	632,349	622,689	9,660
Education	18,202,902	18,202,902	18,125,347	77,555
Capital Improvement	75,000	75,000	75,000	-
Other	1,832,527	1,722,937	1,656,361	66,576
Debt service:				
Principal retirements	2,672,805	2,672,805	2,672,805	-
Interest and other charges	757,898	757,898	757,897	1
Bond anticipation notes	4,114	4,114	4,114	-
Total expenditures	\$ 29,544,201	29,544,201	29,174,263	369,938
Revenues over (under) expenditures	\$ (424,668)	(424,668)	289,232	713,900
Other financing sources (uses):				
Premium on debt issuance	\$ -	-	5,063	5,063
Debt reimbursement	424,668	424,668	424,668	424,668
Total other financing sources (uses)	\$ 424,668	424,668	429,731	429,731
Revenues Over Expenditures and Other Financing Sources (Uses)	\$ -	-	718,963	1,143,631
Less:				
Change in nonspendable			10,394	
Appropriation to Capital projects			(734,964)	
Appropriation to pension obligations			(196,000)	
Prior years purchase orders expended			(72,000)	
Net Change in unassigned fund balance			\$ (273,607)	
Unassigned fund balance, July 1, 2015			<u>4,477,170</u>	
Unassigned fund balance, June 30, 2016			<u>\$ 4,203,563</u>	

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

**STATEMENT OF NET FUND POSITION
PROPRIETARY FUNDS**

June 30, 2016

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 50	
Investments		292,407
Receivables, net of allowance	132,605	
Notes receivable, current portion	19,330	
Due from other funds	753,800	2,710,015
Total current assets	\$ 905,785	3,002,422
Noncurrent assets:		
Notes receivable, less current portion	\$ 126,324	
Capital assets, net of accumulated depreciation	4,717,726	
Total noncurrent assets	\$ 4,844,050	-
Total assets	\$ 5,749,835	3,002,422
Liabilities		
Current liabilities:		
Accounts payable & accrued liabilities	\$ 5,243	
Payments in advance	1,621	
Notes payable - current	306,684	
Total current liabilities	\$ 313,548	-
Noncurrent liabilities:		
Incurred, but not reported claims	\$	208,279
Notes payable, less current portion	1,618,446	
Total noncurrent liabilities	\$ 1,618,446	208,279
Total liabilities	\$ 1,931,994	208,279
Net Fund Position		
Invested in capital assets, net of related debt	\$ 2,938,250	
Unrestricted	879,591	2,794,143
Total net fund position	\$ 3,817,841	2,794,143

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, 2016

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for services and other revenues	\$ 1,183,760	3,261,183
Other revenues	1,158	
Total operating revenues	<u>\$ 1,184,918</u>	<u>3,261,183</u>
Operating expenses:		
Salaries and benefits	\$ 428,035	
Claims and administrative		3,318,609
Material and supplies	49,694	
Utilities	64,039	
Depreciation	134,585	
Administration and operation	218,864	
Total operating expenses	<u>\$ 895,217</u>	<u>3,318,609</u>
Operating income (loss)	<u>\$ 289,701</u>	<u>(57,426)</u>
Nonoperating revenues (expenses):		
Interest income	\$ 4,694	9,018
Interest expense	(42,014)	
Total nonoperating revenues (expenses)	<u>\$ (37,320)</u>	<u>9,018</u>
Transfer from other funds	<u>\$ 3,401,115</u>	<u>-</u>
	<u>\$ 3,401,115</u>	<u>-</u>
Change in Net Fund Position	<u>\$ 3,653,496</u>	<u>(48,408)</u>
Net Fund Position (Deficit), beginning	-	2,842,551
Prior period adjustment	<u>164,345</u>	
Net Fund Position, restated	<u>\$ 164,345</u>	<u>\$ 2,842,551</u>
Net Fund Position, (Deficit), ending	<u>\$ 3,817,841</u>	<u>2,794,143</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, 2016

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 1,199,532	3,261,183
Payments to suppliers	(428,035)	(3,264,577)
Payments to employees	(339,617)	
Net cash flows from operating activities	\$ 431,880	(3,394)
Cash Flows From Noncapital and Related Financing Activities		
Transfer in and payments made through governmental activities	\$ (43,226)	80,213
Net cash provided by (used in) noncapital and related financing activities	\$ (43,226)	80,213
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	(50,603)	
Receipts on notes related to capital debt	22,074	
Principal payments on capital debt	\$ (322,805)	
Interest paid on capital debt	(42,014)	
Net cash provided by (used in) capital and related financing activities	\$ (393,348)	
Cash Flows From Investing Activities		
Interest received on investments	\$ 4,694	9,018
Net cash provided by investing activities	\$ 4,694	9,018
Net increase (decrease) in cash and cash equivalents	\$ -	85,837
Cash and Cash Equivalents, beginning	50	206,570
Cash and Cash Equivalents, ending	\$ 50	292,407
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In)		
Operating Activities:		
Operating Income (Loss)	\$ 289,701	(57,426)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	134,585	
Changes in assets and liabilities:		
Decrease (increase) in receivable accounts	14,357	
Increase (decrease) in accounts payable	(7,020)	
Increase (decrease) in payments in advance	257	
Increase (decrease) in claims incurred but not reported		54,032
Net cash flows from operating activities	\$ 431,880	(3,394)

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

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2016

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 258,919	179,807
Receivables other	75,000	388,014
Investments, at fair value:		
Equities	10,136,203	
Common Stock	4,737,263	
Mutual Funds	758,258	
U.S. government obligations	506,827	
Total assets	<u>\$ 16,472,470</u>	<u>567,821</u>
Liabilities		
Other liabilities	\$	
Held for deposit for others		567,821
Total liabilities	<u>\$ -</u>	<u>567,821</u>
Net Position:		
Held in trust for benefits and other purposes	<u>\$ 16,472,470</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, 2016

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Contributions and donations	\$ 931,977
Total contributions	<u>\$ 931,977</u>
Investment earnings:	
Net increase in fair value of investments	\$ (129,069)
Interest and dividends	366,046
Less: Investment expenses	<u>(69,244)</u>
Total investment earnings	<u>\$ 167,733</u>
Total additions	<u>\$ 1,099,710</u>
DEDUCTIONS	
Benefits	<u>\$ 903,793</u>
Total deductions	<u>\$ 903,793</u>
Change in net position	<u>\$ 195,917</u>
NET POSITION, beginning	<u>\$ 16,276,553</u>
NET POSITION, ending	<u><u>\$ 16,472,470</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016

Fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds 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, 2016

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. An example includes the Plumb Memorial Library, which maintains the assets received through contributions, fees and charges of the library.

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 proprietary 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, 2016

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, 2016

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 results from differences between expected and actual experience, changes in assumptions or other inputs. A deferred outflow of resources related to pension is reported resulting from Town pension contributions subsequent to the measurement date (June 30, 2015). These amounts are deferred and will be included as pension expense in the subsequent year.

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 in the statement of net position.

A deferred inflow of resources related to pension results from differences between expected and actual experience. These amounts are deferred and included in pension 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, 2016

Net OPEB assets/obligations

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

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, 2016

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 Shelton*, that was considered to be the Board of Aldermen.

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.

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2016

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	\$ 29,463,495	29,174,263
Encumbrances of June 30, 2016		(465,792)
Encumbrances of June 30, 2015		309,989
Education grant: Excess Cost	175,056	175,056
Reclassify capital appropriation		(439,818)
Dog fund expenses		36,841
Special appropriation to pension		196,000
State Teachers' Retirement "on-behalf" payment, not recognized for budgetary purposes	<u>1,817,788</u>	<u>1,817,788</u>
Balance, GAAP basis	\$ <u>31,456,339</u>	<u>30,804,327</u>

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

Balance, budgetary basis	\$ 429,731
W.P.C.A debt payment	(364,818)
Reclassify capital appropriation	(75,000)
Special appropriation, Capital	(734,964)
Dog fund appropriation	<u>50,000</u>
	\$
Balance, GAAP basis	<u>(695,051)</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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2016

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

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

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

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

Land	\$	1,679,473
Construction in progress		3,692,087
Net capital assets being depreciated		<u>64,817,184</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>70,188,744</u>

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	\$	(21,854,323)
Compensated absences		284,513
Net pension obligation		(6,071,651)
Claims and judgments		(20,000)
Accrued interest on debt		(286,509)
Liabilities related to the landfill		<u>(8,250)</u>
Net adjustment to reduce fund balance to arrive at net position of government activities	\$	<u>28,525,246</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	\$	595,617
Delinquent accounts receivable		115,693
Deferred outflow of pension contributions		732,057
Notes receivable – assessments		<u>748,343</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>2,191,710</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2016

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	\$	3,977,988
Depreciation		<u>(890,437)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>3,087,551</u>

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	\$	2,350,000
Deferred portion on refunding		(39,769)
Premium new issuances		69,446
Net change in compensated absences		(1,513)
Net change in claims and judgment estimates		3,000
Net change in pension obligation		(843,521)
Net change in other long-term liabilities		2,750
Accrued interest		<u>(14,509)</u>
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>1,525,884</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2016

Note 4 - Deposits and Investments

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

	<u>Deposit</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Governmental activities	\$ 11,858,881	-	11,858,881
Business-type activities	50	-	50
Fiduciary funds	179,807	-	179,807
Investments:			
Governmental activities	-	1,258,518	1,258,518
Fiduciary funds	258,119	16,138,551	16,396,670
Total Deposits and Investments	\$ 12,296,857	17,397,069	29,693,926

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."

The carrying amounts of the Town's deposits at June 30, 2016 consist of the following:

Bank Deposit Accounts	\$ 12,296,807
Cash on Hand	<u>50</u>
Total Deposits	\$ <u>12,296,857</u>

Custodial Credit Risk

As of June 30, 2016, the carrying amount of the Town's deposits had bank balances of approximately \$13,756,473. The amount of the bank balance covered under federal depository insurance was approximately \$1,500,000. 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, 2016 approximately \$1,225,000 of uninsured deposits were collateralized under the provision.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2016

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, 2016, the Town held the following investments:

Investment Type	Fund	Fair Value	Weighted Average to Maturity (years)	Risk
State Investment Fund	General Fund	\$ 966,011	.02	-
State Investment Fund	Internal Service	292,407	.02	-
U.S. government obligations	Trust Funds	506,827	2.64	AA+
Mutual Funds	Trust Funds	758,258	n/a	-
Common Stock	Trust Funds	4,737,263	n/a	A-/AA+
Equities	Trust Funds	10,136,203	n/a	-
Total Investments		\$ 17,397,069		

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.

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%.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2016

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, 2016 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	\$ 743,078			743,078
Intergovernmental		330,501	115,692	446,193
Accounts	20			20
Assessments			748,344	748,344
Net Total Receivables	\$ 743,098	330,501	864,036	1,937,635

The receivables as of June 30, 2016 for the Town's business-type activities are as follows:

	W.P.C.A.
Accounts	\$ 132,605
Notes	145,654
Net Total Receivables	\$ 278,259

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2016

	<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	\$ 164,608	-	18,954	145,654	19,330
Total business- type activities	<u>\$ 164,608</u>	<u>-</u>	<u>18,954</u>	<u>145,654</u>	<u>19,330</u>

Deferred payments and unavailable receipts

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Delinquent property taxes	\$ 595,617		595,617
Delinquent receivable			
Advanced tax collections		55,320	55,320
Assessments			
Other Governmental Funds:			
Intergovernmental	115,692	33,822	149,514
Assessments	<u>748,344</u>		<u>748,344</u>
Total deferred portion	<u>\$ 1,459,653</u>	<u>89,142</u>	<u>1,548,795</u>

Payables

Payables as of June 30, 2016 for the Town's individual major funds and non-major funds were as follows:

	<u>Vendors</u>	<u>Payroll</u>	<u>Cash Overdraft</u>	<u>Total</u>
General Fund	\$ 701,841	112,670		814,511
Capital Projects Fund	235,222			235,222
Non-major Funds	<u>53,138</u>			<u>53,138</u>
Total governmental funds	<u>\$ 990,201</u>	<u>112,670</u>		<u>1,102,871</u>
Internal Service Funds	\$			
W.P.C.A.	<u>\$ 5,243</u>			<u>5,243</u>
External Balances	\$			
Total Payables	<u>\$ 995,444</u>	<u>112,670</u>		<u>1,108,114</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2016

Temporary Notes Payables

Bond anticipation notes

The Town uses short-term notes payable in anticipation of bond-issuances to provide interim funding for various capital projects. Activity for the current fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Payments</u>	<u>Ending Balance</u>
Bond anticipation notes:				
Capital Improvements	\$ 330,000	1,193,000	330,000	1,193,000
Total governmental funds	\$ 330,000	1,193,000	330,000	1,193,000

Note 6 - Inter-fund Receivables, Payables and Transfers

Inter-funds Receivables and Payables

Inter-fund receivables and payables at June 30, 2016 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 1,129,010
Capital Projects	General Fund	3,018,863
Internal Service	General Fund	2,710,015
Nonmajor	General Fund	1,969,618
OPEB Trust Fund	General Fund	75,000
W.P.C.A.	General Fund	753,800
	Total	\$ 9,656,306

Inter-fund Transfers

Inter-fund receivables and payables at June 30, 2016 consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Nonmajor	\$ 59,850
Capital Projects	General Fund	759,964
Capital Projects	Capital Projects	285,000
W.P.C.A.	Nonmajor	2,669,788
W.P.C.A.	Nonmajor	295,327
W.P.C.A.	Capital Projects	436,000
	Total	\$ 4,505,929

The net amount of capital assets, debt, and long-term assets transferred from a fund classified in the prior year as a nonmajor governmental fund to a current year proprietary fund was \$2,669,788.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2016

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2016 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	\$ 1,295,633	383,840		1,679,473
Construction in progress	3,678,956	13,131		3,692,087
Total capital assets, not being deprec.	<u>\$ 4,974,589</u>	<u>396,971</u>		<u>5,371,560</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 49,414,836	2,221,078		51,635,914
Machinery and equipment	9,081,645	494,800		9,576,445
Infrastructure	29,845,751	865,139		30,710,890
Total capital assets being depreciated	<u>\$ 88,342,232</u>	<u>3,581,017</u>		<u>91,923,249</u>
Less: Accumulated depreciation:				
Buildings and improvements	\$ 9,008,524	192,383		9,200,907
Machinery and equipment	6,469,160	187,223		6,656,383
Infrastructure	10,737,944	510,831		11,248,775
Total accumulated depreciation	<u>\$ 26,215,628</u>	<u>890,437</u>		<u>27,106,065</u>
Net capital assets, being depreciated	<u>\$ 62,126,604</u>	<u>2,690,580</u>		<u>64,817,184</u>
Total capital assets, governmental	<u>\$ 67,101,193</u>	<u>3,087,551</u>		<u>70,188,744</u>

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

Governmental Activities:	
General government	\$ 3,327
Public safety	80,455
Community Services	1,811
Public works	631,432
Recreation	9,881
Education	163,531
Total depreciation expense	<u>\$ 890,437</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2016

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type Activities				
Capital assets being depreciated:				
Buildings and improvements	\$ 3,853,887			3,853,887
Machinery and equipment	27,000	50,603		77,603
Sewers	4,412,899			4,412,899
Total capital assets being depreciated	\$ 8,293,786	50,603		8,344,389
Less: Accumulated depreciation:				
Buildings and improvements	\$ 960,551	76,193		1,036,744
Machinery and equipment	27,000			27,000
Sewers	2,504,527	58,392		2,562,919
Total accumulated depreciation	\$ 3,492,078	134,585		3,626,663
Net capital assets being depreciated	\$ 4,801,708	(83,982)		4,717,726
Total capital assets, business-type	\$ 4,801,708	(83,982)		4,717,726

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Balance	Due In One Year
Governmental Activities:					
Long-Term Debt:					
General obligation bonds	\$ 6,125,000		500,000	5,625,000	720,000
G.O.B refunding bonds	17,580,000		1,850,000	15,730,000	1,850,000
Total Long-Term Debt	\$ 23,705,000		2,350,000	21,355,000	2,570,000
Deferred amount on:					
Issuance premium	1,046,000		69,446	976,554	
Net long-term debt	\$ 24,751,000		2,419,446	22,331,554	2,570,000
Other Long-Term Liabilities:					
Compensated absence	283,000	1,513		284,513	
Net pension liability	4,237,785	1,642,708	856,977	5,023,516	
Net OPEB obligation	990,345	188,913	131,123	1,048,135	
Landfill closure	11,000		2,750	8,250	2,750
Claims and judgments	22,875		2,875	20,000	2,875
Total governmental activities long-term liabilities	\$ 30,296,005	1,833,134	3,413,171	28,715,968	2,575,625
Business-type Activities:					
Clean water fund notes	\$ 2,247,935		322,805	1,925,130	306,684
Total business-type activities long-term liabilities	\$ 2,247,935		322,805	1,925,130	306,684
Total long-term liabilities	\$ 32,543,940	1,833,134	3,735,976	30,641,098	2,882,309

TOWN OF LITCHFIELD, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued****June 30, 2016**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, 2016, 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 8/1/2016, interest at 2.0% to 3.75%, annual principal payments of \$825,000.	\$	825,000
\$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		5,350,000
\$1,355,000 GOB 2011 , issue of 8/1/2011, due 8/1/2017, interest at 2.0 to 3.125%, annual principal payments of \$445,000	630,000	
\$7,555,000 GOB 2012, refunding issue of 8/1/2012, due 8/1/2023, interest at 3.0% to 4.0%, annual principal payments of approximately \$890,000		5,580,000
\$2,900,000 GOB 2013 , issue of, due 8/1/2023, interest at 2.0% to 4%, annual principal payments of approximately \$890,000	2,150,000	
\$4,555,000 GOB 2014, refunding issue of 8/1/2014, due 8/1/2024, interest at 2.0% to 4.0%, annual principal payments of approximately \$1,185,000		3,975,000
\$2,130,000 GOB 2011 , issue of 2013, due 8/24/2017, interest at 1.5% to 2.0%, annual principal payments of \$4,940,000 to \$20,000	1,575,000	
\$1,270,000 GOB 2014 , issue of 2016, due 8/24/2017, interest at 2.0% to 4.0%, annual principal payments of \$4,940,000 to \$20,000	1,270,000	
Total general obligation bonds	<u>\$ 5,625,000</u>	<u>15,730,000</u>

TOWN OF LITCHFIELD, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2016

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

Year Ended, June 30		Governmental Activity	
		Principal	Interest
2017	\$	2,570,000	632,551
2018		2,565,000	552,129
2019		2,475,000	471,795
2020		2,495,000	392,353
2021		2,345,000	308,765
2022-2026		8,730,000	568,256
2027-2031		175,000	3,938
Total	\$	<u>21,355,000</u>	<u>2,929,787</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, 2016, as follows:

	Authorized	Authorized and Unissued
2007-08 Capital Improvements	\$ 1,099,000	732
2008-09 Capital Improvements	1,650,000	30,000
2009-10 Capital Improvements	1,355,000	56,099
2010-11 Capital Improvements	1,800,000	84,354
2012-13 Capital Improvements	5,100,000	1,167,156
2013-14 Capital Improvements	2,965,000	414,247
2014-15 Capital Improvements	3,020,000	1,035,309
2015-16 Capital Improvements	5,745,000	<u>3,323,427</u>
Total		\$ <u>6,111,324</u>

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2016

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	\$ 69,945
CWF PLO 396-C	1/30/1998	900,340	31,377
CWF PLO 499-C	7/31/2004	4,595,198	1,823,808
Total Clean Water Fund Loans			\$ 1,925,130

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

<u>Year Ended June 30,</u>	<u>Business-type Activity</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 306,684	35,571
2018	280,864	29,804
2019	254,822	24,399
2020	257,054	19,307
2021	262,243	14,119
2022-2026	563,463	12,290
	\$ 1,925,130	135,490

Landfill Closure and Postclosure Care Costs

The Town's estimated costs to monitor the landfill for the next three years are \$8,250 at June 30, 2016. 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, 2016, \$20,000 has been accrued as an estimate of the cost to provide water for the remaining 7 years of the agreement.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2016

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.

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>
2015	163,000	2,792,000	2,801,000	154,000
2016	154,000	3,372,888	3,318,609	208,279

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2016

Note 10 - Employee Retirement Plans

Plan Description and Benefits Provided

Town Retirement Plan

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

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

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

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

Merit Service Plan

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

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

Membership in the plans consisted of the following at July 1, 2014 the date of the last actuarial valuation:

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2016

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. The Town is required to contribute amounts necessary to fund the Plan. State of Connecticut Statutes assign the authority to establish and amend the contribution provisions of the plan to the Town of Litchfield.

Investments

Investment Policy

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

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 1.01% for the Town Plan and 1.02% for the Merit Plan. The dollar-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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2016

The components of the net pension liability of the Town at June 30, 2016 were as follows:

	Town Plan	Merit Service Plan
Total pension liability	\$ 16,343,434	\$ 4,053,725
Plan fiduciary net position	12,004,230	3,369,413
Net pension liability	\$ 4,339,204	\$ 684,312
Plan fiduciary net position as a percentage of the total pension liability	73.45%	83.12%

Actuarial Assumptions

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

Inflation	3.0%
Salary increase	4.0%, average, including inflation (0% for Merit Plan)
Investment rate of return	7.0%, per year

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table combined version for small plans – separate male and female rates.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2014.

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 include in both pension plan's as of June 30, 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%
	100.00%	

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2016

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.

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, 2015	\$ 15,601,104	11,903,749	3,697,355
Changes for the year:			
Service cost	358,531	-	358,531
Interest on total pension liability	1,092,779	-	1,092,779
Difference between expected and actual experience	-	-	-
Employer contributions	-	682,350	(682,350)
Employee contributions	-	20,527	(20,527)
Net investment income	-	116,523	(116,523)
Benefit payments, including refund to employee contributions	(708,980)	(718,919)	9,939
Net changes	\$ 742,330	100,481	641,849
Balances as of June 30, 2016	\$ 16,343,434	12,004,230	4,339,204

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2016

Merit Service Plan

		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2015	\$ 3,903,023	3,362,593	540,430
Changes for the year:			
Service cost	59,412	-	59,412
Interest on total pension liability	271,181	-	271,181
Difference between expected and actual experience	-	-	-
Employer contributions	-	154,100	(154,100)
Net investment income	-	33,109	(33,109)
Benefit payments, including refund to employee contributions	\$ (179,891)	(180,389)	498
Net changes	150,702	6,820	143,882
Balances as of June 30, 2016	\$ 4,053,725	3,369,413	684,312

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	\$ 6,013,946	4,339,204	2,895,146
Merit Service Plan net pension liability	1,192,654	684,312	260,773

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, 2016 and the changes in net position for the year then ended.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2016

Schedule of Net Position

	Town Retirement Plan	Merit Service Retirement Plan	Total
Assets:			
Cash and cash equivalents	\$ 186,129	53,141	239,270
Investments	<u>11,818,101</u>	<u>3,316,272</u>	<u>15,134,373</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 12,004,230</u>	<u>3,369,413</u>	<u>15,373,643</u>

Schedule of Changes in Net Position

	Town Retirement Plan	Merit Service Retirement Plan	Total
Additions:			
Contributions:			
Employer	\$ 682,350	154,100	836,450
Employee	<u>20,527</u>	-	<u>20,527</u>
Total	<u>\$ 702,877</u>	<u>154,100</u>	<u>856,977</u>
Investment Income:			
Net appreciation(depreciation) in fair value of Investments	\$ (97,568)	(27,412)	(124,980)
Interest and dividends	<u>268,073</u>	<u>75,783</u>	<u>343,856</u>
Total	<u>\$ 170,505</u>	<u>48,371</u>	<u>218,876</u>
Less investment expense			
Investment management fees	<u>53,982</u>	<u>15,262</u>	<u>69,244</u>
Net investment income	<u>\$ 116,523</u>	<u>33,109</u>	<u>149,632</u>
Total additions	<u>\$ 819,400</u>	<u>187,209</u>	<u>1,006,609</u>
Deductions:			
Benefits	<u>718,919</u>	<u>180,389</u>	<u>899,308</u>
Net increase	<u>\$ 100,481</u>	<u>6,820</u>	<u>107,301</u>
Net position and beginning of year	<u>\$ 11,903,749</u>	<u>3,362,593</u>	<u>15,266,342</u>
Net position at end of year	<u>\$ 12,004,230</u>	<u>3,369,413</u>	<u>15,373,643</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2016

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

For the year ended June 30, 2016, the Town recognized pension expense of \$741,108 and \$136,346 for the Town Plan and Merit Plan, respectively.

	Town Plan Deferred Outflows of Resources	Merit Service Plan Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	-
Net difference between projected and actual earnings on pension plan investments	571,400	160,657
Total	\$ <u>571,400</u>	<u>160,657</u>

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

<u>Year Ended June 30,</u>	Town Retirement Plan	Merit Service Retirement Plan	Total
2017	\$ 142,850	40,164	183,014
2018	142,850	40,164	183,014
2019	142,850	40,164	183,014
2020	<u>142,850</u>	<u>40,165</u>	<u>183,015</u>
Total	\$ <u>571,400</u>	<u>160,657</u>	<u>732,057</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2016

Teachers' Retirement

All Town of Litchfield Board of Education certified employees participate in the State of Connecticut Teachers' Retirement System 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, and professional employees at State schools of higher education 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. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the State Teachers' Retirement Board.

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

Benefit Provisions

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

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

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

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

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 earning, is expected to finance the costs

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2016

of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employer (School Districts)

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

Employees

Participants are required to contribute 7.25% of their annual salary to the System as required by CGS Section 10-183b (7). For the year ended June 30, 2016, \$611,937 mandatory contributions were deducted from the salaries of teachers who were participants in the System. The estimated covered payroll for the Town was \$8,440,514.

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, 2016; 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>22,686,851</u>
Total net pension liability	\$	<u><u>22,686,851</u></u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014.

For the year ended June 30, 2016 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$1,817,788 as payments made by the State of Connecticut on behalf of the Town.

Actuarial Assumptions

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2016

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

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

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Mutual Equity	25.0%	7.3%
Developed markets ISF	20.0%	7.5%
Emerging markets ISF	9.0%	8.6%
Core fixed income	13.0%	1.7%
Inflation linked bonds	6.0%	1.3%
Emerging market debt	4.0%	4.8%
High yield bonds	2.0%	3.7%
Real estate	5.0%	5.9%
Private investment	10.0%	10.9%
Liquidity fund	6.0%	0.7%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2016

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 seven participants in the plan as of June 30, 2016, and contributions of \$11,990 have been made.

Note 11 – Other Postemployment Benefits

Overview

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, 2016. The plan does not issue a stand-alone financial report.

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

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

Funding Policy

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

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2016

Litchfield Education Association OPEB Contract Provisions

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

Amount 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,
 - 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.

Annual OPEB Cost and Net OPEB Obligations

The BOE's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the components of the BOE's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the BOE's net OPEB obligation (asset):

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2016

Annual required contribution (ARC)	\$	206,921
Interest on OPEB obligation		69,324
Adjustment to annual required contribution		(87,332)
Annual OPEB cost	\$	188,913
Contributions made		131,123
Increase in net OPEB obligation	\$	57,790
Net OPEB obligation – beginning of year		990,345
Net OPEB obligation – end of year	\$	1,048,135

The BOE's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended are presented below.

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	NET OPEB Obligation
6/30/2016	\$ 188,913	\$ 131,123	69.4%	\$ 1,048,135
6/30/2015	279,618	100,242	35.8%	990,345
6/30/2014	275,916	270,642	98.1%	810,969
6/30/2013	274,735	144,492	52.6%	805,695

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2010	\$ -	\$ 5,373,000	\$ 5,373,000	- %	\$ 8,077,489	66.5%
7/1/2012	620,872	3,124,371	2,503,499	20%	7,985,774	31.4%
7/1/2014	886,171	2,570,923	1,684,752	34%	12,218,837	13.8%

Employer Contributions

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2016

<u>Fiscal Year Ended</u>		<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>
2016	\$	206,921	\$ 131,123	63.8%
2015		294,364	100,242	34.1%
2014		290,566	270,642	93.1%
2013		287,017	144,492	50.3%

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

In the July 1, 2014 actuarial valuation, the projected unit credited actuarial cost method is used. The actuarial assumptions include a 7% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 8% for 2014, decreasing .05% per year to an ultimate rate of 4% for 2022 and later. The actuarial value of assets was determined using the open group method. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014 was 20 years, open.

Note 12 – Prior Period Adjustment

Business-type Activities

The Water Pollution Control Authority's beginning net position was increased by \$164,345 as of July 1, 2015 to include the balance outstanding on the note receivable (see Note 5) from the Town of Morris under an agreement that required the Town of Morris to finance Litchfield Sewage Treatment Plant capital costs that benefit the Town of Morris.

Note 13 - Fund Deficits and Restrictions to Fund Position

Fund Deficits

The Town has the following Fund Deficits at June 30, 2016 and expects to eliminate the deficits in the future as follows:

<u>Fund</u>	<u>Deficit</u>	<u>Plan For Elimination</u>
Renovation of Schools	\$ 134,066	Bond proceeds
Construction in Progress	952,807	Bond proceeds
Cafeteria Fund	13,901	Future grant receipts

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2016

Restricted Fund Position

Fund	Restricted Net Position	Restriction
Cemetery Trust	\$ 10,398	For donor intentions

Note 14 - Subsequent Events

General Obligation Bond

On July 28, 2016, the Town issued a general obligation bond in the amount of \$6,438,000. The Bond will be paid over a 15 year period with an interest rate ranging from 2.1% - 3.0%. The bond will fund school and capital projects.

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

For the Year Ended June 30, 2016

	2016	2015	2014
Total pension liability:			
Service cost	\$ 358,531	344,741	396,238
Interest	1,092,779	1,023,014	976,938
Differences between expected and actual experience		318,394	
Benefit payments, including refunds of member contributions	(708,980)	(697,793)	(630,245)
Net change in total pension liability	\$ 742,330	988,356	742,931
Total pension liability - beginning	15,601,104	14,612,748	13,869,817
Total pension liability - ending	\$ 16,343,434	15,601,104	14,612,748
Plan fiduciary net position:			
Contributions - employer	\$ 682,350	1,093,734	1,067,885
Contributions - employee	20,527		
Net investment income	116,523	304,997	1,289,448
Benefit payments, including refunds of member contributions	(718,919)	(697,793)	(630,245)
Net change in plan fiduciary net position	\$ 100,481	700,938	1,727,088
Plan fiduciary net position - beginning	11,903,749	11,202,811	9,475,723
Plan fiduciary net position - ending	\$ 12,004,230	11,903,749	11,202,811
Net pension liability - ending	\$ 4,339,204	3,697,355	3,409,937
Plan fiduciary net position as a percentage of total pension liability	73.45%	76.30%	76.66%
Covered-employee payroll	4,272,039	4,107,730	4,397,899
Net pension liability as a percentage of its covered-employee payroll	101.57%	90.01%	77.54%

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

For the Year Ended June 30, 2016

	2016	2015	2014
Total pension liability:			
Service cost	\$ 59,412	59,412	65,858
Interest	271,181	258,709	247,891
Differences between expected and actual experience		33,529	
Benefit payments, including refunds of member contributions	(179,891)	(167,268)	(138,757)
Net change in total pension liability	\$ 150,702	184,382	174,992
Total pension liability - beginning	3,903,023	3,718,641	3,543,649
Total pension liability - ending	\$ 4,053,725	3,903,023	3,718,641
Plan fiduciary net position:			
Contributions - employer	\$ 154,100	150,102	150,102
Contributions - employee			
Net investment income	33,109	97,690	395,941
Benefit payments, including refunds of member contributions	(180,389)	(167,268)	(138,757)
Net change in plan fiduciary net position	\$ 6,820	80,524	407,286
Plan fiduciary net position - beginning	3,362,593	3,282,069	2,874,783
Plan fiduciary net position - ending	\$ 3,369,413	3,362,593	3,282,069
Net pension liability - ending	\$ 684,312	540,430	436,572
Plan fiduciary net position as a percentage of total pension liability	83.12%	86.15%	88.26%
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A

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

	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered- employee Payroll	Contribution as a Percentage of Covered- employee Payroll
2016	669	682	(13)	4,272	15.96%
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
2008	509	677	(168)	N/A	N/A
2007	360	391	(31)	N/A	N/A

Notes to Schedule

Valuation Date: July 1, 2014
Measurement Date: June 30, 2016

Methods and assumptions used
to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	14 years
Asset valuation method	Market value of assets
Inflation	3.0%
Salary increases	N/A
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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- employee Payroll	Contribution as a Percentage of Covered- employee Payroll
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
2008	115	126	(11)	N/A	N/A
2007	106	109	(3)	N/A	N/A

Notes to Schedule

Valuation Date: July 1, 2014
Measurement Date: June 30, 2016

Methods and assumptions used
to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	14 years
Asset valuation method	Market value of assets
Inflation	3.0%
Salary increases	N/A
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

For the Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	1.01%	2.91%	13.76%

SCHEDULE OF INVESTMENT RETURNS - MERIT SERVICE PLAN

For the Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	1.02%	2.97%	14.01%

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

For the Year Ended June 30, 2016

	2016	2015
City's proportion of the net pension liability	0.00%	0.00%
City's proportionate share of the net pension liability	\$ -	-
State's proportionate share of the net pension liability associated with the City	\$ 22,686,851	20,969,447
Total	22,686,851	20,969,447
City's covered-employee payroll	8,440,514	8,041,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	59.50%	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	During 2011, rates of withdrawal, retirement, and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market
Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of investment related expense

JOSEPH FASI LLC

56 ARBOR STREET, SUITE 418
HARTFORD, CONNECTICUT 06106

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

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

FORM OF OPINION OF BOND COUNSEL

Town of Litchfield
Litchfield, Connecticut

Ladies and Gentlemen:

We have represented the Town of Litchfield, Connecticut as bond counsel with respect to the issuance and sale of \$2,535,000 Town of Litchfield, Connecticut General Obligation Bonds, Issue of 2017, bearing a Dated Date and an Original Issue Date of August 16, 2017 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the Town dated August 16, 2017 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

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

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

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

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

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

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

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

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

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

Respectfully yours,

JOSEPH FASI LLC

TAX MATTERS

Opinion of Bond Counsel

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

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

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

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

Additional Tax Matters

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

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

Original Issue Discount and Premium

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

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

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

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

Original Issue Premium

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

FUTURE EVENTS

The Federal and State tax treatment of municipal bonds is determined by Federal, State and local legislation, administrative pronouncements and court decisions. For example, recent Federal legislative proposals have been introduced into Congress which, if enacted, would eliminate or curtail the exclusion from gross income of interest paid on municipal bonds or have other collateral tax consequences that will adversely affect their tax treatment, including limiting the exclusion from gross income on tax exempt bonds for higher income taxpayers. Current ongoing Federal budget discussions include such proposals. The enactment of such proposals may adversely affect the tax treatment of: the interest paid on the Bonds, their sale or disposition, market price, marketability, or otherwise prevent Beneficial Owners from receiving the full current tax benefit of ownership. There can be no assurance that changes of law by Federal or State governments will not occur or that they will not be made retroactive. Bond Counsel does not opine as to post issuance acts, including changes of law. Prospective 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 16, 2017

In Connection With The Issuance And Sale Of

\$2,535,000 Town Of Litchfield, Connecticut

General Obligation Bonds, Issue of 2017,

Dated August 16, 2017

WHEREAS, the Town of Litchfield, Connecticut (the "Issuer") has heretofore authorized the issuance of \$2,535,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2017 (the "Bonds") to be dated August 16, 2017 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

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

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

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

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

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

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

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

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

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

<http://emma.msrb.org>

Section 2. Annual Reports.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[Signature Page Follows]

CONTINUING DISCLOSURE AGREEMENT

By The

TOWN OF LITCHFIELD, CONNECTICUT

Dated As Of August 16, 2017

In Connection With The Issuance And Sale Of

\$2,535,000 Town Of Litchfield, Connecticut

General Obligation Bonds, Issue of 2017,

Dated August 16, 2017

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

APPENDIX D – NOTICE OF SALE

NOTICE OF SALE

\$2,535,000

TOWN OF LITCHFIELD, CONNECTICUT

GENERAL OBLIGATION BONDS, ISSUE OF 2017

BANK QUALIFIED

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

**11:30 A.M. (E.D.T.)
Tuesday, August 1, 2017**

for the purchase of \$2,535,000 Town of Litchfield General Obligation Bonds, Issue of 2017, maturing August 1 in each of the years as follows:

Year	Amount	Year	Amount
2018	\$170,000	2026	\$170,000
2019	\$170,000	2027	\$170,000
2020	\$170,000	2028	\$170,000
2021	\$170,000	2029	\$170,000
2022	\$170,000	2030	\$165,000
2023	\$170,000	2031	\$165,000
2024	\$170,000	2032	\$165,000
2025	\$170,000		

bearing interest payable semi-annually on February 1 and August 1 in each year until maturity, commencing February 1, 2018 (the "Bonds").

Redemption

The Bonds maturing on or before August 1, 2023 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2024 and thereafter are subject to redemption prior to maturity, at the election of the Issuer, on and after August 1, 2023, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Issuer may determine, at the redemption price or prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

	<u>Redemption Dates</u>	<u>Redemption Price</u>
From:	August 1, 2023 and thereafter	100%

Book-Entry/Denominations

The Bonds will be dated August 16, 2017 and will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. The book-entry system will evidence ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by the Issuer or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Submitting Proposals

Proposals for the purchase of said Bonds must be in the form of proposal for purchase attached hereto. Each bid must be for the entire \$2,535,000 of Bonds and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum, provided such bid shall not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of 360-day year consisting of twelve 30-day months. No bid for less than par and accrued interest will be considered. Unless all bids are rejected the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

For the purposes of determining the successful bidder, the true interest cost to the Issuer will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to August 16, 2017, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to August 16, 2017, the delivery date of the Bonds. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to four decimal places. Such statement shall not be considered as a part of the proposal. The purchase price must be paid in Federal Funds.

Electronic Proposals Bidding Procedure. Electronic bids for the purchase of the Bonds must be submitted through the facilities of **PARITY**® until 11:30 A.M. (E.D.T.) on Tuesday, August 1, 2017. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about **PARITY**®, including any fee charged, may be obtained from **PARITY**®, c/o i-Deal LLC, 1359 Broadway, 2nd Floor New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

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

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

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

Award

The Bonds will be awarded or all bids will be rejected promptly after the bid opening and not later than 4:00 P.M. (Hartford time) on August 1, 2017. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

Legal Opinion

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

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

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

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

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

ISSUE PRICE ESTABLISHMENT AND CERTIFICATION

10% Test to Apply if Competitive Sale Requirements are Not Satisfied

Summary: To establish issue price the Issuer expects the sale of the Bonds to qualify under the competitive sale provisions of Treasury Regulation Section 1.148-1(f)(3)(i) and to establish the issue price pursuant to the competitive sale regulations.

In the event, in the opinion of Bond Counsel, the competitive sale regulations are not satisfied the Issuer will utilize the general rule of Treasury Regulation Section 1.148-1(f)(2) and establish the issue price as the first price at which 10% of each maturity is sold to the public.

The Issuer will not utilize the hold the price provisions of Treasury Regulation Section 1.148-1(f)(2)(ii). Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

The Summary is qualified by the Terms of Issue Price Establishment and Certification of this Notice of Sale as follows:

Establishment of Issue Price The winning bidder shall assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Notice of Sale Exhibits A-1 and A-2 (depending on the method of issue price determination), with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the Issuer and Bond Counsel.

All actions to be taken by the Issuer under this notice of sale to establish the issue price of the Bonds may be taken on behalf of the Issuer by its Financial Advisor. Any notice or report to be provided to the Issuer may be provided to the Issuer’s Bond Counsel.

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

- (i) the Issuer shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (ii) all bidders shall have an equal opportunity to bid;
- (iii) the Issuer may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (iv) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid, and by submitting a bid, a bidder is representing that it has an established industry reputation for underwriting new issuances of municipal bonds.

Failure to Meet Competitive Sale Requirements; 10% Sale Test To Apply: In the event that the competitive sale regulations are not satisfied, the Issuer shall so advise the winning bidder. The Issuer shall treat the first price at which 10% of a maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity, applied on a maturity-by-maturity basis. The winning bidder shall advise the Issuer if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The Issuer will not require bidders to comply with the “hold-the-offering-price rule” and therefore does not intend to use the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied. Bidders should prepare their bids on the assumption that all of the maturities of the Bonds will be subject to the 10% test in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the Issuer the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date that the Bonds are awarded by the Issuer to the winning bidder.

Documentation to Winning Bidders

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

Certifying/Paying Agent

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

Bank Qualification

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

Delivery and Payment

The Bonds will be delivered to DTC or its Agent via "Fast" on or about August 16, 2017. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds prior to delivery, and the Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of the winning bidder to obtain such numbers and to supply them to the Issuer in a timely manner. The Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for the purchaser.

Deemed Final; Pricing Information

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

Continuing Disclosure

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

More Information

For more information regarding this issue and the Issuer, reference is made to the Official Statement. Bid forms and copies of the Official Statement dated July 24, 2017, may be obtained from Mark Chapman, Director, Independent Bond and Investment Consultants LLC, 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, (203) 245-7264.

Leo Paul, Jr.
First Selectman

Francis C. Carpentier
Town Treasurer

Amaechi E. Obi
Director of Finance

July 24, 2017

(See attached for form of Proposal for Bonds)

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

August 1, 2017

Leo Paul, Jr., First Selectman
Francis C. Carpentier, Town Treasurer
Amaechi E. Obi, Director of Finance
Town of Litchfield
c/o Office of the First Selectman
Town of Litchfield
Town Hall
74 West Street
Litchfield, Connecticut 06759

Gentlemen:

Subject to the provisions of the Notice of Sale dated July 24, 2017, which Notice is made a part of this proposal, we offer to purchase all \$2,535,000 bonds of the Town of Litchfield, Connecticut comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$_____, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2018	\$170,000	_____ %	2026	\$170,000	_____ %
2019	\$170,000	_____ %	2027	\$170,000	_____ %
2020	\$170,000	_____ %	2028	\$170,000	_____ %
2021	\$170,000	_____ %	2029	\$170,000	_____ %
2022	\$170,000	_____ %	2030	\$165,000	_____ %
2023	\$170,000	_____ %	2031	\$165,000	_____ %
2024	\$170,000	_____ %	2032	\$165,000	_____ %
2025	\$170,000	_____ %			

(Name of Bidder)

(Mailing Address)

(Telephone Number)

(Authorized Signature)

(Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of \$2,535,000 bonds under the foregoing proposal:

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

**NOTICE OF SALE EXHIBIT A-1
COMPETITIVE SALE
\$2,535,000 TOWN OF LITCHFIELD, CONNECTICUT
GENERAL OBLIGATION BONDS, ISSUE OF 2017
ISSUE PRICE CERTIFICATE**

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

1. ***Reasonably Expected Initial Offering Price.*** (a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in the [Bond Report/(or Schedule A)] (the “Expected Offering Prices”) attached hereto. The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds. (b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid. (c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds in accordance with the specified written terms contained in the Notice of Sale published by the Issuer.

2. [SHORT NAME OF UNDERWRITER] believes it has an established industry reputation for underwriting new issuances of municipal bonds.

3. ***Defined Terms.*** (a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities. (b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly. (c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is Tuesday, August 1, 2017. (d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Regulatory Agreement and with respect to compliance with the federal income tax rules affecting the Bonds, and by Joseph Fasi LLC, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Title: _____

Dated: August 1, 2017

SCHEDULE A EXPECTED OFFERING PRICES *(To Be Attached)*

SCHEDULE B COPY OF UNDERWRITER’S BID *(To Be Attached)*

NOTICE OF SALE EXHIBIT A-2

AT LEAST 10% OF EACH MATURITY

ACTUALLY SOLD AT A SINGLE PRICE

**\$2,535,000 TOWN OF LITCHFIELD, CONNECTICUT
GENERAL OBLIGATION BONDS, ISSUE OF 2017
ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([“[SHORT NAME OF UNDERWRITER]”][the “Representative”]), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the Bonds.*** As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) ***Issuer*** means TOWN OF LITCHFIELD, CONNECTICUT.

(b) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) ***Underwriter*** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM][the Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[and the Borrower] with respect to certain of the representations set forth in the [Tax Certificate] and with respect to compliance with the federal income tax rules affecting the Bonds, and by JOSEPH FASI LLC, Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By: _____
Name: _____

Dated: August 16, 2017

SCHEDULE A SALE PRICES *(To Be Attached)*