

TOWN OF LITCHFIELD, CONNECTICUT

ANNUAL FINANCIAL REPORT

June 30, 2019

TOWN OF LITCHFIELD, CONNECTICUT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Litchfield Connecticut, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Litchfield, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Litchfield, Connecticut as of June 30, 2019, and the respective changes in the financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3a through 3g and the required supplemental information on pages 59-69, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2019 on our consideration of the Town of Litchfield, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Litchfield, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Litchfield, Connecticut's internal control over financial reporting and compliance.

CLERMONT & ASSOCIATES, LLC
Prospect, Connecticut



November 17, 2019

TOWN OF LITCHFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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, 2019. Please read this MD&A in conjunction with the Town's financial statements.

Financial Highlights

- Net position of our governmental activities increased by \$2.0 million.
- Net position of our business-type activities increased by \$229 thousand.
- The General Fund reported a fund balance this year of \$6.6 million; \$544 thousand more than the general fund balance reported in the prior year.
- The resources available for appropriation in the general fund were \$6.0 million.

Overview of the Financial Statements

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

Government Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Government-Wide Financial Analysis

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities and business-type activities. The Town's net position for governmental activities increased \$2.0 million from \$60.4 million in 2019 to \$62.4 million in 2019.

The net operating income and net investment income increased the business-type activities by \$229 thousand for the fiscal year ending June 30, 2019. The net position ended at \$4.6 million.

TABLE 1 NET POSITION (In Thousands)

		Governmental Activities	
		2019	2018
Current and other assets	\$	14,720	16,730
Capital assets		78,800	75,753
Deferred inflows		691	117
Total assets & deferred inflows	\$	94,211	92,600
Current and other liabilities	\$	2,289	1,525
Deferred outflows		924	464
Long-term liabilities		28,596	30,211
Total liabilities & deferred Outflows	\$	31,809	32,200
Net position:			
Investment in capital assets	\$	50,204	45,684
Restricted		97	10
Unrestricted		12,101	14,706
Total net position	\$	62,402	60,400

TABLE 2 CHANGE IN NET ASSETS (In Thousands)

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 767	937
Operating grants and contributions	4,328	6,365
Capital grants and contributions	2,533	1,643
General revenues:		
Property taxes	29,450	29,205
Grants and contributions not restricted to specific purposes	134	79
Unrestricted investment earnings and other revenues	320	217
Other general revenues (and transfers)	(20)	316
Total revenues	\$ 37,512	38,762
Program expenses:		
General government	\$ 1,758	2,656
Public safety	1,410	1,222
Public works	6,304	5,279
Health and welfare	52	71
Culture and recreation	806	1,041
Education	24,625	25,402
Interest and fiscal charges	554	595
Total program expenses	\$ 35,509	36,266
Increase (Decrease) in Net Position	\$ 2,003	2,496

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 \$9.5 million which is a \$2.3 million increase from the previous year. Included in this year's total change in fund balance is a decrease of \$2.8 million in the Capital Projects Fund. This is mainly due to the ongoing capital projects bonding of capital expenditures.

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 \$229 thousand, which included depreciation expense of \$166 thousand. Net fund position at year end included \$3,563 thousand of net capital investment and \$1,039 thousand unrestricted.

The Internal Service Fund recorded a negative change in net fund position. Operating revenues were less than operating expenses by \$432 thousand with a net fund position of \$1,665.

General Fund Budgetary Highlights

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

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

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

Capital Assets

At June 30, 2019, the Town had \$83 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines. In separating the Water Pollution Control Authority from the government funds, \$4.5 million in capital assets, which mainly includes sewers and the newly constructed facility. The total Town's amount represents a net decrease (including additions and deductions) of \$1.6 million, net of depreciation expenses.

TABLE 3 CAPITAL ASSETS (Net of Depreciation)

		Governmental Activities	
		2019	2018
Land	\$	1,679	1,679
Buildings and improvements		44,289	43,526
Furniture, fixtures and equipment		3,609	3,940
Infrastructure		27,247	24,633
Construction in progress		1,975	1,975
Totals	\$	<u>78,799</u>	<u>75,753</u>

		Business-type Activities	
		2019	2018
Buildings and improvements	\$	2,636	2,740
Equipment		31	33
Infrastructure		1,892	1,732
Totals	\$	<u>4,559</u>	<u>4,505</u>

TABLE 4 OUTSTANDING DEBT (In Thousands)

Long-Term Liabilities

At June 30, 2019 the Town had \$29.7 million in long term liabilities versus \$31.5 million last year, a decrease of 6.0% - as shown in Table 4.

	2019	2018
\$	<u>29,652,440</u>	<u>31,548,047</u>

General obligation bonds (backed by the Town) were reduced by \$3.2 million in payments with one new issue of \$1.7 million during the fiscal year.

Other obligations include accrued vacation pay and sick leave, and net pension and other post retirement benefit obligations. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements. Included in the Business-type activities is \$1.1 million in notes payable, which was Clean Water Notes for the construction of the new water pollution control facilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2019 budget tax rates. One of those factors is the economy and the benefits of continual development within the Town.

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

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STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities	Business-type Activities	Total*
Assets:			
Cash and cash equivalents	\$ 1,347,772	50	1,347,822
Investments	12,565,398		12,565,398
Receivables, net	1,335,139	278,681	1,613,820
Notes receivable		86,472	86,472
Prepaid expenses	335,174		335,174
Inventory	28,188		28,188
Internal balances	(775,254)	775,254	-
External balances	(115,884)		(115,884)
Capital assets:			
Capital assets, not being depreciated	3,654,750		3,654,750
Capital assets, being depreciated, net	75,144,990	4,559,158	79,704,148
Total assets	\$ 93,520,273	5,699,615	99,219,888
Deferred outflows on resources:			
Pension and other post retirement	\$ 691,324		691,324
	\$ 691,324	-	691,324
Liabilities:			
Accounts payable and other current liabilities	\$ 1,953,588	13,844	1,967,432
Accrued interest	308,759		308,759
Unearned revenues	26,638	1,455	28,093
Noncurrent liabilities:			
Due within one year	3,206,875	257,054	3,463,929
Due in more than one year	25,388,845	825,707	26,214,552
Total liabilities	\$ 30,884,705	1,098,060	31,982,765
Deferred inflows on resources:			
Pension and other post retirement	\$ 899,959		899,959
Advance tax collections	24,064		24,064
Total deferred inflows on resources	\$ 924,023	-	924,023
Net Position:			
Invested in capital assets, net of related debt	\$ 50,204,020	3,562,869	53,766,889
Restricted for:			
Donor's intentions	97,422		97,422
Unrestricted	12,101,427	1,038,686	13,140,113
Total net position	\$ 62,402,869	4,601,555	67,004,424

* 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, 2019

		Program Revenues
Functions/programs	Expenses	Charges for Services
Primary Government:		
Governmental activities:		
General government	\$ 1,757,378	309,712
Public safety	1,409,652	12,745
Public works	6,304,025	115,296
Community service	52,351	29,951
Cultural and recreation	805,508	51,012
Education	24,625,421	247,959
Interest on long-term debt	554,364	
Total governmental activities	\$ 35,508,699	766,675
Business-type activities:		
Water Pollution Control Authority	\$ 1,040,893	1,189,124
Interest on long-term debt	24,399	
Total business-type activities	\$ 1,065,292	1,189,124
Total primary government	\$ 36,573,991	1,955,799

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

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
40,383		(1,407,283)		(1,407,283)
25,263		(1,371,644)		(1,371,644)
510,608	2,278,406	(3,399,715)		(3,399,715)
-		(22,400)		(22,400)
-		(754,496)		(754,496)
3,751,790	254,918	(20,370,754)		(20,370,754)
		(554,364)		(554,364)
<u>4,328,044</u>	<u>2,533,324</u>	<u>(27,880,656)</u>	<u>-</u>	<u>(27,880,656)</u>
			148,231	148,231
			(24,399)	(24,399)
<u>-</u>	<u>-</u>	<u>-</u>	<u>123,832</u>	<u>123,832</u>
<u>4,328,044</u>	<u>2,533,324</u>	<u>(27,880,656)</u>	<u>123,832</u>	<u>(27,756,824)</u>
General revenues:				
Property taxes	\$	29,449,964		29,449,964
Grants and contributions not restricted for specific programs		133,847		133,847
Unrestricted investment earnings		320,331		320,331
Other unrestricted income		59,802	24,907	84,709
Transfers		(80,206)	80,206	-
Total general revenues and transfers	\$	<u>29,883,738</u>	<u>105,113</u>	<u>29,988,851</u>
Change in net position	\$	<u>2,003,082</u>	<u>228,945</u>	<u>2,232,027</u>
Net position - beginning	\$	<u>60,399,787</u>	<u>4,372,610</u>	<u>64,772,397</u>
Net position - ending	\$	<u>62,402,869</u>	<u>4,601,555</u>	<u>67,004,424</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 608,163		111,687	719,850
Investments	12,565,398			12,565,398
Receivables, net	696,187	75,293	563,659	1,335,139
Due from other funds		542,985	2,276,113	2,819,098
Inventories	28,188			28,188
Total assets	\$ 13,897,936	618,278	2,951,459	17,467,673
Liabilities and Fund Balances				
Liabilities:				
Accounts and other payables	\$ 1,657,003		56,625	1,713,628
Due to other funds	5,056,195		30	5,056,225
Unearned revenues			26,638	26,638
Total liabilities	\$ 6,713,198	-	83,293	6,796,491
Deferred inflows of resources:				
Unavailable receipts	\$ 572,108		544,068	1,116,176
Payment in advance	24,064			24,064
Total deferred inflows of resources	\$ 596,172	-	544,068	1,140,240
Fund balances:				
Nonspendable	\$ 28,189			28,189
Restricted for:				
Donor's intentions			10,000	10,000
Specified use			97,422	97,422
Committed for:				
Capital outlays				-
Specified use	458,109			458,109
Assigned	59,634	618,278	2,216,676	2,894,588
Unassigned	6,042,634			6,042,634
Total fund balances	\$ 6,588,566	618,278	2,324,098	9,530,942
Total liabilities, deferred inflows of resources and fund balances	\$ 13,897,936	618,278	2,951,459	

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.	78,799,740
Other long-term assets and deferred flows are not available to pay for current period expenditures, and therefore, are deferred in the funds.	907,541
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.	1,665,152
Long-term liabilities , including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(28,500,506)
Net position of governmental activities (Exhibit A)	<u>\$ 62,402,869</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes and assessments	\$ 29,189,846			29,189,846
Intergovernmental	4,570,667	1,207,404	1,167,715	6,945,786
Charges for services	524,538		426,333	950,871
Investment income	320,328		3	320,331
Miscellaneous	59,802		49,429	109,231
Total revenues	<u>\$ 34,665,181</u>	<u>1,207,404</u>	<u>1,643,480</u>	<u>37,516,065</u>
Expenditures:				
Current:				
General government	\$ 1,429,942		146,143	1,576,085
Public safety	991,770			991,770
Public works	2,904,543		454,798	3,359,341
Public health	48,338			48,338
Culture and recreation	661,378		44,077	705,455
Education	22,048,582		768,274	22,816,856
Other	2,020,691			2,020,691
Capital outlay		5,674,538	640,987	6,315,525
Debt service	3,625,671			3,625,671
Total expenditures	<u>\$ 33,730,915</u>	<u>5,674,538</u>	<u>2,054,279</u>	<u>41,459,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 934,266</u>	<u>(4,467,134)</u>	<u>(410,799)</u>	<u>(3,943,667)</u>
Other financing sources (uses):				
Transfer from other funds	\$	300,000	313,288	613,288
Transfer to other funds	(400,206)	(293,288)		(693,494)
Premium on bond issuance	9,622			9,622
Proceeds from sale of bonds		1,691,000		1,691,000
Total other financing sources (uses)	<u>\$ (390,584)</u>	<u>1,697,712</u>	<u>313,288</u>	<u>1,620,416</u>
Net changes in fund balances	<u>\$ 543,682</u>	<u>(2,769,422)</u>	<u>(97,511)</u>	<u>(2,323,251)</u>
Fund balances (deficits) - beginning	<u>6,044,884</u>	<u>3,387,700</u>	<u>2,421,609</u>	<u>11,854,193</u>
Fund balances (deficits) - ended	<u>\$ 6,588,566</u>	<u>618,278</u>	<u>2,324,098</u>	<u>9,530,942</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2019

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)	\$ (2,323,251)
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.	3,046,523
Revenues previously recognized in the statement of activities that provided current financial resources in the current year.	197,213
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.	1,514,377
Transfer of capital assets, debt and long-term assets into the business-type fund from the government funds	
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>(431,780)</u>
Change in net position of governmental activities (Exhibit B)	\$ <u><u>2,003,082</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, 2019**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 29,179,445	29,179,445	29,189,846	(10,401)
Intergovernmental	1,242,146	1,242,146	1,459,767	(217,621)
Charges for services	460,428	460,428	524,585	(64,157)
Investment income	30,000	30,000	320,328	(290,328)
Other revenues	5,000	5,000	74,234	(69,234)
Total revenues	<u>\$ 30,917,019</u>	<u>30,917,019</u>	<u>31,568,760</u>	<u>(651,741)</u>
Expenditures:				
Current:				
General government	\$ 1,560,661	1,586,017	1,498,245	87,772
Public safety	959,417	960,742	937,435	23,307
Public works	3,020,029	3,058,247	3,011,490	46,757
Health and welfare	46,402	52,019	50,631	1,388
Cultural and recreation	666,044	671,502	664,747	6,755
Education	18,993,526	18,993,526	18,937,682	55,844
Other	1,899,705	1,823,731	1,824,047	(316)
Debt service:				
Principal retirements	3,324,822	3,324,822	3,324,822	-
Interest and other charges	741,598	741,598	713,240	28,358
Total expenditures	<u>\$ 31,212,204</u>	<u>31,212,204</u>	<u>30,962,339</u>	<u>249,865</u>
Revenues over (under) expenditures	<u>\$ (295,185)</u>	<u>(295,185)</u>	<u>606,421</u>	<u>(901,606)</u>
Other financing sources (uses):				
Transfer to other funds	\$ (65,000)	(65,000)	(65,000)	-
Premium on debt issuance			9,622	(9,622)
Debt and other reimbursement	360,185	360,185	360,185	-
Total other financing sources (uses)	<u>\$ 295,185</u>	<u>295,185</u>	<u>304,807</u>	<u>(9,622)</u>
Revenues Over Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>-</u>	<u>911,228</u>	<u>(911,228)</u>
Less:				
Change in nonspendable			47,483	
Appropriation to capital projects			<u>(300,000)</u>	
Net change in unassigned fund balance			\$ 658,711	
Unassigned fund balance, July 1, 2018			<u>5,383,923</u>	
Unassigned fund balance, June 30, 2019			<u>\$ 6,042,634</u>	

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

STATEMENT OF NET FUND POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ 50	627,922
Investments		
Receivables, net of allowance	278,681	
Notes receivable, current portion	20,531	
Due from other funds	775,254	1,345,989
Total current assets	\$ 1,074,516	1,973,911
Noncurrent assets:		
Notes receivable, less current portion	\$ 65,941	
Capital assets, net of accumulated depreciation	4,559,158	
Total noncurrent assets	\$ 4,625,099	-
Total assets	\$ 5,699,615	1,973,911
Liabilities:		
Current liabilities:		
Accounts payable & accrued liabilities	\$ 13,844	
Payments in advance	1,455	
Notes payable - current	257,054	
Total current liabilities	\$ 272,353	-
Noncurrent liabilities:		
Incurred, but not reported claims	\$	308,759
Notes payable, less current portion	825,707	
Total noncurrent liabilities	\$ 825,707	308,759
Total liabilities	\$ 1,098,060	308,759
Net Fund Position:		
Invested in capital assets, net of related debt	\$ 3,562,869	
Unrestricted	1,038,686	1,665,152
Total net fund position	\$ 4,601,555	1,665,152

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, 2019

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for services and other revenues	\$ 1,184,359	3,962,009
Other revenues	4,765	
Total operating revenues	<u>\$ 1,189,124</u>	<u>3,962,009</u>
Operating expenses:		
Salaries and benefits	\$ 489,592	
Claims and administrative		4,393,789
Material and supplies	61,609	
Utilities	64,971	
Depreciation	165,852	
Administration and operation	258,869	
Total operating expenses	<u>\$ 1,040,893</u>	<u>4,393,789</u>
Operating income (loss)	<u>\$ 148,231</u>	<u>(431,780)</u>
Nonoperating revenues (expenses):		
Interest income	\$ 24,907	
Interest expense	(24,399)	
Total nonoperating revenues (expenses)	<u>\$ 508</u>	<u>-</u>
Transfer from other funds	<u>\$ 80,206</u>	<u>-</u>
	<u>\$ 80,206</u>	<u>-</u>
Change in Net Fund Position	<u>\$ 228,945</u>	<u>(431,780)</u>
Net Fund Position - beginning	<u>\$ 4,372,610</u>	<u>2,096,932</u>
Net Fund Position (Deficit) - ending	<u><u>\$ 4,601,555</u></u>	<u><u>1,665,152</u></u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 1,118,805	3,962,009
Payments to suppliers	(489,592)	(4,413,289)
Payments to employees	(383,583)	
Net cash flows from operating activities	\$ 245,630	(451,280)
Cash Flows From Noncapital and Related Financing Activities:		
Transfer in and payments made through governmental activities	\$ 128,161	
Transfer from other funds	80,206	955,141
Net cash provided by (used in) noncapital and related financing activities	\$ 208,367	955,141
Cash Flows From Capital and Related Financing Activities:		
Purchase of assets	\$ (219,807)	
Receipts on notes related to capital debt	20,125	
Principal payments on capital debt	(254,823)	
Interest paid on capital debt	(24,399)	
Net cash provided by (used in) capital and related financing activities	\$ (478,904)	-
Cash Flows From Investing Activities:		
Interest received on investments	\$ 24,907	
Net cash provided by investing activities	\$ 24,907	-
Net increase (decrease) in cash and cash equivalents	\$ -	503,861
Cash and Cash Equivalents - beginning	50	124,061
Cash and Cash Equivalents - ending	\$ 50	627,922
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:		
Operating Income (Loss)	\$ 148,231	(431,780)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	165,852	
Changes in assets and liabilities:		
Decrease (increase) in receivable accounts	(70,987)	
Increase (decrease) in accounts payable	1,866	
Increase (decrease) in payments in advance	668	
Increase (decrease) in claims incurred but not reported		(19,500)
Net cash flows from operating activities	\$ 245,630	(451,280)

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	Private Purpose Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 465,287	161,806
Receivables		115,884
Investments, at fair value:		
Mutual funds	20,349,476	
Total assets	\$ 20,814,763	277,690
Liabilities:		
Held for deposit for others	\$	277,690
Total liabilities	\$ -	277,690
Net Position:		
Held in trust for benefits and other purposes	\$ 20,814,763	-

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, 2019

	Private Purpose Trust Funds
Additions:	
Contributions:	
Contributions and donations	\$ 1,056,546
Total contributions	<u>\$ 1,056,546</u>
Investment earnings:	
Net increase in fair value of investments	\$ 1,019,452
Interest and dividends	476,920
Less: Administrative expenses	<u>(57,237)</u>
Total investment earnings	<u>\$ 1,439,135</u>
Total additions	<u>\$ 2,495,681</u>
Deductions:	
Benefits	\$ 1,128,672
Total deductions	<u>\$ 1,128,672</u>
Change in net position	<u>\$ 1,367,009</u>
Net Position - beginning	<u>\$ 19,447,754</u>
Net Position - ending	<u><u>\$ 20,814,763</u></u>

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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, 2019

Fund financial statements

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

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

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real estate taxes are payable in two installments (July 1 and January 1). Personal property taxes are payable annually (July 1) and motor vehicle taxes are due in one single payment on July 1. Liens are filed on delinquent real estate taxes within one year. Revenues from property taxes are recognized when they become available. Available means due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers property tax revenue to be available if they are collected within 60 days of the end of the fiscal year.

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

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

The Town reports the following major governmental funds:

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

The **capital projects fund** is used to account for resources used for capital expenditures or for the acquisition or construction of capital facilities, improvements and equipment. Most of the capital outlays are financed by the issuance of general obligation bonds and capital grants. Other sources include current tax revenues and low interest state loans.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

The Town reports the following major proprietary funds:

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

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

Assets, Liabilities and Net Assets or Equity

Cash and cash equivalents

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

Investments

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2019

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, 2019

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

Deferred outflows/inflows of resources

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

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

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

Compensated absences

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

Net pension liability

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

Net OPEB liability

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

Long-term obligations

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

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

Fund equity and net position

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

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

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

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

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

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

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

Fair Value of Financial Instruments

In accordance with GASB 72, the Town is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

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

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

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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 estimates and may revise them as they deem advisable, except that in the case of the department of education, they have the authority to revise only the total estimated expenditures.
- C. The formal budgetary integration is employed as a management control device during the year.
- D. Legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- E. Other than the Department of Education, all transfers \$20,000 or greater require approval from the Board of Finance and the approval of the Town Meeting.

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

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

	Revenues	Expenditures and Encumbrances
Balance, budgetary basis	\$ 31,568,760	30,962,339
Encumbrances of June 30, 2018	(14,431)	202,251
Encumbrances of June 30, 2019		(200,681)
Canine net income	(48)	77,682
Reclassifications (debt service, reserve, canine)		(421,576)
State Teachers' Retirement "on-behalf" payment, not recognized for budgetary purposes	3,110,900	3,110,900
Balance, GAAP basis	\$ 34,665,181	33,730,915

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

Balance, budgetary basis	\$	304,807
Transfer surplus to capital fund		(300,000)
Reclassify of assessment reserve		(100,206)
Consolidate canine fund		65,000
Reclassify W.P.C.A debt service		<u>(360,185)</u>
Balance, GAAP basis	\$	<u>(390,584)</u>

Special Revenue Funds

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

Capital Projects Funds

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

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

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

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

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

Land	\$	1,679,473
Construction in progress		1,975,277
Net capital assets being depreciated		<u>75,144,990</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>78,799,740</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

Net long-term debt	\$ (23,389,000)
Premium on bond issuances	(928,814)
Deferred portion on refunding	335,174
Compensated absences	(274,383)
Net pension liability	(3,473,318)
Net OPEB liability	(518,830)
Claims and judgments	(11,375)
Accrued interest on debt	<u>(239,960)</u>
Net adjustment to reduce fund balance to arrive at net position of government activities	\$ <u>(28,500,506)</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	\$ 572,108
Delinquent accounts receivable	449,636
Deferred outflows/inflows included in pension	(208,635)
Notes receivable – assessments	<u>94,432</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$ <u>907,541</u>

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

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Acquisitions	\$ 5,265,053
Depreciation	<u>(2,218,530)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>3,046,523</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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	\$	3,070,000
New issuances		(1,691,000)
Deferred portion on refunding		(41,897)
Premium new issuances		97,595
Net change in compensated absences		(8,294)
Net change in claims and judgment estimates		2,875
Net change in OPEB liability		545,603
Net change in pension liability		(404,786)
Net change in other long-term liabilities		2,750
Accrued interest		(58,469)
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>1,514,377</u>

Note 4 - Deposits and Investments

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

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Governmental activities	\$ 1,347,772		1,347,772
Business-type activities	50		50
Fiduciary funds	627,093		627,093
Investments:			
Governmental activities	10,579,103	1,986,295	12,565,398
Fiduciary funds		20,349,476	20,349,476
Total Deposits and Investments	<u>\$ 12,554,018</u>	<u>22,335,771</u>	<u>34,889,789</u>

Deposits

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

Bank Deposit Accounts	\$	1,330,383
Certificate of Deposits		6,550,306
Investment Portfolio Cash		4,672,903
Cash on Hand		<u>426</u>
Total Deposits	\$	<u>12,554,018</u>

Custodial Credit Risk

As of June 30, 2019, the carrying amount of the Town's deposits had bank deposit balances of approximately \$6,318,755. The amount of the bank balance covered under federal depository insurance was approximately \$1,000,000. The remaining deposits were uninsured, however, provisions of the Connecticut General Statutes provide for protection against loss in excess of deposit insurance by requiring all qualified public depositories to maintain segregated collateral for public deposits. As of June 30, 2019, approximately \$650,000 of uninsured deposits were collateralized under the provision.

Investments

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

As of June 30, 2019, the Town held the following investments:

<u>Investment Type</u>	<u>Fund</u>	<u>Fair Value (Level 1 hierarchy)</u>	<u>Weighted Average to Maturity (years)</u>	<u>Risk</u>
State Investment Fund	General Fund	\$ 1,358,384	.02	-
State Investment Fund	Internal Services	627,911	.02	
Mutual Funds	Trust Funds	<u>20,349,476</u>	n/a	-
Total Investments		\$ <u>22,335,771</u>		

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates which will adversely affect the fair value of an investment. The Town has, for the Pension Trust Funds, an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the Town's policy to invest only in securities that meet the ratings requirements set by General State Statute, Chapter 112, Section 7-400.

Investment Policies

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

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

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

Note 5 - Receivables, Deferred Revenue and Payables

Receivables

The receivables as of June 30, 2019 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	\$ 645,589			645,589
Intergovernmental		75,293	19,591	94,884
Accounts	50,598		94,432	145,030
Assessments			449,636	449,636
Total Net Receivables	\$ 696,187	75,293	563,659	1,335,139

The receivables as of June 30, 2019 for the Town's business-type activities are as follows:

	<u>W.P.C.A.</u>
Accounts	\$ 278,681
Notes	86,472
Total Net Receivables	\$ 365,153

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2019

Note Receivable – Business-Type Activity

Pursuant to a 1984 agreement between the Towns of Litchfield and Morris, the Town of Litchfield receives and treats sanitary sewage from the Town of Morris at the Litchfield Sewage Treatment Plant. The agreement required the Town of Morris to finance Sewage Treatment Plant capital costs that benefit the Town of Morris. In a prior year, the Town of Litchfield Water Pollution Control Authority assessed the Town of Morris Sewer Authority for costs incurred to upgrade the Sewage Treatment Plant. Details of the assessment required the Town of Morris Sewer Authority to finance project costs incurred to date of \$214,583, and future General Obligation Debt principal, and interest at 2%, costs of the Town of Litchfield totaling \$244,649. Terms of the assessment include annual payments of \$22,074, including principal and interest. A final payment of \$1,825 will be due in October 2023.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Receivable – Town of Morris	\$ 106,597		20,125	86,472	20,531

Deferred payments and unavailable receipts

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Delinquent property taxes	\$ 572,108		572,108
Delinquent receivable			
Advanced tax collections		24,064	24,064
Other Governmental Funds:			
Intergovernmental		26,638	26,638
Assessments	544,068		544,068
Total deferred portion	<u>\$ 1,116,176</u>	<u>50,702</u>	<u>1,166,878</u>

TOWN OF LITCHFIELD, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2019Payables

Payables as of June 30, 2019 for the Town's individual major funds and non-major funds were as follows:

	<u>Vendors</u>	<u>Payroll</u>	<u>Total</u>
General Fund	\$ 1,272,895	384,108	1,657,003
Non-major Funds	56,625		56,625
Total governmental funds	\$ 1,329,520	384,108	1,713,628
W.P.C.A.	\$ 13,844		13,844
Total Payables	\$ 1,343,364	384,108	1,727,472

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

Inter-fund receivables and payables at June 30, 2019 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	\$ 542,985
Internal Service	General Fund	1,345,989
Nonmajor Governmental	General Fund	2,276,113
General Fund	Trust Funds	115,884
W.P.C.A.	General Fund	775,254
	Total	\$ 5,056,225

Inter-fund Transfers

Inter-fund receivables and payables at June 30, 2019 consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Projects	General Fund	\$ 300,000
Town Road Aid	Capital Projects	293,288
W.P.C.A.	General Fund, debt pmt	80,206
Town Road Aid	General Fund	20,000
		\$ 693,494

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2019

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,679,473			1,679,473
Construction in progress	1,975,277			1,975,277
Total capital assets, not being deprec.	<u>\$ 3,654,750</u>			<u>3,654,750</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 53,591,094	1,428,548		55,019,642
Machinery and equipment	11,229,511	187,134		11,416,645
Infrastructure	37,105,671	3,649,371		40,755,042
Total capital assets being depreciated	<u>\$ 101,926,276</u>	<u>5,265,053</u>		<u>107,191,329</u>
Less: Accumulated depreciation:				
Buildings and improvements	\$ 10,065,293	665,456		10,730,749
Machinery and equipment	7,289,054	518,604		7,807,658
Infrastructure	12,473,462	1,034,470		13,507,932
Total accumulated depreciation	<u>\$ 29,827,809</u>	<u>2,218,530</u>		<u>32,046,339</u>
Net capital assets, being depreciated	<u>\$ 72,098,467</u>	<u>3,046,523</u>		<u>75,144,990</u>
Total capital assets, governmental	<u>\$ 75,753,217</u>	<u>3,046,523</u>		<u>78,799,740</u>

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

Governmental Activities:	
General government	\$ 50,463
Public safety	335,556
Public works	1,618,230
Recreation	41,494
Education	<u>172,787</u>
Total depreciation expense	<u>\$ 2,218,530</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 3,853,887			3,853,887
Machinery and equipment	77,603			77,603
Sewers	4,412,899	219,837		4,632,736
Total capital assets being depreciated	\$ 8,344,389	219,837	-	8,564,226
Less: Accumulated depreciation:				
Buildings and improvements	\$ 1,113,613	104,394		1,218,007
Machinery and equipment	44,048	2,139		46,187
Sewers	2,681,555	59,319		2,740,874
Total accumulated depreciation	\$ 3,839,216	165,852	-	4,005,068
Net capital assets being depreciated	\$ 4,505,173	53,985	-	4,559,158
Total capital assets, business-type	\$ 4,505,173	53,985	-	4,559,158

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ended Balance</u>	<u>Due In One Year</u>
Governmental Activities:					
Long-Term Debt:					
General obligation bonds	\$ 12,703,000	1,691,000	1,345,000	13,049,000	1,572,000
G.O.B refunding bonds	12,065,000		1,725,000	10,340,000	1,632,000
Total long-term debt	\$ 24,768,000	1,691,000	3,070,000	23,389,000	3,204,000
Deferred amount on:					
Issuance premium	1,026,409	38,430	136,025	928,814	
Net long-term debt	\$ 25,794,409	1,729,430	3,206,025	24,317,814	3,204,000
Other Long-Term Liabilities:					
Compensated absence	266,089	8,294		274,383	
Net pension liability	3,068,532	404,786		3,473,318	
Net OPEB liability	1,064,433		545,603	518,830	
Landfill closure	2,750		2,750		
Claims and judgments	14,250		2,875	11,375	2,875
Total governmental activities long-term liabilities	\$ 30,210,463	2,142,510	3,757,253	28,595,720	3,206,875
Business-type Activities:					
Clean water fund notes	\$ 1,337,584		254,823	1,082,761	257,054
Total business-type activities long-term liabilities	\$ 1,337,584		254,823	1,082,761	257,054
Total long-term liabilities	\$ 31,548,047	2,142,510	4,012,076	29,678,481	3,463,929

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business type activities and are direct obligations and pledge the good faith and credit of the government. Certain general obligation bonds are to be repaid by revenues of the enterprise funds. As of June 30, 2019, the outstanding general obligation bonded indebtedness of the Town was as follows:

	<u>General</u>	<u>Refunding</u>
\$2,655,000 GOB 2010, refunding, Series B issue of 2010, due 8/1/2022, interest at 2.0% to 3.75%, annual principal payments of \$90,000	\$	360,000
\$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		3,505,000
\$1,355,000 GOB 2011 , issue of 8/1/2011, due 8/1/2019, interest at 2.0 to 3.125%, annual principal payments of \$445,000	180,000	
\$7,555,000 GOB 2012, refunding issue of 8/1/2012, due 8/1/2024, interest at 3.0% to 4.0%, annual principal payments of approximately \$890,000		3,720,000
\$2,900,000 GOB 2013 , issue of, due 8/1/2028, interest at 2.0% to 4%, annual principal payments of approximately \$890,000	1,550,000	
\$4,555,000 GOB 2014, refunding issue of 8/1/2014, due 8/1/2025, interest at 2.0% to 4.0%, annual principal payments of approximately \$380,000		2,755,000
\$2,130,000 GOB 2011 , issue of 2012, due 2022, interest at 1.5% to 2.0%, annual principal payments of \$225,000	900,000	
\$1,270,000 GOB 2015 , issue of 2016, due 2022, interest at 2.0% to 4.0%, annual	775,000	
\$6,438,000 GOB 2016 , issue of 2016, due 8/24/2032, interest at 2.0% to 4.0%, annual principal payments of \$425,000 to \$430,000	5,588,000	
\$2,535,000 GOB 2017 , issue of 2017, due 8/16/2033, interest at 2.1% to 4.0%, annual principal payments of \$165,000 to \$170,000	2,365,000	
\$1,691,000 GOB 2018 , issue of 2018, due 8/1/2033, interest at 2.1% to 4.0%, annual principal payments of \$110,000 to \$115,000	<u>1,691,000</u>	
Total general obligation bonds	<u>\$ 13,049,000</u>	<u>10,340,000</u>

TOWN OF LITCHFIELD, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2019

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

Year Ended, June 30		Governmental Activity	
		Principal	Interest
2020	\$	3,204,000	613,985
2021		3,060,000	511,758
2022		3,035,000	417,424
2023		3,025,000	329,431
2024		2,495,000	248,793
2025-2029		6,065,000	570,566
2030-2034		2,505,000	120,488
Total	\$	<u>23,389,000</u>	<u>2,812,445</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, 2019, as follows:

	Authorized	Authorized and Unissued
2012-13 Capital Improvements	\$ 5,100,000	\$ 661,535
2018-19 Capital Improvements	6,875,000	1,000,591
2019-20 Capital Improvements	5,892,270	<u>3,259,391</u>
Total		\$ <u>4,921,517*</u>

*As described in Note 13, \$4,259,000 of this balance was issued subsequent to June 30, 2019 on August 22, 2019 leaving a total issued and unauthorized balance of \$662,517 subsequent to the August 2019 bond issuance.

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

Clean Water Fund Loans Payable

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

Note	Date of Issue	Original Amount	Balance
CWF PLO 499-C	7/31/2004	\$ 4,595,198	\$ <u>1,082,761</u>
Total Clean Water Fund Loans			\$ <u>1,082,761</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

Year Ended June 30,	Business-type Activity	
	Principal	Interest
2020	\$ 257,054	19,307
2021	262,243	14,119
2022	267,536	8,826
2023	272,936	3,426
2024	22,992	38
	<u>\$ 1,082,761</u>	<u>45,716</u>

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, 2019, \$11,375 has been accrued as an estimate of the cost to provide water for the remaining 3 years of the agreement.

Note 9 - Commitments and Contingencies

Lawsuits

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

Risk Management and Self-Insurance

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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>
2019	\$ 328,259	4,708,789	4,413,289	308,759
2018	\$ 261,517	4,319,803	4,253,061	328,259

Note 10 - Employee Retirement Plans

Plan Description and Benefits Provided

Town Retirement Plan

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

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

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

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

Merit Service Plan

This single-employer defined benefit retirement plan (the Merit Service Plan) covers all volunteer firemen who belong to the volunteer fire departments and, as of July 1, 1992, the members of the volunteer ambulance corps. Volunteer firemen and ambulance corps members are eligible to participate in the Merit Service Plan on July 1 following the date on which one year of eligible service has been completed and age 18 has been attained. Employees are 100% vested after 5 years of credited service.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

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

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

Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

Funding Policy

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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, 2019, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 7.41% for the Town Plan and 7.40% for the Merit Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The Town's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

The components of the net pension liability of the Town at June 30, 2019 were as follows:

	Town Plan	Merit Service Plan	Total
Total pension liability	\$ 18,202,845	4,590,114	22,792,959
Plan fiduciary net position	15,285,894	4,033,747	19,319,641
Net pension liability	\$ 2,916,951	556,367	3,473,318
Plan fiduciary net position as a percentage of the total pension liability	83.98%	87.88%	84.76%

Actuarial Assumptions

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

Long Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of geometric real rates of return for each major asset class included in both pension plan's actuarial valuation as of July 1, 2018 are summarized in the following table:

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

Discount Rate

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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, 2018	\$ 16,890,531	14,223,198	2,667,333
Changes for the year:			
Service cost	\$ 325,668		325,668
Interest on total pension liability	1,174,819		1,174,819
Difference between expected and actual experience	(130,438)		(130,438)
Change in assumptions	823,306		823,306
Employer contributions		851,760	(851,760)
Employee contributions		36,769	(36,769)
Net investment income		1,055,208	(1,055,208)
Benefit payments, including refund of employee contributions	(881,041)	(881,041)	-
Net changes	\$ 1,312,314	1,062,696	249,618
Balances as of June 30, 2019	\$ 18,202,845	15,285,894	2,916,951

Merit Service Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2018	\$ 4,252,936	3,851,737	401,199
Changes for the year:			
Service cost	\$ 52,540		52,540
Interest on total pension liability	293,922		293,922
Difference between expected and actual experience	(53,714)		(53,714)
Change in assumptions	261,286		261,286
Employer contributions		118,419	(118,419)
Net investment income		280,447	(280,447)
Benefit payments, including refund of employee contributions	\$ (216,856)	(216,856)	-
Net changes	337,178	182,010	155,168
Balances as of June 30, 2019	\$ 4,590,114	4,033,747	556,367

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town Plan net pension liability	\$ 4,785,320	2,916,951	1,311,644
Merit Service Plan net pension liability	1,142,161	556,367	71,782

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, 2019 and the changes in net position for the year then ended.

Schedule of Net Position

	Town Retirement Plan	Merit Service Retirement Plan
Assets:		
Cash and cash equivalents	\$ 341,055	90,429
Investments	<u>14,944,839</u>	<u>3,943,318</u>
Net Assets Held in Trust for Pension Benefits	\$ <u>15,285,894</u>	<u>4,033,747</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2019

Schedule of Changes in Net Position

	Town Retirement Plan	Merit Service Retirement Plan
Additions:		
Contributions:		
Employer	\$ 851,760	118,419
Employee	36,769	
Total	<u>\$ 888,529</u>	<u>118,419</u>
Investment Income:		
Net appreciation (depreciation) in fair value of investments	\$ 747,414	198,585
Interest and dividends	349,766	93,039
Total	<u>\$ 1,097,180</u>	<u>291,624</u>
Less investment expense:		
Investment management fees	41,972	11,177
Net investment income	<u>\$ 1,055,208</u>	<u>280,447</u>
Total additions	<u>\$ 1,943,737</u>	<u>398,866</u>
Deductions:		
Benefits	881,041	216,856
Net increase	<u>\$ 1,062,696</u>	<u>182,010</u>
Net position at beginning of year	14,223,198	3,851,737
Net position at end of year	<u><u>\$ 15,285,894</u></u>	<u><u>4,033,747</u></u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

For the year ended June 30, 2019, the Town recognized pension expense of \$566,423 and \$113,547 on behalf of the Town Plan and Merit Plan, respectively. As of June 30, 2019, deferred outflows and inflows of resources related to pension are reported as follows:

	Town Plan Deferred Outflows of Resources	Merit Service Plan Deferred Outflows of Resources	Total Deferred Outflows
Change in assumptions	\$ 465,347	225,977	691,324
Total	\$ 465,347	225,977	691,324

	Town Plan Deferred Inflows of Resources	Merit Service Plan Deferred Inflows of Resources	Total Deferred Inflows
Differences between expected and actual experience	\$ 73,726	104,866	178,592
Net Difference between projected and actual earnings on pension plan investment	28,938	8,366	37,304
Total	\$ 102,664	113,232	215,896

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

Year Ended June 30,	Town Retirement Plan	Merit Service Retirement Plan	Total
2020	\$ 363,363	33,321	396,684
2021	9,642	(6,845)	2,797
2022	1,545	16,389	17,934
2023	(11,867)	13,285	1,418
2024		17,323	17,323
Thereafter		39,272	39,272
Total	\$ 362,683	112,745	475,428

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

Teachers' Retirement

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

Plan Description

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

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

Benefit Provisions

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

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

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2019

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

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

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

Contributions

State of Connecticut

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

Employer (School Districts)

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

Employees

Effective July 1, 1992, participants are required to contribute 6.00% of their pensionable salary to the pension System as required by CGS Section 10-183b (7). Effective January 1, 2018, the required contribution increased to 7.00% of pensionable salary. For the year ended June 30, 2019, \$609,750 mandatory contributions were deducted from the salaries of teachers who were participants in the System. The estimated covered payroll for the Town was \$8,711,000.

Administrative Expenses

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

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

The State has a statutory requirement to pay 100% of the required plan contribution, therefore, as of June 30, 2019 the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows. The amount recognized by the Town as its

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

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

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

For the year ended June 30, 2019 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$3,110,900 as payments made by the State of Connecticut on behalf of the Town for teachers' pension.

Actuarial Assumptions

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

Long Term Rate of Return

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

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

Discount Rate

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

Defined Contribution Retirement Plan

On July 1, 2012 the Town established a defined contribution retirement plan that covers employees of the Town and Board of Education hired on or after July 1, 2012. This plan was adopted and can be amended by the Board of Selectmen. Under this plan, the Town contributes an amount equal to 3% each year of an eligible employee's wages into a 401(k) on the employee behalf. In addition, eligible employees may make an additional contribution up to the amount allowed by law. There are currently twenty nine participants in the plan as of June 30, 2019, and contributions of \$19,455 have been made in the fiscal year ended June 30, 2019.

Note 11 – Other Postemployment Benefits Plans

Board of Education OPEB Plan

Plan Description

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

A trust was officially established on March 29, 2011 between the Town of Litchfield and the Litchfield Board of Education and the Town's Pension Commission. The monies in the OPEB special revenue fund were transferred to the OPEB trust fund at that date. As in prior years, all expenses for postemployment benefits were paid out of the General Fund during the fiscal year ended June 30, 2019. The plan does not issue a stand-alone financial report.

At July 1, 2018, plan participation consisted of the following (not rounded):

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

Funding Policy

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

Benefits

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2019**

Litchfield Education Association OPEB Contract Provisions

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

Amount of Benefit:

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

Litchfield Administrators Association OPEB Contract Provisions

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

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

Superintendent

BOE provides a \$5,000 annual payment until eligible for Medicare, age 65, or for 5 years immediately following retirement, whichever is less.

Investments

Investment Policy

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on the OPEB plan investments, net of pension plan investment expense, was 7.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

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

The components of the net OPEB liability of the Town at June 30, 2019 were as follows:

Total OPEB liability	\$	2,013,952
Plan fiduciary net position		<u>1,495,122</u>
Net OPEB liability	\$	<u>518,830</u>
Plan fiduciary net position as a percentage of the total OPEB liability		74.24%

Actuarial Assumptions

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

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

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

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

Long Term Rate of Return

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of geometric real rates of return for each major asset class as of the July 1, 2018 actuarial valuation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%	.80%
	<u>100.00%</u>	

Discount Rate

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of June 30, 2018	\$ 2,437,252	1,372,819	1,064,433
Changes for the year:			
Service cost	\$ 55,169		55,169
Interest on total pension liability	173,411		173,411
Difference between expected and actual experience	(435,011)		(435,011)
Change in assumptions	(186,094)		(186,094)
Employer contributions		26,828	(26,828)
TRB Subsidy		22,770	(22,770)
Employee contributions			
Net investment income		103,480	(103,480)
Benefit payments, including refund of employee contributions	(30,775)	(30,775)	-
Net changes	\$ (423,300)	122,303	(545,603)
Balances as of June 30, 2019	\$ 2,013,952	1,495,122	518,830

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

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

		<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
Net OPEB liability	\$	733,938	518,830	332,260

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

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

		<u>1% Decrease (9.65% decreasing to 3.50%)</u>	<u>Current Healthcare Trend Rate (10.65% decreasing to 4.50%)</u>	<u>1% Increase (11.65% decreasing to 5.50%)</u>
Net OPEB liability	\$	292,153	518,830	788,764

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

Schedule of Net Position

	<u>OPEB Trust</u>
Assets:	
Cash and cash equivalents	\$ 33,803
Investments	<u>1,461,319</u>
Net position restricted for other post employment benefits	\$ <u><u>1,495,122</u></u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2019

Schedule of Changes in Net Position

	OPEB Trust Fund
Additions:	
Contributions	\$ 49,598
Investment Income:	
Net appreciation (depreciation) in fair value of investments	\$ 73,453
Interest and dividends	34,115
Total	\$ 107,568
Less administrative expenses:	
Investment management fees	4,088
Net investment income	\$ 103,480
Total additions	\$ 153,078
Deductions:	
Benefits	30,775
Net increase	\$ 122,303
Net position at beginning of year	1,372,819
Net position at end of year	\$ 1,495,122

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

For the year ended June 30, 2019, the Town recognized OPEB expense of \$54,929. As of June 30, 2019, deferred outflows and inflows of resources related to OPEB are reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	505,217
Changes of assumptions		174,316
Net difference between projected and actual earnings on OPEB plan investments		4,530
Total	\$	684,063

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

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

<u>Year Ended June 30,</u>	
2020	\$ (54,137)
2021	(54,137)
2022	(54,136)
2023	(54,424)
2024	(53,076)
Thereafter	<u>(414,153)</u>
Total	\$ <u>(684,063)</u>

Teachers' Retirement OPEB Plan

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

Plan Description

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

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

Benefit Provisions

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

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2019

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

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

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

The choices and calendar year premiums charged as of July 1, 2018 are as follows:

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

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

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

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

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

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

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

Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut is amended and certified by the State Teachers' Retirement Board and appropriated by the

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund.

Employer (School Districts)

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

Employees

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

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

For the year ended June 30, 2019, \$108,884 mandatory contributions were deducted from the salaries of active teachers who were participants in the System. The estimated covered payroll for the Town was \$8,711,000.

Administrative Expenses

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

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

The State has a statutory requirement to pay 100% of the required plan contribution, therefore as of June 30, 2019 the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability associated with the Town were as follows:

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

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

For the year ended June 30, 2019 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures related to OPEB in the amount of \$1,840,745 as payments made by the State of Connecticut on behalf of the Town teachers' OPEB.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

Actuarial Assumptions

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

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

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

Long Term Rate of Return

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2019

Discount Rate

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

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

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

Note 12 - Fund Deficits and Restrictions to Fund Position

Restricted Fund Position

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

Note 13 - Subsequent Events

General Obligation Bond

On August 18, 2019, the Town issued a general obligation bond in the amount of \$1,691,000. The Bond will be paid over a 15 year period with an interest rate ranging from 1.4% - 3.1%. The bond will fund the Town's capital improvement program.

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

Last Six Fiscal Years

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

Notes To Schedule

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

Methods and assumptions used to determine contribution rates:

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

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

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

Last Six Fiscal Years

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

Notes to Schedule

Changes in benefit terms None

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age

Amortization method Level dollar

Remaining amortization period 14 years

Asset valuation method Market value of assets

Inflation 2.50%

Salary increases N/A

Investment rate of return 6.75%, net of pension plan investment expense

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

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

Last Three Fiscal Years

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

Notes to Schedule

Changes in benefit terms None

Changes in assumptions The July 1, 2018 valuation reflects changes in investment rate of return from 7.00% to 6.75%, inflation from 3.00% to 2.50%, mortality was updated based on the most recently published pension mortality study released by the Society of Actuaries. In 2018 the healthcare trend rates were decreased to 7.00%, reducing 0.5% per year to a final rate of 4.50% for 2024 and later, from 7.75% in 2016 reducing 0.5% per year to a final rate of 4.75% per year for 2022 and later.

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

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

	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2019	666	852	(186)	3,367	25.30%
2018	654	850	(196)	3,832	22.18%
2017	682	720	(38)	3,685	19.54%
2016	669	672	(3)	4,272	15.73%
2015	844	1,094	(250)	4,108	26.63%
2014	828	1,068	(240)	4,398	24.28%
2013	838	838	-	N/A	N/A
2012	824	824	-	N/A	N/A
2011	726	726	-	N/A	N/A
2010	773	921	(148)	N/A	N/A

Notes to Schedule

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

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

Methods and assumptions used to determine contribution rates:

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

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

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

	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2019	118	118	-	N/A	N/A
2018	118	118	-	N/A	N/A
2017	107	158	(51)	N/A	N/A
2016	107	154	(47)	N/A	N/A
2015	150	150	-	N/A	N/A
2014	150	150	-	N/A	N/A
2013	188	188	-	N/A	N/A
2012	188	188	-	N/A	N/A
2011	212	212	-	N/A	N/A
2010	224	198	26	N/A	N/A

Notes to Schedule

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

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

Methods and assumptions used to determine contribution rates:

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

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

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

	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2019	178	27	151	8,866	0.30%
2018	173	(26)	199	8,165	-0.32%
2017	210	215	(5)	8,165	2.63%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

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

Changes in benefits: None

Changes in assumptions: The July 1, 2018 valuation reflects changes in investment rate of return from 7.00% to 6.75%, inflation from 3.00% to 2.50%, mortality was updated based on the most recently published pension mortality study released by the Society of Actuaries. In 2018 the healthcare trend rates were decreased to 7.00%, reducing 0.5% per year to a final rate of 4.50% for 2024 and later from 7.75% in 2016 reducing 0.5% per year to a final rate of 4.75% per year for 2022 and later.

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age
Asset valuation method: Market value of assets
Healthcare cost trend: 7.00% in 2018, reduced by 0.5% per year to final 4.50% per year rate for 2024 and later
Inflation: 2.50%
Investment rate of return: 6.75%, net of investment related and administrative expenses

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

SCHEDULE OF INVESTMENT RETURNS - TOWN PLAN
Last Six Fiscal Years

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

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

SCHEDULE OF INVESTMENT RETURNS - MERIT PLAN
Last Six Fiscal Years

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

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

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

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

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

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

Last Five Fiscal Years

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

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

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

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

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

Last Two Fiscal Years

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

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	<ul style="list-style-type: none"> - The single equivalent interest rate was increased from 3.56% to 3.87% to reflect the change in the Municipal Bond Index Rate. - Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations. - As a result of the experience study for the five-year period ending June 30, 2019, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Last, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.
Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period	30 years, open
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	2.75%, net of investment related expense, including inflation

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

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Property Taxes:				
Current years' levy	\$ 28,519,445	28,519,445	28,569,622	50,177
Property taxes on motor vehicles	240,000	240,000	252,012	12,012
Prior years' levies	265,000	265,000	211,865	(53,135)
Interest and penalties	155,000	155,000	156,347	1,347
Total property taxes	<u>\$ 29,179,445</u>	<u>29,179,445</u>	<u>29,189,846</u>	<u>10,401</u>
Intergovernmental:				
State grants for education	\$ 1,188,649	1,188,649	1,325,920	137,271
Other state grants	53,497	53,497	133,847	80,350
Total intergovernmental	<u>\$ 1,242,146</u>	<u>1,242,146</u>	<u>1,459,767</u>	<u>217,621</u>
Charges For Services:				
Licenses and permits	\$ 5,600	5,600	6,557	957
Charges for services	450,828	450,828	514,102	63,274
Fines and forfeits	4,000	4,000	3,926	(74)
Total charges for services	<u>\$ 460,428</u>	<u>460,428</u>	<u>524,585</u>	<u>64,157</u>
Investment Income	<u>\$ 30,000</u>	<u>30,000</u>	<u>320,328</u>	<u>290,328</u>
Miscellaneous Revenues	<u>\$ 5,000</u>	<u>5,000</u>	<u>74,234</u>	<u>69,234</u>
Other Financing Sources:				
Debt Reimbursement	\$ 332,185	332,185	332,185	-
Premium on bond			9,622	9,622
W.P.C.A Reimbursement	28,000	28,000	28,000	-
Total other financing sources	<u>\$ 360,185</u>	<u>360,185</u>	<u>369,807</u>	<u>9,622</u>
Total revenue & other financing sources	<u>\$ 31,277,204</u>	<u>31,277,204</u>	<u>31,938,567</u>	<u>661,363</u>

**GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL**
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
General Government:				
Board of finance	\$ 28,545	31,345	31,565	(220)
Treasurer	8,055	8,055	7,877	178
Vital statistics	400	400	70	330
Registrars	34,209	38,059	33,922	4,137
Elections	28,650	43,472	41,665	1,807
Inland wetlands	5,500	5,500	2,940	2,560
Economic development commission	500	525	525	-
Board of tax review	800	800	671	129
Building and grounds	148,000	148,000	126,759	21,241
Planning and zoning	8,000	8,000	5,481	2,519
Probate court	7,806	7,806	7,805	1
Finance department	210,794	213,417	213,417	-
Land use administration	116,296	116,296	114,107	2,189
Town clerk	127,485	127,751	127,751	-
Computer equipment	79,500	79,500	78,118	1,382
Zoning appeals board	4,000	4,000	2,594	1,406
Legal services corporate counsel	80,000	80,000	76,675	3,325
Central services	34,875	34,875	16,335	18,540
Assessor	147,532	147,532	131,849	15,683
Tax collector	119,003	119,003	110,429	8,574
Municipal management	198,595	199,565	199,564	1
Building inspector	142,115	142,115	138,554	3,561
Board of selectmen	30,001	30,001	29,572	429
Total general government	\$ 1,560,661	1,586,017	1,498,245	87,772
Public Safety:				
Litchfield emergency management	\$ 17,763	17,860	17,860	-
Ambulance	53,214	53,214	53,214	-
Fire marshal	60,431	60,431	58,062	2,369
E911 emergency	92,049	93,277	93,277	-
Fire protection	386,176	386,176	385,931	245
Patrol services	151,859	151,859	138,094	13,765
Police department	197,925	197,925	190,997	6,928
Total public safety	\$ 959,417	960,742	937,435	23,307
Public Works:				
Building & ground maintenance	\$ 98,000	99,087	99,087	-
Highways and bridges	795,732	795,732	779,709	16,023
Supervision	13,000	13,000	10,103	2,897
Operations	1,229,555	1,268,650	1,268,650	-
Engineering	131,092	131,092	131,092	-
Equipment maintenance	252,700	210,064	182,227	27,837
Solid waste & recycling	499,950	540,622	540,622	-
Total public works	\$ 3,020,029	3,058,247	3,011,490	46,757

(Continued)

**GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL**
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Health and Welfare:				
OSHA mandated health	\$ 1,800	1,800	413	1,387
Social services	44,602	50,219	50,218	1
Total health and welfare	<u>\$ 46,402</u>	<u>52,019</u>	<u>50,631</u>	<u>1,388</u>
Culture and Recreation:				
Recreation	\$ 116,944	117,402	116,087	1,315
Co-op programs	168,356	173,356	167,916	5,440
Library	380,744	380,744	380,744	-
Total culture and recreation	<u>\$ 666,044</u>	<u>671,502</u>	<u>664,747</u>	<u>6,755</u>
Education:				
Board of education	\$ 18,993,526	18,993,526	18,937,682	55,844
Total education	<u>\$ 18,993,526</u>	<u>18,993,526</u>	<u>18,937,682</u>	<u>55,844</u>
Other:				
Contingency	\$ 88,933			-
Fringe benefits	1,685,222	1,697,511	1,698,081	(570)
Beautification commission	2,000	2,000	1,756	244
Cemetery services	22,550	22,550	22,550	-
Municipal insurance	101,000	101,670	101,660	10
Total other	<u>\$ 1,899,705</u>	<u>1,823,731</u>	<u>1,824,047</u>	<u>(316)</u>
Debt Service:				
Principal	\$ 3,324,822	3,324,822	3,324,822	0
Interest	741,598	741,598	713,240	28,358
Total debt service	<u>\$ 4,066,420</u>	<u>4,066,420</u>	<u>4,038,062</u>	<u>28,358</u>
Other Financing Uses:				
Other	\$ 65,000	65,000	65,000	-
Total other financing uses	<u>\$ 65,000</u>	<u>65,000</u>	<u>65,000</u>	<u>-</u>
Total encumbrances and financial uses	<u>\$ 31,277,204</u>	<u>31,277,204</u>	<u>31,027,339</u>	<u>249,865</u>

COMBINING BALANCE SHEET
CAPITAL PROJECT FUND
For the Year Ended June 30, 2019

	Capital Improvements	Capital and Nonrecurring	Construction In Progress	Total
ASSETS				
Cash and cash equivalents	\$			-
Receivables, net			75,293	75,293
Due from other funds	32,550		510,435	542,985
Inventory				-
Total assets	<u>\$ 32,550</u>	<u>-</u>	<u>585,728</u>	<u>618,278</u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities:				
Accounts payable and accrued liabilities	\$			-
Due to other funds				-
Bond anticipation notes				-
Total liabilities	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit):				
Assigned	\$ 32,550		585,728	618,278
Unassigned				-
Total fund balance (deficit)	<u>\$ 32,550</u>	<u>-</u>	<u>585,728</u>	<u>618,278</u>
Total liabilities and fund balances	<u>\$ 32,550</u>	<u>-</u>	<u>585,728</u>	<u>618,278</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - CAPITAL PROJECT FUND
For the Year Ended June 30, 2019**

	<u>Capital Improvements</u>	<u>Capital and Nonrecurring</u>	<u>Construction in Progress</u>	<u>Total</u>
Revenues:				
Intergovernmental	\$	952,486	254,918	1,207,404
Charges for services				-
Investment income				-
Other				-
Total revenues	\$ -	952,486	254,918	1,207,404
Expenditures:				
Public safety	\$			
Public works				
Culture and recreation				
Education				
Capital outlays		682,165	4,992,373	5,674,538
Total expenditures	\$ -	682,165	4,992,373	5,674,538
Revenue Over (Under) Expenditures	\$ -	270,321	(4,737,455)	(4,467,134)
Other Financing Sources:				
Transfers from (to) other funds	\$ 7,411	(261,958)	554,547	300,000
		(293,288)		(293,288)
Proceeds from bonds			1,691,000	1,691,000
Total other financing sources	\$ 7,411	(555,246)	2,245,547	1,697,712
Changes in Fund Balances (Deficits)	\$ 7,411	(284,925)	(2,491,908)	(2,769,422)
Fund Balances (Deficits) - beginning	25,139	284,925	3,077,636	3,387,700
Fund Balances (Deficits) - ending	\$ 32,550	-	585,728	618,278

TOWN OF LITCHFIELD, CONNECTICUT

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Special Revenue			
	Town Hall Annex	Special Education Grants	Cafeteria	Parks and Recreation
ASSETS				
Cash and cash equivalents	\$		1,094	
Receivables, net			12,754	
Due from other funds	723,174	132,540		68,973
Total assets	<u>\$ 723,174</u>	<u>132,540</u>	<u>13,848</u>	<u>68,973</u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities:				
Accounts payable and accrued liabilities	\$ 56,625			
Unearned revenues		25,403		1,235
Due to other funds				
Total liabilities	<u>\$ 56,625</u>	<u>25,403</u>	<u>-</u>	<u>1,235</u>
Deferred inflows of resources:				
Unavailable receipts	\$			
Fund Balance (Deficit):				
Nonspendable	\$			
Restricted for:				
Donor's intentions				
Specific uses				
Assigned	666,549	107,137	13,848	67,738
Unassigned				
Total fund balance (deficit)	<u>\$ 666,549</u>	<u>107,137</u>	<u>13,848</u>	<u>67,738</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 723,174</u>	<u>132,540</u>	<u>13,848</u>	<u>68,973</u>

Special Revenue					
<u>Road Ordinance</u>	<u>Sewer Assessment</u>	<u>Infrastructure</u>	<u>Small Cities Grant</u>	<u>Miscellaneous Special Revenue</u>	<u>Town Road Aid</u>
	449,636		48,250	11,970	
3,133	437,237	202,266	94,432	6,837	234,353
<u>3,133</u>	<u>886,873</u>	<u>202,266</u>	<u>142,682</u>	<u>484,008</u>	<u>234,353</u>
			30		
-	-	-	30	-	-
	449,636		94,432		
3,133	437,237	202,266	48,220	484,008	234,353
<u>3,133</u>	<u>437,237</u>	<u>202,266</u>	<u>48,220</u>	<u>484,008</u>	<u>234,353</u>
<u>3,133</u>	<u>886,873</u>	<u>202,266</u>	<u>142,682</u>	<u>484,008</u>	<u>234,353</u>

(Continued)

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS, Continued
For the Year Ended June 30, 2019

	Special Revenue		Permanent Fund	
	Scholarships	Total Special Revenue	Cemetery Trust	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents	\$ 39,966	101,280	10,407	111,687
Receivables, net		563,659		563,659
Due from other funds	9,236	2,276,113		2,276,113
Total assets	<u>\$ 49,202</u>	<u>2,941,052</u>	<u>10,407</u>	<u>2,951,459</u>
LIABILITIES AND FUND BALANCE (DEFICITS)				
Liabilities:				
Accounts payable and accrued liabilities	\$	56,625		56,625
Unearned revenues		26,638		26,638
Due to other funds		30		30
Total liabilities	<u>\$ -</u>	<u>83,293</u>	<u>-</u>	<u>83,293</u>
Deferred inflows of resources:				
Unavailable receipts	\$	544,068		544,068
Fund Balance (Deficit):				
Nonspendable	\$	-		-
Restricted for:				
Donor's intentions		-	10,000	10,000
Specific uses	49,202	97,422		97,422
Assigned		2,216,269	407	2,216,676
Unassigned		-		-
Total fund balance (deficit)	<u>\$ 49,202</u>	<u>2,313,691</u>	<u>10,407</u>	<u>2,324,098</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 49,202</u>	<u>2,941,052</u>	<u>10,407</u>	<u>2,951,459</u>

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TOWN OF LITCHFIELD, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Special Revenue			
	Town Hall Annex	Special Education Grants	Cafeteria	Parks and Recreation
Revenues:				
Intergovernmental	\$	541,492	99,398	
Charges for services	69,333		193,852	47,852
Investment income				
Other				
Total revenues	\$ 69,333	541,492	293,250	47,852
Expenditures:				
General	\$ 146,143			
Public works				
Culture and recreation				44,077
Education		491,772	276,502	
Debt service				
Other				
Total expenditures	\$ 146,143	491,772	276,502	44,077
Revenue Over (Under) Expenditures	\$ (76,810)	49,720	16,748	3,775
Other Financing Sources:				
Transfers in	\$			
Transfers (out)				
Total other financing sources	\$ -	-	-	-
Changes in Fund Balances (Deficits)	\$ (76,810)	49,720	16,748	3,775
Fund Balances (Deficits) - beginning	743,359	57,417	(2,900)	63,963
Fund Balances (Deficits) - ending	\$ 666,549	107,137	13,848	67,738

Special Revenue					
<u>Road Ordinance</u>	<u>Sewer Assessment</u>	<u>Infrastructure</u>	<u>Small Cities Grant</u>	<u>Miscellaneous Special Revenue</u>	<u>Town Road Aid</u>
	115,296	98,624		40,383	387,818
	24,166			25,263	
-	139,462	98,624	-	65,646	387,818
					454,798
	133,170	306,680		201,137	
-	133,170	306,680	-	201,137	454,798
-	6,292	(208,056)	-	(135,491)	(66,980)
				313,288	
-	-	-	-	313,288	-
-	6,292	(208,056)	-	177,797	(66,980)
3,133	430,945	410,322	48,220	306,211	301,333
3,133	437,237	202,266	48,220	484,008	234,353

(Continued)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS, Continued**
For the Year Ended June 30, 2019

	<u>Special Revenue</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Scholarships</u>	<u>Total</u>	<u>Cemetery Trust</u>	
Revenues:				
Intergovernmental	\$	1,167,715		1,167,715
Charges for services		426,333		426,333
Investment income		-	3	3
Other		49,429		49,429
Total revenues	\$ -	1,643,477	3	1,643,480
Expenditures:				
General	\$	146,143		146,143
Public works		454,798		454,798
Culture and recreation		44,077		44,077
Education		768,274		768,274
Debt service		-		-
Other		640,987		640,987
Total expenditures	\$ -	2,054,279	-	2,054,279
Revenue Over (Under) Expenditures	\$ -	(410,802)	3	(410,799)
Other Financing Sources:				
Transfers in	\$	313,288		313,288
Transfers (out)		-		-
Total other financing sources	\$ -	313,288	-	313,288
Changes in Fund Balances (Deficits)	\$ -	(97,514)	3	(97,511)
Fund Balances (Deficits) - beginning	49,202	2,411,205	10,404	2,421,609
Fund Balances (Deficits) - ending	\$ 49,202	2,313,691	10,407	2,324,098

W.P.C.A

COMBINING STATEMENT OF NET FUND POSITION

For the Year Ended June 30, 2019

	Operating	Capital Reserve	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 50		50
Receivables, net of allowance	278,681		278,681
Due from other funds	53,352	721,902	775,254
Current portion of notes receivable	20,531		20,531
Total current assets	\$ 352,614	721,902	1,074,516
Noncurrent assets:			
Note receivable, less current portion	\$ 65,941		65,941
Capital assets, net of accumulated depreciation	4,559,158		4,559,158
Total noncurrent assets	\$ 4,625,099	-	4,625,099
Total assets	\$ 4,977,713	721,902	5,699,615
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 13,844		13,844
Payments in advance	1,455		1,455
Notes payable - current	257,054		257,054
Total current liabilities	\$ 272,353	-	272,353
Noncurrent liabilities:			
Notes payable, less current portion	\$ 825,707		825,707
Total noncurrent liabilities	\$ 825,707	-	825,707
Total liabilities	\$ 1,098,060	-	1,098,060
NET POSITION:			
Invested in capital assets, net of related debt	\$ 3,562,869		3,562,869
Unrestricted	316,784	721,902	1,038,686
Total net position	\$ 3,879,653	721,902	4,601,555

W.P.C.A

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND POSITION

For the Year Ended June 30, 2019

	Operating	Capital Reserve	Total
Operating revenues:			
Charges for services	\$ 1,184,359		1,184,359
Other revenues	4,765		4,765
Total operating revenues	<u>\$ 1,189,124</u>	<u>-</u>	<u>1,189,124</u>
Operating expenses:			
Salaries and benefits	\$ 489,592		489,592
Materials and supplies	61,609		61,609
Utilities	64,971		64,971
Depreciation	165,852		165,852
Administration and operation	258,869		258,869
Total operating expenses	<u>\$ 1,040,893</u>	<u>-</u>	<u>1,040,893</u>
Operating Income	<u>\$ 148,231</u>	<u>-</u>	<u>148,231</u>
Nonoperating revenues (expense):			
Interest income	\$ 11,364	13,543	24,907
Interest expense	(24,399)		(24,399)
Total nonoperating revenues (expense)	<u>\$ (13,035)</u>	<u>13,543</u>	<u>508</u>
Transfers from general fund - debt	\$ 80,206		80,206
Transfers to capital reserve	(200,000)	200,000	-
Transfers from capital reserve	219,837	(219,837)	-
	<u>\$ 100,043</u>	<u>(19,837)</u>	<u>80,206</u>
Changes in Fund Net Position	<u>\$ 235,239</u>	<u>(6,294)</u>	<u>228,945</u>
Fund Net Position - beginning	<u>3,644,414</u>	<u>728,196</u>	<u>4,372,610</u>
Fund Net Position - ending	<u><u>\$ 3,879,653</u></u>	<u><u>721,902</u></u>	<u><u>4,601,555</u></u>

W.P.C.A

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

	Operating	Capital Reserve	Total
Cash Flow From Operating Activities:			
Receipts from customers and users	\$ 1,118,805		1,118,805
Payments to employees	(489,592)		(489,592)
Payments to suppliers	(383,583)		(383,583)
Net cash (used in) provided by operating activities	\$ 245,630	-	245,630
Cash Flow From Noncapital and Related Financing Activities:			
Interfund account activity	\$ 121,867	6,294	128,161
Transfer from other funds	300,043	(219,837)	80,206
Transfer to other funds	(200,000)	200,000	-
Net cash (used in) provided by operating activities	\$ 221,910	(13,543)	208,367
Cash Flow From Capital and Related Financing Activities:			
Purchase of assets	\$ (219,807)		(219,807)
Principal made on capital debt	(254,823)		(254,823)
Interest paid on capital debt	(24,399)		(24,399)
Receipts of notes related to capital debt	20,125		20,125
Net cash (used in) provided by operating activities	\$ (478,904)	-	(478,904)
Cash Flow From Investing Activities:			
Interest received on investments	\$ 11,364	13,543	24,907
Net cash (used in) provided by operating activities	\$ 11,364	13,543	24,907
Net increase (decrease) in cash and cash equivalents	\$ -	-	-
Cash and Cash Equivalents - beginning	50	-	50
Cash and Cash Equivalents - ending	\$ 50	-	50
Reconciliation of Operating Income to Net Cash Provided by (used in) Operating Activities:			
Operating income	\$ 148,231	-	148,231
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	165,852		165,852
Change in assets and liabilities:			
Decrease (increase) in accounts receivables	(70,987)		(70,987)
(Decrease) increase in accounts payable	1,866		1,866
(Decrease) increase in payments in advance	668		668
Net cash provided by (used in) operating activities	\$ 245,630	-	245,630

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
For the Year Ended June 30, 2019

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total Trust Funds
Assets:				
Cash and cash equivalents	\$ 341,055	90,429	33,803	465,287
Investments at fair value:				
Mutual funds	<u>14,944,839</u>	<u>3,943,318</u>	<u>1,461,319</u>	<u>20,349,476</u>
Total Assets	\$ <u>15,285,894</u>	<u>4,033,747</u>	<u>1,495,122</u>	<u>20,814,763</u>
Liabilities:				
Accounts payable	\$			
Other liabilities	<u></u>	<u></u>	<u></u>	<u>-</u>
Total Liabilities	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position:				
Held in trust for specific purposes	\$ <u>15,285,894</u>	<u>4,033,747</u>	<u>1,495,122</u>	<u>20,814,763</u>

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2019

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total Trust Funds
Additions:				
Employer contributions	\$ 851,760	118,419	26,828	997,007
Employee contributions	36,769			36,769
Teacher's retirement subsidy			22,770	22,770
Total contributions	<u>\$ 888,529</u>	<u>118,419</u>	<u>49,598</u>	<u>1,056,546</u>
Investment earnings:				
Net increase (decrease) in fair value	\$ 747,414	198,585	73,453	1,019,452
Interest and dividends	349,766	93,039	34,115	476,920
Less: Administrative expense	(41,972)	(11,177)	(4,088)	(57,237)
Total investment earnings	<u>\$ 1,055,208</u>	<u>280,447</u>	<u>103,480</u>	<u>1,439,135</u>
Deductions:				
Benefits	\$ 881,041	216,856	30,775	1,128,672
Total deductions	<u>\$ 881,041</u>	<u>216,856</u>	<u>30,775</u>	<u>1,128,672</u>
Change in net position	\$ 1,062,696	182,010	122,303	1,367,009
Net Position - beginning	<u>14,223,198</u>	<u>3,851,737</u>	<u>1,372,819</u>	<u>19,447,754</u>
Net Position - ending	<u>\$ 15,285,894</u>	<u>4,033,747</u>	<u>1,495,122</u>	<u>20,814,763</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Student Activity Funds				
Assets:				
Cash and cash equivalents	\$ 156,103	9,535	5,132	160,506
Total assets	<u>\$ 156,103</u>	<u>9,535</u>	<u>5,132</u>	<u>160,506</u>
Liabilities:				
Accounts payable	\$ -			-
Deposits held for others	156,103	9,535	5,132	160,506
Total liabilities	<u>\$ 156,103</u>	<u>9,535</u>	<u>5,132</u>	<u>160,506</u>
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ 1,300			1,300
Accounts receivable	215,454	1,000	100,570	115,884
Total assets	<u>\$ 216,754</u>	<u>1,000</u>	<u>100,570</u>	<u>117,184</u>
Liabilities:				
Deposits held for others	\$ 216,754	1,000	100,570	117,184
Total liabilities	<u>\$ 216,754</u>	<u>1,000</u>	<u>100,570</u>	<u>117,184</u>
Total Agency Funds				
Assets:				
Cash and cash equivalents	\$ 157,403	9,535	5,132	161,806
Accounts receivable	215,454	1,000	100,570	115,884
Total assets	<u>\$ 372,857</u>	<u>10,535</u>	<u>105,702</u>	<u>277,690</u>
Liabilities:				
Deposits held for others	\$ 372,857	10,535	105,702	277,690
Total liabilities	<u>\$ 372,857</u>	<u>10,535</u>	<u>105,702</u>	<u>277,690</u>

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TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
For the Year Ended June 30, 2019

Grand List Year	Uncollected Balance & New Levy July 1, 2018	Lawful Corrections		(Transfers to) Recoveries From Suspense	Balance to be Collected
		Increases	Decreases		
2001	-				
2002	\$ -				-
2003	-				-
2004	-				-
2005	-				-
2006	-				-
2007	-				-
2008	-				-
2009	-				-
2010	-				-
2011	-				-
2012	405				405
2013	1,284	94			1,378
2014	31,805		(954)	(27,211)	3,640
2015	80,648		(5,452)		75,196
2016	278,044	1,391	(9,104)		270,331
Total	\$ 392,186	1,485	(15,510)	(27,211)	350,950
2017	29,191,773	17,084	(73,271)		29,135,586
Total	\$ 29,583,959	18,569	(88,781)	(27,211)	29,486,536

SCHEDULE 13

Collections				Uncollected Balance June 30, 2019
Taxes	Interest	Lien Fees	Total	
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	405
960	46	39	1,045	418
1,567	1,514	24	3,105	2,073
20,397	7,076	222	27,695	54,799
172,505	35,709	804	209,018	97,826
195,429	44,345	1,089	240,863	155,521
28,756,756	101,839	390	28,858,985	378,830
28,952,185	146,184	1,479	29,099,848	534,351

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
For the Year Ended June 30, 2019

	<u>General Purpose</u>
Debt Limitation:	
2 1/4 Times Base	\$ 65,474,658
4 1/2 Times Base	
3 3/4 Times Base	
3 1/4 Times Base	
3 Times Base	
7 Times Base	
	<hr/>
Total Debt Limitation	\$ 65,474,658
Indebtedness:	
Bonds payable	\$ 14,599,990
Bonds authorized and unissued	<u>4,921,517</u>
Total Indebtedness	\$ 19,521,507
Less: School Construction Grants Receivable	<u>-</u>
Total Indebtedness of the City	\$ 19,521,507
Debt Limitation In Excess of Outstanding and Authorized Debt	\$ <u>45,953,151</u>

SCHEDULE 14

Total Tax Collections (Including Interest and Lien Fees)
For The Year Ended June 30, 2019 \$ 29,099,848

Reimbursement For Revenue Loss On:
Elderly Tax Relief - Freeze -

Base \$ 29,099,848

<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Bonding</u>	<u>Total Debt</u>
130,949,316	109,124,430	94,574,506	87,299,544	203,698,936
<u>130,949,316</u>	<u>109,124,430</u>	<u>94,574,506</u>	<u>87,299,544</u>	<u>203,698,936</u>
8,429,010	360,000			23,389,000
				<u>4,921,517</u>
8,429,010	360,000	-	-	28,310,517
-	-	-	-	-
<u>8,429,010</u>	<u>360,000</u>	<u>-</u>	<u>-</u>	<u>28,310,517</u>
<u>122,520,306</u>	<u>108,764,430</u>	<u>94,574,506</u>	<u>87,299,544</u>	<u>175,388,419</u>

PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2019

Taxpayer	Nature of Operations	Taxable Assessed Value as of 10/1/17
Eversource	Power Company	\$ 21,778,040
CRP/BWN LLC *	Health Care Facility	6,951,130
City of Waterbury	Watershed	6,761,900
6645 Federal Square Realty, LLC	Real Estate	4,700,040
White Memorial Foundation	Leased Land for cottages	3,553,030
C.A. Litchfield Land, LLC	Real Estate	3,139,350
Aquarion Water Company of CT	Water Supply	3,214,170
Union Savings	Banking	2,612,100
Stillman House, LLC	Real Estate	2,607,250
130 Chestnut Hill, LLC	Real Estate	<u>2,594,940</u>
Total	Commercial Real Estate	\$ <u><u>57,911,950</u></u>

Source: Town of Litchfield, Office of Tax Assessor

TAXABLE GRAND LIST
JUNE 30, 2019

<u>Grand List</u>	<u>Real Estate</u>	<u>Personal</u>	<u>Motor Vehicle</u>	<u>Gross Taxable Grand List</u>	<u>Less Exemptions</u>	<u>Net Taxable Grand List</u>
10/1/2017 \$	930,528,925 \$	45,287,860 \$	76,820,239 \$	1,052,637,024 \$	3,432,421 \$	1,049,204,603

Source: Town of Litchfield, Office of Tax Assessor

**CALCULATION OF DIRECT DEBT AND NEW DIRECT DEBT
JUNE 30, 2019**

Long-Term Indebtedness (1):		
Bonds:		
General Purpose	\$	14,599,990
Schools		8,429,010
Sewers		360,000
State of Connecticut PLO (Clean Water Fund)		<u>1,082,760</u>
Total Long-Term Indebtedness	\$	24,471,760
Short-Term Indebtedness:		
Bond Anticipation Notes		<u>-</u>
Total Direct Debt	\$	24,471,760
Exclusions (2):		
Sewer assessments receivable		(449,636)
Intergovernmental receivable - Town of Morris (PLO)		(86,472)
Sewer use charges receivable		<u>(278,681)</u>
Total Net Direct Debt	\$	<u><u>23,656,971</u></u>

(1) Does not include authorized but unissued debt

(2) Grants and receivables applicable to authorized and unissued debt are not included

Note: The Town has no overlapping or underlying indebtedness

CURRENT DEBT RATIOS
JUNE 30, 2019

Total Direct Indebtedness	\$	24,471,760
Total Net Direct Indebtedness	\$	23,656,971
Population (1)		8,252
Net Taxable Grand List (10/1/17)	\$	1,046,959,259
Estimated Full Value 10/1/17	\$	1,495,656,084
Equalized Net Taxable Grand List (2015) (2)	\$	1,440,658,955
Per Capita Income (2016) (3)	\$	44,833
Total Direct Indebtedness:		
Per Capita	\$	2,966
To Net Taxable Grand List		2.34%
To Estimated Full Value		1.64%
To Equalized Net Taxable Grand List		1.70%
Per Capita to Per Capita Income		6.61%
Total Net Indirect Indebtedness:		
Per Capita	\$	2,867
To Net Taxable Grand List		2.26%
To Estimated Full Value		1.58%
To Equalized Net Taxable Grand List		1.64%
Per Capita to Per Capita Income		6.39%

- (1) U.S. Department of Commerce, Bureau of Census 2016
(2) Office of Policy and Management, State of Connecticut
(3) U.S. Census Bureau, 2010-2014 American Community Survey

Source: Town of Litchfield, Office of the Director of Finance

TOWN OF LITCHFIELD, CONNECTICUT

**FEDERAL AND STATE
SINGLE AUDIT REPORTS**

June 30, 2019

TOWN OF LITCHFIELD, CONNECTICUT

FEDERAL AND STATE SINGLE AUDIT REPORTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To The Board of Selectmen
Town of Litchfield, Connecticut
Litchfield, Connecticut 06759

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2019, and the related notes to the financial statements, which collectively comprise the Town of Litchfield, Connecticut's basic financial statements, and have issued our report thereon dated November 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Litchfield, Connecticut's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Litchfield, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Litchfield, Connecticut's internal control.

A deficiency *in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that way have not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Litchfield, Connecticut's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Litchfield, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CLERMONT & ASSOCIATES, LLC

Prospect, Connecticut

A handwritten signature in cursive script that reads "Clermont & Associates, LLC".

November 17, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Selectmen
Town of Litchfield, Connecticut
Litchfield, Connecticut 06759

Report on Compliance for Each Major Federal Program

We have audited the Town of Litchfield, Connecticut's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Litchfield, Connecticut's major federal programs for the year ended June 30, 2019. The Town of Litchfield, Connecticut's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Litchfield, Connecticut's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Litchfield, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Litchfield, Connecticut's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Litchfield, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Town of Litchfield, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Litchfield, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Litchfield, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, 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, 2019, and related notes to the financial statements, which collectively comprise of the Town of Litchfield, Connecticut's basic financial statements. We issued our report thereon dated November 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CLERMONT & ASSOCIATES, LLC

Prospect, Connecticut

A handwritten signature in cursive script that reads "Clermont & Associates, LLC".

November 17, 2019

TOWN OF LITCHFIELD, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number/ Project Number	Expenditures	Passed through to Subrecipient
U.S. Department of Agriculture:				
<i>Passed Through the State Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	12060-SDE64370-20508	\$ 3,241	
National School Lunch Program	10.555	12060-SDE64370-20560	67,712	
U.S.D.A. Commodities	10.550	12060-SDE64370-00000	16,456	
Total U.S. Department of Agriculture			\$ 87,409	-
U.S. Department of Education:				
<i>Passed Through the State Department of Education:</i>				
Title I Grants to Local Educational Agencies (2018)	84.010	12060-SDE64370-20679	115	
Title I Grants to Local Educational Agencies (2018)	84.010	12060-SDE64370-20679	29,074	
Title I Grants to Local Educational Agencies (2019)	84.010	12060-SDE64370-20679	105,796	
Special Education Cluster:				
Special Education - Grant to States (2018)	84.027	12060-SDE64370-20977	24,177	
Special Education - Grant to States (2019)	84.027	12060-SDE64370-20977	197,081	
Special Education - Preschool Grants (2018)	84.173	12060-SDE64370-20983	7,175	
Improving Teacher Quality State Grants (2019)	84.367	12060-SDE64370-20858	15,147	
Student Support		12060-SDE64370-22854	5,309	
Total U.S. Department of Education			\$ 383,874	-
U.S. Department of Transportation:				
<i>Passed Through the State Department of Transportation:</i>				
Highway Planning and Construction	20.205	12062-DOT57191-22108	\$ 1,019,344	
Total U.S. Department of Transportation			\$ 1,019,344	-
U.S. Federal Emergency Management Agency (FEMA)				
<i>Passed through the State Department of Public Safety</i>				
State Homeland Security Program	97.067	12060-DPS32160-21877	\$ 1,000	
Total Expenditures of Federal Awards			\$ 1,491,627	-

See Notes to Schedule of Expenditures of Federal Awards

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Town of Litchfield under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the Town of Litchfield, Connecticut, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Town of Litchfield, Connecticut.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 – Non-monetary Assistance

The Town's National School Lunch Program receives noncash federal awards in the form of food commodities from the Department of Agriculture.

Non-monetary assistance is reported in the schedule at the fair market value of the items received and disbursed. The market value of the items issued is included in the Schedule of Expenditures of Federal Awards as follows:

Food Commodities	<u>\$16,456</u>
------------------	-----------------

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: **Unmodified**

Internal Control over Financial Reporting:

Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x none reported
Noncompliance material to financial statements
noted? yes x no

Federal Awards

Internal control over major programs
Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x none reported

Type of auditor’s report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR section
200.516(a) are reported in this Schedule? yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish
between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? x yes no

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

No findings were reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COST

No findings were reported.

TOWN OF LITCHFIELD, CONNECTICUT

SUMMARY SCHEDULE OF PRIOR YEARS AUDIT FINDINGS
June 30, 2019

The Town had no findings reported in the prior years' audit that are required to be reported in this schedule.

CLERMONT

ACCOUNTANTS • ADVISORS

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REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

Independent Auditor's Report

Board of Selectmen
Town of Litchfield, Connecticut
Litchfield, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Litchfield, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Litchfield, Connecticut's major state programs for the year ended June 30, 2019. The Town of Litchfield, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Litchfield, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Litchfield, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Litchfield, Connecticut's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Litchfield, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Town of Litchfield, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Litchfield, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Litchfield, Connecticut's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the 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, 2019, and the related notes to the financial statements, which collectively comprise the Town of Litchfield, Connecticut's basic financial statements. We have issued our report thereon dated November 17, 2019, which contained unmodified opinions on those financial statements. 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 accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CLERMONT & ASSOCIATES, LLC

Prospect, Connecticut

A handwritten signature in cursive script that reads "Clermont & Associates, LLC".

November 17, 2019

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For The Year Ended June 30, 2019

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core-CT Number	Expenditures	Passed through through to Subrecipient
Office of Policy and Management:			
Payment in Lieu of Taxes (PILOT) on State Owned Property	11000-OPM20600-17004	\$ 42,754	
Reimbursement of Property Taxes Disability Exemption	11000-OPM20600-17011	511	
Property Tax Relief for Veterans	11000-OPM20600-17024	3,104	
Municipal Purpose and projects grant	11000-OPM20600-43587	3,432	
Local Capital Improvements Programs	11000-OPM20600-40254	306,680	
Small Town Economic Assistance Grant	12052-DEP-20870-40531	24,998	
Total Office of Policy and Management		\$ 381,479	-
Department of Education:			
Adult Education	11000-SDE64370-17030	\$ 8,714	
School Breakfast	11000-SDE64370-17046	11,591	
Health Foods Initiative	11000-SDE64370-16212	4,467	
Child Nutrition Match	11000-SDE64370-17052	2,345	
Common Core Professional Learning	12052-SDE64370-43538	3,636	
Total Department of Education		\$ 30,753	-
Connecticut State Library:			
Historical Document Preservation	12060-CSL66094-35150	\$ 4,500	
Department of Transportation			
Town Road Aid Grant STO	12052-DOT57131-43455	\$ 384,386	
Total Expenditures of State Financial Assistance Before Exempt Programs		\$ 801,118	-
<u>Exempt Programs</u>			
Office of Policy and Management:			
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	\$ 27,200	
Municipal Stabilization Grant	11000-OPM20600-17104	46,905	
Department of Education:			
School Construction	13010-DAS27635-40901	73,580.00	
Educational Cost Sharing	11000-SDE64370-17041	1,325,920	
Excess Cost Student Based and Equity	11000-SDE64370-17047	103,766	
Total Exempt Programs		\$ 1,577,371	-
Total Expenditures of State Financial Assistance		\$ 2,378,489	-

See Notes to Schedule of Expenditures of State Financial Assistance

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED JUNE 30, 2019

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Litchfield, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2019. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, public safety and general government services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Litchfield, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The financial statements contained in the Town's annual audit report are prepared on the modified accrual basis. The following is a summary of such basis:

Revenues are recognized when earned and available. Certain grants are recognized based on grant award since they are considered entitlement grants; other grants, such as grants that are dependent upon expenditure factor for determining eligibility, recognize grant revenue to the extent of expenditures.

Expenditures are recorded when the related liability is incurred. Encumbrances are reflected as a reserve against fund balance and accordingly are not reflected as expenditures.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

TOWN OF LITCHFIELD, CONNECTICUT

**NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019**

2. LOAN PROGRAMS

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2019 for Clean Water Funds funded through the State Department of Protection:

	<u>181-C</u>	<u>499-C</u>
Date of Issue	7/29/1999	7/31/2004
Interest Rate	2%	2%
Original Amount	\$ 570,427	4,595,198
Balance, Beginning of year	\$ 2,854	1,334,730
Paid	<u>2,854</u>	<u>251,969</u>
Balance, End of Year	\$ <u><u>-</u></u>	<u><u>1,082,761</u></u>

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

•Material weakness(es) identified? _____ yes x no

•Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to financial statements
noted? _____ yes x no

State Financial Assistance

Internal control over major programs:

•Material weakness(es) identified? _____ yes x no

•Significant deficiency(ies) identified? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be
reported in accordance with Section 4-236-24 of the
Regulations to the State Single Audit Act?

_____ yes x no

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core – CT Number</u>	<u>Expenditures</u>
Office of Policy and Management		
Local Capital Improvement Program	12050-OPM20600-40254	\$ 306,680
Department of Transportation		
Town Aid Road	12052-DOT57131-43455	384,386

Dollar threshold used to distinguish type A and type B Programs \$ 200,000

II. FINANCIAL STATEMENTS FINDINGS

- We issued reports, dated November 17, 2019 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no significant deficiencies or material weakness.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to State Financial Assistance Programs.