



TOWN OF LITCHFIELD, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2015

TOWN OF LITCHFIELD, CONNECTICUT**TABLE OF CONTENTS****JUNE 30, 2015**

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-12

Exhibit

Basic Financial Statements:		
Government-Wide Financial Statements:		
I	Statement of Net Position	13
II	Statement of Activities	14
Fund Financial Statements:		
III	Balance Sheet - Governmental Funds	15-16
IV	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17-18
V	Statement of Net Position - Proprietary Funds	19
VI	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	20
VII	Statement of Cash Flows - Proprietary Fund	21
VIII	Statement of Fiduciary Net Position - Fiduciary Funds	22
IX	Statement of Changes in Net Position - Fiduciary Funds	23
	Notes to the Financial Statements	24-54
Required Supplementary Information:		
RSI-1	Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund	55-56
RSI-2	Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund	57-59
RSI-3a	Schedule of Changes in Net Pension Liability and Related Ratios - Last Two Fiscal Years - Town Plan	60
RSI-3b	Schedule of Changes in Net Pension Liability and Related Ratios - Last Two Fiscal Years - Merit Service Plan	61
RSI-4a	Schedule of Employer Contributions - Last Ten Fiscal Years - Town Plan	62
RSI-4b	Schedule of Employer Contributions - Last Ten Fiscal Years - Merit Service Plan	63
RSI-5a	Schedule of Investment Returns - Last Two Fiscal Years - Town Plan	64
RSI-5b	Schedule of Investment Returns - Last Two Fiscal Years - Merit Service Plan	65
RSI-6	Schedule of the Town's Proportionate Share of the Net Pension Liability - Teachers Retirement Plan	66
Combining and Individual Fund Statements and Schedules:		
General Fund:		
A-1	Comparative Balance Sheet	67
A-2	Report of Tax Collector	68
A-3	Schedule of Expenditures - Board of Education	69

Exhibit

	Nonmajor Governmental Funds:	
B-1	Combining Balance Sheet	70-71
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	72-73
B-3	Schedule of Sewer Use Charges Receivable	74
B-4	Schedule of Sewer Assessments Receivable	75
	Capital Projects Fund:	
C-1	Project Combining Balance Sheet	76
C-2	Project Combining Statement of Revenues, Expenditures and Changes in Fund Balances	77
	Trust Funds:	
D-1	Combining Statement of Fiduciary Net Position	78
D-2	Combining Statement of Changes in Net Position	79
	Agency Funds:	
E	Combining Statement of Changes in Assets and Liabilities	80
	Other Schedule:	
F	Schedule of Debt Limitation	81

Statistical Section

Table

1	Principal Property Tax Payers	82
2	Taxable Grand List	83
3	Calculation of Direct Debt and Net Direct Debt	84
4	Current Debt Ratios	85

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Independent Auditors' Report

To the Board of Finance
Town of Litchfield, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental 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, 2015, 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.

Auditors' 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 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 of 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 auditors' 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 auditors consider 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 the governmental activities, each major fund and the aggregate remaining fund information of the Town of Litchfield, Connecticut, as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, during the fiscal year ended June 30, 2015, the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the Town has been restated to recognize the net pension liability required in implementing GASB No. 68. Our opinion is not modified with respect to this matter.

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 4 through 12, the budgetary comparison information on pages 55 through 59 and the pension schedules on pages 60 through 66 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, which 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 and statistical tables are presented for 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Litchfield, Connecticut, as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated December 5, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2014 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2014 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2015 on our consideration of the Town of Litchfield, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Litchfield, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 9, 2015

TOWN OF LITCHFIELD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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, 2015. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The Town issued \$1.27 million in Bonds and \$330,000 in BANs in February 2015. See detailed discussion in Long-Term Debt (page 11, Management Discussion and Analysis).
- Net assets of the Town's governmental activities increased by \$3.7 million, or 7.4%, primarily due to the continuing investment in its roads, schools and bridges.
- During the year, the Town earned tax and other revenues for governmental programs of \$34 million that was \$3.7 million more than program expenses.
- Total cost of all of the Town's programs was \$29.9 million.
- General Fund Property Tax revenues, including interest and lien fees was 99.5% of the budget, continuing the trend of strong collections.
- Unassigned fund balance of the General Fund decreased by \$451 thousand from \$4.9 million at June 30, 2014 to \$4.4 million at June 30, 2015, due to \$1M transfer to capital projects and \$250,000 to pension.

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 I and II, respectively) provide information about the activities of the Town as a whole and present a long-term view of the Town's finances. Fund financial statements are presented in Exhibits III to IX. 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. The required supplementary information provides budgetary information for the General Fund. The combining and individual fund statements and schedules provide additional information about activities of the Town.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report 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 changes in them. One measure of the Town's financial health is the Town's net position, the difference between assets and liabilities, 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, however, 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 governmental activities. These include the Town's basic services: general government, public safety, public works, health and welfare, libraries, recreation, education and interest on long-term debt. Property taxes, charges for services, and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State Statute (e.g., General Fund). Other funds are established by the Town to help control and manage financial activities for particular purposes (like the Town Hall Annex and Sewer Operating Funds) or to show that it is meeting legal responsibilities for state and federal grants and other money (like the Renovation of Schools Capital Projects Fund). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - 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 within the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - 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. At present, the Town has one proprietary fund which is its Internal Service Fund used to report activities of its medical self insurance services provided to the Town and Board of Education.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the fiduciary administrator for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position 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 Town's net position increased from \$50.6 million to \$54.4 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

**TABLE 1
NET POSITION
(In Thousands)**

	Governmental Activities	
	2015	2014
Current and other assets	\$ 16,385	\$ 17,493
Noncurrent assets	71,904	69,061
Total assets	<u>88,289</u>	<u>86,554</u>
Deferred Outflows of Resources	<u>1,276</u>	<u>574</u>
Current liabilities	5,232	5,834
Noncurrent liabilities	29,779	30,651
Total liabilities	<u>35,011</u>	<u>36,485</u>
Deferred Inflows of Resources	<u>194</u>	<u>28</u>
Net Position:		
Net investment in capital assets	45,092	40,477
Restricted	10	10
Unrestricted	<u>9,258</u>	<u>10,128</u>
Total Net Position	<u>\$ 54,360</u>	<u>\$ 50,615</u>

Total net position of the Town's governmental activities increased 7.40% (\$54.4 million compared to \$50.6 million). This is reflected in the Town's net position investment in capital assets which increased \$4.6 million from \$40.5 million at June 30, 2014 to \$45.1 million at June 30, 2015 primarily due to construction and improvements of its capital assets.

Unrestricted net position - the part of net position that can be used to finance daily operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$870,000 from \$10.1 million at June 30, 2014 to \$9.3 million on June 30, 2015.

TABLE 2
CHANGE IN NET POSITION
(In Thousands)

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 2,018	\$ 1,938
Operating grants and contributions	4,007	4,651
Capital grants and contributions	1,284	711
General revenues:		
Property taxes	26,016	25,359
Grants not restricted to specific purposes	206	236
Unrestricted investment earnings and other	91	60
Total revenues	<u>33,622</u>	<u>32,955</u>
Program expenses:		
General government	1,812	2,001
Public safety	1,127	1,642
Public works	5,136	4,948
Health and welfare	137	133
Libraries	355	347
Recreation	395	380
Education	20,277	19,929
Interest on long-term debt	638	1,028
Total program expenses	<u>29,877</u>	<u>30,408</u>
Increase (Decrease) in Net Position	<u>\$ 3,745</u>	<u>\$ 2,547</u>

The Town's total revenue was \$33.6 million. The total cost of all programs and services was \$29.9 million. The \$80 thousand increase from 2014 to 2015 for charges for services was mainly due to payment from the Town of Morris toward the sewer plant upgrade. The \$573 thousand increase in capital grants and contributions was primarily due to Small Cities grant funding. Our analysis below separately considers the operations of governmental activities.

Governmental Activities

Approximately 77% of the revenues were derived from property tax. Restricted operating grants and contributions and restricted capital grants and contributions, accounted for 11% and 4% of revenues, respectively. Charges for services represented 6% of revenues and the 2% remaining revenues were from unrestricted grants, investments earnings and miscellaneous revenue.

Major revenue factors included:

- Property tax revenues of \$26.0 million were generated from a mill rate of 25.2 mills (22.6 for prior year) on the net taxable grand list of \$1.0 billion. There was negligible growth in the 2013 Grand List.
- Charges for program services increased by \$80 thousand from the prior year to a total of \$1,938 thousand.
- Program capital grants and contributions of \$1,284 thousand an increase of \$573 thousand.

Table 3 presents the cost of each of the Town's programs, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

TABLE 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
General government	\$ 1,812	\$ 2,001	\$ 1,107	\$ 1,125
Public safety	1,127	1,642	1,101	1,612
Public works	5,136	4,948	2,797	3,014
Health and welfare	137	133	100	99
Libraries	355	347	355	347
Recreation	395	380	321	314
Education	20,277	19,929	16,149	15,569
Interest on long-term debt	638	1,028	638	1,028
Total	\$ 29,877	\$ 30,408	\$ 22,568	\$ 23,108

For governmental activities, 68% of the Town's expenditures related to education; 17% for public works; 4% for public safety, 6% for general government and 4% for health and welfare, libraries, recreation services, and interest on long-term debt.

TOWN FUNDS FINANCIAL ANALYSIS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2015, the Town's governmental funds reported a combined fund balance of \$9.5 million, a 2% increase of \$144 thousand from June 30, 2014, of which 318 thousand increase was in the Capital Projects Fund, \$205 thousand increase was in the Non-major Governmental Fund, \$328 thousand decrease was in General and \$51 thousand decrease was in Sewer Assessment.

The Town's combined governmental fund balance of \$9.5 million is comprised of unassigned fund balance of \$4.0 million, assigned fund balance of \$226 thousand, committed fund balance of \$4.9 million, non-spendable fund balance of \$81 thousand and restricted fund balance of \$308 thousand.

The General Fund is the chief operating fund of the Town. At June 30, 2015, fund balance decreased \$328 thousand to \$4.8 million. General Fund unassigned fund balance decreased \$451 thousand from \$4.9 million at June 30, 2014 to \$4.5 million at June 30, 2015.

The total fund balance of the Sewer Assessment Fund decreased by \$51 thousand to \$532 thousand from \$583 thousand the previous year.

The Non-major Governmental Funds fund balance increased by \$205 thousand from \$1.0 million to \$1.2 million due mainly to strong tax collections by the Sewer Operations Tax Collector.

Proprietary Fund

The Town's proprietary fund is an Internal Service Fund which accounts for the health insurance costs of the Town and Board of Education (BOE) employees, including some retired BOE employees who are contractually eligible to participate in the plan. The total net position of the fund at June 30, 2015 increased \$304 thousand to \$2.8 million primarily due to collections in excess of claims paid.

Pension Trust Funds

For fiscal year 2015, the net position of the Pension Trust Funds increased 5% from the year earlier to \$11.9 million. This was due to gain in investments and contributions.

Other Post-Employment Benefits

For fiscal year 2015, the Net OPEB obligation increased by 13.7% to \$1,010 thousand. As in prior years, most expenses for postemployment benefits were paid out of the General Fund during the fiscal year ended June 30, 2015.

General Fund Budgetary Highlights

The original budget was approved by referendum on May 7, 2014 with appropriations of \$28.6 million. The budget was amended by actions of the Board of Finance and, as necessary, by the Town at various town meetings.

Actual expenditures and transfers out on a budgetary basis total \$29.2 million, which is \$639 thousand less than the final budget of \$29.8 million. The favorable variance was due to costs savings throughout the Town's various departments.

On the revenue side, it was Intergovernmental - \$96 thousand, Town Clerk - \$55 thousand which offset the budget shortfalls in departmental revenues. The excess of revenues and other financing sources on a budgetary basis was \$143 thousand.

Of the General Fund's fund balance, 93.8% constitutes unassigned fund balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the Town had \$71.9 million invested in a broad range of capital assets, including land, buildings and improvements, machinery and equipment and infrastructure (Table 4). This amount represents a net increase (including additions and deductions) of \$2.1 million, or 3.04% over the previous fiscal year.

Machinery and equipment purchases were \$259 thousand, Building and Improvement were \$498 thousand, Capital Improvement Projects were \$1.7 million and Infrastructure were \$693 thousand.

Infrastructure additions of \$693 thousand were to improve the Town's 121 miles of roads and bridges as well as to pave the Litchfield High School and Intermediate School parking lots.

Buildings and Improvement purchases of \$498 thousand were used for various improvements.

An additional \$1.7 million in capital spending was used toward Construction in Progress.

TABLE 4
CAPITAL ASSETS (Net of Depreciation)
(In Thousands)

	Governmental Activities	
	2015	2014
Land	\$ 1,296	\$ 1,296
CIP	3,679	1,966
Buildings and improvements	43,300	43,075
Machinery and equipment	2,612	2,551
Infrastructure	<u>21,017</u>	<u>20,893</u>
Total	<u>\$ 71,904</u>	<u>\$ 69,781</u>

The Town's fiscal year 2014-15 CIP budget authorizes spending \$3.1 million for capital projects, of which \$481 thousand is to be funded from grants and other local funding. This includes \$1.1 million for major road projects; \$150 thousand toward the replacement/restoration of bridges; \$585 thousand for public facilities; \$412 thousand for vehicle and equipment replacement, \$552 thousand for Fire Department equipment and building repairs

The Town Hall Building Committee developed a plan to consolidate Town Hall and Town Hall Annex operations into one location. The project was postponed; however, the Town Hall Building Committee began meetings in fiscal year 2012 to re-consider designs for a new Town Hall. The project has been put on hold as Town officials contemplate regionalization of the town schools. If regionalization were to occur, one of the existing school buildings may be used as the Town Hall.

Additional detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

Long-Term Debt

At June 30, 2015, the Town had \$26.0 million in bonds outstanding versus \$27.1 million last year, a decrease of 4.4% or \$1.1 million as seen in Table 5.

TABLE 5
OUTSTANDING DEBT
(In Thousands)

	Governmental Activities	
	2015	2014
General obligation bonds (backed by the Town)	\$ <u>25,953</u>	\$ <u>27,149</u>

On February 5, 2015, as authorized at the Town's Annual Meeting, the Town issued \$330,000 thousand in General Obligation Bond Anticipation Notes (BANs). \$120,000 thousand of the BANs issuance was for Town Schools Expansion & Renovation Projects and \$210,000 was for Board of Education Technology. General Obligation Bonds of \$1,270,000 was also issued. This Bond issue were for the 2013-14 Capital Improvement Program for \$1,122,432 and 2014-15 Capital Improvement Program for \$143,999.

In May 2010, Moody's Investors Services Inc., recalibrated Connecticut municipal ratings to its Global Rating Scale. Accordingly, the Town's rating went to Aa3 from Aa2. Moody's does not believe the recalibration reflects credit quality improvement. The Town's rating of Aa2 by Moody's Investors Services Inc. was reaffirmed in the bond and BAN issuance in fiscal year 2013. The State limits the amount of general obligation debt that municipalities can issue using a formula determined under State Statutes that is based on the type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$174 million State-imposed limit at June 30, 2014.

Detailed information about other long-term obligations of the Town's is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND MIL RATE

At June 30, 2015, employment in Litchfield was 4,400, an increase of 338 from the prior year. The Town's unemployment rate at June 30, 2015 was 5.2%, down 4% over the prior year. This rate compares favorably to both the State and national unemployment rates of 6.3% and 5.5%, respectively. Inflation for the Northeast area for the year ended June 30, 2015 increased from 1.5% to 1.9% over the prior year. The national Consumer Price Index - All Urban Consumers (CPI 1982-84=100) increased 2.1% at June 30, 2015 from the previous year.

The fiscal year 2016 budget was adopted at Town Meeting on May 13, 2015. The Town's net taxable grand list decreased .15% from the prior. The Town's elected Board of Finance set the fiscal year 2015-2016 tax mil rate at 26.2, an 4.0% increase from the prior year. The increase was due to increased budget. Amounts available for appropriation in the original fiscal 2016 General Fund budget are \$29.5 million, an increase of 3.4% from the original 2015 budget of \$28.6 million. The increase was necessary to fund the \$419 thousand increase for the Board of Education (mainly employee benefits) and the \$394 thousand increase in the Selectman's budget (mainly Public Works Expenditures).

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 Finance Department, Town of Litchfield, 74 West Street, P.O. Box 488, Litchfield, Connecticut 06759.

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2015
(In Thousands)

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 14,550
Receivables, net	1,764
Prepaid items	71
Capital assets not being depreciated	4,975
Capital assets being depreciated, net	<u>66,929</u>
Total assets	<u>88,289</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	517
Changes in projected investment earnings	278
Changes related to pension actuarial experience	<u>481</u>
Total Deferred Outflows	<u>1,276</u>
Liabilities:	
Accounts payable	1,836
Bond anticipation notes	330
Unearned revenue	203
Due to fiduciary fund	97
Noncurrent liabilities:	
Due within one year	2,766
Due in more than one year	<u>29,779</u>
Total liabilities	<u>35,011</u>
Deferred Inflows of Resources:	
Advance property tax collections	193
Advance fee collections	1
Total deferred inflows of resources	<u>194</u>
Net Position:	
Net investment in capital assets	45,092
Restricted for trust purposes	10
Unrestricted	<u>9,258</u>
Total Net Position	\$ <u>54,360</u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,812	\$ 401	\$ 304	\$	\$ (1,107)
Public safety	1,127	26			(1,101)
Public works	5,136	1,282		1,057	(2,797)
Health and welfare	137	13	24		(100)
Libraries	355				(355)
Recreation	395	74			(321)
Education	20,277	222	3,679	227	(16,149)
Interest on long-term debt	<u>638</u>				<u>(638)</u>
Total	<u>\$ 29,877</u>	<u>\$ 2,018</u>	<u>\$ 4,007</u>	<u>\$ 1,284</u>	<u>(22,568)</u>
General revenues:					
Property taxes					26,016
Grants and contributions not restricted to specific programs					206
Unrestricted investment earnings					37
Miscellaneous					54
Total general revenues					<u>26,313</u>
Change in net position					3,745
Net Position at Beginning of Year, as Restated					<u>50,615</u>
Net Position at End of Year					<u>\$ 54,360</u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015
(In Thousands)

	<u>General</u>	<u>Sewer Assessment</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 14,263	\$ 829	\$ 28	\$ 80	\$ 14,343
Receivables, net	669	532	3,647	238	1,764
Due from other funds	323			1,371	5,873
Other assets	71				71
Total Assets	\$ 15,326	\$ 1,361	\$ 3,675	\$ 1,689	\$ 22,051
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,363	\$ 323	\$ 47	\$ 1,410	
Due to other funds	8,437				8,760
Bond anticipation notes payable		330			330
Unearned revenue			203		203
Total liabilities	9,800	-	653	250	10,703
Deferred inflows of resources:					
Unavailable revenue - property taxes	560				560
Unavailable revenue - sewer receivables		829		118	947
Unavailable revenue - loans receivable				111	111
Advance property tax collections	193			1	194
Total deferred inflows of resources	753	829	-	230	1,812
Fund balances:					
Nonspendable	71			10	81
Restricted				308	308
Committed		532	3,465	912	4,909
Assigned	226				226
Unassigned	4,476		(443)	(21)	4,012
Total fund balances	4,773	532	3,022	1,209	9,536
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,326	\$ 1,361	\$ 3,675	\$ 1,689	\$ 22,051

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2015
(In Thousands)

Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position:

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

Fund balances - total governmental funds	\$ 9,536
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 101,611
Less accumulated depreciation	<u>(29,707)</u>
Net capital assets	71,904

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:

Property tax receivables greater than 60 days	416
Property tax interest receivables greater than 60 days	144
Assessments receivable	829
Housing loans	111
Sewer use receivables	118
Deferred outflows related to pension actuarial experience	278
Deferred outflows related to changes in actuarial experience	481

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 reported with governmental activities in the statement of net position.

2,843

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(25,953)
Premium on bonds	(1,046)
Deferred amount in refunding	517
Interest payable on bonds and notes	(272)
Compensated absences	(283)
Landfill closure	(11)
OPEB obligation	(990)
Net pension liability	(4,239)
Claims and judgments	<u>(23)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 54,360</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

	General	Sewer Assessment	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 26,098	\$	\$	\$	\$ 26,098
Intergovernmental	3,426		905	1,143	5,474
Charges for services	504	124		1,467	2,095
Investment income	29	1	1	1	32
Other	51			56	107
Total revenues	30,108	125	906	2,667	33,806
Expenditures:					
Current:					
General government	1,308			298	1,606
Public safety	811			10	821
Public works	2,834			750	3,584
Health and welfare	106			12	118
Libraries	355				355
Recreation	257			68	325
Education	19,117			717	19,834
Employee benefits	1,887				1,887
Capital outlay			3,295		3,295
Debt service	3,177				3,177
Total expenditures	29,852	-	3,295	1,855	35,002
Excess (Deficiency) of Revenues over Expenditures	256	125	(2,389)	812	(1,196)
Other Financing Sources (Uses):					
Transfers in	427			65	1,929
Transfers out	(1,081)	(176)		(672)	(1,929)
Issuance of bonds			1,270		1,270
Premium on bonds	70				70
Total other financing sources (uses)	(584)	(176)	2,707	(607)	1,340
Net Change in Fund Balances	(328)	(51)	318	205	144
Fund Balances at Beginning of Year	5,101	583	2,704	1,004	9,392
Fund Balances at End of Year	\$ 4,773	\$ 532	\$ 3,022	\$ 1,209	\$ 9,536

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 144
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	3,163
Depreciation expense	(1,040)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Housing loans receivable - accrual basis change	(10)
Property tax receivable - accrual basis change	(86)
Property tax interest and lien revenue - accrual basis change	4
Sewer assessment receivable - accrual basis change	(92)
Sewer use receivable - accrual basis change	(14)
Change in deferred outflows related to pension actuarial experience	278
Change in deferred outflows related to changes in projected investment earnings	481

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 has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	2,466
Proceeds from general obligation bonds	(1,270)
Premium on general obligation bonds	(70)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	(18)
Claims and judgments	3
Amortization of deferred charge on refunding	(57)
Amortization of premiums	113
Accrued interest	16
Change in net pension liability	(400)
OPEB obligation	(179)
Landfill postclosure care	9

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

304

Change in Net Position of Governmental Activities (Exhibit II)	\$ <u>3,745</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2015
(In Thousands)

	<u>Governmental Activities</u>	<u>Internal Service Fund</u>
Assets:		
Cash and cash equivalents	\$ 207	
Due from other funds	2,790	
Total assets	<u>2,997</u>	
Liabilities:		
Claims payable	<u>154</u>	
Net Position:		
Unrestricted	<u>\$ 2,843</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

	Governmental Activities	Internal Service Fund
Operating Revenues:		
Charges for services	\$ 3,100	
Operating Expenses:		
Claims incurred	<u>2,801</u>	
Operating Income	299	
Nonoperating Revenue:		
Interest income	<u>5</u>	
Change in Net Position	304	
Net Position at Beginning of Year	<u>2,539</u>	
Net Position at End of Year	<u>\$ 2,843</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

	<u>Governmental Activities</u>	<u>Internal Service Fund</u>
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 2,867	
Payment to benefit providers	<u>(2,810)</u>	
Net cash provided by operating activities	<u>57</u>	
Cash Flow from Investing Activities:		
Interest received on investments	<u>5</u>	
Net Increase in Cash and Cash Equivalents	62	
Cash and Cash Equivalents at Beginning of Year	<u>145</u>	
Cash and Cash Equivalents at End of Year	<u>\$ 207</u>	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 299	
Adjustments to reconcile operating income to net cash provided by operating activities:		
Increase in due from other funds	(233)	
Decrease in incurred but not reported claims (IBNR)	<u>(9)</u>	
Net Cash Provided by Operating Activities	<u>\$ 57</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015
(In Thousands)

	Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 237	\$ 187
Investments:		
Equities	9,628	
Common stock	4,822	
Mutual funds	1,487	
Receivables:		
Interest and dividends	4	
Other		91
Due from other funds	97	
Total assets	16,275	\$ 278
Liabilities:		
Due to student groups and others		\$ 278
Net Position:		
Held in Trust for Pension and OPEB Benefits	\$ 16,275	

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

	Trust Funds
Additions:	
Contributions:	
Employer	\$ <u>1,344</u>
Investment income:	
Net appreciation in fair value of investments	167
Interest and dividends	<u>325</u>
Total investment income	492
Less investment expense:	
Investment management fees	<u>70</u>
Net investment income	<u>422</u>
Total additions	1,766
Deductions:	
Benefits	<u>872</u>
Net Increase	894
Net Position at Beginning of Year	<u>15,381</u>
Net Position at End of Year	\$ <u>16,275</u>

The accompanying notes are an integral part of the financial statements

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Litchfield, Connecticut (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

A. Reporting Entity

The Town was incorporated in 1719. The Town operates under a Selectmen/Town Meeting and Board of Finance form of government and provides the following services: general government, public safety, public works, recreation, health and welfare, libraries and education.

GAAP requires that the reporting entity include 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in GASB Codification Section 2100 has been considered, and there are no agencies or entities that should be, but are not, combined in the financial statements of the Town.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the pension and OPEB trust funds and internal service financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The *Sewer Assessment Fund* accounts for the activities related to the incurrence and payment of debt associated with betterments to sewer users. The major source of revenue for this fund is sewer assessment charges.

The *Capital Projects Fund* is used to account for the acquisition or construction of major capital facilities. Most of the capital outlays are financed by the issuance of general obligation bonds. Other sources include capital grants and current tax revenues.

Additionally, the Town reports the following fund types:

The *Internal Service Fund* accounts for its self-insured medical benefits.

The *Trust Funds* account for the activities of the Town's defined benefit pension plans, which accumulate resources for pension benefit payments to qualified participants, and the Town's other postemployment benefits for Board of Education retirees and their beneficiaries.

The *Agency Funds* account for monies held as a custodian for outside groups and agencies and do not involve measurement of results of operations.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

D. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the Town are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are assessed on property as of October 1, levied on the following July 1, billed and due in two installments, July 1 and the following January 1. Liens are filed by the last day of the fiscal year. All property taxes receivable at June 30, 2015 that have not been collected within 60 days of June 30 have been recorded as deferred revenue since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60-day period have been recorded as revenue. Property taxes receivable are reported net of a \$15,000 allowance for estimated uncollectible balances.

F. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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 does not add to the value of the asset or materially extend assets' lives is not capitalized.

Major outlays for capital assets are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	20
Distribution and collection systems	50-65
Public domain infrastructure	50
System infrastructure	30
Machinery and equipment	5-20

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

In the governmental fund financial statements, capital outlay (assets) is reported as an expenditure, and no depreciation expense is recorded.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pensions in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance property tax collections and advance fee collections in the government-wide statement of net position. Both advance property tax collections and advance fee collections represent taxes and fees inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, special assessments and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

H. Compensated Absences

Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement, as follows:

Vacation and sick leave expenses to be paid in future periods are accrued when earned in the government-wide financial statements.

A liability for these amounts is reported in the governmental funds only for the amounts expected to be paid (matured), for example, as a result of employee resignations and retirements.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

I. 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.

J. Net OPEB Assets/Obligations

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

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts 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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 debt issued is reported as other financing 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.

L. Fund Equity

Equity in the government-wide financial statements is defined as "net position" and is classified in the following categories:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Restrictions on net position are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance

This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance

This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors, or laws and regulations of their governments.

Committed Fund Balance

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Litchfield Board of Selectmen).

Assigned Fund Balance

This balance represents amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the Town Charter.

Unassigned Fund Balance

This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. In May, the Board of Finance submits to the annual Town Meeting, at which taxpayer comments are obtained, a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

- Prior to July 1, the budget is legally enacted through passage of a resolution.
- The Board of Finance is authorized to transfer budgeted amounts between appropriations and can approve additional appropriations up to an aggregate of \$20 thousand per department per year. Transfers and additional appropriations aggregating more than \$20 thousand for any one department per year must be approved by the Town Meeting. During the year, the Board of Finance and, where required, the Town Meeting, approved no additional appropriations.
- Formal budgetary integration is employed as a management control device during the year.
- Except for encumbrance accounting and on-behalf payments made for State Teachers' Retirement, the budget is prepared on the modified accrual basis of accounting.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

- The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under state law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education, Board of Finance and, if necessary, Town Meeting approval.

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

B. Fund Deficits

The Cafeteria Fund had a deficit fund balance of \$21 and will be funded by future charges for services.

3. CASH, CASH EQUIVALENTS AND 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.”

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$8,245 of the Town's bank balance of \$10,390 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 7,270
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>975</u>
Total Amount Subject to Custodial Credit Risk	\$ <u>8,245</u>

Cash Equivalents

At June 30, 2015, the Town's cash equivalents amounted to \$5,227. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by a nationally recognized statistical rating organization. The pools all have maturities of less than one year.

	Standard & Poor's
State Short-Term Investment Fund (STIF)	AAAm

*Not rated

Investments

As of June 30, 2015, the Town had the following investments:

Other investments:	
Common stock	\$ 4,822
Mutual funds	<u>11,115</u>
Total Investments	\$ <u>15,937</u>

Interest Rate Risk

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. The Pension Commission's Investment Policy requires its fixed income portion to be high quality bonds managed consistent with Bank of America's forecast of interest rates, inflation and valuation levels, and the benchmark is the Lehman Brothers Aggregate Index for high quality and the J.P. Morgan Developed B/B Index for high yield. This is a means to manage the Town's exposure to fair value losses arising from increasing interest rates.

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Credit Risk

Investments - As indicated above, 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.

The Pension Commission's investment benchmark for large capitalization companies is the S&P 500 Index, and for small capitalization companies the benchmark is the Russell 2000. The benchmark for international equities is the Morgan Stanley EAFE Index.

Concentration of Credit Risk

The Investment Policy sets forth the following asset allocation targets: Equities 50% - 70%; Fixed Income 30% - 50%; and Cash 0% - 20%.

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2015, the Town's noninterest-bearing investments were uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name, or are not subject to categorization of custodial credit risk.

4. RECEIVABLES

Receivables as of year end for the Town's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Sewer Assessment	Capital Projects	Nonmajor and Other	Total
Receivables:					
Taxes	\$ 540	\$	\$	\$	\$ 540
Interest	144				144
Accounts				129	129
Intergovernmental			28	4	32
Special assessments		829			829
Housing loans				116	116
Gross receivables	684	829	28	249	1,790
Less allowance for uncollectibles	15			7	22
Net Total Receivables	\$ 669	\$ 829	\$ 28	\$ 242	\$ 1,768

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,296	\$	\$	\$ 1,296
Construction in process	1,966	1,713	_____	3,679
Total capital assets not being depreciated	<u>3,262</u>	<u>1,713</u>	<u>-</u>	<u>4,975</u>
Capital assets being depreciated:				
Buildings and improvements	52,771	498	_____	53,269
Machinery and equipment	8,849	259	_____	9,108
Infrastructure	33,566	693	_____	34,259
Total capital assets being depreciated	<u>95,186</u>	<u>1,450</u>	<u>-</u>	<u>96,636</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,696)	(273)	_____	(9,969)
Machinery and equipment	(6,298)	(198)	_____	(6,496)
Infrastructure	(12,673)	(569)	_____	(13,242)
Total accumulated depreciation	<u>(28,667)</u>	<u>(1,040)</u>	<u>-</u>	<u>(29,707)</u>
Total capital assets being depreciated, net	<u>66,519</u>	<u>410</u>	<u>-</u>	<u>66,929</u>
Governmental Activities Capital Assets, Net	<u>\$ 69,781</u>	<u>\$ 2,123</u>	<u>\$ -</u>	<u>\$ 71,904</u>

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental activities:			
General government		\$ 7	
Public safety		85	
Public works		767	
Recreation		12	
Education		169	
Total Depreciation Expense - Governmental Activities		<u>\$ 1,040</u>	

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

6. INTERFUND RECEIVABLE AND PAYABLE BALANCES

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, funds make transfers to other funds to provide funding. A summary of interfund balances as of June 30, 2015 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Funds	\$ 323
Sewer Assessment Fund	General Fund	532
Capital Projects Funds	General Fund	3,647
Internal Service Fund	General Fund	2,790
Fiduciary Fund	General Fund	97
Nonmajor Governmental Funds	General Fund	<u>1,371</u>
Total		\$ <u>8,760</u>

Interfund receivables and payables generally represent temporary balances arising from reimbursement type transactions.

Interfund transfers:

	<u>Transfers In</u>			<u>Nonmajor Governmental Funds</u>	<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Transfers In</u>		
Transfers out:					
General Fund	\$	\$	1,016	\$ 65	\$ 1,081
Sewer Assessment	176				176
Nonmajor Governmental	<u>251</u>	<u>421</u>			<u>672</u>
Total Transfers In	<u>\$ 427</u>	<u>\$ 1,437</u>		<u>\$ 65</u>	<u>\$ 1,929</u>

Transfers are used to move unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds and notes	\$ 27,149	\$ 1,270	\$ 2,466	\$ 25,953	\$ 2,673
Premium on refunding and general obligation bonds	1,089	70	113	1,046	
Total bonds payable	<u>28,238</u>	<u>1,340</u>	<u>2,579</u>	<u>26,999</u>	<u>2,673</u>
Compensated absences	265	20	2	283	79
OPEB obligation	811	179		990	
Landfill monitoring closure and postclosure costs	20		9	11	11
Claims and judgments	26		3	23	3
Net pension liability	<u>3,839</u>	<u>400</u>		<u>4,239</u>	
Governmental Activity Long-Term Liabilities	<u>\$ 33,199</u>	<u>\$ 1,939</u>	<u>\$ 2,593</u>	<u>\$ 32,545</u>	<u>\$ 2,766</u>

General Obligation Bonds

A schedule of bonds outstanding at June 30, 2015 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Interest Rate (%)</u>	<u>Balance Outstanding June 30, 2015</u>
Clean Water Fund Bond	1998	\$ 900	2	\$ 84
Clean Water Fund Bond	1999	570	2	103
Clean Water Fund Bond	2004	4,595	2	2,061
General Refunding Bonds Series B	2010	2,655	2.00-3.375	1,030
General Refunding Bonds Series C	2010	8,405	2.00-4.00	5,980
General Obligation Bonds	2010	1,355	2.00-3.125	780
General Refunding Bonds	2012	7,555	3.00-4.00	6,200
General Obligation Bonds	2012	2,900	2.00-3.00	2,325
General Refunding Bonds	2012	4,555	2.00-4.00	4,370
General Obligation Bonds	2013	2,130	1.50-2.00	1,750
General Obligation Bonds	2015	1,270	2.00-4.00	<u>1,270</u>
				\$ <u>25,953</u>

The Town has pledged its full faith and credit as collateral for its bonded indebtedness. General obligation bonds will be paid from taxes levied on taxable property in the Town.

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The following is a summary of general obligation bond debt and Clean Water Fund debt maturities:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$ 2,673	\$ 758	\$ 3,431
2017	2,877	679	3,556
2018	2,846	592	3,438
2019	2,730	505	3,235
2020	2,752	418	3,170
2021-2025	11,086	879	11,965
2026-2030	989	19	1,008
Total	\$ 25,953	\$ 3,850	\$ 29,803

Bonds authorized and unissued at June 30, 2015 is as follows:

	Authorized	Bonds and BANs Issued	Authorized but Unissued Debt
2012-13 Capital Improvements	\$ 5,100	\$ 1,884	\$ 3,216
2013-14 Capital Improvements	2,965	2,127	838
2014-15 Capital Improvements	<u>3,020</u>	<u>267</u>	<u>2,753</u>
Total	\$ 11,085	\$ 4,278	\$ 6,807

The Town's indebtedness does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limitation	Net Indebtedness	Balance
General purpose	\$ 58,757	\$ 11,770	\$ 46,987
Schools	117,513	14,142	103,371
Sewers	97,928	2,988	94,940
Urban renewal	84,871		84,871
Pension deficit	78,342		78,342

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$183 million (amount not rounded). All long-term debt obligations are retired through General Fund appropriations. Net indebtedness includes bonds authorized and unissued and bond anticipation notes outstanding, net of estimated State building grant commitments.

Landfill Closure and Postclosure Care Costs

The Town's estimated costs to monitor the landfill for the next four years are \$11 at June 30, 2015. This amount is based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, \$23 has been accrued as an estimate of the cost to provide water for the remaining 8 years of the agreement.

8. BOND ANTICIPATION NOTES

The following is a schedule of changes in bond anticipation notes for the year ended June 30, 2015:

Date Issued	Maturity Date	Effective Interest Rate (%)	Balance July 1, 2014	Issued	Retired	Balance June 30, 2015
2/6/2014	2/5/2015	1.00	\$ 1,640	\$ 1,640	\$ -	-
2/6/2014	2/5/2015	1.00	_____	330	_____	330
Total			\$ 1,640	\$ 330	\$ 1,640	\$ 330

Capital Projects Fund

The proceeds from the bond anticipation notes outstanding at June 30, 2015 are to be used to fund the \$33 million school building project, school technology and 2014-2015 capital improvements.

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

9. FUND BALANCES

The components of fund balance for the governmental funds at June 30, 2015 are as follows:

	General Fund	Major Special Revenue Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
	Sewer Assessment Fund				
Fund balances:					
Nonspendable:					
Endowment	\$	\$	\$	\$	\$
Inventories		71			71
Restricted for:					
Grants					263
Education					45
Committed to:					
Sewer assessment		532			532
Capital projects			3,465		3,465
General government				630	630
Public works				184	184
Recreation				98	98
Assigned to:					
General government	30				30
Public safety	5				5
Public works	6				6
Health and welfare	2				2
Education	180				180
Employee benefits	3				3
Unassigned	<u>4,476</u>		<u>(443)</u>	<u>(21)</u>	<u>4,012</u>
Total Fund Balances	\$ 4,773	\$ 532	\$ 3,022	\$ 1,209	\$ 9,536

Encumbrances outstanding at year end are reported as either committed or assigned fund balance depending on the nature of the restriction.

10. PENSION PLANS

A. 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.

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 plan year during which 1,000 hours were completed. Employees are 100% vested after five 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 Selectman. The First Selectman serves as an ex-officio member.

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

Merit Service Plan

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

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

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

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

B. 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.

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

C. Funding Policy

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

D. Investments

Investment Policy

The pension plan's policy in regard to the 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 allocations over short time spans. The following was the Board's adopted asset allocation policy for both plans as of June 30, 2015:

Asset Class	Target Allocation
US Equities	46%
REIT	3%
International Developed Economies	6%
International Emerging Economies	5%
High Quality Bond	33%
High Yield Bond	5%
Cash Equivalents	2%
Total	<u><u>100%</u></u>

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.91% for the Town Plan and 2.97% for the Merit Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Net Pension Liability of the Town

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

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

The components of the net pension liability of the Town at June 30, 2015 were as follows:

	Town Plan	Merit Service Plan
Total pension liability	\$ 15,601	\$ 3,903
Plan fiduciary net position	<u>11,903</u>	<u>3,362</u>
Net Pension Liability	<u><u>\$ 3,698</u></u>	<u><u>\$ 541</u></u>
Plan fiduciary net position as a percentage of the total pension liability	76.30%	86.14%

Actuarial Assumptions

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

Inflation	3.0%
Salary increases	4.0%, average, including inflation
Investment rate of return	7.00%, per year

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

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

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. Best estimates of arithmetic real rates of return for each major asset class included in both pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
US equities	5.60%
REIT	4.50%
International developed economies	5.90%
International emerging economies	7.20%
High quality bond	2.10%
High yield bond	4.00%
Cash equivalents	0.80%

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.00% 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 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.

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, 2014	\$ 14,613	\$ 11,203	\$ 3,410
Changes for the year:			
Service cost	345		345
Interest on total pension liability	1,023		1,023
Differences between expected and actual experience	318		318
Employer contributions		1,094	(1,094)
Net investment income		304	(304)
Benefit payments, including refund to employee contributions	(698)	(698)	-
Net changes	988	700	288
Balances as of June 30, 2015	\$ 15,601	\$ 11,903	\$ 3,698

Merit Service Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2014	\$ 3,719	\$ 3,290	\$ 429
Changes for the year:			
Service cost	59		59
Interest on total pension liability	259		259
Differences between expected and actual experience	33		33
Employer contributions		150	(150)
Net investment income		89	(89)
Benefit payments, including refund to employee contributions	(167)	(167)	-
Net changes	184	72	112
Balances as of June 30, 2015	\$ 3,903	\$ 3,362	\$ 541

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	Current	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town Plan Net Pension Liability	\$ 5,341	\$ 3,698	\$ 2,285	
Merit Service Plan Net Pension Liability	1,038	541	127	

F. 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, 2015 and the changes in net position for the year then ended.

Schedule of Plan Net Position

	Town	Merit	Service	
	Retirement	Retirement	Plan	Total
	Plan	Plan	Plan	
Assets:				
Cash and cash equivalents	\$ 176	\$ 48	\$ 224	
Investments	11,724	3,313	15,037	
Accrued interest receivable	<u>3</u>	<u>1</u>	<u>4</u>	
 Net Assets Held in Trust for Pension Benefits	 <u>\$ 11,903</u>	 <u>\$ 3,362</u>	 <u>\$ 15,265</u>	

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Schedule of Changes in Plan Net Position

	Town Retirement Plan	Merit Service Retirement Plan	Total
Additions:			
Contributions:			
Employer	\$ 1,094	\$ 150	\$ 1,244
Investment income:			
Net appreciation in fair value of investments	120	36	156
Interest and dividends	<u>238</u>	<u>69</u>	<u>307</u>
Total	358	105	463
Less investment expense:			
Investment management fees	<u>54</u>	<u>16</u>	<u>70</u>
Net investment income	<u>304</u>	<u>89</u>	<u>393</u>
Total additions	1,398	239	1,637
Deductions:			
Benefits	<u>698</u>	<u>167</u>	<u>865</u>
Net increase	700	72	772
Net Position at Beginning of Year	<u>11,203</u>	<u>3,290</u>	<u>14,493</u>
Net Position at End of Year	<u>\$ 11,903</u>	<u>\$ 3,362</u>	<u>\$ 15,265</u>

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

For the year ended June 30, 2015, the Town recognized pension expense of \$400. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Town Plan Deferred Outflows of Resources
Differences between expected and actual experience	\$ 248
Net difference between projected and actual earning on pension plan investments	<u>375</u>
 Total	 <u>\$ 623</u>
	Merit Service Plan Deferred Outflows of Resources
Differences between expected and actual experience	\$ 30
Net difference between projected and actual earning on pension plan investments	<u>106</u>
 Total	 <u>\$ 136</u>

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Year Ended June 30,

2016	\$ 195
2017	194
2018	194
2019	160
2020	3
Thereafter	13

Connecticut State Teachers' Retirement System

A. 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 multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

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

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

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

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

C. Contributions

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 are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

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

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

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

At June 30, 2015, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. 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 that was 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>20,942</u>
Total	\$	<u>20,942</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2015, the Town recognized pension expense and revenue of \$1,573 in Exhibit II for on-behalf amounts for the benefits provided by the State.

E. Actuarial Assumptions

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

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

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

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

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 class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Mutual equity	25.0%	7.3%
Developed markets ISF	20.0%	7.5%
Emerging markets ISF	9.0%	8.6%
Core fixed income	13.0%	1.7%
Emerging market debt	4.0%	4.8%
High yield	2.0%	3.7%
Inflation linked bonds	6.0%	1.3%
Liquidity fund	6.0%	.7%
Real estate	5.0%	5.9%
Private investment	10.0%	10.9%
Total	100.0%	

F. Discount Rate

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

H. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

Defined Contribution Retirement Plan

On July 1, 2012, the Town established a defined contribution retirement plan that covers employees of the Town and Board of Education hired on or after July 1, 2012. This plan was adopted and can be amended by the Board of Selectmen. Under this plan, the Town contributes an amount equal to 3% each year of an eligible employee's wages into a 401(a) on the employee's behalf. In addition, eligible employees may make an additional contribution up to the maximum allowed by law. There are currently seven participants in the plan as of June 30, 2015, and contributions have been made of \$8,864.

11. OTHER POSTEMPLOYMENT BENEFITS

A. Overview

The Retiree Health Plan (RHP) is a single-employer defined benefit healthcare plan administrated 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 fiscal year ended June 30, 2015. The plan does not issue a stand-alone financial report.

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

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

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

B. Funding Policy

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

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 retired in either fiscal year 2008 or 2009:
 - a. \$5 on date of retirement, and the BOE shall pay the cost of single health and dental insurance coverage under one of the plans (excluding the high deductible/health savings account option) offered by the BOE to actively employed teachers, less the contribution from the State of Connecticut Teachers' Retirement Board, for a period of 5 years immediately following retirement; or,
 - b. Teachers who do not elect the option set forth in (a) above shall receive ten thousand dollars (\$10) at the time of retirement and no other compensation or benefits.
2. For those who retire in fiscal year 2010 or thereafter:
 - a. \$5 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.

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 the contribution from the State of Connecticut Teachers' Retirement Board, until eligible for Medicare; or,
2. \$5 annual payment until eligible for Medicare, age 65, or for 5 years immediately following retirement, whichever is less.

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

C. Annual OPEB Cost and Net OPEB Obligations

The BOE's annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 15 years. The following table shows the components of the BOE's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the BOE's net OPEB obligation (asset):

Annual required contribution (ARC)	\$ 294
Interest on OPEB obligation	57
Adjustment to annual required contribution	(72)
Annual OPEB cost	279
Contributions made	<u>100</u>
Increase in net OPEB obligation	179
Net OPEB obligation - beginning of year	<u>811</u>
Net OPEB Obligation - End of Year	\$ <u>990</u>

The BOE's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended June 30, 2015, 2014 and 2013, are presented below.

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2015	\$ 279	\$ 100	35.8 %	\$ 990
6/30/2014	276	271	98.2	811
6/30/2013	275	144	52.4	806

D. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2010	\$ -	\$ 5,373	\$ 5,373	-	\$ 8,077	67 %
7/1/2012	621	3,124	2,504	20	7,986	31
7/1/2014	886	2,571	1,685	34	12,219	14

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

E. Employer Contributions

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

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage of ARC Contributed
2015	\$ 294	\$ 100	34.0 %
2014	291	271	93.1
2013	287	144	50.2

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 10% initially, decreasing 1% per year to an ultimate rate of 4% for 2016 and later. The actuarial value of assets was determined using the open group method. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012 was 20 years, open.

TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

12. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27:

Net position balance at June 30 2014, as previously reported	\$ 55,173
Adjustments:	
Eliminate net pension assets reported per GASB No. 27	(719)
Record starting net pension liability per GASB No. 68	<u>(3,839)</u>
Net Position Balance at July 1, 2014, as Restated	\$ <u>50,615</u>

13. RISK MANAGEMENT

The Town is exposed to various risks of loss including torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; 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. Settled claims, for all types of commercial coverage, have not exceeded coverage in any of the past three years.

The Internal Service Fund is utilized to report the self-insurance medical activity. Anthem Blue Cross/Blue Shield administers the plan, for which the Town pays a fee. The General Fund (Town and Board of Education) and Sewer Operations Fund (Special Revenue Fund) contribute based on Anthem Blue Cross/Blue Shield estimates made using the Town's historical data. The Town covers all claims up to \$100,000 (amount not rounded) per participant per year with an individual stop-loss policy covering amounts exceeding the limit. In addition, the Town has an aggregate stop-loss policy that would cover claims exceeding 120% of the total estimated claims for the plan year. The claims payable liability of approximately - included in the Internal Service Fund at June 30, 2015 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be recorded if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amounts of the loss can be reasonably estimated. Claims payable are estimated based on claims paid for the year. Claim transactions for the last two years are as follows:

Fiscal Year	Accrued Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Accrued Liability Claim Payments	Accrued Liability End of Fiscal Year
2015	\$ 163	\$ 2,792	\$ 2,801	\$ 154
2014	194	2,991	3,022	163

**TOWN OF LITCHFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

The Town is a member of a public entity risk management program pursuant to the provisions of Section 7-479a et. seq. of the Connecticut General Statutes for workers' compensation pool insurance. The Town pays annual premiums for its coverage. During fiscal year 2010, the Town's membership was with Municipal Interlocal Risk Management Agency that reinsured in excess of \$250 for each insured occurrence. Beginning July 1, 2010, the Town changed its membership to Connecticut Interlocal Risk Management Agency that reinsurance in excess of \$500 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies.

14. CONTINGENT LIABILITIES

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by Town management and counsel to result in a judgment or judgments that would have a material adverse effect on the Town's financial position.

TOWN OF LITCHFIELD, CONNECTICUT**GENERAL FUND****SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES****BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)****FOR THE YEAR ENDED JUNE 30, 2015****(In Thousands)**

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Property taxes:				
Property taxes	\$ 25,801	\$ 25,801	\$ 25,885	\$ 84
Interest and lien fees	175	175	213	38
Total property taxes	<u>25,976</u>	<u>25,976</u>	<u>26,098</u>	<u>122</u>
Licenses, permits and fees:				
Selectmen:				
Recycling recovery	19	19	21	2
Resource recovery	5	5	6	1
Refuse collection permits	1	1		(1)
Demolition and brush fees	55	55	54	(1)
Tires	1	1		(1)
Public works labor	5	5	1	(4)
Total selectmen	<u>86</u>	<u>86</u>	<u>82</u>	<u>(4)</u>
Town Clerk:				
Town Clerk fees				-
Conveyance tax	105	105	160	55
Dog license fees	1	1	3	2
Licenses and permits	72	72	72	-
Total Town Clerk	<u>178</u>	<u>178</u>	<u>235</u>	<u>57</u>
Development and planning:				
Planning and zoning fees	30	30	11	(19)
Wetland fees	7	7	5	(2)
Zoning Board of Appeals	3	3	4	1
Total development and planning	<u>40</u>	<u>40</u>	<u>20</u>	<u>(20)</u>
Police Department:				
Private duty	11	11	11	-
Parking fines	4	4	6	2
Fingerprinting	1	1		(1)
Tickets	5	5	5	-
Total Police Department	<u>21</u>	<u>21</u>	<u>22</u>	<u>1</u>
Building inspection:				
Building fees	<u>75</u>	<u>75</u>	<u>81</u>	<u>6</u>
Fire Marshal:				
Licenses and permits	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
Social services:				
Senior van donations	1	1	1	-
Elderly housing - Wells Run	16	16	23	7
Total social services	<u>17</u>	<u>17</u>	<u>24</u>	<u>7</u>
Special programs:				
Tax Assessor sale of maps	2	2	1	(1)
Parks and recreation	2	2	3	1
Probate court	13	13	13	-
Total special programs	<u>17</u>	<u>17</u>	<u>17</u>	<u>-</u>

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TOWN OF LITCHFIELD, CONNECTICUT**GENERAL FUND****SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES****BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)****FOR THE YEAR ENDED JUNE 30, 2015****(In Thousands)**

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Education:				
Tuition and fees	\$ 18	\$ 18	\$ 21	\$ 3
Total licenses, permits and fees	454	454	504	50
Intergovernmental:				
In lieu of taxes	64	64	85	21
Circuit breaker	59	59	62	3
Veterans' exemption	4	4	4	-
Mashantucket Pequot Fund	18	18	22	4
Educational transportation	25	25	27	2
Education cost sharing	1,472	1,472	1,503	31
Telephone access line grant	29	29	33	4
Total intergovernmental	1,671	1,671	1,736	65
Investment income	25	25	29	4
Other revenues:				
Miscellaneous	23	23	60	37
Total revenues	28,149	28,149	28,427	278
Other financing sources:				
Transfers in:				
Sewer operations	427	427	427	-
Premium on bonds			70	70
Total other financing sources	427	427	497	70
Total	\$ 28,576	\$ 28,576	28,924	\$ 348
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			1,573	
Excess Cost Grant			117	
Cancellation of prior year encumbrances are recognized as budgetary revenue			(9)	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ 30,605	

TOWN OF LITCHFIELD, CONNECTICUT**GENERAL FUND****SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES****BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)****FOR THE YEAR ENDED JUNE 30, 2015****(In Thousands)**

	Budgeted Amounts			Variance Positive (Negative)	
	Original	Final	Actual		
General government:					
Board of Finance	\$ 31	\$ 31	\$ 29	\$	2
Board of Selectmen	27	28	27		1
Municipal Management	181	182	181		1
Finance Department	151	155	155		-
Treasurer	7	7	7		-
Tax Collector	113	113	105		8
Assessor	155	155	155		-
Board of Assessment Appeals	1	1	1		-
Planning and Zoning	16	25	22		3
Wetlands	8	8	3		5
Zoning Board of Appeals	6	28	28		-
Land Use Administration	118	118	117		1
Building Inspector	126	126	123		3
Economic Development Commission	1	1			1
Town Clerk	118	118	109		9
Elections	30	28	23		5
Registrars	28	30	29		1
Legal counsel	81	100	101		(1)
Probate	8	8	8		-
Technology	73	73	68		5
Central Services and Town buildings	31	31	27		4
Total general government	<u>1,310</u>	<u>1,366</u>	<u>1,318</u>		<u>48</u>
Public safety:					
Police protection	137	136	129		7
Patrol services	142	142	133		9
Fire Marshal	79	79	71		8
Fire protection service	353	360	358		2
E911 Emergency	85	82	82		-
Litchfield emergency management	6	6			6
Total public safety	<u>802</u>	<u>805</u>	<u>773</u>		<u>32</u>

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TOWN OF LITCHFIELD, CONNECTICUT**GENERAL FUND****SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES****BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2015

(In Thousands)

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Public works:				
Supervision	\$ 12	\$ 12	\$ 9	\$ 3
Operations	1,095	1,204	1,204	-
Highways	610	587	587	-
Equipment maintenance	276	295	295	-
Building and grounds maintenance	274	274	222	52
Solid waste disposal and recycling	490	470	468	2
Director of Public Works	70	70	70	-
Total public works	<u>2,827</u>	<u>2,912</u>	<u>2,855</u>	<u>57</u>
Health and welfare:				
Social services	38	38	34	4
Ambulance services	67	76	75	1
OSHA mandated health	1	1		1
Total health and welfare	<u>106</u>	<u>115</u>	<u>109</u>	<u>6</u>
Libraries	<u>355</u>	<u>355</u>	<u>355</u>	<u>-</u>
Recreation:				
Recreation	109	109	105	4
Co-op programs	150	152	152	-
Total recreation	<u>259</u>	<u>261</u>	<u>257</u>	<u>4</u>
Board of Education:				
Board of Education	16,516	16,516	16,332	184
Maintenance by Town	1,164	1,173	1,171	2
Total Board of Education	<u>17,680</u>	<u>17,689</u>	<u>17,503</u>	<u>186</u>
Other:				
Cemetery services	22	22	22	-
Beautification Commission	2	2	1	1
Contingency	90			-
Fringe benefits	1,620	1,792	1,778	14
Municipal insurance	87	88	88	-
Total other	<u>1,821</u>	<u>1,904</u>	<u>1,889</u>	<u>15</u>

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TOWN OF LITCHFIELD, CONNECTICUT**GENERAL FUND****SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES****BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)****FOR THE YEAR ENDED JUNE 30, 2015****(In Thousands)**

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Debt service:				
Debt retirement principal	\$ 2,466	\$ 2,466	\$ 2,366	\$ 100
Interest on long-term debt	794	794	794	-
Interest on bond anticipation notes	16	16	16	-
Total debt service	<u>3,276</u>	<u>3,276</u>	<u>3,176</u>	<u>100</u>
Total expenditures	<u>28,436</u>	<u>28,683</u>	<u>28,235</u>	<u>448</u>
Other financing uses:				
Transfers out:				
Capital improvements	25	1,016	1,016	-
Other	<u>115</u>	<u>115</u>	<u>115</u>	<u>-</u>
Total other financing uses	<u>140</u>	<u>1,131</u>	<u>1,131</u>	<u>-</u>
Total	<u>\$ 28,576</u>	<u>\$ 29,814</u>	<u>29,366</u>	<u>\$ 448</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	1,573
Excess Cost Grant	117
Dog Fund was combined with the General Fund (GASB Statement No. 54)	(7)
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes	(116)

Total Expenditures and Other Financing Uses as Reported on the
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds - Exhibit IV

\$ 30,933

TOWN OF LITCHFIELD, CONNECTICUT**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TOWN PLAN****LAST TWO FISCAL YEARS****(In Thousands)**

	2015	2014
Total pension liability:		
Service cost	\$ 345	\$ 396
Interest	1,023	977
Differences between expected and actual experience	318	
Benefit payments, including refunds of member contributions	(698)	(630)
Net change in total pension liability	988	743
Total pension liability - beginning	14,613	13,870
Total pension liability - ending	<u>15,601</u>	<u>14,613</u>
Plan fiduciary net position:		
Contributions - employer	1,094	1,068
Net investment income	304	1,290
Benefit payments, including refunds of member contributions	(698)	(630)
Net change in plan fiduciary net position	700	1,728
Plan fiduciary net position - beginning	<u>11,203</u>	<u>9,475</u>
Plan fiduciary net position - ending	<u>11,903</u>	<u>11,203</u>
Net Pension Liability - Ending	<u>\$ 3,698</u>	<u>\$ 3,410</u>
Plan fiduciary net position as a percentage of the total pension liability	76.30%	76.49%
Covered-employee payroll	\$ 4,108	\$ 4,398
Net pension liability as a percentage of covered-employee payroll	90.02%	78.12%

TOWN OF LITCHFIELD, CONNECTICUT**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - MERIT SERVICE PLAN
LAST TWO FISCAL YEARS****(In Thousands)**

	2015	2014
Total pension liability:		
Service cost	\$ 59	\$ 66
Interest	259	248
Differences between expected and actual experience	33	
Benefit payments, including refunds of member contributions	(167)	(139)
Net change in total pension liability	184	175
Total pension liability - beginning	3,719	3,544
Total pension liability - ending	<u>3,903</u>	<u>3,719</u>
Plan fiduciary net position:		
Contributions - employer	150	150
Net investment income	89	394
Benefit payments, including refunds of member contributions	(167)	(139)
Net change in plan fiduciary net position	72	405
Plan fiduciary net position - beginning	<u>3,290</u>	<u>2,885</u>
Plan fiduciary net position - ending	<u>3,362</u>	<u>3,290</u>
Net Pension Liability - Ending	<u>\$ 541</u>	<u>\$ 429</u>
Plan fiduciary net position as a percentage of the total pension liability	86.14%	88.26%
Covered-employee payroll	\$ N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially determined contribution	\$ 354	\$ 360	\$ 509	\$ 609	\$ 773	\$ 726	\$ 824	\$ 838	\$ 828	\$ 844
Contributions in relation to the actuarially determined contribution	<u>354</u>	<u>391</u>	<u>677</u>	<u>530</u>	<u>921</u>	<u>726</u>	<u>824</u>	<u>838</u>	<u>1,068</u>	<u>1,094</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>(31)</u>	\$ <u>(168)</u>	\$ <u>79</u>	\$ <u>(148)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(240)</u>	\$ <u>(250)</u>
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 4,398	\$ 4,108
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	24.28%	26.63%

Notes to Schedule

Valuation date:	July 1, 2014
Measurement date:	June 30, 2015
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	
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Level Dollar
Remaining amortization period	18 years
Asset valuation method	Market Value of Assets
Inflation	3.0%
Salary increases	4.0%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

TOWN OF LITCHFIELD, CONNECTICUT**SCHEDULE OF EMPLOYER CONTRIBUTIONS - MERIT SERVICE PLAN****LAST TEN FISCAL YEARS****(In Thousands)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially determined contribution	\$ 83	\$ 105	\$ 106	\$ 115	\$ 160	\$ 224	\$ 212	\$ 188	\$ 188	\$ 150	\$ 150
Contributions in relation to the actuarially determined contribution	<u>100</u>	<u>295</u>	<u>109</u>	<u>126</u>	<u>145</u>	<u>198</u>	<u>212</u>	<u>188</u>	<u>188</u>	<u>150</u>	<u>150</u>
Contribution (Excess) Deficiency	\$ <u>(17)</u>	\$ <u>(190)</u>	\$ <u>(3)</u>	\$ <u>(11)</u>	\$ <u>15</u>	\$ <u>26</u>	\$ <u>-</u>				
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: July 1, 2014

Measurement date: June 30, 2015

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

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

3.0%

Salary increases

NA

Investment rate of return

7.00%, net of pension plan investment expense, including inflation

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - TOWN PLAN
LAST TWO FISCAL YEARS

	2015	2014
Annual money-weighted rate of return, net of investment expense	2.91%	13.76%

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - MERIT SERVICE PLAN
LAST TWO FISCAL YEARS

	2015	2014
Annual money-weighted rate of return, net of investment expense	2.97%	14.01%

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST FISCAL YEAR**

<u>2015</u>		
Town's proportion of the net pension liability		0.00%
Town's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Town		<u>20,942</u>
Total	<u>\$</u>	<u>20,942</u>
Town's covered-employee payroll	\$	8,041
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll		0.00%
Plan fiduciary net position as a percentage of the total pension liability		61.51%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market

TOWN OF LITCHFIELD, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2015 AND 2014
(In Thousands)

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 14,263	\$ 14,215
Investments		
Receivables, net:		
Property taxes (net of allowance \$15 for 2015 and 2014)	525	613
Other	144	140
Due from other funds	323	323
Other assets	<u>71</u>	<u>105</u>
Total Assets	<u>\$ 15,326</u>	<u>\$ 15,396</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,363	\$ 922
Due to other funds	<u>8,437</u>	<u>8,705</u>
Total liabilities	<u>9,800</u>	<u>9,627</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	560	642
Advance property tax collections	<u>193</u>	<u>26</u>
Total deferred inflows of resources	<u>753</u>	<u>668</u>
Fund balance:		
Nonspendable	71	105
Assigned	226	69
Unassigned	<u>4,476</u>	<u>4,927</u>
Total fund balance	<u>4,773</u>	<u>5,101</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 15,326</u>	<u>\$ 15,396</u>

TOWN OF LITCHFIELD, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

Grand List	Uncollected Taxes July 1, 2014		Lawful Corrections		Transfers To Suspense		Net Amount Collectible	Collections				Uncollected Taxes June 30, 2015	
	Current Levy		Additions	Deductions	Refunds			Taxes	Interest	Fees	Total		
2013	\$ 26,011	\$ 22	\$ 148	\$ 71	\$ 21	\$ 3	\$ 25,906	\$ 25,611	\$ 102	\$ 1	\$ 25,713	\$ 295	
2012	398						330	194	63	1	258	136	
2011	137			1			136	79	22	1	102	57	
2010	54				17		37	19	9		28	18	
2009	16						16	2	2		4	14	
2008	11						11	1	1		2	10	
2007	9						9	1	1		2	8	
2006	1						1				-	1	
2005	1						1		2		2	1	
2004							-		1		1	-	
2003							-				-	-	
2002							-		1		1	-	
2001							-		1		1	-	
2000							-				-	-	
1999							-				-	-	
1998							-				-	-	
1997							-				-	-	
	\$ 627	\$ 26,011	\$ 22	\$ 220	\$ 17	\$ 24	\$ 26,447	\$ 25,907	\$ 205	\$ 2	\$ 26,114	\$ 540	

TOWN OF LITCHFIELD, CONNECTICUT
BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

Program	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Art	\$ 23	\$ 23	\$ 20	\$ 3
Business Education	1	1	1	-
World Language	6	6	15	(9)
Family/consumer science	7	7	7	-
Technology education	18	18	14	4
Language arts	24	24	24	-
Mathematics	16	16	66	(50)
Music	25	25	30	(5)
Physical education	11	11	10	1
Science	29	29	28	1
Social studies	6	6	4	2
Kindergarten	1	1	1	-
Title 1 programs	3	3	3	-
Health education	1	1	1	-
Learning centers	3	3	3	-
Speech and language	14	14	8	6
Homebound instruction	1	1	1	-
Psychological services	17	17	32	(15)
Guidance services	1	1	1	-
Health services	16	16	12	4
Career education	4	4	3	1
Occupational/physical therapy	78	78	62	16
Library/media services	32	32	29	3
Student activity support	162	162	178	(16)
Technology support	33	33	84	(51)
Salaries and wages	9,813	9,813	9,862	(49)
Employee benefits	2,967	2,967	2,829	138
Board of Education	68	68	52	16
Central administration	29	29	15	14
School administration	65	65	56	9
Staff development	46	46	70	(24)
Special ed administration	12	12	19	(7)
General instructional support	47	47	50	(3)
Fiscal services	14	14	30	(16)
Utilities	538	538	628	(90)
Vehicle maintenance			30	(30)
Building furniture			2	(2)
Technology maintenance	230	230	340	(110)
Special ed transportation	278	278	165	113
Athletic transportation	67	67	53	14
Special education tuition	800	800	559	241
Regular transportation	924	924	857	67
Magnet school tuition	21	21	15	6
Non-public transportation	2	2	1	1
Vo-Ag tuition	120	120	121	(1)
Adult education	8	8	7	1
Total Expenditures and Transfers	\$ 16,581	\$ 16,581	\$ 16,397	\$ 184

Board of Education may exceed budget at the program level but may not legally exceed its total budget.

TOWN OF LITCHFIELD, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015
(In Thousands)

	Special Revenue Funds						
	Town Hall Annex	Special Education Grants	Parks and Recreation	Road Ordinance	Sewer Operations	Infrastructure	Town Aid Road
ASSETS							
Cash and cash equivalents	\$ 639	\$ 206	\$ 102	\$ 3	\$ 305	\$ 4	\$ 114
Sewer usage receivable, net					118		
Other receivables, net		4					
Due from other funds	639	202	102	3	187	4	114
Total Assets	\$ 639	\$ 206	\$ 102	\$ 3	\$ 305	\$ 4	\$ 114
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 9	\$ 14	\$ 4		\$ 5		\$
Unearned revenue		192					
Total liabilities	9	206	4	-	5	-	-
Deferred inflows of resources:							
Unavailable revenue - sewer receivables					118		
Unavailable revenue - loans receivable							
Advance property tax collections					1		
Total deferred inflows of resources	-	-	-	-	119	-	-
Fund balances:							
Nonspendable							
Restricted							4
Committed							114
Unassigned							
Total fund balances	630	-	98	3	181	4	114
Balances	\$ 639	\$ 206	\$ 102	\$ 3	\$ 305	\$ 4	\$ 114

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015
(In Thousands)

	Special Revenue Funds					Permanent Fund		Total Nonmajor Governmental Funds
	Small Cities Grants	Miscellaneous Special Revenue	Scholarships	Cafeteria	Total	Cemetery Trust		
ASSETS								
Cash and cash equivalents	\$ 16	\$ 18	\$ 36	\$ -	\$ 70	\$ 10	\$ 80	
Sewer usage receivable, net					\$ 118		\$ 118	
Other receivables, net	116					120		120
Due from other funds		111	9		1,371			1,371
Total Assets	\$ 132	\$ 129	\$ 45	\$ -	\$ 1,679	\$ 10	\$ 1,689	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 5	\$ -	\$ 2	\$ 19	\$ 47	\$ -	\$ 47	
Unearned revenue					203		203	
Total liabilities	5	-	-	21	250	-	250	
Deferred inflows of resources:								
Unavailable revenue - sewer receivables					118		118	
Unavailable revenue - loans receivable	111					111		111
Advance property tax collections					1		1	
Total deferred inflows of resources	111	-	-	-	230	-	230	
Fund balances:								
Nonspendable					-	10	10	
Restricted	16	129	45		308		308	
Committed					912		912	
Unassigned				(21)	(21)		(21)	
Total fund balances	16	129	45	(21)	1,199	10	1,209	
Balances	\$ 132	\$ 129	\$ 45	\$ -	\$ 1,679	\$ 10	\$ 1,689	

TOWN OF LITCHFIELD, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

(In Thousands)

	Special Revenue Funds							
	Town Hall Annex	Special Education Grants	Parks and Recreation	Road Ordinance	Sewer Operations	Infrastructure	Town Aid Road	
Revenues:								
Intergovernmental	\$ 182	\$ 380	\$ 70	\$ -	\$ 1,178	\$ 4	\$ 382	
Charges for services								
Investment income								
Other	54							
Total revenues	<u>236</u>	<u>380</u>	<u>70</u>	<u>-</u>	<u>1,181</u>	<u>4</u>	<u>382</u>	
Expenditures:								
Current:								
General government		198						
Public safety								
Public works							750	
Health and welfare								
Recreation			68					
Education		380						
Total expenditures	<u>198</u>	<u>380</u>	<u>68</u>	<u>-</u>	<u>750</u>	<u>-</u>	<u>-</u>	
Excess (Deficiency) of Revenues over Expenditures	<u>38</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>431</u>	<u>4</u>	<u>382</u>	
Other Financing Sources (Uses):								
Transfers in								
Transfers out					(290)			(382)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(290)</u>	<u>-</u>	<u>-</u>	<u>(382)</u>
Net Change in Fund Balances	38		2		141	4		
Fund Balances at Beginning of Year	<u>592</u>	<u>-</u>	<u>96</u>	<u>3</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>114</u>
Fund Balances at End of Year	<u>\$ 630</u>	<u>\$ -</u>	<u>\$ 98</u>	<u>\$ 3</u>	<u>\$ 181</u>	<u>\$ 4</u>	<u>\$ 114</u>	

(Continued on next page)

TOWN OF LITCHFIELD, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

(In Thousands)

	Special Revenue Funds						Permanent Fund	Cemetery Trust	Total Nonmajor Governmental Funds
	Small Cities Grants	Miscellaneous Special Revenue	Scholarships	Cafeteria	Total				
Revenues:									
Intergovernmental	\$ 95	\$ 8	\$ 96	\$ 1,143	\$ 1,143				
Charges for services		34	181	1,467					1,467
Investment income				1					1
Other				56					56
Total revenues	95	42	-	277	2,667				2,667
Expenditures:									
Current:									
General government	100				298				298
Public safety		10			10				10
Public works					750				750
Health and welfare		12			12				12
Recreation					68				68
Education			4	333	717				717
Total expenditures	100	22	4	333	1,855				1,855
Excess (Deficiency) of Revenues over Expenditures	(5)	20	(4)	(56)	812				812
Other Financing Sources (Uses):									
Transfers in				65	65				65
Transfers out					(672)				(672)
Total other financing sources (uses)	-	-	-	65	(607)				(607)
Net Change in Fund Balances	(5)	20	(4)	9	205				205
Fund Balances at Beginning of Year	21	109	49	(30)	994				1,004
Fund Balances at End of Year	\$ 16	\$ 129	\$ 45	\$ (21)	\$ 1,199				\$ 1,209

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF SEWER USE CHARGES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

Usage Year	Balance Uncollected July 1, 2014	Current Year Charges and Adjustments	Collections	Balance Uncollected June 30, 2015
2015	\$ 65	\$ 915	\$ 861	\$ 54
2014	32		36	29
2013	19		12	20
2012	11		8	11
2011	5		5	6
2010	4		4	1
2009	2		2	2
2008	1		1	1
2007				1
MISC		213	213	-
Total	\$ 139	\$ 1,128	1,142	\$ 125
Interest and lien fees			36	
Total Collection			\$ 1,178	

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

Usage Year	Balance Uncollected July 1, 2014	Current Year Levy and Adjustments	Collections	Balance Uncollected June 30, 2015
Contract No. 13	\$ 139	\$ (7)	15	\$ 117
Contract No. 14	121	3	22	102
Contract No. 15	11	(1)		10
Contract No. 17	263		17	246
Contract No. 18	<u>387</u>	<u>2</u>	<u>35</u>	<u>354</u>
Total	<u>\$ 921</u>	<u>\$ (3)</u>	<u>89</u>	<u>\$ 829</u>
Interest and lien fees			39	
Total Collection			<u>\$ 128</u>	

TOWN OF LITCHFIELD, CONNECTICUT
CAPITAL PROJECTS FUND
PROJECT COMBINING BALANCE SHEET
JUNE 30, 2015
(In Thousands)

	<u>Capital Improvements</u>	<u>Capital and Nonrecurring</u>	<u>Renovation of Schools</u>	<u>WPCA Capital Reserve</u>	<u>Total</u>
ASSETS					
Receivables, net Due from other funds	\$ 28 <u>2,769</u>	\$ 442	\$ -	\$ 436	\$ 3,647
Total Assets	<u>2,797</u>	<u>442</u>	<u>-</u>	<u>436</u>	<u>3,675</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ 210	\$ -	\$ 323	\$ -	\$ 323
Bond anticipation notes payable			\$ 120		\$ 330
Total liabilities	<u>210</u>	<u>-</u>	<u>443</u>	<u>-</u>	<u>653</u>
Fund Balances:					
Committed	2,587	442		436	3,465
Unassigned			(443)		(443)
Total fund balances	<u>2,587</u>	<u>442</u>	<u>(443)</u>	<u>436</u>	<u>3,022</u>
Total Liabilities and Fund Balances	<u>2,797</u>	<u>442</u>	<u>-</u>	<u>436</u>	<u>3,675</u>

TOWN OF LITCHFIELD, CONNECTICUT**CAPITAL PROJECTS FUND****PROJECT COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****FOR THE YEAR ENDED JUNE 30, 2015****(In Thousands)**

	<u>Capital Improvements</u>	<u>Capital and Nonrecurring</u>	<u>Renovation of Schools</u>	<u>WPCA Capital Reserve</u>	<u>Total</u>
Revenues:					
Intergovernmental	\$ 678	\$ -	\$ 227	\$ 1	\$ 905
Investment income					1
Total revenues	678	-	227	1	906
Expenditures:					
Capital outlay	3,185	-		110	3,295
Excess (Deficiency) of Revenues over Expenditures	(2,507)	-	227	(109)	(2,389)
Other Financing Sources:					
Transfers in	1,369		28	40	1,437
Issuance of bonds	1,270				1,270
Total other financing sources	2,639	-	28	40	2,707
Net Change in Fund Balances	132	-	255	(69)	318
Fund Balances at Beginning of Year	2,455	442	(698)	505	2,704
Fund Balances at End of Year	\$ 2,587	\$ 442	\$ (443)	\$ 436	\$ 3,022

TOWN OF LITCHFIELD, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY NET POSITION - TRUST FUNDS
JUNE 30, 2015
(In Thousands)

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total Trust Funds
Assets:				
Cash and cash equivalents	\$ 176	\$ 48	\$ 13	\$ 237
Investments:				
Equities	7,460	2,115	53	9,628
Common stock	3,551	997	274	4,822
Mutual funds	713	201	573	1,487
Receivables:				
Interest and dividends	3	1		4
Due from other funds	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<hr/>	<hr/>	<hr/>	<hr/>
Held in Trust for Pension and OPEB Benefits	<hr/>	<hr/>	<hr/>	<hr/>

TOWN OF LITCHFIELD, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN NET POSITION - TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total Trust Funds
Additions:				
Contributions:				
Employer	\$ 1,094	\$ 150	\$ 100	\$ 1,344
Investment income:				
Net appreciation in fair value of investments	120	36	11	167
Interest and dividends	238	69	18	325
Total investment income	358	105	29	492
Less investment expense:				
Investment management fees	54	16		70
Net investment income	304	89	29	422
Total additions	1,398	239	129	1,766
Deductions:				
Benefits	698	167	7	872
Net Increase	700	72	122	894
Net Position at Beginning of Year	11,203	3,290	888	15,381
Net Position at End of Year	\$ 11,903	\$ 3,362	\$ 1,010	\$ 16,275

TOWN OF LITCHFIELD, CONNECTICUT
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2015
(In Thousands)

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2015</u>
Student Activity Funds				
Assets:				
Cash and cash equivalents	\$ 190	\$ 332	\$ 349	\$ 173
Liabilities:				
Due to student groups	\$ 190	\$ 332	\$ 349	\$ 173
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ 14	\$ 1	\$ 1	\$ 14
Accounts receivable	91	1	1	91
Total Assets	\$ 105	\$ 1	\$ 1	\$ 105
Liabilities:				
Performance bonds	\$ 105	\$ 1	\$ 1	\$ 105
Total All Funds				
Assets:				
Cash and cash equivalents	\$ 204	\$ 332	\$ 349	\$ 187
Accounts receivable	91	1	1	91
Total Assets	\$ 295	\$ 333	\$ 350	\$ 278
Liabilities:				
Due to student groups	\$ 204	\$ 332	\$ 349	\$ 187
Performance bonds	91	1	1	91
Total Liabilities	\$ 295	\$ 333	\$ 350	\$ 278

TOWN OF LITCHFIELD, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2015
(In Thousands)

Total tax collections, including interest and lien fees, received by
Treasurer for the year ended June 30, 2015

\$ 26,114

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 58,757	\$ 117,513	\$ 97,928	\$ 84,871	\$ 78,342
4-1/2 times base					
3-3/4 times base					
3-1/4 times base					
3 times base					
Total debt limitation	<u>58,757</u>	<u>117,513</u>	<u>97,928</u>	<u>84,871</u>	<u>78,342</u>
Indebtedness:					
Bonds payable	9,153	13,812	740	2,248	
Clean Water Fund PLO					
Bond anticipation notes payable		330			
Bonds authorized - unissued	6,807				
Less:					
Estimated grants applied	<u>(4,190)</u>				
Total indebtedness	<u>11,770</u>	<u>14,142</u>	<u>2,988</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt					
	<u>\$ 46,987</u>	<u>\$ 103,371</u>	<u>\$ 94,940</u>	<u>\$ 84,871</u>	<u>\$ 78,342</u>

Note: In no event shall total debt exceed seven times annual receipts from taxation (\$183 million).

TABLE 1

TOWN OF LITCHFIELD, CONNECTICUT
PRINCIPAL PROPERTY TAXPAYERS

Taxpayer	Nature of Operations	Taxable Assessed Value as of 10/1/14
Connecticut Light & Power	Power Company	\$ 11,190,640
City of Waterbury	Watershed	5,818,050
CRP/BWN LLC and CRP/BWN Litchfield Operator LLC*	Health Care Facility	4,553,540
C A Litchfield LLC	Vacant Land	3,793,480
White Memorial Foundation	Leased Land for	3,523,640
Aquarion Water Co.	Water Supply	3,451,460
6645 Federal Square Realty	Commercial Real Estate	2,574,950
Arethusa Farm	Farming	2,548,320
Union Savings Bank	Bank	2,422,470
Litchfield Developers LLC	Real Estate	<u>2,176,850</u>
Total		\$ <u>42,053,400</u>

*Doing business as Brandywine Assisted Living at Litchfield (Sarah Pierce Community)

Source: Town of Litchfield, Office of Tax Assessor

TABLE 2

**TOWN OF LITCHFIELD, CONNECTICUT
TAXABLE GRAND LIST**

<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>
10/1/2014	\$ 1,077,117,520	\$ 30,947,393	\$ 72,542,510	\$ 1,030,945,453	\$ 3,655,520	\$ 1,027,289,933

Source: Town of Litchfield, Office of Tax Assessor

TABLE 3

TOWN OF LITCHFIELD, CONNECTICUT
CALCULATION OF DIRECT DEBT AND NET DIRECT DEBT
JUNE 30, 2015

Long-Term Indebtedness (1):

Bonds:

General Purpose	\$ 9,153,000
Schools	13,812,000
Sewers	740,000
State of Connecticut PLO (Clean Water Fund)	<u>2,247,935</u>

Total Long-Term Indebtedness

25,952,935

Short-Term Indebtedness:

Bond Anticipation Notes	<u>330,000</u>
-------------------------	----------------

Total Direct Debt

26,282,935

Exclusions (2):

Sewer assessments receivable	(836,702)
Sewer use charges receivable	<u>(118,299)</u>

Total Net Direct Debt

\$ 25,327,934

(1) Does not include authorized but unissued debt of \$11,378,165

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

Note: The Town has no overlapping or underlying indebtedness.

TABLE 4

TOWN OF LITCHFIELD, CONNECTICUT
CURRENT DEBT RATIOS
JUNE 30, 2015

Total Direct Indebtedness	\$ 26,282,935
Total Net Direct Indebtedness	\$ 25,327,934
Population (1)	8,466
Net Taxable Grand List (10/1/14)	\$ 1,027,289,933
Estimated Full Value 10/1/13	\$ 1,472,710,313
Equalized Net Taxable Grand List (2012) (2)	\$ 1,421,529,441
Per Capita Income (2013) (3)	\$ 44,902
 Total Direct Indebtedness:	
Per Capita	\$ 3,120.19
To Net Taxable Grand List	2.56%
To Estimated Full Value	1.79%
To Equalized Net Taxable Grand List	1.86%
Per Capita to Per Capita Income	6.95%
 Total Net Direct Indebtedness:	
Per Capita	\$ 2,995.15
To Net Taxable Grand List	2.46%
To Estimated Full Value	1.72%
To Equalized Net Taxable Grand List	1.78%
Per Capita to Per Capita Income	6.67%

(1) U.S. Department of Commerce, Bureau of Census 2010

(2) Office of Policy and Management, State of Connecticut

(3) U.S. Census Bureau, 2009-2013 American Community Survey

Source: Town of Litchfield, Office of Director of Finance