

TOWN OF LITCHFIELD, CONNECTICUT

ANNUAL FINANCIAL REPORT

June 30, 2018

TOWN OF LITCHFIELD, CONNECTICUT

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CLERMONT

ACCOUNTANTS • ADVISORS

Clermont & Associates, LLC
16 Waterbury Road
Prospect CT 06712

Main: 203-758-6658

Fax: 203-758-6758

clermontaccounting.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Litchfield Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Litchfield, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Litchfield, Connecticut as of June 30, 2018, and the respective changes in the financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018 on our consideration of the Town of Litchfield, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Litchfield, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Litchfield, Connecticut's internal control over financial reporting and compliance.

CLERMONT & ASSOCIATES, LLC
Prospect, Connecticut



December 27, 2018

TOWN OF LITCHFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

This discussion and analysis of the Town of Litchfield, Connecticut's (the "Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read this MD&A in conjunction with the Town's financial statements.

Financial Highlights

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

Overview of the Financial Statements

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

Government Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Government-Wide Financial Analysis

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities and business-type activities. The Town's net position for governmental activities increased \$2.5 million from \$57.9 million in 2017 to \$60.4 million in 2018.

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

TABLE 1 NET POSITION: (in Thousands)

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

TABLE 2
CHANGE IN NET ASSETS (In Thousands)

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

Town Funds Financial Analysis

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit C) reported a combined fund balance of \$11.9 million which is a \$0.3 million increase from the previous year. Included in this year's total change in fund balance is a decrease of \$0.2 million in the Capital Projects Fund. This is mainly due to the ongoing capital projects bonding of capital expenditures and related premium on issuance.

Proprietary Funds

The Town reports the Water Pollution Control Authority as a proprietary fund (Exhibit G, H, and I). Under this presentation, the operating income was \$180 thousand, which included depreciation expense of \$121 thousand. Net fund position at year end included \$3,274 thousand of net capital investment and \$1,098 thousand unrestricted.

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

General Fund Budgetary Highlights

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

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

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

Capital Assets

At June 30, 2018, the Town had \$80 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines. In separating the Water Pollution Control Authority from the government funds, \$4.5 million in capital assets, which mainly includes sewers and the newly constructed facility. The total Town's amount represents a net increase (including additions and deductions) of \$2 million, net of depreciation expenses.

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

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

TABLE 4
OUTSTANDING DEBT (In Thousands)

Long-Term Liabilities

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

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

General obligation bonds (backed by the Town) were reduced by \$2.99 million in payments with one new issue of \$2.5 million during the fiscal year.

Other obligations include accrued vacation pay and sick leave, and net pension and other post retirement benefit obligations. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements. Included in the Business-type activities is \$1.3 million in notes payable, which was Clean Water Notes for the construction of the new water pollution control facilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

STATEMENT OF NET POSITION

June 30, 2018

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

* After internal balances have been eliminated

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

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

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

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

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

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

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

Capital assets used in the governmental activities are not financial resources and therefore, are not reported in the funds.	75,753,217
Other long-term assets and deferred flows are not available to pay for current period expenditures, and, therefore, are deferred in the funds.	710,328
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities column in the statement of net position.	2,096,932
Long-term liabilities , including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(30,014,883)
Net position of governmental activities (Exhibit A)	<u>\$ 60,399,787</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

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

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds (Exhibit D)	\$ 287,976
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,080,459
Revenues previously recognized in the statement of activities that provided current financial resources in the current year.	(59,366)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	770,715
Transfer of capital assets, debt and long-term assets into the business-type fund from the government funds	
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>(583,709)</u>
Change in net position of governmental activities (Exhibit B)	\$ <u><u>2,496,075</u></u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018**

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

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

STATEMENT OF NET FUND POSITION
PROPRIETARY FUNDS
June 30, 2018

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

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND POSITION (DEFICIT)

PROPRIETARY FUNDS

For the Year Ended June 30, 2018

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

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

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

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

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

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2018

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. *Government activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately than *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment of, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Fund financial statements

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

The Town reports the following major proprietary funds:

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

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

Assets, Liabilities and Net Assets or Equity

Cash and cash equivalents

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

Investments

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Inventories

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

Receivables and payables

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

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

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

Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of two years.

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2018

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

Deferred outflows/inflows of resources

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

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

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

Compensated absences

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

Net pension liability

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Net OPEB liability

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

Long-term obligations

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

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

Fund equity and net position

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

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

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

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

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

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

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

Fair Value of Financial Instruments

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

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

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

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Note 2 - Budgets and Budgetary Accounting

General Fund

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

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

Balance, budgetary basis	\$	(438,385)
Reclassify capital appropriation		158,614
Net debt payment, W.P.C.A		<u>(304,464)</u>
Balance, GAAP basis	\$	<u><u>(584,235)</u></u>

Special Revenue Funds

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

Capital Projects Funds

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

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

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

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

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

Land	\$	1,679,473
Construction in progress		1,975,277
Net capital assets being depreciated		<u>72,098,467</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u><u>75,753,217</u></u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2018

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

Net long-term debt	\$ (24,768,000)
Premium on bond issuances	(1,026,409)
Deferred portion on refunding	377,071
Compensated absences	(266,089)
Net pension liability	(3,068,532)
Net OPEB liability	(1,064,433)
Claims and judgments	(14,250)
Accrued interest on debt	(181,491)
Liabilities related to the landfill	<u>(2,750)</u>
Net adjustment to reduce fund balance to arrive at net position of government activities	\$ <u>(30,014,883)</u>

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

Delinquent property tax and interest	\$ 311,990
Delinquent accounts receivable	68,900
Deferred outflow/ inflows included in pension	(329,926)
Notes receivable – assessments	<u>659,364</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$ <u>710,328</u>

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

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

Acquisitions	\$ 3,610,217
Depreciation	<u>(1,529,758)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>2,080,459</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

Payments of debt	\$	2,990,000
New Issuances		(2,535,000)
Deferred portion on refunding		(47,134)
Premium new issuances		39,395
Net change in compensated absences		(18,134)
Net change in claims and judgment estimates		2,875
Net change in OPEB liability		(40,640)
Net change in pension liability		324,094
Net change in other long-term liabilities		2,750
Accrued interest		<u>52,509</u>
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u><u>770,715</u></u>

Note 4 - Deposits and Investments

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

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Governmental activities	\$ 6,401,325		6,401,325
Business-type activities	50		50
Fiduciary funds	703,222		703,222
Investments:			
Governmental activities		9,724,650	9,724,650
Fiduciary funds		<u>18,744,532</u>	<u>18,744,532</u>
Total Deposits and Investments	\$ <u>7,104,597</u>	<u>28,469,182</u>	<u>35,573,779</u>

Deposits

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

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

Custodial Credit Risk

As of June 30, 2018, the carrying amount of the Town's deposits had bank deposit balances of approximately \$6,318,755. The amount of the bank balance covered under federal depository insurance was approximately \$500,000. The remaining deposits were uninsured, however, provisions of the Connecticut General Statutes provide for protection against loss in excess of deposit insurance by requiring all qualified public depositories to maintain segregated collateral for public deposits. As of June 30, 2018 approximately \$630,000 of uninsured deposits were collateralized under the provision.

Investments

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

As of June 30, 2018, the Town held the following investments:

<u>Investment Type</u>	<u>Fund</u>	<u>Fair Value (Level 1 hierarchy)</u>	<u>Weighted Average to Maturity (years)</u>	<u>Risk</u>
State Investment Fund	General Fund	\$ 3,600,589	.02	-
Certificates of Deposit	General Fund	6,000,000	2.12	-
State Investment Fund	Internal Service Funds	124,061	.02	-
Mutual Funds	Trust Funds	7,276,226	n/a	-
Equities	Trust Funds	<u>11,468,306</u>	n/a	-
Total Investments		\$ <u>28,469,182</u>		

Interest Rate Risk

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Credit Risk

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

Investment Policies

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

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

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

Note 5 - Receivables, Deferred Revenue and Payables

Receivables

The receivables as of June 30, 2018 for the Town's individual major funds and non-major, internal service and fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Note Receivable – Business-Type Activity

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note Receivable – Town of Morris	\$ 126,324		19,727	106,597	20,125

Deferred payments and unavailable receipts

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

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

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

Payables as of June 30, 2018 for the Town's individual major funds and non-major funds were as follows:

	<u>Vendors</u>	<u>Payroll</u>	<u>Total</u>
General Fund	\$ 809,676	108,330	918,006
Non-major Funds	69,438		69,438
Total governmental funds	\$ 879,114	108,330	987,444
W.P.C.A.	\$ 11,978		11,978
Total Payables	\$ 891,092	108,330	999,422

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

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

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

Inter-fund Transfers

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,679,473			1,679,473
Construction in progress	3,692,087		1,716,810	1,975,277
Total capital assets, not being deprec.	<u>\$ 5,371,560</u>	<u>-</u>	<u>1,716,810</u>	<u>3,654,750</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 52,901,120	689,974		53,591,094
Machinery and equipment	10,515,356	714,155		11,229,511
Infrastructure	33,182,773	3,922,898		37,105,671
Total capital assets being depreciated	<u>\$ 96,599,249</u>	<u>5,327,027</u>	<u>-</u>	<u>101,926,276</u>
Less: Accumulated depreciation:				
Buildings and improvements	\$ 9,590,079	475,214		10,065,293
Machinery and equipment	6,928,243	360,811		7,289,054
Infrastructure	11,779,729	693,733		12,473,462
Total accumulated depreciation	<u>\$ 28,298,051</u>	<u>1,529,758</u>	<u>-</u>	<u>29,827,809</u>
Net capital assets, being depreciated	<u>\$ 68,301,198</u>	<u>3,797,269</u>	<u>-</u>	<u>72,098,467</u>
Total capital assets, governmental	<u>\$ 73,672,758</u>	<u>3,797,269</u>	<u>1,716,810</u>	<u>75,753,217</u>

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets being depreciated:				
Buildings and improvements	\$ 3,853,887			3,853,887
Machinery and equipment	77,603			77,603
Sewers	4,412,899			4,412,899
Total capital assets being depreciated	<u>\$ 8,344,389</u>	<u>-</u>	<u>-</u>	<u>8,344,389</u>
Less: Accumulated depreciation:				
Buildings and improvements	\$ 1,059,831	53,782		1,113,613
Machinery and equipment	35,524	8,524		44,048
Sewers	2,622,237	59,318		2,681,555
Total accumulated depreciation	<u>\$ 3,717,592</u>	<u>121,624</u>	<u>-</u>	<u>3,839,216</u>
Net capital assets being depreciated	<u>\$ 4,626,797</u>	<u>(121,624)</u>	<u>-</u>	<u>4,505,173</u>
Total capital assets, business-type	<u>\$ 4,626,797</u>	<u>(121,624)</u>	<u>-</u>	<u>4,505,173</u>

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2018 was as follows:

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business type activities and are direct obligations and pledge the good faith and credit of the government. Certain general obligation bonds are to be repaid by revenues of the enterprise funds. These bonds generally are issued as 5 year and 10 year serial bonds with equal amounts of principal maturing each year. As of June 30, 2018, the outstanding general obligation bonded indebtedness of the Town was as follows:

	<u>General</u>	<u>Refunding</u>
\$2,655,000 GOB 2010, refunding, Series B issue of 2010, due 8/1/2022, interest at 2.0% to 3.75%, annual principal payments of \$825,000.	\$	455,000
\$8,405,000 GOB 2010, refunding issue of 2010, due 8/1/2020, interest at 2.0% to 4.0% annual principal payments of \$1,775,000 to \$2,625,000		4,105,000
\$1,355,000 GOB 2011 , issue of 8/1/2011, due 8/1/2019, interest at 2.0 to 3.125%, annual principal payments of \$445,000	330,000	
\$7,555,000 GOB 2012, refunding issue of 8/1/2012, due 8/1/2024, interest at 3.0% to 4.0%, annual principal payments of approximately \$890,000		4,340,000
\$2,900,000 GOB 2013 , issue of, due 8/1/2028, interest at 2.0% to 4%, annual principal payments of approximately \$890,000	1,750,000	
\$4,555,000 GOB 2014, refunding issue of 8/1/2014, due 8/1/2025, interest at 2.0% to 4.0%, annual principal payments of approximately \$380,000		3,165,000
\$2,130,000 GOB 2011 , issue of 2012, due 2022, interest at 1.5% to 2.0%, annual principal payments of \$225,000	1,125,000	
\$1,270,000 GOB 2015 , issue of 2016, due 2022, interest at 2.0% to 4.0%, annual	950,000	
\$6,438,000 GOB 2016 , issue of 2016, due 8/24/2032, interest at 2.0% to 4.0%, annual principal payments of \$425,000 to \$430,000	6,013,000	
\$2,535,000 GOB 2017 , issue of 2017, due 8/16/2033, interest at 2.1% to 4.0%, annual principal payments of \$165,000 to \$170,000	<u>2,535,000</u>	
Total general obligation bonds	<u>\$ 12,703,000</u>	<u>12,065,000</u>

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

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

<u>Year Ended, June 30</u>		<u>Governmental Activity</u>	
		<u>Principal</u>	<u>Interest</u>
2019	\$	3,070,000	667,199
2020		3,093,000	569,804
2021		2,945,000	470,321
2022		2,920,000	378,666
2023		2,910,000	293,259
2024-2028		7,275,000	616,602
2029-2033		2,555,000	131,418
Total	\$	<u>24,768,000</u>	<u>3,127,269</u>

Bonds authorized but unissued

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

The Town has authorized but unissued bonds relating to capital projects at June 30, 2018, as follows:

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

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

Clean Water Fund Loans Payable

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

<u>Note</u>	<u>Date of Issue</u>	<u>Original Amount</u>		<u>Balance</u>
CWF PLO 181-C	07/29/1999	570,427	\$	2,854
CWF PLO 499-C	7/31/2004	4,595,198		<u>1,334,730</u>
Total Clean Water Fund Loans			\$	<u>1,337,584</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

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

Landfill Closure and Postclosure Care Costs

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

Claims and Judgments

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

Note 9 - Commitments and Contingencies

Lawsuits

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

Risk Management and Self-Insurance

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

The activities of the self insured employee medical are recorded in an internal service fund. Anthem Blue Cross/Blue Shield administers the plan. The Town and Board of education contribute to the plan through the general fund and the W.P.C.A contributes through the enterprise fund based on the administrators best estimates based on historical data. The Town covers all claims up to \$100,000 per participant per year with an individual stop-loss policy that would cover claims exceeding 120% of the total estimated claims for the plan year.

Claims transactions for the last two years were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Claims Payable Beginning</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable Ending</u>
2017	208,279	3,606,738	3,553,500	261,517
2018	261,517	4,319,803	4,253,061	328,259

Note 10 - Employee Retirement Plans

Plan Description and Benefits Provided

Town Retirement Plan

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Merit Service Plan

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

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

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

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

Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

Funding Policy

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Investments

Investment Policy

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

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 6.47% for the Town Plan and 6.51% for the Merit Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The Town's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

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

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

Actuarial Assumptions

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

The actuarial assumptions used in the July 1, 2016 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. A full experience study has not been completed.

Long Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class included in both pension plan's actuarial valuation as of July 1, 2016 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.0% for both plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Changes in the Net Pension Liability

Town Plan

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

Merit Service Plan

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

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

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

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

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

Pension Trust Funds

The Town maintains two pension trust funds (Town Employees Retirement Plan and Merit Service Plan) to account for its fiduciary responsibility. The following schedules present the net position held in trust for pension benefits at June 30, 2018 and the changes in net position for the year then ended.

Schedule of Net Position

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Schedule of Changes in Net Position

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

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

For the year ended June 30, 2018, the Town recognized pension expense of \$258,234 and \$89,823 for the Town Plan and Merit Plan, respectively. As of June 30, 2018, deferred outflows and inflows of resources related to pension are reported as follows:

	Town Plan Deferred Outflows of Resources	Merit Service Plan Deferred Outflows of Resources	Total Deferred Outflows
Net difference between projected and actual earnings on pension plan investments	\$ 92,505	23,037	115,542
Total	\$ 92,505	23,037	115,542

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

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

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

Year Ended June 30,	Town Retirement Plan	Merit Service Retirement Plan	Total
2019	\$ (190,796)	8,112	(182,684)
2020	73,981	8,113	82,094
2021	(68,867)	(32,053)	(100,920)
2022	13,410	(8,819)	4,591
2023	-	(11,921)	(11,921)
Thereafter	-	(10,727)	(10,727)
Total	\$ (172,272)	(47,295)	(219,567)

Teachers' Retirement

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

Plan Description

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Benefit Provisions

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

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

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

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

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

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary.

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

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

Contributions

State of Connecticut

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Employer (School Districts)

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

Employees

Effective July 1, 1992, participants are required to contribute 6.00% of their pensionable salary to the pension System as required by CGS Section 10-183b (7). Effective January 1, 2018, the required contribution increased to 7.00% of pensionable salary. For the year ended June 30, 2018, \$578,005 mandatory contributions were deducted from the salaries of teachers who were participants in the System. The estimated covered payroll for the Town was \$8,762,327.

Administrative Expenses

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

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

The State has a statutory requirement to pay 100% of the required plan contribution, therefore as of June 30, 2018 the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Town		<u>29,074,044</u>
Total net pension liability	\$	<u><u>29,074,044</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For the year ended June 30, 2018 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$3,363,018 as payments made by the State of Connecticut on behalf of the Town for teachers' pension.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Future Cost-of-Living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Long Term Rate of Return

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

Discount Rate

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

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

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

Defined Contribution Retirement Plan

On July 1, 2012 the Town established a defined contribution retirement plan that covers employees of the Town and Board of Education hired on or after July 1, 2012. This plan was adopted and can be amended by the Board of Selectmen. Under this plan, the Town contributes an amount equal to 3% each year of an eligible employee's wages into a 401(k) on the employee behalf. In addition, eligible employees may make an additional contribution up to the amount allowed by law. There are currently twenty nine participants in the plan as of June 30, 2018, and contributions of \$29,167 have been made in the fiscal year ended June 30, 2018.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Note 11 – Other Postemployment Benefits Plans

Board of Education OPEB Plan

Plan Description

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

A trust was officially established on March 29, 2011 between the Town of Litchfield and the Litchfield Board of Education and the Town's Pension Commission. The monies in the OPEB special revenue fund were transferred to the OPEB trust fund at that date. As in prior years, all expenses for postemployment benefits were paid out of the General Fund during the fiscal year ended June 30, 2018. The plan does not issue a stand-alone financial report.

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

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

Funding Policy

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

Benefits

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

Litchfield Education Association OPEB Contract Provisions

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

Amount of Benefit:

1. For those who retire either fiscal year 2008 or 2009:
 - a. \$5,000 on date of retirement and the BOE shall pay the cost of single health and dental insurance coverage under one of the plans (excluding the high deductible/health savings account option) offered by the BOE to actively employed teachers, less the contribution from the State of Connecticut Teachers' Retirement Board, for a period of 5 years immediately following retirement; or,

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

Litchfield Administrators Association OPEB Contract Provisions

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

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

Investments

Investment Policy

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

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 6.89%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

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

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the July 1, 2016 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. A full experience study has not been completed.

Long Term Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class as of the July 1, 2016 actuarial valuation are summarized in the following table:

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members and administrative expenses. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

The following presents the net OPEB liability of the Town, calculated using the healthcare trend rate of 7.75% decreasing to 4.75%, as well as what the Town's net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percent point lower (6.75% decreasing to 3.75%) or 1 percent higher (8.75% decreasing to 5.75%) than the current healthcare trend rates:

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

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

Schedule of Net Position

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

Schedule of Changes in Net Position

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$91,854. As of June 30, 2018, deferred outflows and inflows of resources related to OPEB are reported as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	111,504
Net difference between projected and actual earnings on OPEB plan investments	1,145	
Total	\$ <u>1,145</u>	<u>111,504</u>

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

<u>Year Ended June 30,</u>	
2019	\$ (13,480)
2020	(13,480)
2021	(13,480)
2022	(13,479)
2023	(13,766)
Thereafter	<u>(42,674)</u>
Total	\$ <u>(110,359)</u>

Teachers' Retirement OPEB Plan

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

Plan Description

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

Benefit Provisions

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

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

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

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

The choices and calendar year premiums charged for the calendar year 2017 are as follows:

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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

Proratable Retirement: Eligible after age 60 with 10 years of Credited Service.

Disability Retirement: Eligible after 5 year of Credited service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty

Termination of Employment: Eligible after 10 or more years of Credited Service.

Contributions

State of Connecticut

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

Employer (School Districts)

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

Employees

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

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

For the year ended June 30, 2018, \$578,005 mandatory contributions were deducted from the salaries of active teachers who were participants in the System. The estimated covered payroll for the Town was \$8,762,000.

Administrative Expenses

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

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

The State has a statutory requirement to pay 100% of the required plan contribution, therefore as of June 30, 2018 the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability associated with the Town were as follows:

Town's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the Town		7,483,319
Total net OPEB liability	\$	<u>7,483,319</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For the year ended June 30, 2018 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures related to OPEB in the amount of \$346,815 as payments made by the State of Connecticut on behalf of the Town teachers' OPEB.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Long-term Investment rate of return	2.75%, net of pension plan investment expense, including inflation
Real wage growth	0.50%
Wage inflation	3.25%
Municipal bond index rate	3.56%
Single equivalent interest rate	3.56%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022
Administrative expenses	\$0 assumption as expenses are paid for by the State of CT General Assembly
Year fund net position will be depleted	2018

Mortality rates were based on the RPH-2014 White Collar Table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality Table projected to 2017 using the BB improvement scale.

Long Term Rate of Return

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Treasuries (Cash Equivalents)	100.0%	0.04%
Total	100.0%	

Discount Rate

The discount rate used to measure the total OPEB was 3.56%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to have been made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination.

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

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

Note 12 - Fund Deficits and Restrictions to Fund Position

Fund Deficits

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

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

Restricted Fund Position

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

Note 13 - Subsequent Events

General Obligation Bond

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

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

Last Five Fiscal Years

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

Notes To Schedule

Changes in benefit terms	None
Changes in assumptions	None
Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	15 years
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increase	4.00%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense

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

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

Last Five Fiscal Years

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

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	None

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	15 years
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.00%, net of pension plan investment expense

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

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

Last Two Fiscal Years

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

Notes to Schedule

Change in benefit terms	None
Changes in assumptions	In 2016 the healthcare trend rates were decreased to 7.75% decreasing 0.5% per year to an ultimate rate of 4.75% for 2022 and later, from 8.00% in 2014 decreasing 0.5% per year to an ultimate rate of 4.00% for 2022 and later.

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

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

	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2018	654	850	(196)	3,832	22.18%
2017	682	720	(38)	3,685	19.54%
2016	669	672	(3)	4,272	15.73%
2015	844	1,094	(250)	4,108	26.63%
2014	828	1,068	(240)	4,398	24.28%
2013	838	838	-	N/A	N/A
2012	824	824	-	N/A	N/A
2011	726	726	-	N/A	N/A
2010	773	921	(148)	N/A	N/A
2009	609	530	79	N/A	N/A

Notes to Schedule

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

Changes in benefit terms: None
Changes in assumptions: None

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age
Amortization method: Level dollar
Remaining amortization period: 15 years
Asset valuation method: Market value of assets
Inflation: 2.75%
Salary increases: 4.00%, including inflation
Investment rate of return: 7.00%, net of pension plan investment expense

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

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

	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2018	118	118	-	N/A	N/A
2017	107	158	(51)	N/A	N/A
2016	107	154	(47)	N/A	N/A
2015	150	150	-	N/A	N/A
2014	150	150	-	N/A	N/A
2013	188	188	-	N/A	N/A
2012	188	188	-	N/A	N/A
2011	212	212	-	N/A	N/A
2010	224	198	26	N/A	N/A
2009	160	145	15	N/A	N/A

Notes to Schedule

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

Changes in benefit terms: None
Changes in assumptions: None

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry age
Amortization method: Level dollar
Remaining amortization period: 15 years
Asset valuation method: Market value of assets
Inflation: 2.75%
Salary increases: N/A
Investment rate of return: 7.00%, net of pension plan investment expense

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

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

	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2018	173	(26)	199	8,165	-0.32%
2017	210	215	(5)	8,165	2.63%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

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

Changes in benefits: None
Changes in Assumptions: In 2016 the healthcare trend rates were decreased to 7.75% decreasing 0.5% per year to an ultimate rate of 4.75% for 2022 and later, from 8.00% in 2014 decreasing 0.5% per year to an ultimate rate of 4.00% for 2022 and later.

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age
Asset valuation method: Market value of assets
Healthcare cost trend: 7.75% in 2016, reduced by 0.5% year year to final 4.75% per year rate for 2022 and later.
Inflation: 2.75%
Investment rate of return: 7.00%, net of investment related and administrative expenses

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

SCHEDULE OF INVESTMENT RETURNS - TOWN PLAN
Last Five Fiscal Years

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

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

SCHEDULE OF INVESTMENT RETURNS - MERIT PLAN
Last Five Fiscal Years

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

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

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

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

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

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

Last Four Fiscal Years

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

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	In 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the experience study for the system for the five-year period ended June 30, 2015.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Single Equivalent amortization period	20.4 years
Asset valuation method	4-year smoothed market
Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of investment related expense, including inflation

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

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

Last Fiscal Year

	<u>2018</u>
Town's proportion of the net OPEB liability	0.00%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	\$ <u>7,483,319</u>
Total	\$ <u><u>7,483,319</u></u>
Town's covered payroll	8,762,327
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%
Plan fiduciary net position as a percentage of total OPEB liability	1.79%

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	<ul style="list-style-type: none"> - The single equivalent interest rate was increased from 3.01% to 3.56% to reflect the change in the Municipal Bond Index Rate. - Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations. - As a result of the experience study for the five-year period ending June 30, 2015, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Last, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.
Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period	30 years, open
Asset valuation method	Market value of assets
Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	2.75%, net of investment related expense, including inflation

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

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
PROPERTY TAXES				
Current years' levy	\$ 28,249,513	28,249,513	28,334,551	85,038
Property taxes on motor vehicles	275,000	275,000	268,681	
Prior years' levies	160,000	160,000	461,069	301,069
Interest and penalties	225,000	225,000	288,843	63,843
Total property taxes	<u>\$ 28,909,513</u>	<u>28,909,513</u>	<u>29,353,144</u>	<u>449,950</u>
INTERGOVERNMENTAL				
State grants for education	\$ 1,084,948	1,084,948	1,245,074	160,126
Other state grants	260,043	260,043	79,158	(180,885)
Total intergovernmental	<u>\$ 1,344,991</u>	<u>1,344,991</u>	<u>1,324,232</u>	<u>(20,759)</u>
CHARGES FOR SERVICES				
Licenses and permits	\$ 5,600	5,600	7,655	2,055
Charges for services	456,100	456,100	482,612	26,512
Fines and forfeits	8,000	8,000	3,927	(4,073)
Total charges for services	<u>\$ 469,700</u>	<u>469,700</u>	<u>494,194</u>	<u>24,494</u>
INVESTMENT INCOME	<u>\$ 30,000</u>	<u>30,000</u>	<u>216,721</u>	<u>186,721</u>
MISCELLANEOUS REVENUES	<u>\$ 5,000</u>	<u>5,000</u>	<u>171,897</u>	<u>166,897</u>
OTHER FINANCING SOURCES				
Debt Reimbursement	\$ 394,246	394,246	394,042	(204)
Proceeds from bond	-	-	44,343	44,343
Total other financing sources	<u>\$ 394,246</u>	<u>394,246</u>	<u>438,385</u>	<u>44,139</u>
Total revenue & other financing sources	<u>\$ 31,153,450</u>	<u>31,153,450</u>	<u>31,998,573</u>	<u>851,442</u>

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE 2

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GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
GENERAL GOVERNMENT				
Board of Finance	\$ 28,294	28,294	27,173	1,121
Treasurer	8,055	8,055	7,828	227
Vital statistics	400	400	250	150
Registrars	33,055	34,917	32,170	2,747
Elections	22,800	22,800	15,445	7,355
Inland wetlands	5,500	5,500	2,830	2,670
Economic development commission	500	500	400	100
Board of tax review	800	800	333	467
Planning and zoning	8,000	8,000	6,708	1,292
Probate Court	7,904	7,904	7,781	123
Finance department	205,636	207,166	206,317	849
Land use administration	113,482	113,482	112,138	1,344
Town clerk	124,416	124,915	122,243	2,672
Computer equipment	79,500	79,500	72,744	6,756
Zoning appeals board	4,000	4,000	2,574	1,426
Legal services corporate counsel	84,100	69,100	63,047	6,053
Central services	34,425	34,425	22,882	11,543
Assessor	165,865	165,865	152,115	13,750
Tax collector	120,648	124,687	119,712	4,975
Municipal Management	196,909	185,109	184,108	1,001
Building inspector	137,936	137,936	132,861	5,075
Board of selectmen	29,070	29,371	28,748	623
Total general government	\$ 1,411,295	1,392,726	1,320,407	72,319
PUBLIC SAFETY				
Litchfield emergency management	\$ 17,763	17,880	17,879	1
Ambulance	59,214	59,214	59,214	-
Fire marshal	65,484	53,576	50,432	3,144
E911 Emergency	92,152	92,152	88,936	3,216
Fire protection	380,176	380,176	378,639	1,537
Patrol services	151,151	155,457	133,105	22,352
Police department	171,861	186,084	186,083	1
Total public safety	\$ 937,801	944,539	914,288	30,251
PUBLIC WORKS				
Building & ground maintenance	\$ 248,250	258,964	257,787	1,177
Highways and bridges	823,750	878,968	878,968	-
Supervision	15,825	15,825	13,354	2,471
Operations	1,207,791	1,286,157	1,281,885	4,272
Engineering	128,260	128,260	113,260	15,000
Equipment Maintenance	234,300	234,300	195,647	38,653
Solid Waste & Recycling	533,375	469,836	455,227	14,609
Total public works	\$ 3,191,551	3,272,310	3,196,128	76,182

(Continued)

**GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL**

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
HEALTH AND WELFARE				
OSHA mandated health	\$ 1,800	1,800	1,425	375
Social Services	39,832	40,037	39,508	529
Total health and welfare	\$ 41,632	41,837	40,933	904
CULTURE AND RECREATION				
Recreation	\$ 117,000	117,000	105,612	11,388
Co-op Programs	165,694	165,694	163,485	2,209
Library	380,744	380,744	380,744	-
Total cultural and recreation	\$ 663,438	663,438	649,841	13,597
EDUCATION				
Board of education	\$ 18,933,526	18,933,526	18,919,400	14,126
Total education	\$ 18,933,526	18,933,526	18,919,400	14,126
OTHER				
Contingency	\$ 97,500	99		99
Fringe Benefits	1,683,491	1,683,491	1,683,465	26
Beautification commission	2,000	2,000	739	1,261
Cemetery Services	22,550	22,550	22,550	-
Municipal Insurance	101,000	101,000	96,578	4,422
Total other	\$ 1,906,541	1,809,140	1,803,332	5,808
DEBT SERVICE				
Principal	\$ 3,270,864	3,270,864	3,270,864	-
Interest	731,802	760,070	760,070	-
Total debt service	\$ 4,002,666	4,030,934	4,030,934	-
OTHER FINANCING USES				
Capital Improvements	\$			-
Other	65,000	65,000	65,000	-
Total debt service	\$ 65,000	65,000	65,000	-
Total Encumbrances and Financial Uses	\$ 31,153,450	31,153,450	30,940,263	213,187

COMBINING BALANCE SHEETS
CAPITAL PROJECT FUND
For the Year Ended June 30, 2018

	Capital Improvements	Capital and Nonrecurring	Construction In Progress	Total
ASSETS				
Cash and cash equivalents	\$			-
Receivables, net			114,940	114,940
Due from other funds	284,925	25,139	2,962,696	3,272,760
Inventory				-
Total assets	<u>\$ 284,925</u>	<u>25,139</u>	<u>3,077,636</u>	<u>3,387,700</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	284,925	25,139	3,077,636	3,387,700
Unassigned				-
Total fund balance (deficit)	<u>\$ 284,925</u>	<u>25,139</u>	<u>3,077,636</u>	<u>3,387,700</u>
Total liabilities and fund balances	<u>\$ 284,925</u>	<u>25,139</u>	<u>3,077,636</u>	<u>3,387,700</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - CAPITAL PROJECT FUND
For the Year Ended June 30, 2018**

	<u>Capital Improvements</u>	<u>Capital and Nonrecurring</u>	<u>Construction in Progress</u>	<u>Total</u>
Revenues				
Intergovernmental	\$ 25,070		1,617,530	1,642,600
Charges for services				-
Investment income				-
Other				-
Total revenues	<u>\$ 25,070</u>	<u>-</u>	<u>1,617,530</u>	<u>1,642,600</u>
Expenditures				
Public safety	\$			
Public works				
Culture and recreation				
Education				
Capital outlays	<u>1,500,776</u>	<u>10,000</u>	<u>4,285,730</u>	<u>5,796,506</u>
Total expenditures	<u>\$ 1,500,776</u>	<u>10,000</u>	<u>4,285,730</u>	<u>5,796,506</u>
Revenue Over (Under) Expenditures	<u>\$ (1,475,706)</u>	<u>(10,000)</u>	<u>(2,668,200)</u>	<u>(4,153,906)</u>
Other Financing Sources				
Transfers from other funds	\$ 539,000		881,924	1,420,924
Transfers to other funds				-
Proceeds from bonds			<u>2,535,000</u>	<u>2,535,000</u>
Total other financing sources	<u>\$ 539,000</u>	<u>-</u>	<u>3,416,924</u>	<u>3,955,924</u>
Changes in Fund Balances (Deficits)	<u>\$ (936,706)</u>	<u>(10,000)</u>	<u>748,724</u>	<u>(197,982)</u>
Fund Balances (Deficits) - beginning	<u>1,221,631</u>	<u>35,139</u>	<u>2,328,912</u>	<u>3,585,682</u>
Fund Balances (Deficits) - ending	<u><u>\$ 284,925</u></u>	<u><u>25,139</u></u>	<u><u>3,077,636</u></u>	<u><u>3,387,700</u></u>

TOWN OF LITCHFIELD, CONNECTICUT

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	Special Revenue			
	Town Hall Annex	Special Education Grants	Cafeteria	Parks and Recreation
ASSETS				
Cash and cash equivalents	\$		9,913	
Receivables, net				
Due from other funds	799,984	82,819		66,475
Total assets	<u>\$ 799,984</u>	<u>82,819</u>	<u>9,913</u>	<u>66,475</u>
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities				
Accounts payable and accrued liabilities	\$ 56,625		12,813	
Unearned revenues		25,402		2,512
Due to other funds				
Total liabilities	<u>\$ 56,625</u>	<u>25,402</u>	<u>12,813</u>	<u>2,512</u>
Deferred inflows of resources:				
Unavailable receipts	\$			
Fund Balance (Deficit)				
Nonspendable	\$			
Restricted for:				
Donor's intentions				
Specific uses				
Assigned	743,359	57,417	(2,900)	63,963
Unassigned				
Total fund balance (deficit)	<u>\$ 743,359</u>	<u>57,417</u>	<u>(2,900)</u>	<u>63,963</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 799,984</u>	<u>82,819</u>	<u>9,913</u>	<u>66,475</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>
	564,932		48,250	25,857	
3,133	430,945	410,322	94,432	280,354	301,333
<u>3,133</u>	<u>995,877</u>	<u>410,322</u>	<u>142,682</u>	<u>306,211</u>	<u>301,333</u>
			30		
-	-	-	30	-	-
	564,932		94,432		
3,133	430,945	410,322	48,220	306,211	301,333
<u>3,133</u>	<u>430,945</u>	<u>410,322</u>	<u>48,220</u>	<u>306,211</u>	<u>301,333</u>
<u>3,133</u>	<u>995,877</u>	<u>410,322</u>	<u>142,682</u>	<u>306,211</u>	<u>301,333</u>

(Continued)

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS, Continued
For the Year Ended June 30, 2018

	Special Revenue		Permanent Fund	
	Scholarships	Total Special Revenue	Cemetery Trust	Total Nonmajor Funds
ASSETS				
Cash and cash equivalents	\$ 39,966	123,986	10,404	134,390
Receivables, net		659,364		659,364
Due from other funds	9,236	2,384,601		2,384,601
Total assets	<u>\$ 49,202</u>	<u>3,167,951</u>	<u>10,404</u>	<u>3,178,355</u>
LIABILITIES AND FUND BALANCE (DEFICITS)				
Liabilities				
Accounts payable and accrued liabilities	\$	69,438		69,438
Unearned revenues		27,914		27,914
Due to other funds		30		30
Total liabilities	<u>\$ -</u>	<u>97,382</u>	<u>-</u>	<u>97,382</u>
Deferred inflows of resources:				
Unavailable receipts	\$	659,364		659,364
Fund Balance (Deficit)				
Nonspendable	\$	-		-
Restricted for:		-		-
Donor's intentions		-	10,000	10,000
Specific uses	49,202	49,202	404	49,606
Assigned		2,362,003		2,362,003
Unassigned		-		-
Total fund balance (deficit)	<u>\$ 49,202</u>	<u>2,411,205</u>	<u>10,404</u>	<u>2,421,609</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 49,202</u>	<u>3,167,951</u>	<u>10,404</u>	<u>3,178,355</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, 2018

	Special Revenue			
	Town Hall Annex	Special Education Grants	Cafeteria	Parks and Recreation
Revenues				
Intergovernmental	\$	626,958	68,602	
Charges for services	132,924		194,885	46,295
Investment income				
Other				
Total revenues	\$ 132,924	626,958	263,487	46,295
Expenditures				
General	\$			
Culture and recreation	133,695			59,668
Education		566,730	267,931	
Debt service				
Other				
Total expenditures	\$ 133,695	566,730	267,931	59,668
Revenue Over (Under) Expenditures	\$ (771)	60,228	(4,444)	(13,373)
Other Financing Sources				
Transfers in	\$			
Transfers (out)				
Total other financing sources	\$ -	-	-	-
Changes in Fund Balances (Deficits)	\$ (771)	60,228	(4,444)	(13,373)
Fund Balances (Deficits) - beginning	744,130	(2,811)	1,544	77,336
Fund Balances (Deficits) - ending	\$ 743,359	57,417	(2,900)	63,963

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>
		394,902			388,137
	119,892	3,828		178,479	
-	119,892	398,730	-	178,479	388,137
	145,156		1,630		
				48,219	86,804
-	145,156	-	1,630	48,219	86,804
-	(25,264)	398,730	(1,630)	130,260	301,333
					(881,924)
-	-	-	-	-	(881,924)
-	(25,264)	398,730	(1,630)	130,260	(580,591)
3,133	456,209	11,592	49,850	175,951	881,924
<u>3,133</u>	<u>430,945</u>	<u>410,322</u>	<u>48,220</u>	<u>306,211</u>	<u>301,333</u>

(Continued)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS, (Continued)**
For the Year Ended June 30, 2018

	<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	\$	1,478,599		1,478,599
Charges for services		374,104		374,104
Investment income		-	6	6
Other		302,199		302,199
Total revenues	\$ -	2,154,902	6	2,154,908
Expenditures				
General	\$	-		-
Culture and recreation		193,363		193,363
Education		836,291		836,291
Debt service		145,156		145,156
Other		135,023		135,023
Total expenditures	\$ -	1,309,833	-	1,309,833
Revenue Over (Under) Expenditures	\$ -	845,069	6	845,075
Other Financing Sources				
Transfers in	\$	-		-
Transfers (out)		(881,924)		(881,924)
Total other financing sources	\$ -	(881,924)	-	(881,924)
Changes in Fund Balances (Deficits)	\$ -	(36,855)	6	(36,849)
Fund Balances (Deficits) - beginning	49,202	2,448,060	10,398	2,458,458
Fund Balances (Deficits) - ending	\$ 49,202	2,411,205	10,404	2,421,609

W.P.C.A

COMBINING STATEMENT OF NET FUND POSITION

For the Year Ended June 30, 2018

	Operating	Capital Reserve	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 50		50
Receivables, net of allowance	207,694		207,694
Due from other funds	175,249	728,196	903,445
Current portion of notes receivable	20,125		20,125
Current assets	\$ 403,118	728,196	1,131,314
Noncurrent assets:			
Note receivable, less current portion	\$ 86,472		86,472
Capital assets, net of accumulated depreciation	4,505,173		4,505,173
Total noncurrent assets	\$ 4,591,645	-	4,591,645
Total assets	\$ 4,994,763	728,196	5,722,959
Current liabilities:			
Accounts payable and accrued liabilities	\$ 11,978		11,978
Payments in advance	787		787
Notes payable - current	254,822		254,822
Total current liabilities	\$ 267,587	-	267,587
Noncurrent liabilities:			
Notes payable, less current portion	\$ 1,082,762		1,082,762
Total noncurrent liabilities	\$ 1,082,762	-	1,082,762
Total liabilities	\$ 1,350,349	-	1,350,349
NET POSITION			
Invested in capital assets, net of related debt	\$ 3,274,186		3,274,186
Unrestricted	370,228	728,196	1,098,424
Total net position	\$ 3,644,414	728,196	4,372,610

W.P.C.A

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

For the Year Ended June 30, 2018

	Operating	Capital Reserve	Total
Operating revenues			
Charges for services	\$ 1,159,125		1,159,125
Other revenues	4,089		4,089
Total operating revenues	<u>\$ 1,163,214</u>	<u>-</u>	<u>1,163,214</u>
Operating Expenses			
Salaries and benefits	\$ 455,576		455,576
Materials and supplies	44,371		44,371
Utilities	74,508		74,508
Depreciation	121,624		121,624
Administration and operation	265,756	21,613	287,369
Total operating expenses	<u>\$ 961,835</u>	<u>21,613</u>	<u>983,448</u>
Operating Income	201,379	(21,613)	179,766
Nonoperating revenues (expense)			
Interest Income	8,273	5,072	13,345
Interest Expense	(29,803)		(29,803)
Total nonoperating revenues (expense)	<u>(21,530)</u>	<u>5,072</u>	<u>(16,458)</u>
Transfers (to) other funds	(410,791)		(410,791)
Transfers from other funds	<u>\$ 89,578</u>	<u>410,791</u>	<u>500,369</u>
Changes in Fund Net Position	\$ (141,364)	394,250	252,886
FUND NET POSITION, beginning	<u>3,785,778</u>	<u>333,946</u>	<u>4,119,724</u>
FUND NET POSITION, ending	<u>\$ 3,644,414</u>	<u>728,196</u>	<u>4,372,610</u>

W.P.C.A

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

	Operating	Capital Reserve	Total
Cash Flow From Operating Activities			
Receipts from customers and users	\$ 1,207,507	-	1,207,507
Payments to employees	(455,576)		(455,576)
Payments to suppliers	(377,097)	(33,335)	(410,432)
Net cash (used in) provided by operating activities	\$ 374,834	(33,335)	341,499
Cash Flow From Noncapital and Related Financing Activities			
Transfer from other funds	\$ 318,624	410,791	729,415
Transfer to other funds	(410,791)	(382,528)	(793,319)
Net cash (used in) provided by operating activities	\$ (92,167)	28,263	(63,904)
Cash Flow From Capital and Related Financing Activities			
Principal made on capital debt	\$ (280,864)		(280,864)
Interest paid on capital debt	(29,803)		(29,803)
Receipts of notes related to capital debt	19,727		19,727
Net cash (used in) provided by operating activities	\$ (290,940)	-	(290,940)
Cash Flow From Investing Activities			
Interest received on Investments	8,273	5,072	13,345
Net cash (used in) provided by operating activities	\$ 8,273	5,072	13,345
Net increase (decrease) in cash and cash equivalents	\$ -	-	-
CASH AND CASH EQUIVELANTS, beginning	50	-	50
CASH AND CASH EQUIVELANTS, ending	\$ 50	-	50
Reconciliation of Operating Income to Net Cash Provided by (used in) Operating Activities			
Operating Income	\$ 201,379	(21,613)	179,766
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	121,624		121,624
Change in assets and liabilities:			
Decrease (increase) in accounts receivables	45,277		45,277
(Decrease) increase in accounts payable	7,538	(11,722)	(4,184)
(Decrease) increase in payments in advance	(984)		(984)
Net cash and provided by (used in) operating activities	\$ 374,834	(33,335)	341,499

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
For the Year Ended June 30, 2018

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total Trust Funds
ASSETS				
Cash and cash equivalents	\$ 578,856	91,476	32,890	703,222
Investments at fair value:				
U.S. government obligations				-
Mutual funds	8,347,904	2,300,593	819,810	11,468,307
Common Stock	5,296,438	1,459,668	520,119	7,276,225
Total Assets	\$ 14,223,198	3,851,737	1,372,819	19,447,754
LIABILITIES				
Accounts payable	\$			
Other liabilities				
Total Liabilities	\$ -	-	-	-
NET POSITION				
Held in trust for specific purposes	\$ 14,223,198	3,851,737	1,372,819	19,447,754

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2018

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total Trust Funds
ADDITIONS				
Contributions	\$ 888,134	118,968	-	1,007,102
Total contributions	<u>\$ 888,134</u>	<u>118,968</u>	<u>-</u>	<u>1,007,102</u>
Investment earnings				
Net increase (decrease) in fair value	\$ 590,935	164,604	57,254	812,793
Interest and dividends	326,081	90,590	31,363	448,034
Less: Administrative expense	(52,923)	(15,378)	(5,073)	(73,374)
Total investment earnings	<u>\$ 864,093</u>	<u>239,816</u>	<u>83,544</u>	<u>1,187,453</u>
DEDUCTIONS				
Benefits	\$ 826,928	200,817		1,027,745
Total deductions	<u>\$ 826,928</u>	<u>200,817</u>	<u>-</u>	<u>1,027,745</u>
Change in net position	\$ 925,299	157,967	83,544	1,166,810
Net Position - beginning	<u>13,297,899</u>	<u>3,693,770</u>	<u>1,289,275</u>	<u>18,280,944</u>
Net Position - ending	<u>\$ 14,223,198</u>	<u>3,851,737</u>	<u>1,372,819</u>	<u>19,447,754</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Student Activity Funds				
Assets				
Cash and cash equivalents	\$ 168,493		12,390	156,103
Liabilities				
Accounts payable	\$ -			-
Deposits held for others	168,493		12,390	156,103
Total Liabilities	\$ 168,493	-	12,390	156,103
Performance Bonds				
Assets				
Cash and cash equivalents	\$ 1,300			1,300
Accounts receivable	376,984		161,530	215,454
Total assets	378,284	-	161,530	216,754
Liabilities				
Deposits held for others	\$ 378,284	-	161,530	216,754
Total liabilities	\$ 378,284	-	161,530	216,754
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 169,793	-	12,390	157,403
Accounts receivable	376,984	-	161,530	215,454
Other Assets	546,777	-	173,920	372,857
Liabilities				
Deposits held for others	546,777	-	173,920	372,857
Total Liabilities	\$ 546,777	-	173,920	372,857

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TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
For the Year Ended June 30, 2018

<u>Grand List Year</u>	<u>Uncollected Balance & New Levy July 1, 2017</u>	<u>Lawful Corrections</u>		<u>(Transfers to) Recoveries From Suspense</u>	<u>Balance to be Collected</u>
		<u>Increases</u>	<u>Decreases</u>		
2001	\$ -				-
2002	-				-
2003	-				-
2004	-				-
2005	-				-
2006	-				-
2007	7,784				7,784
2008	9,068				9,068
2009	13,660				13,660
2010	15,835			(43)	15,792
2011	15,792				15,792
2012	17,547				17,547
2013	56,587	11	(1,714)	(23,200)	31,684
2014	124,670	1	(4,236)		120,435
2015	313,775	1,998	(9,315)	(25)	306,433
Total	\$ 574,718	2,010	(15,265)	(23,268)	538,195
2016	28,991,911	57,083	(112,344)		28,936,650
Total	\$ 29,566,629	59,093	(127,609)	(23,268)	29,474,845

SCHEDULE 13

Collections				Uncollected Balance June 30, 2018
Taxes	Interest	Lien Fees	Total	
			-	-
			-	-
			-	-
	196		196	-
	589		589	-
	900		900	-
7,784	13,311	24	21,119	-
9,068	13,875	24	22,967	-
13,660	18,441	24	32,125	-
15,792	18,476	48	34,316	-
15,792	15,634	48	31,474	-
17,142	13,352	102	30,596	405
30,400	20,060	192	50,652	1,284
88,630	24,400	534	113,564	31,805
225,785	46,777	1,116	273,678	80,648
424,053	186,011	2,112	612,176	114,142
28,658,606	100,697	2,729	28,762,032	278,044
29,082,659	286,708	4,841	29,374,208	392,186

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

For the Year Ended June 30, 2018

	<u>General Purpose</u>
Debt Limitation:	
2 1/4 Times Base	\$ 66,091,968
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	\$ 66,091,968
Indebtedness:	
Bonds payable	\$ 14,534,220
Bonds authorized and unissued	<u>7,780,143</u>
Total Indebtedness	\$ 22,314,363
Less: School Construction Grants Receivable	<u>-</u>
Total Indebtedness of the City	\$ 22,314,363
Debt Limitation In Excess of Outstanding and Authorized Debt	\$ <u>43,777,605</u>

SCHEDULE 14

Total Tax Collections (Including Interest and Lien Fees)
For The Year Ended June 30, 2018 \$ 29,374,208

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

Base \$ 29,374,208

<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Bonding</u>	<u>Total Debt</u>
132,183,936	110,153,280	95,466,176	88,122,624	205,619,456
<u>132,183,936</u>	<u>110,153,280</u>	<u>95,466,176</u>	<u>88,122,624</u>	<u>205,619,456</u>
9,778,780	455,000			24,768,000
<u>9,778,780</u>	<u>455,000</u>	<u>-</u>	<u>-</u>	<u>7,780,143</u>
9,778,780	455,000	-	-	32,548,143
-	-	-	-	-
<u>9,778,780</u>	<u>455,000</u>	<u>-</u>	<u>-</u>	<u>32,548,143</u>
<u>122,405,156</u>	<u>109,698,280</u>	<u>95,466,176</u>	<u>88,122,624</u>	<u>173,071,313</u>

**PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2018**

Taxpayer	Nature of Operations	Taxable Assessed Value as of 10/1/17
Eversource	Power Company	\$ 15,308,160
CRP/BWN LLC *	Health Care Facility	6,279,650
City of Waterbury	Watershed	5,818,050
6645 Federal Square Realty, LLC	Real Estate	4,361,280
C.A. Litchfield Land LLC	Real Estate	3,545,900
White Memorial Foundation	Leased Land for	3,527,000
Aquarion Water Company of CT	Water Supply	3,357,530
Arethusa Farm LLC	Farming	2,561,980
Union Savings	Banking	2,541,510
Litchfield Developers LLC	Real Estate	2,176,850
Total	Commercial Real Estate	\$ <u>49,477,910</u>

*DBA Brandywine Assisted Living at Litchfield (Sarah Pierce Community)

Source: Town of Litchfield, Office of Tax Assessor

TAXABLE GRAND LIST
JUNE 30, 2018

<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 \$	936,009,587 \$	38,716,523 \$	76,038,539 \$	1,050,764,649 \$	3,805,390 \$	1,046,959,259

Source: Town of Litchfield, Office of Tax Assessor

**CALCULATION OF DIRECT DEBT AND NEW DIRECT DEBT
JUNE 30, 2018**

Long-Term Indebtedness (1):		
Bonds:		
General Purpose	\$	14,534,220
Schools		9,778,780
Sewers		455,000
State of Connecticut PLO (Clean Water Fund)		<u>1,337,584</u>
Total Long-Term Indebtedness		26,105,584
Short-Term Indebtedness:		
Bond Anticipation Notes		<u>-</u>
Total Direct Debt		26,105,584
Exclusions (2):		
Sewer assessments receivable		(564,932)
Intergovernmental receivable - Town of Morris (PLO)		(106,597)
Sewer use charges receivable		<u>(207,694)</u>
Total Net Direct Debt	\$	<u><u>25,226,361</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, 2018

Total Direct Indebtedness	\$	26,105,584
Total Net Direct Indebtedness	\$	25,226,361
Population (1)		8,277
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)	\$	1,422,154,129
Per Capita Income (2016) (3)	\$	45,524
Total Direct Indebtedness:		
Per Capita	\$	3,154
To Net Taxable Grand List		2.49%
To Estimated Full Value		1.75%
To Equalized Net Taxable Grand List		1.84%
Per Capita to Per Capita Income		6.93%
Total Net Indirect Indebtedness:		
Per Capita	\$	3,048
To Net Taxable Grand List		2.41%
To Estimated Full Value		1.69%
To Equalized Net Taxable Grand List		1.77%
Per Capita to Per Capita Income		6.69%

- (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