

TOWN OF LITCHFIELD, CONNECTICUT

ANNUAL FINANCIAL REPORT

June 30, 2020

TOWN OF LITCHFIELD, CONNECTICUT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Litchfield Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Litchfield, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Litchfield, Connecticut as of June 30, 2020, and the respective changes in the financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3a through 3g and the required supplemental information relating to pension on pages 60-70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2020, on our consideration of the Town of Litchfield, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Litchfield, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Litchfield, Connecticut's internal control over financial reporting and compliance.

CLERMONT & ASSOCIATES, LLC
Prospect, Connecticut



December 24, 2020

TOWN OF LITCHFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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, 2020. Please read this MD&A in conjunction with the Town's financial statements.

Financial Highlights

- Net position of our governmental activities increased by \$3.4 million.
- Net position of our business-type activities increased by \$252 thousand.
- The General Fund reported a fund balance this year of \$7.6 million;
\$1.0 million more than the General Fund balance reported in the prior year.
- The resources available for appropriation in the General Fund were \$7.0 million.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Government-Wide Financial Analysis

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities and business-type activities. The Town's net position for governmental activities increased \$3.4 million from \$62.4 million in 2019 to \$65.4 million in 2020.

The net operating income and net investment income increased the business-type activities by \$252 thousand for the fiscal year ending June 30, 2020. The net position ended at \$4.9 million.

TABLE 1 NET POSITION (In Thousands)

| | | Governmental Activities | |
|---------------------------------------|----|------------------------------------|-------------|
| | | 2020 | 2019 |
| Current and other assets | \$ | 16,349 | 14,720 |
| Capital assets | | 81,448 | 78,800 |
| Deferred inflows | | 250 | 691 |
| Total assets & deferred inflows | \$ | 98,047 | 94,211 |
| | | | |
| Current and other liabilities | \$ | 4,764 | 2,289 |
| Deferred outflows | | 857 | 924 |
| Long-term liabilities | | 26,619 | 28,596 |
| Total liabilities & deferred outflows | \$ | 32,240 | 31,809 |
| | | | |
| Net position: | | | |
| Investment in capital assets | \$ | 55,789 | 50,204 |
| Restricted | | 10 | 97 |
| Unrestricted | | 10,008 | 12,101 |
| Total net position | \$ | 65,807 | 62,402 |

TABLE 2 CHANGE IN NET ASSETS (In Thousands)

| | Governmental Activities | |
|--|------------------------------------|-------------|
| | 2020 | 2019 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 490 | 767 |
| Operating grants and contributions | 5,673 | 4,328 |
| Capital grants and contributions | 2,317 | 2,533 |
| General revenues: | | |
| Property taxes | 29,822 | 29,450 |
| Grants and contributions not restricted to specific purposes | 123 | 134 |
| Unrestricted investment earnings and other revenues | 230 | 320 |
| Other general revenues (and transfers) | (55) | (20) |
| Total revenues | \$ 38,600 | 37,512 |
| Program expenses: | | |
| General government | \$ 2,405 | 1,758 |
| Public safety | 1,595 | 1,410 |
| Public works | 6,344 | 6,304 |
| Health and welfare | 56 | 52 |
| Culture and recreation | 860 | 806 |
| Education | 23,306 | 24,625 |
| Interest and fiscal charges | 630 | 554 |
| Total program expenses | \$ 35,196 | 35,509 |
| Increase (decrease) in net position | \$ 3,404 | 2,003 |

Town Funds Financial Analysis**Governmental Funds**

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit C) reported a combined fund balance of \$11.5 million which is a \$2.0 million increase from the previous year, which included a \$1.3 million Capital Project funded during the previous year by federal and state grants.

Proprietary Funds

The Town reports the Water Pollution Control Authority as a proprietary fund (Exhibit G, H, and I). Under this presentation, the operating income was \$252 thousand, which included depreciation expense of \$166 thousand. Net fund position at year end included \$3.736 million of net capital investment and \$1.118 million unrestricted.

The Internal Service Fund recorded a negative change in net fund position. Operating revenues were more than operating expenses by \$517 thousand with a net fund position of \$2.1 million. The Town ended the self insurance medical program as of June 30, 2019, leaving \$2.1 million in fund balance reserved for any outstanding medical benefits incurred prior to June 30, 2019.

General Fund Budgetary Highlights

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

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

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

Capital Assets

At June 30, 2020, the Town had \$80.5 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines. In separating the Water Pollution Control Authority from the government funds, \$4.5 million in capital assets, which mainly includes sewers and the newly constructed facility. The Town's total amount represents a net decrease (including additions and deductions) of \$2.6 million, net of depreciation expenses.

TABLE 3 CAPITAL ASSETS (Net of Depreciation)

| | | Governmental Activities | |
|-----------------------------------|----|-------------------------------------|---------------|
| | | 2020 | 2019 |
| Land | \$ | 1,679 | 1,679 |
| Buildings and improvements | | 44,429 | 44,289 |
| Furniture, fixtures and equipment | | 3,244 | 3,609 |
| Infrastructure | | 28,404 | 27,247 |
| Construction in progress | | 3,692 | 1,975 |
| Total | \$ | <u>81,448</u> | <u>78,799</u> |
| | | Business-type Activities | |
| | | 2020 | 2019 |
| Buildings and improvements | \$ | 2,531 | 2,636 |
| Equipment | | 29 | 31 |
| Infrastructure | | 1,936 | 1,892 |
| Total | \$ | <u>4,496</u> | <u>4,559</u> |

TABLE 4 OUTSTANDING DEBT (In Thousands)

Long-Term Liabilities

At June 30, 2020 the Town had \$30.6 million in long-term liabilities versus \$29.6 million last year, as shown in Table 4.

| | 2020 | 2019 |
|----|-------------------|-------------------|
| \$ | <u>30,649,573</u> | <u>29,652,440</u> |

General obligation bonds (backed by the Town) were increased by \$1.2 million in payments with the new issue of \$9.4 million (\$5.1 million in refunding) during the fiscal year.

Other obligations include accrued vacation pay and sick leave, and net pension and other post retirement benefit obligations. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements. Included in the business-type activities is \$825 thousand in notes payable, which included the Clean Water Notes due to the State of Connecticut for the construction of the new water pollution control facilities.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2020 budget tax rates. One of those factors is the economy and the benefits of continual development within the Town as well as the continual reduction in State financial assistance, the imposition of unfunded mandates and potential risks associated with the COVID-19 pandemic.

These indicators along with a projected modest inflationary increase were taken into account when adopting the General Fund budget for 2020-21.

Contacting the Town's Financial Management

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

STATEMENT OF NET POSITION

June 30, 2020

| | Governmental Activities | Business-type Activities | Total* |
|---|----------------------------|-----------------------------|--------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 15,627,489 | 50 | 15,627,539 |
| Receivables, net | 1,119,492 | 266,239 | 1,385,731 |
| Notes receivable | | 65,941 | 65,941 |
| Prepaid expenses | 297,933 | | 297,933 |
| Inventory | 171,571 | | 171,571 |
| Internal balances | (867,547) | 867,547 | - |
| Capital assets: | | | |
| Capital assets, not being depreciated | 5,371,560 | | 5,371,560 |
| Capital assets, being depreciated, net | 76,076,320 | 4,496,173 | 80,572,493 |
| Total assets | \$ 97,796,818 | 5,695,950 | 103,492,768 |
| Deferred outflows on resources: | | | |
| Pension and other post retirement | \$ 250,184 | | 250,184 |
| Total deferred outflows on resources | \$ 250,184 | - | 250,184 |
| Liabilities: | | | |
| Accounts payable and other current liabilities | \$ 1,294,239 | 9,087 | 1,303,326 |
| Accrued interest | | | - |
| Unearned revenues | 265,652 | 7,229 | 272,881 |
| Noncurrent liabilities: | | | |
| Due within one year | 3,204,000 | 262,243 | 3,466,243 |
| Due in more than one year | 26,618,866 | 563,464 | 27,182,330 |
| Total liabilities | \$ 31,382,757 | 842,023 | 32,224,780 |
| Deferred inflows on resources: | | | |
| Pension and other post retirement | \$ 826,478 | | 826,478 |
| Advance tax collections | 30,424 | | 30,424 |
| Total deferred inflows on resources | \$ 856,902 | - | 856,902 |
| Net position: | | | |
| Invested in capital assets, net of related debt | \$ 55,789,280 | 3,736,407 | 59,525,687 |
| Restricted for: | | | |
| Donor's intentions | 10,000 | | 10,000 |
| Unrestricted | 10,008,063 | 1,117,520 | 11,125,583 |
| Total net position | \$ 65,807,343 | 4,853,927 | 70,661,270 |

* After internal balances have been eliminated

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

TOWN OF LITCHFIELD, CONNECTICUT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

| | | Program Revenues |
|---------------------------------------|----------------------|-------------------------|
| Functions/programs | Expenses | Charges for Services |
| Primary government: | | |
| Governmental activities: | | |
| General government | \$ 2,405,568 | 109,033 |
| Public safety | 1,595,766 | |
| Public works | 6,343,568 | 213,709 |
| Community service | 56,203 | 50,890 |
| Culture and recreation | 859,613 | |
| Education | 23,305,816 | 116,982 |
| Interest on long-term debt | 629,939 | |
| Total governmental activities | \$ 35,196,473 | 490,614 |
| Business-type activities: | | |
| Water Pollution Control Authority | \$ 1,038,122 | 1,237,744 |
| Interest on long-term debt | 19,308 | |
| Total business-type activities | \$ 1,057,430 | 1,237,744 |
| Total primary government | \$ 36,253,903 | 1,728,358 |

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

EXHIBIT B

| Program Revenues | | Net (Expenses) Revenue and Changes in Net Position | | |
|--|--|--|-----------------------------|---------------------|
| | | Primary Government | | |
| Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| 270,796 | | (2,025,739) | | (2,025,739) |
| 19,213 | | (1,576,553) | | (1,576,553) |
| 534,443 | 2,317,393 | (3,278,023) | | (3,278,023) |
| 24,075 | | 18,762 | | 18,762 |
| 1,974 | | (857,639) | | (857,639) |
| 4,823,213 | | (18,365,621) | | (18,365,621) |
| | | (629,939) | | (629,939) |
| <u>5,673,714</u> | <u>2,317,393</u> | <u>(26,714,752)</u> | <u>-</u> | <u>(26,714,752)</u> |
| | | | 199,622 | 199,622 |
| | | | (19,308) | (19,308) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>180,314</u> | <u>180,314</u> |
| <u>5,673,714</u> | <u>2,317,393</u> | <u>(26,714,752)</u> | <u>180,314</u> | <u>(26,534,438)</u> |
| General revenues: | | | | |
| Property taxes | \$ | 29,821,864 | | 29,821,864 |
| Grants and contributions not restricted for specific programs | | 122,929 | | 122,929 |
| Unrestricted investment earnings | | | 16,786 | 16,786 |
| Other unrestricted income | | 229,705 | | 229,705 |
| Transfers | | (55,272) | 55,272 | - |
| Total general revenues and transfers | \$ | <u>30,119,226</u> | <u>72,058</u> | <u>30,191,284</u> |
| Change in net position | \$ | <u>3,404,474</u> | <u>252,372</u> | <u>3,656,846</u> |
| Net position - beginning | | <u>62,402,869</u> | <u>4,601,555</u> | <u>67,004,424</u> |
| Net position - ending | \$ | <u>65,807,343</u> | <u>4,853,927</u> | <u>70,661,270</u> |

TOWN OF LITCHFIELD, CONNECTICUT

EXHIBIT C

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|--------------------------------|--------------------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 15,179,165 | | 124,227 | 15,303,392 |
| Receivables, net | 654,885 | 16,558 | 448,049 | 1,119,492 |
| Due from other funds | 45,925 | 1,883,592 | 2,139,949 | 4,069,466 |
| Inventories | 171,571 | | | 171,571 |
| Total assets | \$ 16,051,546 | 1,900,150 | 2,712,225 | 20,663,921 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts and other payables | \$ 1,116,370 | | 177,869 | 1,294,239 |
| Due to other funds | 6,748,867 | | 45,925 | 6,794,792 |
| Total liabilities | \$ 7,865,237 | - | 223,794 | 8,089,031 |
| Deferred inflows of resources: | | | | |
| Unavailable receipts | \$ 565,778 | | 448,049 | 1,013,827 |
| Payments in advance | 30,424 | | | 30,424 |
| Total deferred inflows of resources | \$ 596,202 | - | 448,049 | 1,044,251 |
| Fund balances: | | | | |
| Nonspendable | \$ 171,571 | | | 171,571 |
| Restricted for: | | | | |
| Donor's intentions | | | 10,000 | 10,000 |
| Committed for: | | | | |
| Board of Education nonlapsing | 132,410 | | | 132,410 |
| Capital outlays | | 1,900,150 | | 1,900,150 |
| Specified use | 257,428 | | 66,115 | 323,543 |
| Assigned | 65,472 | | 2,129,822 | 2,195,294 |
| Unassigned | 6,963,226 | | (165,555) | 6,797,671 |
| Total fund balances | \$ 7,590,107 | 1,900,150 | 2,040,382 | 11,530,639 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 16,051,546 | 1,900,150 | 2,712,225 | |

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

| | |
|--|----------------------|
| Capital assets used in the governmental activities are not financial resources, and therefore, are not reported in the funds. | 81,447,880 |
| Other long-term assets and deferred inflows and outflows are not available to pay for current period expenditures, and therefore, are deferred in the funds. | 437,533 |
| Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities column in the statement of net position. | 2,181,876 |
| Long-term liabilities , including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds. | (29,790,585) |
| Net position of governmental activities (Exhibit A) | \$ 65,807,343 |

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|--------------------------------|--------------------------------|
| Revenues: | | | | |
| Property taxes and assessments | \$ 29,828,194 | | | 29,828,194 |
| Intergovernmental | 4,219,168 | 2,317,393 | 1,181,877 | 7,718,438 |
| Charges for services | 557,266 | | 427,556 | 984,822 |
| Investment income | 259,663 | | 1,142 | 260,805 |
| Miscellaneous | 50,273 | | 57,558 | 107,831 |
| Total revenues | <u>\$ 34,914,564</u> | <u>2,317,393</u> | <u>1,668,133</u> | <u>38,900,090</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | \$ 1,559,980 | | 363,413 | 1,923,393 |
| Public safety | 1,015,614 | | | 1,015,614 |
| Public works | 3,040,481 | | 448,064 | 3,488,545 |
| Public health | 49,501 | | | 49,501 |
| Culture and recreation | 684,040 | | 41,001 | 725,041 |
| Education | 22,026,308 | | 1,099,371 | 23,125,679 |
| Other | 1,730,866 | | | 1,730,866 |
| Capital outlay | | 5,294,521 | | 5,294,521 |
| Debt service | 4,211,057 | | | 4,211,057 |
| Total expenditures | <u>\$ 34,317,847</u> | <u>5,294,521</u> | <u>1,951,849</u> | <u>41,564,217</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 596,717</u> | <u>(2,977,128)</u> | <u>(283,716)</u> | <u>(2,664,127)</u> |
| Other financing sources (uses): | | | | |
| Transfer from other funds | \$ 404,824 | | | 404,824 |
| Proceeds from sale of bonds | | 4,259,000 | | 4,259,000 |
| Total other financing sources (uses) | <u>\$ 404,824</u> | <u>4,259,000</u> | <u>-</u> | <u>4,663,824</u> |
| Net changes in fund balances | <u>\$ 1,001,541</u> | <u>1,281,872</u> | <u>(283,716)</u> | <u>1,999,697</u> |
| Fund balances (deficits) - beginning | <u>6,588,566</u> | <u>618,278</u> | <u>2,324,098</u> | <u>9,530,942</u> |
| Fund balances (deficits) - ended | <u>\$ 7,590,107</u> | <u>1,900,150</u> | <u>2,040,382</u> | <u>11,530,639</u> |

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2020

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

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds (Exhibit D) | \$ 1,999,697 |
| Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | 2,648,140 |
| Revenues previously recognized in the statement of activities that provided current financial resources in the current year. | (470,008) |
| The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (1,290,079) |
| Transfer of capital assets, debt and long-term assets into the business-type fund from the governmental funds. | |
| The net expense of certain activities of internal service funds is reported with governmental activities. | <u>516,724</u> |
| Change in net position of governmental activities (Exhibit B) | <u>\$ 3,404,474</u> |

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive/ (Negative) |
|--|----------------------|-------------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 29,701,049 | 29,701,049 | 29,828,194 | (127,145) |
| Intergovernmental | 1,306,931 | 1,306,931 | 1,423,687 | (116,756) |
| Charges for services | 502,200 | 502,200 | 557,266 | (55,066) |
| Investment income | 125,000 | 125,000 | 259,663 | (134,663) |
| Other revenues | 30,000 | 30,000 | 50,273 | (20,273) |
| Total revenues | <u>\$ 31,665,180</u> | <u>31,665,180</u> | <u>32,119,083</u> | <u>(453,903)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | \$ 1,543,099 | 1,588,113 | 1,507,455 | 80,658 |
| Public safety | 982,264 | 991,639 | 947,106 | 44,533 |
| Public works | 3,178,974 | 3,208,144 | 3,066,100 | 142,044 |
| Health and welfare | 47,155 | 48,131 | 47,208 | 923 |
| Culture and recreation | 692,756 | 692,756 | 680,671 | 12,085 |
| Education | 19,471,500 | 19,471,500 | 19,230,827 | 240,673 |
| Other | 1,853,036 | 1,768,047 | 1,729,481 | 38,566 |
| Debt service: | | | | |
| Principal retirements | 3,461,054 | 3,461,054 | 3,461,054 | - |
| Interest and other charges | 719,894 | 719,894 | 694,731 | 25,163 |
| Total expenditures | <u>\$ 31,949,732</u> | <u>31,949,278</u> | <u>31,364,633</u> | <u>584,645</u> |
| Revenues over (under) expenditures | <u>\$ (284,552)</u> | <u>(284,098)</u> | <u>754,450</u> | <u>(1,038,548)</u> |
| Other financing sources (uses): | | | | |
| Transfer to other funds | \$ (65,000) | (65,000) | (51,000) | (14,000) |
| Premium on debt issuance | | | | - |
| Debt and other reimbursement | 349,552 | 349,552 | 349,552 | - |
| Total other financing sources (uses) | <u>\$ 284,552</u> | <u>284,552</u> | <u>298,552</u> | <u>(14,000)</u> |
| Revenues over expenditures and other financing sources (uses) | <u>\$ -</u> | <u>454</u> | <u>1,053,002</u> | <u>(1,052,548)</u> |
| Transfer to nonlapsing Board of Education | | | (132,410) | |
| Unassigned fund balance, July 1, 2019 | | | <u>6,042,634</u> | |
| Unassigned fund balance, June 30, 2020 | | | <u>\$ 6,963,226</u> | |

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

STATEMENT OF NET FUND POSITION
PROPRIETARY FUNDS
June 30, 2020

| | Business-type Activities Water Pollution Control | Governmental Activities Internal Service Funds |
|--|--|--|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 50 | 324,097 |
| Investments | | |
| Receivables, net of allowance | 266,239 | |
| Notes receivable, current portion | 20,945 | |
| Due from other funds | 867,547 | 1,857,780 |
| Total current assets | \$ 1,154,781 | 2,181,877 |
| Noncurrent assets: | | |
| Notes receivable, less current portion | \$ 44,996 | |
| Capital assets, net of accumulated depreciation | 4,496,173 | |
| Total noncurrent assets | \$ 4,541,169 | - |
| Total assets | \$ 5,695,950 | 2,181,877 |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 9,087 | |
| Payments in advance | 7,229 | |
| Notes payable - current | 262,243 | |
| Total current liabilities | \$ 278,559 | - |
| Noncurrent liabilities: | | |
| Incurred, but not reported claims | \$ | |
| Notes payable, less current portion | 563,464 | |
| Total noncurrent liabilities | \$ 563,464 | - |
| Total liabilities | \$ 842,023 | - |
| Net fund position: | | |
| Invested in capital assets, net of related debt | \$ 3,736,407 | |
| Unrestricted | 1,117,520 | 2,181,877 |
| Total net fund position | \$ 4,853,927 | 2,181,877 |

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND POSITION (DEFICIT)
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

| | Business-type Activities Water Pollution Control | Governmental Activities Internal Service Funds |
|---|--|--|
| Operating revenues: | | |
| Charges for services and other revenues | \$ 1,237,744 | 1,021,128 |
| Other revenues | | 284,810 |
| Total operating revenues | <u>\$ 1,237,744</u> | <u>1,305,938</u> |
| Operating expenses: | | |
| Salaries and benefits | \$ 487,340 | |
| Claims and administrative | | 815,619 |
| Material and supplies | 56,257 | |
| Utilities | 61,342 | |
| Depreciation | 165,852 | |
| Administration and operation | 267,331 | |
| Total operating expenses | <u>\$ 1,038,122</u> | <u>815,619</u> |
| Operating income (loss) | <u>\$ 199,622</u> | <u>490,319</u> |
| Nonoperating revenues (expenses): | | |
| Interest income | \$ 16,786 | 26,406 |
| Interest expense | (19,308) | |
| Total nonoperating revenues (expenses) | <u>\$ (2,522)</u> | <u>26,406</u> |
| Transfer from other funds | <u>\$ 55,272</u> | <u>-</u> |
| | <u>\$ 55,272</u> | <u>-</u> |
| Change in net fund position | <u>\$ 252,372</u> | <u>516,725</u> |
| Net fund position - beginning | <u>4,601,555</u> | <u>1,665,152</u> |
| Net fund position (deficit) - ending | <u><u>\$ 4,853,927</u></u> | <u><u>2,181,877</u></u> |

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2020

| | Business-type Activities Water Pollution Control | Governmental Activities Internal Service Funds |
|--|--|--|
| Cash flows from operating activities: | | |
| Receipts from customers and users | \$ 1,255,960 | 1,305,938 |
| Payments to suppliers | (487,340) | (1,124,379) |
| Payments to employees | (389,687) | |
| Net cash flows from operating activities | \$ 378,933 | 181,559 |
| Cash flows from noncapital and related financing activities: | | |
| Transfer in and payments made through governmental activities | \$ (92,292) | (511,790) |
| Transfer from other funds | - | |
| Net cash provided by (used in) noncapital and related financing activities | \$ (92,292) | (511,790) |
| Cash flows from capital and related financing activities: | | |
| Purchase of assets | \$ (102,867) | |
| Receipts on notes related to capital debt | 20,531 | |
| Principal payments on capital debt | (205,644) | |
| Interest paid on capital debt | (15,447) | |
| Net cash provided by (used in) capital and related financing activities | \$ (303,427) | - |
| Cash flows from investing activities: | | |
| Interest received on investments | \$ 16,786 | 26,406 |
| Net cash provided by investing activities | \$ 16,786 | 26,406 |
| Net increase (decrease) in cash and cash equivalents | \$ - | (303,825) |
| Cash and cash equivalents - beginning | 50 | 627,922 |
| Cash and cash equivalents - ending | \$ 50 | 324,097 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | |
| Operating income (loss) | \$ 199,622 | 490,319 |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | | |
| Depreciation | 165,852 | |
| Changes in assets and liabilities: | | |
| Decrease (increase) in receivable accounts | 12,442 | |
| Increase (decrease) in accounts payable | (4,757) | |
| Increase (decrease) in payments in advance | 5,774 | |
| Increase (decrease) in claims incurred but not reported | | (308,760) |
| Net cash flows from operating activities | \$ 378,933 | 181,559 |

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

| | Private Purpose Trust Funds | Agency Funds |
|--|-----------------------------------|-----------------|
| Assets: | | |
| Cash and cash equivalents | \$ 481,976 | 161,806 |
| Receivables | | 115,884 |
| Investments, at fair value: | | |
| Mutual funds | <u>20,925,071</u> | |
| Total assets | <u>\$ 21,407,047</u> | <u>277,690</u> |
| Liabilities: | | |
| Held for deposit for others | \$ | <u>277,690</u> |
| Total liabilities | <u>\$ -</u> | <u>277,690</u> |
| Net position: | | |
| Held in trust for benefits and other purposes | <u>\$ 21,407,047</u> | <u>-</u> |

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2020

| | Private Purpose Trust Funds |
|---|-----------------------------------|
| Additions: | |
| Contributions: | |
| Contributions and donations | \$ 725,561 |
| Total contributions | <u>\$ 725,561</u> |
| Investment earnings: | |
| Net increase in fair value of investments | \$ 606,394 |
| Interest and dividends | 477,622 |
| Less: administrative expenses | <u>(60,445)</u> |
| Total investment earnings | <u>\$ 1,023,571</u> |
| Total additions | <u>\$ 1,749,132</u> |
| Deductions: | |
| Benefits | \$ 1,156,848 |
| Total deductions | <u>\$ 1,156,848</u> |
| Change in net position | \$ 592,284 |
| Net position - beginning | <u>20,814,763</u> |
| Net position - ending | <u><u>\$ 21,407,047</u></u> |

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Government-Wide Financial Statements

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Fund Financial Statements

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

The Town reports the following major proprietary funds:

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

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

Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

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

Investments

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2020

Inventories

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

Receivables and Payables

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

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

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

Capital Assets

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

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

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2020**

Deferred Outflows/Inflows of Resources

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

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

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

Compensated Absences

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

Net Pension Liability

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Net OPEB Liability

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

Long-Term Obligations

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

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

Fund Equity and Net Position

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

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

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

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

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

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

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

Fair Value of Financial Instruments

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

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

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

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Note 2 - Budgets and Budgetary Accounting

General Fund

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

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

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

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

| | Revenues | Expenditures and Encumbrances |
|--|-----------------|--|
| Balance, budgetary basis | \$ 32,119,083 | 31,364,633 |
| Encumbrances of June 30, 2019 | | 200,681 |
| Canine net income | | 45,162 |
| Change in nonspendable | | (32,838) |
| Reclassifications (debt service, reserve, canine) | | (55,272) |
| State Teachers' Retirement "on-behalf" payment, not recognized for budgetary purposes | 2,795,481 | 2,795,481 |
| Balance, GAAP basis | \$ 34,914,564 | 34,317,847 |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

| | | |
|----------------------------------|----|-----------------------|
| Balance, budgetary basis | \$ | 298,552 |
| Consolidate canine fund | | 51,000 |
| Reclassify W.P.C.A. debt service | | <u>55,272</u> |
| Balance, GAAP basis | \$ | <u><u>404,824</u></u> |

Special Revenue Funds

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

Capital Projects Funds

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

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

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

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

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

| | | |
|---|----|--------------------------|
| Land | \$ | 1,679,473 |
| Construction in progress | | 3,692,087 |
| Net capital assets being depreciated | | <u>76,076,320</u> |
| Net adjustment to increase fund balance to arrive at net position of government activities | \$ | <u><u>81,447,880</u></u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

| | |
|---|------------------------|
| Net long-term debt | \$ (23,300,000) |
| Premium on bond issuances | (2,092,948) |
| Deferred portion on refunding | 297,933 |
| Compensated absences | (256,690) |
| Net pension liability | (3,661,154) |
| Net OPEB liability | (503,574) |
| Claims and judgments | (8,500) |
| Accrued interest on debt | <u>(265,652)</u> |
| Net adjustment to reduce fund balance to arrive at net position of government activities | \$ <u>(29,790,585)</u> |

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

| | |
|--|-------------------|
| Delinquent property tax and interest | \$ 565,778 |
| Deferred outflows/inflows included in pension | (576,294) |
| Notes receivable – assessments | <u>448,049</u> |
| Net adjustment to increase fund balance to arrive at net position of government activities | \$ <u>437,533</u> |

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

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

| | |
|---|---------------------|
| Acquisitions | \$ 4,884,685 |
| Depreciation | <u>(2,236,545)</u> |
| Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities | \$ <u>2,648,140</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

| | | |
|---|----|--------------------|
| Payments of debt | \$ | 4,348,000 |
| New issuances | | (4,259,000) |
| Deferred portion on refunding | | (37,241) |
| Premium new issuances | | (1,164,134) |
| Net change in compensated absences | | 17,693 |
| Net change in claims and judgment estimates | | 2,875 |
| Net change in OPEB liability | | 15,256 |
| Net change in pension liability | | (187,836) |
| Net change in other long-term liabilities | | |
| Accrued interest | | (25,692) |
| Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities | \$ | <u>(1,290,079)</u> |

Note 4 - Deposits and Investments

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

| | <u>Deposits</u> | <u>Investments</u> | <u>Total</u> |
|---------------------------------------|----------------------|--------------------|-------------------|
| Cash and cash equivalents: | | | |
| Governmental activities | \$ 11,879,239 | 3,424,153 | 15,303,392 |
| Business-type activities | 50 | | 50 |
| Fiduciary funds | 643,782 | | 643,782 |
| Investments: | | | |
| Fiduciary funds | | 20,925,071 | 20,925,071 |
| Total deposits and investments | <u>\$ 12,523,071</u> | <u>24,349,224</u> | <u>36,872,295</u> |

Deposits

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

| | | |
|-------------------------|-----------|--------------------------|
| Bank deposit accounts | \$ | 5,554,688 |
| Certificate of deposits | | 6,482,912 |
| Cash on hand | | <u>476</u> |
| Total deposits | \$ | <u>12,038,076</u> |

Custodial Credit Risk

As of June 30, 2020, the carrying amount of the Town's deposits had bank deposit balances of approximately \$12,038,076. The amount of the bank balance covered under federal depository insurance was approximately \$1,000,000. The remaining deposits were uninsured, however, provisions of the Connecticut General Statutes provide for protection against loss in excess of deposit insurance by requiring all qualified public depositories to maintain segregated collateral for public deposits. As of June 30, 2020, approximately \$1.2 million of uninsured deposits were collateralized under the provision.

Investments

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

As of June 30, 2020, the Town held the following investments:

| <u>Investment Type</u> | <u>Fund</u> | <u>Fair Value (Level 1 hierarchy)</u> | <u>Weighted Average to Maturity (years)</u> | <u>Risk</u> |
|--------------------------|--------------|---|---|-------------|
| State Investment Fund | General Fund | \$ 3,424,153 | .02 | - |
| Mutual Funds | Trust Funds | <u>20,925,071</u> | n/a | - |
| Total Investments | | \$ <u>24,349,224</u> | | |

Interest Rate Risk

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Credit Risk

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

Investment Policies

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

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

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

Note 5 - Receivables, Deferred Revenue and Payables

Receivables

The receivables as of June 30, 2020 for the Town's individual major funds and non-major, internal service and fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

| Governmental Funds | | | | |
|------------------------------|-------------------------|-----------------------------|----------------------------|------------------|
| | General Fund | Capital Projects | Non-major Funds | Total |
| Property taxes | \$ 560,208 | | | 560,208 |
| Interest on taxes | 109,677 | | | 109,677 |
| Intergovernmental | | 16,558 | | 16,558 |
| Assessments | | | 448,049 | 448,049 |
| Allowance | (15,000) | | | (15,000) |
| Total net receivables | \$ 654,885 | 16,558 | 448,049 | 1,119,492 |

TOWN OF LITCHFIELD, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2020

The receivables as of June 30, 2020 for the Town's business-type activities are as follows:

| | <u>W.P.C.A.</u> |
|------------------------------|-------------------|
| Accounts | \$ 266,239 |
| Total net receivables | \$ 266,239 |

Note Receivable – Business-Type Activity

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-------------------------------------|------------------------------|------------------|-------------------|---------------------------|--|
| Note receivable – Town of Morris | \$ 86,472 | | 20,531 | 65,941 | 20,945 |

Deferred Payments and Unavailable Receipts

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

| | <u>Unavailable</u> | <u>Unearned</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------|------------------|
| General Fund: | | | |
| Delinquent property taxes | \$ 565,778 | | 565,778 |
| Advanced tax collections | | 30,424 | 30,424 |
| Other Governmental Funds: | | | |
| Assessments | 448,049 | | 448,049 |
| Total deferred portion | \$ 1,013,827 | 30,424 | 1,044,251 |

TOWN OF LITCHFIELD, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2020Payables

Payables as of June 30, 2020 for the Town's individual major funds and non-major funds were as follows:

| | <u>Vendors</u> | <u>Payroll</u> | <u>Total</u> |
|---------------------------------|----------------------------|----------------------|-------------------------|
| General Fund | \$ 993,977 | 61,923 | 1,055,900 |
| Non-major funds | 177,869 | | 177,869 |
| Total governmental funds | \$ 1,171,846 | 61,923 | 1,233,769 |
| W.P.C.A. | 9,087 | | 9,087 |
| Total payables | \$ <u>1,180,933</u> | <u>61,923</u> | <u>1,242,856</u> |

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

Inter-fund receivables and payables at June 30, 2020 consisted of the following:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|----------------------------|
| Capital Projects | General Fund | \$ 1,883,592 |
| Internal Service | General Fund | 1,857,780 |
| Nonmajor Governmental | General Fund | 2,139,949 |
| W.P.C.A. | General Fund | <u>867,546</u> |
| | Total | \$ <u>6,748,867</u> |

Inter-fund Transfers

Inter-fund receivables and payables at June 30, 2020 consisted of the following:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|--------------------|---------------------|--------------------------|
| W.P.C.A. | General Fund | \$ <u>349,552</u> |
| | Total | \$ <u>349,552</u> |

The purpose of the transfer was to supplement the State clean water fund debt payment.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,679,473 | | | 1,679,473 |
| Construction in progress | 1,975,277 | 1,716,810 | | 3,692,087 |
| Total capital assets, not being deprec. | <u>\$ 3,654,750</u> | <u>1,716,810</u> | | <u>5,371,560</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 55,019,642 | 678,649 | | 55,698,291 |
| Machinery and equipment | 11,416,645 | 34,382 | | 11,451,027 |
| Infrastructure | 40,755,042 | 2,454,844 | | 43,209,886 |
| Total capital assets being depreciated | <u>\$ 107,191,329</u> | <u>3,167,875</u> | | <u>110,359,204</u> |
| Less: accumulated depreciation: | | | | |
| Buildings and improvements | \$ 10,730,749 | 538,933 | | 11,269,682 |
| Machinery and equipment | 7,807,658 | 399,683 | | 8,207,341 |
| Infrastructure | 13,507,932 | 1,297,929 | | 14,805,861 |
| Total accumulated depreciation | <u>\$ 32,046,339</u> | <u>2,236,545</u> | | <u>34,282,884</u> |
| Net capital assets, being depreciated | <u>\$ 75,144,990</u> | <u>931,330</u> | | <u>76,076,320</u> |
| Total capital assets, governmental | <u>\$ 78,799,740</u> | <u>2,648,140</u> | | <u>81,447,880</u> |

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

| | |
|-----------------------------------|---------------------|
| Governmental activities: | |
| General government | \$ 46,019 |
| Public safety | 267,990 |
| Public works | 1,719,048 |
| Recreation | 32,064 |
| Education | 171,424 |
| Total depreciation expense | <u>\$ 2,236,545</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Business-type activities: | | | | |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 3,853,887 | | | 3,853,887 |
| Machinery and equipment | 77,603 | | | 77,603 |
| Sewers | 4,632,736 | 102,867 | | 4,735,603 |
| Total capital assets being depreciated | \$ 8,564,226 | 102,867 | - | 8,667,093 |
| Less: accumulated depreciation: | | | | |
| Buildings and improvements | \$ 1,218,007 | 104,394 | | 1,322,401 |
| Machinery and equipment | 46,187 | 2,139 | | 48,326 |
| Sewers | 2,740,874 | 59,319 | | 2,800,193 |
| Total accumulated depreciation | \$ 4,005,068 | 165,852 | - | 4,170,920 |
| Net capital assets being depreciated | \$ 4,559,158 | (62,985) | - | 4,496,173 |
| Total capital assets, business-type | \$ 4,559,158 | (62,985) | - | 4,496,173 |

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2020 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ended Balance</u> | <u>Due In One Year</u> |
|--|------------------------------|------------------|-------------------|--------------------------|----------------------------|
| Governmental activities: | | | | | |
| Long-term debt: | | | | | |
| General obligation bonds | \$ 13,049,000 | 4,259,000 | 2,098,000 | 15,210,000 | 1,572,000 |
| G.O.B. refunding bonds | 10,340,000 | 5,141,000 | 7,391,000 | 8,090,000 | 1,632,000 |
| Total long-term debt | \$ 23,389,000 | 9,400,000 | 9,489,000 | 23,300,000 | 3,204,000 |
| Deferred amount on: | | | | | |
| Issuance premium | 928,814 | 1,248,834 | 84,700 | 2,092,948 | |
| Net long-term debt | \$ 24,317,814 | 10,648,834 | 9,573,700 | 25,392,948 | 3,204,000 |
| Other long-term liabilities: | | | | | |
| Compensated absence | 274,383 | | 17,693 | 256,690 | |
| Net pension liability | 3,473,318 | 187,836 | | 3,661,154 | |
| Net OPEB liability | 518,830 | | 15,256 | 503,574 | |
| Claims and judgments | 11,375 | | 2,875 | 8,500 | |
| Total governmental activities long-term liabilities | \$ 28,595,720 | 10,836,670 | 9,609,524 | 29,822,866 | 3,204,000 |
| Business-type activities: | | | | | |
| Clean water fund notes | \$ 1,082,761 | | 257,054 | 825,707 | 262,243 |
| Total business-type activities long-term liabilities | \$ 1,082,761 | | 257,054 | 825,707 | 262,243 |
| Total long-term liabilities | \$ 29,678,481 | 10,836,670 | 9,866,578 | 30,648,573 | 3,466,243 |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities and are direct obligations and pledge the good faith and credit of the government. Certain general obligation bonds are to be repaid by revenues of the enterprise funds. As of June 30, 2020 the outstanding general obligation bonded indebtedness of the Town was as follows:

| | <u>General</u> | <u>Refunding</u> |
|--|----------------|------------------|
| \$2,130,000 GOB 2012 , issue of 2012, due 2022, interest at 1.5% to 2.0%, annual principal payments of \$225,000 | \$ 1,350,000 | |
| \$7,555,000 GOB 2012, refunding issue of 8/1/2012, due 8/1/2024, interest at 3.0% to 4.0%, annual principal payments of approximately \$890,000 | | 2,340,000 |
| \$2,900,000 GOB 2013 , issue of 2013, due 8/1/2028, interest at 2.0% to 4.0%, annual principal payments of approximately \$890,000 | 675,000 | |
| \$1,270,000 GOB 2015 , issue of 2016, due 8/24/2023, interest at 2.0% to 4.0%, annual principal payments of \$145,000 to \$200,000 | 600,000 | |
| \$6,438,000 GOB 2016 , issue of 2016, due 8/24/2032, interest at 2.0% to 4.0%, annual principal payments of \$425,000 to \$430,000 | 5,160,000 | |
| \$2,535,000 GOB 2017 , issue of 2017, due 8/16/2033, interest at 2.1% to 4.0%, annual principal payments of \$165,000 to \$170,000 | 2,195,000 | |
| \$1,691,000 GOB 2018 , issue of 2018, due 8/1/2033, interest at 2.1% to 4.0%, annual principal payments of \$110,000 to \$115,000 | 1,580,000 | |
| \$9,400,000 GOB 2019 , issue of 2018, due 8/1/2033, interest at 2.1% to 4.0%, annual principal payments of \$110,000 to \$115,000 | 3,650,000 | 5,750,000 |
| Total general obligation bonds | \$ 15,210,000 | 8,090,000 |

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

| <u>Year Ended, June 30</u> | <u>Governmental Activity</u> | |
|--------------------------------|------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 3,190,000 | 688,035 |
| 2022 | 3,160,000 | 595,127 |
| 2023 | 3,155,000 | 492,109 |
| 2024 | 2,640,000 | 386,807 |
| 2025 | 2,380,000 | 294,880 |
| 2026-2030 | 5,780,000 | 818,240 |
| 2031-2035 | 2,995,000 | 186,520 |
| Total | \$ 23,300,000 | 3,461,718 |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Bonds authorized but unissued

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

The Town has authorized but unissued bonds relating to capital projects at June 30, 2020, as follows:

| | | Authorized | Authorized and Unissued |
|------------------------------|----|-------------------|--|
| 2012-13 Capital Improvements | \$ | 5,100,000 | \$ 606,535 |
| 2020-21 Capital Improvements | | 2,125,055 | <u>2,125,055</u> |
| Total | | | \$ <u>2,731,590*</u> |

*As described in Note 13, \$2,125,000 of this balance was issued subsequent to June 30, 2020, leaving a total issued and unauthorized balance of \$100,055 subsequent to the October 27, 2020 bond issuance.

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

Clean Water Fund Loans Payable

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

| <u>Note</u> | <u>Date of Issue</u> | <u>Original Amount</u> | <u>Balance</u> |
|-------------------------------------|----------------------|----------------------------|--------------------------|
| CWF PLO 499-C | 7/31/2004 | \$ 4,595,198 | \$ <u>825,707</u> |
| Total Clean Water Fund Loans | | | \$ <u>825,707</u> |

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

| <u>Year Ended June 30,</u> | <u>Business-type Activity</u> | |
|--------------------------------|-------------------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 262,243 | 14,119 |
| 2022 | 267,536 | 8,826 |
| 2023 | 272,936 | 3,426 |
| 2024 | <u>22,992</u> | <u>38</u> |
| | \$ <u>825,707</u> | <u>26,409</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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, 2020, \$8,500 has been accrued as an estimate of the cost to provide water for the remaining 2 years of the agreement.

Note 9 - Commitments and Contingencies

Lawsuits

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

The Town received federal and state grants for specific purposes and is subject to review and audit by the grantor agency for compliance and disallowed expenses under the grant. Management believes that such disallowances, if any, will not be material to the financial position of the Town.

The spread of the COVID-19 virus has caused business disruption throughout the United States and in the State of Connecticut specifically through the State of Connecticut Executive Orders. While disruption is expected to be temporary, there is a considerable uncertainty concerning the duration and financial impact of this disruption. Although the Town does not expect this matter to negatively impact its financial condition, results of operation, or cash flow, the extent of the financial impact and duration cannot be reasonably estimated.

Risk Management and Self-Insurance

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

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

Prior to July 1, 2019, the Town offered health insurance to participating employees through a self insured medical plan. The activities of the self insured employee medical were recorded in an internal service fund. Anthem Blue Cross/Blue Shield administered the plan. The Town and Board of Education contribute to the plan through the general fund and the W.P.C.A. contributes through the enterprise fund based on the administrators best estimates based on historical data.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Under the medical plan, the Town covered all claims up to \$100,000 per participant per year with an individual stop-loss policy, which covered claims exceeding 120% of the total estimated claims for the plan year.

Claims transactions for the last two years were as follows:

| <u>Fiscal Year Ended June 30,</u> | | <u>Claims Payable Beginning</u> | <u>Claims and Changes in Estimates</u> | <u>Claims Paid</u> | <u>Claims Payable Ending</u> |
|---------------------------------------|----|---|--|------------------------|--------------------------------------|
| 2019 | \$ | 328,259 | 4,708,789 | 4,413,289 | 308,759 |
| 2020 | | 308,759 | | 308,759 | - |

Note 10 - Employee Retirement Plans

Plan Description and Benefits Provided

Town Retirement Plan

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

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

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

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

Merit Service Plan

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

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

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

Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

Funding Policy

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

Investments

Investment Policy

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 4.96% for the Town Plan and 7.40% for the Merit Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The Town's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018.

The components of the net pension liability of the Town at June 30, 2020 were as follows:

| | Town Plan | Merit Service Plan | Total |
|---|---------------|--------------------------|------------|
| Total pension liability | \$ 18,757,398 | 4,738,779 | 23,496,177 |
| Plan fiduciary net position | 15,696,537 | 4,138,486 | 19,835,023 |
| Net pension liability | \$ 3,060,861 | 600,293 | 3,661,154 |
| Plan fiduciary net position as a percentage of the total pension liability | 83.68% | 87.33% | 84.41% |

Actuarial Assumptions

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Long-Term Rate of Return

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

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

Discount Rate

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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, 2019 | \$ 18,202,845 | 15,285,894 | 2,916,951 |
| Changes for the year: | | | |
| Service cost | \$ 261,842 | | 261,842 |
| Interest on total pension liability | 1,215,723 | | 1,215,723 |
| Difference between expected and actual experience | | | - |
| Change in assumptions | | | - |
| Employer contributions | | 550,742 | (550,742) |
| Employee contributions | | 34,944 | (34,944) |
| Net investment income | | 747,969 | (747,969) |
| Benefit payments, including refund of employee contributions | (923,012) | (923,012) | - |
| Net changes | \$ 554,553 | 410,643 | 143,910 |
| Balances as of June 30, 2020 | \$ 18,757,398 | 15,696,537 | 3,060,861 |

Merit Service Plan

| | Increase (Decrease) | | |
|--|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balances as of June 30, 2019 | \$ 4,590,114 | 4,033,747 | 556,367 |
| Changes for the year: | | | |
| Service cost | \$ 54,579 | | 54,579 |
| Interest on total pension liability | 306,466 | | 306,466 |
| Difference between expected and actual experience | | | - |
| Change in assumptions | | | - |
| Employer contributions | | 118,419 | (118,419) |
| Net investment income | | 198,700 | (198,700) |
| Benefit payments, including refund of employee contributions | (212,380) | (212,380) | - |
| Net changes | \$ 148,665 | 104,739 | 43,926 |
| Balances as of June 30, 2020 | \$ 4,738,779 | 4,138,486 | 600,293 |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

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

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|--|------------------------------------|--|------------------------------------|
| Town Plan net pension liability | \$ 4,928,661 | 3,060,861 | 1,454,306 |
| Merit Service Plan net pension liability | 1,193,183 | 600,293 | 109,638 |

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, 2020 and the changes in net position for the year then ended.

Schedule of Net Position

| | Town Retirement Plan | Merit Service Retirement Plan |
|---|-------------------------------------|--|
| Assets: | | |
| Cash and cash equivalents | \$ 352,427 | 93,708 |
| Investments | <u>15,344,110</u> | <u>4,044,778</u> |
| Net assets held in trust for pension benefits | \$ <u>15,696,537</u> | <u>4,138,486</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2020

Schedule of Changes in Net Position

| | Town Retirement Plan | Merit Service Retirement Plan |
|--|-------------------------------------|--|
| | | |
| Additions: | | |
| Contributions: | | |
| Employer | \$ 550,742 | 118,836 |
| Employee | 34,944 | |
| Total | \$ 585,686 | 118,836 |
| Investment income: | | |
| Net appreciation (depreciation) in fair value of investments | \$ 441,972 | 117,960 |
| Interest and dividends | 350,341 | 92,440 |
| Total | \$ 792,313 | 210,400 |
| Less investment expense: | | |
| Investment management fees | 44,344 | 11,700 |
| Net investment income | \$ 747,969 | 198,700 |
| Total additions | \$ 1,333,655 | 317,536 |
| Deductions: | | |
| Benefits | 923,012 | 212,797 |
| Net increase | \$ 410,643 | 104,739 |
| Net position at beginning of year | 15,285,894 | 4,033,747 |
| Net position at end of year | \$ 15,696,537 | 4,138,486 |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

For the year ended June 30, 2020, the Town recognized pension expense of \$566,423 and \$113,547 on behalf of the Town Plan and Merit Plan, respectively. As of June 30, 2020, deferred outflows and inflows of resources related to pension are reported as follows:

| | | Town Plan Deferred Outflows of Resources | Merit Service Plan Deferred Outflows of Resources | Total Deferred Outflows |
|---|----|---|--|--|
| Change in assumptions | \$ | 107,388 | 190,668 | 298,056 |
| Net difference between projected and actual earnings on pension plan investment | | 127,050 | 30,808 | 157,858 |
| Total | \$ | <u>234,438</u> | <u>221,476</u> | <u>455,914</u> |

| | | Town Plan Deferred Inflows of Resources | Merit Service Plan Deferred Inflows of Resources | Total Deferred Inflows |
|--|----|--|---|---------------------------------------|
| Differences between expected and actual experience | \$ | 17,014 | 85,686 | 102,700 |
| Total | \$ | <u>17,014</u> | <u>85,686</u> | <u>102,700</u> |

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

| Year Ended June 30, | | Town Retirement Plan | Merit Service Retirement Plan | Total |
|----------------------------|----|-------------------------------------|--|----------------|
| 2021 | \$ | 64,168 | 7,247 | 71,415 |
| 2022 | | 56,071 | 30,481 | 86,552 |
| 2023 | | 42,659 | 27,377 | 70,036 |
| 2024 | | 54,526 | 31,413 | 85,939 |
| 2025 | | | 28,050 | 28,050 |
| Thereafter | | | 11,222 | 11,222 |
| Total | \$ | <u>217,424</u> | <u>135,790</u> | <u>353,214</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Teachers' Retirement

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

Plan Description

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

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

Benefit Provisions

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

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

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

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

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

Contributions

State of Connecticut

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

Employer (School Districts)

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

Employees

Effective July 1, 1992, participants are required to contribute 6.00% of their pensionable salary to the pension System as required by CGS Section 10-183b (7). Effective January 1, 2018, the required contribution increased to 7.00% of pensionable salary. For the year ended June 30, 2020, \$609,750 mandatory contributions were deducted from the salaries of teachers who were participants in the System. The estimated covered payroll for the Town was \$8,711,000.

Administrative Expenses

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

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

The State has a statutory requirement to pay 100% of the required plan contribution, therefore, as of June 30, 2020 the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows. The amount recognized by the Town as its

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For the year ended June 30, 2020 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$3,110,900 as payments made by the State of Connecticut on behalf of the Town for teachers' pension.

Actuarial Assumptions

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

Long-Term Rate of Return

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

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

Discount Rate

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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 amount allowed by law. There are currently 29 participants in the plan as of June 30, 2020, and contributions of \$23,181 have been made in the fiscal year ended June 30, 2020.

Note 11 – Other Postemployment Benefits Plans

Board of Education OPEB Plan

Plan Description

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

A trust was officially established on March 29, 2011 between the Town of Litchfield and the Litchfield Board of Education and the Town's Pension Commission. The monies in the OPEB special revenue fund were transferred to the OPEB trust fund at that date. As in prior years, all expenses for postemployment benefits were paid out of the General Fund during the fiscal year ended June 30, 2020. The plan does not issue a stand-alone financial report.

At July 1, 2019, plan participation consisted of the following (not rounded):

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

Funding Policy

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

Benefits

The BOE provides certain retirees with health care and lump-sum benefits, in accordance with Teacher and Administrators union contracts.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2020**

Litchfield Education Association OPEB Contract Provisions

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

Amount of Benefit:

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

Litchfield Administrators Association OPEB Contract Provisions

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

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

Superintendent

BOE provides a \$5,000 annual payment until eligible for Medicare, age 65, or for 5 years immediately following retirement, whichever is less. The superintendent is also eligible for a \$250,000 life insurance policy until age 67, after five years of service.

Investments

Investment Policy

The OPEB plan's policy in regard to allocation of invested assets is established and may be amended by the Board of Education. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocation over short time spans.

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on the OPEB plan investments, net of pension plan investment expense, was 7.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

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

The components of the net OPEB liability of the Town at June 30, 2020 were as follows:

| | | |
|---|----|-----------------------|
| Total OPEB liability | \$ | 2,075,598 |
| Plan fiduciary net position | | <u>1,572,024</u> |
| Net OPEB liability | \$ | <u><u>503,574</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 75.74% |

Actuarial Assumptions

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

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Long-Term Rate of Return

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------------|------------------------------|---|
| U.S. equities | 46.00% | 5.60% |
| REIT | 3.00% | 4.50% |
| International developed economies | 6.00% | 5.90% |
| International emerging economies | 5.00% | 7.20% |
| High quality bond | 33.00% | 2.10% |
| High yield bond | 5.00% | 4.00% |
| Cash equivalents | 2.00% | .80% |
| | <u>100.00%</u> | |

Discount Rate

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|--|-----------------------------------|--------------------------------------|----------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position | Net OPEB Liability (a)-(b) |
| Balances as of June 30, 2019 | \$ 2,013,952 | 1,495,122 | 518,830 |
| Changes for the year: | | | |
| Service cost | \$ 48,092 | | 48,092 |
| Interest on total pension liability | 138,490 | | 138,490 |
| Difference between expected and actual experience | (103,897) | | (103,897) |
| Change in assumptions | | | |
| Employer contributions | | 9,049 | (9,049) |
| TRB Subsidy | | 11,990 | (11,990) |
| Employee contributions | | | |
| Net investment income | | 76,902 | (76,902) |
| Benefit payments, including refund of employee contributions | (21,039) | (21,039) | - |
| Net changes | \$ 61,646 | 76,902 | (15,256) |
| Balances as of June 30, 2020 | \$ 2,075,598 | 1,572,024 | 503,574 |

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

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

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|--------------------|---------------------------|--|---------------------------|
| Net OPEB liability | \$ 722,738 | 503,574 | 312,844 |

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

| | | 1% Decrease (9.65% decreasing to 3.50%) | Current Healthcare Trend Rate (10.65% decreasing to 4.50%) | 1% Increase (11.65% decreasing to 5.50%) |
|--------------------|----|--|---|---|
| Net OPEB liability | \$ | 253,277 | 503,574 | 802,625 |

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

Schedule of Net Position

| | OPEB Trust Fund |
|--|----------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 35,842 |
| Investments | <u>1,536,182</u> |
| Net position restricted for other post employment benefits | <u>\$ 1,572,024</u> |

Schedule of Changes in Net Position

| | OPEB Trust Fund |
|--|----------------------------|
| Additions: | |
| Contributions | \$ <u>21,039</u> |
| Investment income: | |
| Net appreciation (depreciation) in fair value of investments | \$ 46,462 |
| Interest and dividends | <u>34,841</u> |
| Total | \$ 81,303 |
| Less administrative expenses: | |
| Investment management fees | <u>4,401</u> |
| Net investment income | \$ <u>76,902</u> |
| Total additions | \$ 97,941 |
| Deductions: | |
| Benefits | <u>21,039</u> |
| Net increase | \$ 76,902 |
| Net position at beginning of year | <u>1,495,122</u> |
| Net position at end of year | <u>\$ 1,572,024</u> |

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$8,440. As of June 30, 2020, deferred outflows and inflows of resources related to OPEB are reported as follows:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ | (561,240) |
| Changes of assumptions | | (162,538) |
| Net difference between projected and actual earnings on OPEB plan investments | 15,746 | |
| Total | \$ <u>15,746</u> | <u>(723,778)</u> |

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

| <u>Year Ended June 30,</u> | |
|----------------------------|---------------------|
| 2021 | \$ (55,909) |
| 2022 | (55,908) |
| 2023 | (56,196) |
| 2024 | (54,849) |
| 2025 | (59,652) |
| Thereafter | <u>(425,518)</u> |
| Total | \$ <u>(708,032)</u> |

Teachers' Retirement OPEB Plan

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

Plan Description

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2020

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

Benefit Provisions

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

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

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

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

The choices and calendar year premiums charged as of July 1, 2019 are as follows:

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2020

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

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

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

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

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

Contributions

State of Connecticut

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

Employer (School Districts)

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

Employees

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

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

For the year ended June 30, 2020, \$108,884 mandatory contributions were deducted from the salaries of active teachers who were participants in the System. The estimated covered payroll for the Town was \$8,711,000.

Administrative Expenses

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

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

The State has a statutory requirement to pay 100% of the required plan contribution, therefore as of June 30, 2020 the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows. The amount recognized by the Town as its

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2020

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

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

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

For the year ended June 30, 2020 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures related to OPEB in the amount of \$1,840,745 as payments made by the State of Connecticut on behalf of the Town teachers' OPEB.

Actuarial Assumptions

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

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

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

Long-Term Rate of Return

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2020

class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

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

Note 12 - Fund Deficits and Restrictions to Fund Position

Restricted Fund Position

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

General Fund Committed and Assigned Fund Balance

In accordance with Connecticut General Statute 10-248, the Town's Board of Finance established a non-lapsing account to be used for Board of Education capital expenses defined as being at least \$10,000 or a useful life of 10 years. The account will have deposits equal to one half of the operating surplus plus one half of the education tuition paid to the Town during the previous fiscal year. The deposit may not exceed 2% of the Board of Education's total appropriation for one year.

The activity of the non-lapsing account was as follows:

| | | |
|---------------------------------|-----------|-----------------------|
| Balance at July 1, 2019 | \$ | - |
| Deposits: | | |
| ½ Education Surplus (\$240,673) | | 120,337 |
| ½ Tuition received (\$24,145) | | 12,073 |
| Expenditures | | - |
| Balance June 30, 2020 | \$ | <u>132,410</u> |

In addition, the Town's management assigned a portion of the general fund balance to the dog fund through the annual operating budget. This is presented in the General Fund's balance sheet as assigned fund balance.

General Fund Unassigned Balance Policy

The Board of Finance formally adopted a general fund policy on May 13, 2019. In accordance with the policy, the Town limits the use of undesignated ("unassigned") general fund balance in excess of 15% of the next year's appropriation to the following: limited funds for capital projects, equipment sinking fund, capital improvement projects, debt service, or any one time nonrecurring expenditure. As of June 30, 2020, \$2.56 million of general fund unassigned balance was limited for these purposes.

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

Last Seven Fiscal Years

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|------------|------------|------------|------------|------------|------------|
| Total pension liability: | | | | | | | |
| Service cost | \$ 261,842 | 325,668 | 316,176 | 372,872 | 358,531 | 344,741 | 396,238 |
| Interest | 1,215,723 | 1,174,819 | 1,132,494 | 1,144,711 | 1,092,779 | 1,023,014 | 976,938 |
| Differences between expected and actual experience | | (130,438) | | (853,171) | | 318,394 | |
| Change in assumptions | | 823,306 | | | | | |
| Benefit payments, including refunds of member contributions | (923,012) | (881,041) | (826,927) | (739,058) | (708,980) | (697,793) | (630,245) |
| Net change in total pension liability | \$ 554,553 | 1,312,314 | 621,743 | (74,646) | 742,330 | 988,356 | 742,931 |
| Total pension liability - beginning | 18,202,845 | 16,890,531 | 16,268,788 | 16,343,434 | 15,601,104 | 14,612,748 | 13,869,817 |
| Total pension liability - ending | \$ 18,757,398 | 18,202,845 | 16,890,531 | 16,268,788 | 16,343,434 | 15,601,104 | 14,612,748 |
| Plan fiduciary net position: | | | | | | | |
| Contributions - employer | \$ 550,742 | 851,760 | 850,572 | 719,626 | 682,350 | 1,093,734 | 1,067,885 |
| Contributions - employee | 34,944 | 36,769 | 37,280 | 60,322 | 20,527 | | |
| Net investment income | 747,969 | 1,055,208 | 863,706 | 1,255,077 | 114,893 | 304,997 | 1,289,448 |
| Benefit payments, including refunds of member contributions | (923,012) | (881,041) | (826,927) | (739,058) | (718,919) | (697,793) | (630,245) |
| Net change in plan fiduciary net position | \$ 410,643 | 1,062,696 | 924,631 | 1,295,967 | 98,851 | 700,938 | 1,727,088 |
| Plan fiduciary net position - beginning | 15,285,894 | 14,223,198 | 13,298,567 | 12,002,600 | 11,903,749 | 11,202,811 | 9,475,723 |
| Plan fiduciary net position - ending | \$ 15,696,537 | 15,285,894 | 14,223,198 | 13,298,567 | 12,002,600 | 11,903,749 | 11,202,811 |
| Net pension liability - ending | \$ 3,060,861 | 2,916,951 | 2,667,333 | 2,970,221 | 4,340,834 | 3,697,355 | 3,409,937 |
| Plan fiduciary net position as a percentage of total pension liability | 83.68% | 83.98% | 84.21% | 81.74% | 73.44% | 76.30% | 76.66% |
| Covered payroll | \$ 3,484,630 | 3,366,792 | 3,831,932 | 3,684,550 | 4,272,039 | 4,107,730 | 4,397,899 |
| Net pension liability as a percentage of its covered payroll | 87.84% | 86.64% | 69.61% | 80.61% | 101.61% | 90.01% | 77.54% |

Notes To Schedule

Changes in benefit terms: None

Changes in assumptions: The July 1, 2018 valuation reflects changes in investment rate of return from 7.00% to 6.75%, inflation from 3.00% to 2.50%, salary increase from 4.00% to 3.50%, mortality was updated based on the most recently published pension mortality study released by the Society of Actuaries.

Methods and assumptions used to determine contribution rates:

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

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

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

Last Seven Fiscal Years

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total pension liability: | | | | | | | |
| Service cost | \$ 54,579 | 52,540 | 52,540 | 59,412 | 59,412 | 59,412 | 65,858 |
| Interest | 306,466 | 293,922 | 284,891 | 281,563 | 271,181 | 258,709 | 247,891 |
| Differences between expected and actual experience | | (53,714) | | (94,174) | | 33,529 | |
| Change in assumptions | | 261,286 | | | | | |
| Benefit payments, including refunds of member contributions | (212,380) | (216,856) | (200,269) | (184,752) | (179,891) | (167,268) | (138,757) |
| Net change in total pension liability | \$ 148,665 | 337,178 | 137,162 | 62,049 | 150,702 | 184,382 | 174,992 |
| Total pension liability - beginning | 4,590,114 | 4,252,936 | 4,115,774 | 4,053,725 | 3,903,023 | 3,718,641 | 3,543,649 |
| Total pension liability - ending | \$ 4,738,779 | 4,590,114 | 4,252,936 | 4,115,774 | 4,053,725 | 3,903,023 | 3,718,641 |
| Plan fiduciary net position: | | | | | | | |
| Contributions - employer | \$ 118,419 | 118,419 | 118,419 | 158,102 | 154,100 | 150,102 | 150,102 |
| Contributions - employee | | | | | | | |
| Net investment income | 198,700 | 280,447 | 240,218 | 351,066 | 32,649 | 97,690 | 395,941 |
| Benefit payments, including refunds of member contributions | (212,380) | (216,856) | (200,269) | (184,752) | (180,389) | (167,268) | (138,757) |
| Net change in plan fiduciary net position | \$ 104,739 | 182,010 | 158,368 | 324,416 | 6,360 | 80,524 | 407,286 |
| Plan fiduciary net position - beginning | 4,033,747 | 3,851,737 | 3,693,369 | 3,368,953 | 3,362,593 | 3,282,069 | 2,874,783 |
| Plan fiduciary net position - ending | \$ 4,138,486 | 4,033,747 | 3,851,737 | 3,693,369 | 3,368,953 | 3,362,593 | 3,282,069 |
| Net pension liability - ending | \$ 600,293 | 556,367 | 401,199 | 422,405 | 684,772 | 540,430 | 436,572 |
| Plan fiduciary net position as a percentage of total pension liability | 87.33% | 87.88% | 90.57% | 89.74% | 83.11% | 86.15% | 88.26% |
| Covered payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net pension liability as a percentage of its covered payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule

Changes in benefit terms None

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

Methods and assumptions used to determine contribution rates:

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

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

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

Last Four Fiscal Years

| | 2020 | 2019 | 2018 | 2017 |
|---|--------------|-----------|-----------|-----------|
| Total OPEB liability: | | | | |
| Service cost | \$ 48,092 | 55,169 | 53,304 | 51,501 |
| Interest | 138,490 | 173,411 | 167,805 | 158,952 |
| Differences between expected and actual experience | (103,897) | (435,011) | (125,270) | (68,299) |
| Changes of assumptions | (21,039) | (186,094) | | |
| Benefit payments, including refunds of member contributions | | (30,775) | (4,897) | (95,701) |
| Net change in total OPEB liability | \$ 61,646 | (423,300) | 90,942 | 46,453 |
| Total OPEB liability - beginning | 2,013,952 | 2,437,252 | 2,346,310 | 2,299,857 |
| Total OPEB liability - ending | \$ 2,075,598 | 2,013,952 | 2,437,252 | 2,346,310 |
| Plan fiduciary net position: | | | | |
| Contributions - employer | \$ 9,049 | 26,828 | (25,903) | 215,521 |
| Contributions - employee | | | | - |
| Contributions - TRB subsidy | 11,990 | 22,770 | 30,800 | 27,170 |
| Net investment income | 76,902 | 103,480 | 88,644 | 124,083 |
| Benefit payments, including refunds of member contributions | (21,039) | (30,775) | (4,897) | (95,701) |
| Administrative and other costs | | | (5,100) | (5,625) |
| Net change in plan fiduciary net position | \$ 76,902 | 122,303 | 83,544 | 265,448 |
| Plan fiduciary net position - beginning | 1,495,122 | 1,372,819 | 1,289,275 | 1,023,827 |
| Plan fiduciary net position - ending | \$ 1,572,024 | 1,495,122 | 1,372,819 | 1,289,275 |
| Net OPEB liability - ending | \$ 503,574 | 518,830 | 1,064,433 | 1,057,035 |
| Plan fiduciary net position as a percentage of total OPEB liability | 75.74% | 74.24% | 56.33% | 54.95% |
| Covered payroll | \$ 9,176,000 | 8,865,708 | 8,451,000 | 8,165,000 |
| Net OPEB liability as a percentage of its covered payroll | 5.49% | 5.85% | 12.60% | 12.95% |

Notes to Schedule

| | |
|--------------------------|---|
| Changes in benefit terms | None |
| Changes in assumptions | The July 1, 2018 valuation reflects changes in investment rate of return from 7.00% to 6.75%, inflation from 3.00% to 2.50%, mortality was updated based on the most recently published pension mortality study released by the Society of Actuaries. In 2018 the healthcare trend rates were decreased to 7.00%, reducing 0.5% per year to a final rate of 4.50% for 2024 and later, from 7.75% in 2016 reducing 0.5% per year to a final rate of 4.75% per year for 2022 and later. |

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

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

| | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a Percentage of Covered Payroll |
|------|---|------------------------|--|--------------------|--|
| 2020 | \$ 551 | 551 | - | 3,485 | 15.81% |
| 2019 | 666 | 852 | (186) | 3,367 | 25.30% |
| 2018 | 654 | 850 | (196) | 3,832 | 22.18% |
| 2017 | 682 | 720 | (38) | 3,685 | 19.54% |
| 2016 | 669 | 672 | (3) | 4,272 | 15.73% |
| 2015 | 844 | 1,094 | (250) | 4,108 | 26.63% |
| 2014 | 828 | 1,068 | (240) | 4,398 | 24.28% |
| 2013 | 838 | 838 | - | N/A | N/A |
| 2012 | 824 | 824 | - | N/A | N/A |
| 2011 | 726 | 726 | - | N/A | N/A |

Notes to Schedule

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

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

Methods and assumptions used to determine contribution rates:

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

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

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

| | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a Percentage of Covered Payroll |
|------|---|------------------------|--|--------------------|--|
| 2020 | \$ 120 | 118 | 2 | N/A | N/A |
| 2019 | 118 | 118 | - | N/A | N/A |
| 2018 | 118 | 118 | - | N/A | N/A |
| 2017 | 107 | 158 | (51) | N/A | N/A |
| 2016 | 107 | 154 | (47) | N/A | N/A |
| 2015 | 150 | 150 | - | N/A | N/A |
| 2014 | 150 | 150 | - | N/A | N/A |
| 2013 | 188 | 188 | - | N/A | N/A |
| 2012 | 188 | 188 | - | N/A | N/A |
| 2011 | 212 | 212 | - | N/A | N/A |

Notes to Schedule

| | |
|--|---|
| Valuation date: | July 1, 2018 |
| Measurement date: | June 30, 2019 |
| Changes in benefit terms | None |
| Changes in assumptions | The July 1, 2018 valuation reflects changes in investment rate of return from 7.00% to 6.75%, inflation from 3.00% to 2.50%, mortality was updated based on the most recently published pension mortality study released by the Society of Actuaries. |
| Methods and assumptions used to determine contribution rates: | |
| Actuarial cost method | Entry age |
| Amortization method | Level dollar |
| Remaining amortization period | 14 years |
| Asset valuation method | Market value of assets |
| Inflation | 2.50% |
| Salary increases | N/A |
| Investment rate of return | 6.75%, net of pension plan investment expense |

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

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

| | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a Percentage of Covered Payroll |
|------|---|------------------------|--|--------------------|--|
| 2020 | \$ 178 | 27 | 151 | 8,866 | 0.30% |
| 2019 | 178 | 27 | 151 | 8,866 | 0.30% |
| 2018 | 173 | (26) | 199 | 8,165 | -0.32% |
| 2017 | 210 | 215 | (5) | 8,165 | 2.63% |
| 2016 | N/A | N/A | N/A | N/A | N/A |
| 2015 | N/A | N/A | N/A | N/A | N/A |
| 2014 | N/A | N/A | N/A | N/A | N/A |
| 2013 | N/A | N/A | N/A | N/A | N/A |
| 2012 | N/A | N/A | N/A | N/A | N/A |
| 2011 | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule

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

Changes in benefits: None

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

Methods and assumptions used to determine contribution rates:

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

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

SCHEDULE OF INVESTMENT RETURNS - TOWN PLAN
Last Seven Fiscal Years

| <u>Year ended June 30</u> | <u>Annual money- weighted rate of return, net of investment expense</u> |
|---------------------------|---|
| 2020 | 4.96% |
| 2019 | 7.41% |
| 2018 | 6.47% |
| 2017 | 10.50% |
| 2016 | 1.01% |
| 2015 | 2.91% |
| 2014 | 13.76% |

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

SCHEDULE OF INVESTMENT RETURNS - MERIT PLAN
Last Seven Fiscal Years

| <u>Year ended June 30</u> | <u>Annual money- weighted rate of return, net of investment expense</u> |
|---------------------------|---|
| 2020 | 5.00% |
| 2019 | 7.40% |
| 2018 | 6.51% |
| 2017 | 10.52% |
| 2016 | 1.02% |
| 2015 | 2.97% |
| 2014 | 14.01% |

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

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

| <u>Year ended June 30</u> | <u>Annual money- weighted rate of return, net of investment expense</u> |
|---------------------------|---|
| 2020 | 5.14% |
| 2019 | 7.46% |
| 2018 | 6.89% |
| 2017 | 10.85% |
| 2016 | N/A |
| 2015 | N/A |
| 2014 | N/A |

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

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

Last Six Fiscal Years

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|------------|------------|------------|------------|------------|
| Town's proportion of the net pension liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Town's proportionate share of the net pension liability | \$ - | - | - | - | - | - |
| State's proportionate share of the net pension liability associated with the Town | 35,948,513 | 27,718,392 | 29,074,044 | 30,673,339 | 22,686,851 | 20,969,447 |
| Total | \$ 35,948,513 | 27,718,392 | 29,074,044 | 30,673,339 | 22,686,851 | 20,969,447 |
| Town's covered payroll | \$ | 8,710,714 | 8,762,327 | 8,558,683 | 8,440,514 | 8,041,000 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of total pension liability | | 57.69% | 55.93% | 52.26% | 59.50% | 61.51% |

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

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

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

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

Last Three Fiscal Years

| | 2020 | 2019 | 2018 |
|---|--------------|-----------|-----------|
| Town's proportion of the net OPEB liability | 0.00% | 0.00% | 0.00% |
| Town's proportionate share of the net OPEB liability | \$ - | - | - |
| State's proportionate share of the net OPEB liability associated with the Town | 5,606,372 | 5,541,084 | 7,483,319 |
| Total | \$ 5,606,372 | 5,541,084 | 7,483,319 |
| Town's covered payroll | \$ 8,698,205 | 8,710,714 | 8,762,327 |
| Town's proportionate share of the net OPEB liability as a percentage of its covered payroll | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of total OPEB liability | 2.08% | 1.49% | 1.79% |

Notes to Schedule

| | |
|--------------------------|---|
| Changes in benefit terms | None |
| Changes in assumptions | <ul style="list-style-type: none"> - The single equivalent interest rate was increased from 3.56% to 3.87% to reflect the change in the Municipal Bond Index Rate. - Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations. - As a result of the experience study for the five-year period ending June 30, 2019, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Last, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board. - In June 30, 2020 the investment rate of return was increased .25% to 3.00% and inflation was reduced by .25% to 2.50% |

Methods and assumptions used to determine contribution rates:

| | |
|---------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percent of payroll |
| Amortization period | 30 years, open |
| Asset valuation method | Market value of assets |
| Inflation | 2.50% |
| Salary increase | 3.25-6.50%, including inflation |
| Investment rate of return | 6.90%, net of investment related expense, including inflation |

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

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**GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual Amounts - Budgetary Basis | Variance With Final Budget Positive/ (Negative) |
|--|----------------------|-------------------|---|--|
| | Original | Final | | |
| Property taxes: | | | | |
| Current years' levy | \$ 29,041,049 | 29,041,049 | 29,063,692 | 22,643 |
| Property taxes on motor vehicles | 240,000 | 240,000 | 251,800 | 11,800 |
| Prior years' levies | 265,000 | 265,000 | 367,895 | 102,895 |
| Interest and penalties | 155,000 | 155,000 | 199,795 | 44,795 |
| Total property taxes | <u>\$ 29,701,049</u> | <u>29,701,049</u> | <u>29,883,182</u> | <u>182,133</u> |
| Intergovernmental: | | | | |
| State grants for education | \$ 1,188,649 | 1,188,649 | 1,300,758 | 112,109 |
| Other state grants | 118,282 | 118,282 | 122,929 | 4,647 |
| Total intergovernmental | <u>\$ 1,306,931</u> | <u>1,306,931</u> | <u>1,423,687</u> | <u>116,756</u> |
| Charges for services: | | | | |
| Licenses and permits | \$ 6,300 | 6,300 | 8,689 | 2,389 |
| Charges for services | 490,900 | 490,900 | 543,693 | 52,793 |
| Fines and forfeits | 5,000 | 5,000 | 4,930 | (70) |
| Total charges for services | <u>\$ 502,200</u> | <u>502,200</u> | <u>557,312</u> | <u>55,112</u> |
| Investment income | <u>\$ 125,000</u> | <u>125,000</u> | <u>259,663</u> | <u>134,663</u> |
| Miscellaneous revenues | <u>\$ 30,000</u> | <u>30,000</u> | <u>50,273</u> | <u>20,273</u> |
| Other financing sources: | | | | |
| Debt reimbursement | \$ 28,000 | 28,000 | 28,000 | - |
| Premium on bond | | | | - |
| W.P.C.A. reimbursement | 321,552 | 321,552 | 321,552 | - |
| Total other financing sources | <u>\$ 349,552</u> | <u>349,552</u> | <u>349,552</u> | <u>-</u> |
| Total revenue & other financing sources | <u>\$ 32,014,732</u> | <u>32,014,732</u> | <u>32,523,669</u> | <u>508,937</u> |

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE 2

Page 1 of 2

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

For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts - Budgetary Basis | Variance With Final Budget Positive/ (Negative) |
|----------------------------------|---------------------|------------------|---|--|
| | Original | Final | | |
| General government: | | | | |
| Board of Finance | \$ 28,545 | 29,459 | 29,459 | - |
| Treasurer | 8,286 | 8,370 | 8,370 | - |
| Vital statistics | 400 | 400 | 388 | 12 |
| Registrars | 35,027 | 35,027 | 29,532 | 5,495 |
| Elections | 21,650 | 21,650 | 14,814 | 6,836 |
| Inland wetlands | 5,500 | 5,500 | 5,439 | 61 |
| Economic development commission | 500 | 500 | - | 500 |
| Board of Tax Review | 800 | 800 | 420 | 380 |
| Building and grounds | 142,000 | 129,216 | 129,216 | - |
| Planning and zoning | 8,000 | 23,000 | 18,820 | 4,180 |
| Probate Court | 7,721 | 7,721 | 7,721 | - |
| Finance Department | 214,661 | 214,661 | 208,382 | 6,279 |
| Land use administration | 119,614 | 120,721 | 118,481 | 2,240 |
| Town Clerk | 130,846 | 131,341 | 131,003 | 338 |
| Computer equipment | 79,500 | 79,835 | 79,835 | - |
| Zoning Appeals Board | 4,000 | 4,000 | 2,978 | 1,022 |
| Legal Services Corporate Counsel | 66,000 | 96,074 | 96,073 | 1 |
| Central services | 26,875 | 26,875 | 18,260 | 8,615 |
| Assessor | 142,670 | 142,670 | 114,322 | 28,348 |
| Tax Collector | 120,400 | 128,178 | 128,178 | - |
| Municipal management | 204,819 | 205,426 | 199,864 | 5,562 |
| Building Inspector | 144,892 | 146,296 | 137,845 | 8,451 |
| Board of Selectmen | 30,393 | 30,393 | 28,055 | 2,338 |
| Total general government | \$ 1,543,099 | 1,588,113 | 1,507,455 | 80,658 |
| Public safety: | | | | |
| Litchfield emergency management | \$ 16,629 | 38,349 | 34,743 | 3,606 |
| Ambulance | 53,214 | 53,214 | 53,214 | - |
| Fire Marshal | 62,949 | 63,315 | 60,748 | 2,567 |
| E911 emergency | 94,177 | 94,177 | 94,177 | - |
| Fire protection | 395,515 | 395,515 | 394,678 | 837 |
| Patrol services | 156,288 | 158,361 | 141,764 | 16,597 |
| Police Department | 203,492 | 188,708 | 167,782 | 20,926 |
| Total public safety | \$ 982,264 | 991,639 | 947,106 | 44,533 |
| Public works: | | | | |
| Building and ground maintenance | \$ 98,000 | 121,273 | 121,272 | 1 |
| Highways and bridges | 879,900 | 879,900 | 806,117 | 73,783 |
| Supervision | 12,100 | 12,100 | 11,792 | 308 |
| Operations | 1,312,700 | 1,312,700 | 1,257,571 | 55,129 |
| Engineering | 123,994 | 124,903 | 124,902 | 1 |
| Equipment maintenance | 209,680 | 214,668 | 214,668 | - |
| Solid waste and recycling | 542,600 | 542,600 | 529,778 | 12,822 |
| Total public works | \$ 3,178,974 | 3,208,144 | 3,066,100 | 142,044 |

(Continued)

**GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL**
For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts - Budgetary Basis | Variance With Final Budget Positive/ (Negative) |
|--|----------------------|-------------------|---|--|
| | Original | Final | | |
| Health and welfare: | | | | |
| OSHA mandated health | \$ 1,800 | 1,800 | 878 | 922 |
| Social services | 45,355 | 46,331 | 46,330 | 1 |
| Total health and welfare | \$ 47,155 | 48,131 | 47,208 | 923 |
| Culture and recreation: | | | | |
| Recreation | \$ 132,063 | 132,063 | 124,277 | 7,786 |
| Co-op programs | 169,955 | 169,955 | 165,656 | 4,299 |
| Library | 390,738 | 390,738 | 390,738 | - |
| Total culture and recreation | \$ 692,756 | 692,756 | 680,671 | 12,085 |
| Education: | | | | |
| Board of Education | \$ 19,471,500 | 19,471,500 | 19,230,827 | 240,673 |
| Total education | \$ 19,471,500 | 19,471,500 | 19,230,827 | 240,673 |
| Other: | | | | |
| Contingency | \$ 88,933 | | | - |
| Fringe benefits | 1,639,553 | 1,639,553 | 1,601,192 | 38,361 |
| Beautification commission | 1,000 | 1,000 | 795 | 205 |
| Cemetery services | 22,550 | 22,550 | 22,550 | - |
| Municipal insurance | 101,000 | 104,944 | 104,944 | - |
| Total other | \$ 1,853,036 | 1,768,047 | 1,729,481 | 38,566 |
| Debt service: | | | | |
| Principal | \$ 3,461,054 | 3,461,054 | 3,461,054 | - |
| Interest | 719,894 | 719,894 | 694,731 | 25,163 |
| Total debt service | \$ 4,180,948 | 4,180,948 | 4,155,785 | 25,163 |
| Other financing uses: | | | | |
| Other | \$ 65,000 | 65,000 | 51,000 | 14,000 |
| Total other financing uses | \$ 65,000 | 65,000 | 51,000 | 14,000 |
| Total encumbrances and financial uses | \$ 32,014,732 | 32,014,278 | 31,415,633 | 598,645 |

TOWN OF LITCHFIELD, CONNECTICUT

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2020

| | Special Revenue | | | |
|---|--------------------|--------------------------------|------------------|----------------------------|
| | Town Hall Annex | Special Education Grants | Cafeteria | Parks and Recreation |
| ASSETS | | | | |
| Cash and cash equivalents | \$ | | 1,244 | |
| Receivables, net | | | | |
| Due from other funds | 588,290 | 7,070 | | 78,766 |
| Total assets | <u>\$ 588,290</u> | <u>7,070</u> | <u>1,244</u> | <u>78,766</u> |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 56,995 | | 120,874 | |
| Unearned revenues | | | | |
| Due to other funds | | | 45,925 | |
| Total liabilities | <u>\$ 56,995</u> | <u>-</u> | <u>166,799</u> | <u>-</u> |
| Deferred inflows of resources: | | | | |
| Unavailable receipts | \$ | | | |
| Fund balance (deficits): | | | | |
| Nonspendable | \$ | | | |
| Restricted for: | | | | |
| Donor's intentions | | | | |
| Committed: | | | | |
| Specific uses | | 7,070 | | |
| Assigned | 531,295 | | | 78,766 |
| Unassigned | | | (165,555) | |
| Total fund balance (deficits) | <u>\$ 531,295</u> | <u>7,070</u> | <u>(165,555)</u> | <u>78,766</u> |
| Total liabilities, deferred inflows of resources, and fund balances (deficits) | <u>\$ 588,290</u> | <u>7,070</u> | <u>1,244</u> | <u>78,766</u> |

| Special Revenue | | | | | |
|-------------------|---------------------|---------|--------------------------|-------------------------------------|---------------------|
| Road Ordinance | Sewer Assessment | LOCIP | Small Cities Grant | Miscellaneous Special Revenue | Town Road Aid |
| | | | 48,250 | 24,357 | |
| | 384,717 | | 63,332 | | |
| 3,133 | 435,188 | 272,718 | 10,795 | 329,700 | 405,053 |
| 3,133 | 819,905 | 272,718 | 122,377 | 354,057 | 405,053 |
| | | | | | |
| | | | | | |
| - | - | - | - | - | - |
| | 384,717 | | 63,332 | | |
| | | | | | |
| | | | | | |
| 3,133 | 435,188 | 272,718 | 59,045 | 354,057 | 405,053 |
| 3,133 | 435,188 | 272,718 | 59,045 | 354,057 | 405,053 |
| 3,133 | 819,905 | 272,718 | 122,377 | 354,057 | 405,053 |

(Continued)

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 June 30, 2020

| | Special Revenue | | Permanent Fund | |
|---|------------------|-----------------------|----------------|-----------------------|
| | Scholarships | Total Special Revenue | Cemetery Trust | Total Non-major Funds |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 39,966 | 113,817 | 10,410 | 124,227 |
| Receivables, net | | 448,049 | | 448,049 |
| Due from other funds | 9,236 | 2,139,949 | | 2,139,949 |
| Total assets | <u>\$ 49,202</u> | <u>2,701,815</u> | <u>10,410</u> | <u>2,712,225</u> |
| LIABILITIES AND FUND BALANCE (DEFICITS) | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ | 177,869 | | 177,869 |
| Unearned revenues | | - | | - |
| Due to other funds | | 45,925 | | 45,925 |
| Total liabilities | <u>\$ -</u> | <u>223,794</u> | <u>-</u> | <u>223,794</u> |
| Deferred inflows of resources: | | | | |
| Unavailable receipts | \$ | 448,049 | | 448,049 |
| Fund balance (deficits): | | | | |
| Nonspendable | \$ | - | | - |
| Restricted for: | | | | |
| Donor's intentions | | - | 10,000 | 10,000 |
| Committed: | | | | |
| Specific uses | | 66,115 | | 66,115 |
| Assigned | 49,202 | 2,129,412 | 410 | 2,129,822 |
| Unassigned | | (165,555) | | (165,555) |
| Total fund balance (deficits) | <u>\$ 49,202</u> | <u>2,029,972</u> | <u>10,410</u> | <u>2,040,382</u> |
| Total liabilities, deferred inflows of resources, and fund balances (deficits) | <u>\$ 49,202</u> | <u>2,701,815</u> | <u>10,410</u> | <u>2,712,225</u> |

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TOWN OF LITCHFIELD, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

| | Special Revenue | | | |
|---|--------------------|--------------------------------|-----------|----------------------------|
| | Town Hall Annex | Special Education Grants | Cafeteria | Parks and Recreation |
| Revenues: | | | | |
| Intergovernmental | \$ | 636,024 | 66,895 | |
| Charges for services | 53,333 | | 116,982 | 50,890 |
| Investment income | | | | 1,139 |
| Other | | | | |
| Total revenues | \$ 53,333 | 636,024 | 183,877 | 52,029 |
| Expenditures: | | | | |
| General | \$ 188,587 | | | |
| Public works | | | | |
| Culture and recreation | | | | 41,001 |
| Education | | 736,091 | 363,280 | |
| Total expenditures | \$ 188,587 | 736,091 | 363,280 | 41,001 |
| Revenue over (under) expenditures | \$ (135,254) | (100,067) | (179,403) | 11,028 |
| Other financing sources: | | | | |
| Transfers in | \$ | | | |
| Transfers (out) | | | | |
| Total other financing sources | \$ - | - | - | - |
| Changes in fund balances (deficits) | \$ (135,254) | (100,067) | (179,403) | 11,028 |
| Fund balances (deficits) - beginning | 666,549 | 107,137 | 13,848 | 67,738 |
| Fund balances (deficits) - ending | \$ 531,295 | 7,070 | (165,555) | 78,766 |

| Special Revenue | | | | | |
|-------------------|---------------------|---------|--------------------------|-------------------------------------|---------------------|
| Road Ordinance | Sewer Assessment | LOCIP | Small Cities Grant | Miscellaneous Special Revenue | Town Road Aid |
| | 206,351 | 84,871 | | 5,500 | 388,587 |
| | 7,358 | | 10,825 | 39,375 | |
| - | 213,709 | 84,871 | 10,825 | 44,875 | 388,587 |
| | 215,758 | 14,419 | | 174,826 | 217,887 |
| - | 215,758 | 14,419 | - | 174,826 | 217,887 |
| - | (2,049) | 70,452 | 10,825 | (129,951) | 170,700 |
| - | - | - | - | - | - |
| - | (2,049) | 70,452 | 10,825 | (129,951) | 170,700 |
| 3,133 | 437,237 | 202,266 | 48,220 | 484,008 | 234,353 |
| 3,133 | 435,188 | 272,718 | 59,045 | 354,057 | 405,053 |

(Continued)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS, Continued
For the Year Ended June 30, 2020**

| | Special Revenue | | Permanent Fund | Total Non-major Governmental Funds |
|---|-----------------|-----------|-------------------|---|
| | Scholarships | Total | Cemetery Trust | |
| Revenues: | | | | |
| Intergovernmental | \$ | 1,181,877 | | 1,181,877 |
| Charges for services | | 427,556 | | 427,556 |
| Investment income | | 1,139 | 3 | 1,142 |
| Other | | 57,558 | | 57,558 |
| Total revenues | \$ - | 1,668,130 | 3 | 1,668,133 |
| Expenditures: | | | | |
| General | \$ | 363,413 | | 363,413 |
| Public works | | 448,064 | | 448,064 |
| Culture and recreation | | 41,001 | | 41,001 |
| Education | | 1,099,371 | | 1,099,371 |
| Total expenditures | \$ - | 1,951,849 | - | 1,951,849 |
| Revenue over (under) expenditures | \$ - | (283,719) | 3 | (283,716) |
| Other financing sources: | | | | |
| Transfers in | \$ | - | | - |
| Transfers (out) | | - | | - |
| Total other financing sources | \$ - | - | - | - |
| Changes in fund balances (deficits) | \$ | (283,719) | 3 | (283,716) |
| Fund balances (deficits) - beginning | 49,202 | 2,313,691 | 10,407 | 2,324,098 |
| Fund balances (deficits) - ending | \$ 49,202 | 2,029,972 | 10,410 | 2,040,382 |

W.P.C.A.

COMBINING STATEMENT OF NET FUND POSITION

June 30, 2020

| | Operating | Capital Reserve | Total |
|---|---------------------|-----------------|------------------|
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 50 | | 50 |
| Receivables, net of allowance | 266,239 | | 266,239 |
| Due from other funds | 222,099 | 645,448 | 867,547 |
| Current portion of notes receivable | 20,945 | | 20,945 |
| Total current assets | <u>\$ 509,333</u> | <u>645,448</u> | <u>1,154,781</u> |
| Noncurrent assets: | | | |
| Note receivable, less current portion | \$ 44,996 | | 44,996 |
| Capital assets, net of accumulated depreciation | 4,496,173 | | 4,496,173 |
| Total noncurrent assets | <u>\$ 4,541,169</u> | <u>-</u> | <u>4,541,169</u> |
| Total assets | <u>\$ 5,050,502</u> | <u>645,448</u> | <u>5,695,950</u> |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 9,087 | | 9,087 |
| Payments in advance | 7,229 | | 7,229 |
| Notes payable - current | 262,243 | | 262,243 |
| Total current liabilities | <u>\$ 278,559</u> | <u>-</u> | <u>278,559</u> |
| Noncurrent liabilities: | | | |
| Notes payable, less current portion | \$ 563,464 | | 563,464 |
| Total noncurrent liabilities | <u>\$ 563,464</u> | <u>-</u> | <u>563,464</u> |
| Total liabilities | <u>\$ 842,023</u> | <u>-</u> | <u>842,023</u> |
| Net position: | | | |
| Invested in capital assets, net of related debt | \$ 3,736,407 | | 3,736,407 |
| Unrestricted | 472,072 | 645,448 | 1,117,520 |
| Total net position | <u>\$ 4,208,479</u> | <u>645,448</u> | <u>4,853,927</u> |

W.P.C.A.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND POSITION
For the Year Ended June 30, 2020

| | <u>Operating</u> | <u>Capital Reserve</u> | <u>Total</u> |
|--|----------------------------|----------------------------|-------------------------|
| Operating revenues: | | | |
| Charges for services | \$ 1,237,744 | | 1,237,744 |
| Other revenues | - | | - |
| Total operating revenues | <u>\$ 1,237,744</u> | <u>-</u> | <u>1,237,744</u> |
| Operating expenses: | | | |
| Salaries and benefits | \$ 487,340 | | 487,340 |
| Materials and supplies | 56,257 | | 56,257 |
| Utilities | 61,342 | | 61,342 |
| Depreciation | 165,852 | | 165,852 |
| Administration and operation | 267,331 | | 267,331 |
| Total operating expenses | <u>\$ 1,038,122</u> | <u>-</u> | <u>1,038,122</u> |
| Operating income | <u>\$ 199,622</u> | <u>-</u> | <u>199,622</u> |
| Nonoperating revenues (expense): | | | |
| Interest income | \$ 6,344 | 10,442 | 16,786 |
| Interest expense | (19,308) | | (19,308) |
| Total nonoperating revenues (expense) | <u>\$ (12,964)</u> | <u>10,442</u> | <u>(2,522)</u> |
| Transfers to (from) other funds: | | | |
| Transfers from general fund - debt | \$ 55,272 | | 55,272 |
| Transfers to capital reserve | | - | - |
| Transfers from capital reserve | 86,896 | (86,896) | - |
| Total transfers to (from) other funds | <u>\$ 142,168</u> | <u>(86,896)</u> | <u>55,272</u> |
| Changes in fund net position | <u>\$ 328,826</u> | <u>(76,454)</u> | <u>252,372</u> |
| Fund net position - beginning | <u>3,879,653</u> | <u>721,902</u> | <u>4,601,555</u> |
| Fund net position - ending | <u><u>\$ 4,208,479</u></u> | <u><u>645,448</u></u> | <u><u>4,853,927</u></u> |

W.P.C.A.

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

| | Operating | Capital Reserve | Total |
|---|---------------------|-----------------|------------------|
| Cash flow from operating activities: | | | |
| Receipts from customers and users | \$ 1,255,960 | | 1,255,960 |
| Payments to employees | (487,340) | | (487,340) |
| Payments to suppliers | (389,687) | | (389,687) |
| Net cash provided by (used in) operating activities | \$ 378,933 | - | 378,933 |
| Cash flow from noncapital and related financing activities: | | | |
| Interfund account activity | \$ (168,747) | 76,455 | (92,292) |
| Transfer from other funds | | | - |
| Transfer to other funds | 86,897 | (86,897) | - |
| Net cash provided by (used in) noncapital and related financing activities | \$ (81,850) | (10,442) | (92,292) |
| Cash flow from capital and related financing activities: | | | |
| Purchase of assets | \$ (102,867) | | (102,867) |
| Principal made on capital debt | (205,644) | | (205,644) |
| Interest paid on capital debt | (15,447) | | (15,447) |
| Receipts of notes related to capital debt | 20,531 | | 20,531 |
| Net cash provided by (used in) capital and related financing activities | \$ (303,427) | - | (303,427) |
| Cash flow from investing activities: | | | |
| Interest received on investments | \$ 6,344 | 10,442 | 16,786 |
| Net cash provided by (used in) investing activities | \$ 6,344 | 10,442 | 16,786 |
| Net increase (decrease) in cash and cash equivalents | \$ - | - | - |
| Cash and cash equivalents - beginning | 50 | - | 50 |
| Cash and cash equivalents - ending | \$ 50 | - | 50 |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | |
| Operating income | \$ 199,622 | - | 199,622 |
| Adjustment to reconcile operating income to net cash provided by (used in) operating activities: | | | |
| Depreciation | 165,852 | | 165,852 |
| Change in assets and liabilities: | | | |
| Decrease (increase) in accounts receivable | 12,442 | | 12,442 |
| (Decrease) increase in accounts payable | (4,757) | | (4,757) |
| (Decrease) increase in payments in advance | 5,774 | | 5,774 |
| Net cash provided by (used in) operating activities | \$ 378,933 | - | 378,933 |

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL - W.P.C.A.
For the Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive/ (Negative) |
|--|---------------------|------------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Sewer usage fees | \$ 1,001,931 | 1,001,931 | 1,058,416 | (56,485) |
| Sewer usage interest | 15,000 | 15,000 | 31,093 | (16,093) |
| Sewer dumping charges | 85,000 | 85,000 | 105,928 | (20,928) |
| Town of Morris upgrade | 22,074 | 22,074 | 22,074 | - |
| Other charges | 10,000 | 10,000 | 40,765 | (30,765) |
| Investment income | 2,815 | 2,815 | 6,344 | (3,529) |
| Total revenues | <u>\$ 1,136,820</u> | <u>1,136,820</u> | <u>1,264,620</u> | <u>(127,800)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Sewer administration | \$ 329,210 | 329,210 | 368,659 | (39,449) |
| Sewer operations | 451,086 | 451,086 | 380,015 | 71,071 |
| Employee benefits | 159,037 | 159,037 | 161,640 | (2,603) |
| Debt payments | 199,016 | 199,016 | 199,016 | - |
| Total expenditures | <u>\$ 1,138,349</u> | <u>1,138,349</u> | <u>1,109,330</u> | <u>29,019</u> |
| Revenues over (under) expenditures | <u>\$ (1,529)</u> | <u>(1,529)</u> | <u>155,290</u> | <u>(156,819)</u> |
| Other financing sources (uses): | | | | |
| Transfer to Capital Fund | \$ - | - | - | |
| Revenues over expenditures and other financing sources (uses) | <u>\$ (1,529)</u> | <u>(1,529)</u> | <u>155,290</u> | <u>(156,819)</u> |

Adjustments to accrual basis:

| | |
|---|-------------------|
| Payment received on Town of Morris note | (20,532) |
| Capitalized assets expended from operations | 16,670 |
| Debt interest paid by general fund | <u>3,860</u> |
| Net change in unassigned fund balance | \$ 155,288 |
| Unassigned fund balance, July 1, 2019 | <u>316,784</u> |
| Unassigned fund balance, June 30, 2020 | <u>\$ 472,072</u> |

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE 9

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET POSITION
 June 30, 2020

| | Town Pension Trust Fund | Merit Service Pension Trust Fund | OPEB Trust Fund | Total Trust Funds |
|-------------------------------------|----------------------------------|--|-----------------------|-------------------------|
| | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 352,427 | 93,707 | 35,842 | 481,976 |
| Investments | 15,344,110 | 4,044,779 | 1,536,182 | 20,925,071 |
| Total assets | \$ 15,696,537 | 4,138,486 | 1,572,024 | 21,407,047 |
| Liabilities: | | | | |
| Accounts payable | \$ | | | |
| Other liabilities | | | | - |
| Total liabilities | \$ - | - | - | - |
| Net position: | | | | |
| Held in trust for specific purposes | <u>\$ 15,696,537</u> | <u>4,138,486</u> | <u>1,572,024</u> | <u>21,407,047</u> |

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2020

| | Town Pension Trust Fund | Merit Service Pension Trust Fund | OPEB Trust Fund | Total Trust Funds |
|---------------------------------------|----------------------------------|--|-----------------------|-------------------------|
| Additions: | | | | |
| Employer contributions | \$ 585,686 | 118,836 | 9,049 | 713,571 |
| Employee contributions | | | | - |
| Teacher's retirement subsidy | | | 11,990 | 11,990 |
| Total contributions | <u>\$ 585,686</u> | <u>118,836</u> | <u>21,039</u> | <u>725,561</u> |
| Investment earnings: | | | | |
| Net increase (decrease) in fair value | \$ 441,972 | 117,960 | 46,462 | 606,394 |
| Interest and dividends | 350,341 | 92,440 | 34,841 | 477,622 |
| Less: administrative expense | (44,344) | (11,700) | (4,401) | (60,445) |
| Total investment earnings | <u>\$ 747,969</u> | <u>198,700</u> | <u>76,902</u> | <u>1,023,571</u> |
| Deductions: | | | | |
| Benefits | \$ 923,012 | 212,797 | 21,039 | 1,156,848 |
| Total deductions | <u>\$ 923,012</u> | <u>212,797</u> | <u>21,039</u> | <u>1,156,848</u> |
| Change in net position | \$ 410,643 | 104,739 | 76,902 | 592,284 |
| Net position - beginning | <u>15,285,894</u> | <u>4,033,747</u> | <u>1,495,122</u> | <u>20,814,763</u> |
| Net position - ending | <u>\$ 15,696,537</u> | <u>4,138,486</u> | <u>1,572,024</u> | <u>21,407,047</u> |

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2020

| | Balance June 30, 2019 | Additions | Deductions | Balance June 30, 2020 |
|-------------------------------|-----------------------------|--------------|--------------|-----------------------------|
| Student Activity Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 160,506 | | | 160,506 |
| Total assets | <u>\$ 160,506</u> | <u>-</u> | <u>-</u> | <u>160,506</u> |
| Liabilities: | | | | |
| Accounts payable | \$ - | | | - |
| Deposits held for others | 160,506 | - | - | 160,506 |
| Total liabilities | <u>\$ 160,506</u> | <u>-</u> | <u>-</u> | <u>160,506</u> |
| Performance Bonds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 1,300 | | | 1,300 |
| Accounts receivable | 115,884 | 3,000 | 3,875 | 115,009 |
| Total assets | <u>\$ 117,184</u> | <u>3,000</u> | <u>3,875</u> | <u>116,309</u> |
| Liabilities: | | | | |
| Deposits held for others | \$ 117,184 | 3,000 | 3,875 | 116,309 |
| Total liabilities | <u>\$ 117,184</u> | <u>3,000</u> | <u>3,875</u> | <u>116,309</u> |
| Total Agency Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 161,806 | - | - | 161,806 |
| Accounts receivable | 115,884 | 3,000 | 3,875 | 115,009 |
| Total assets | <u>\$ 277,690</u> | <u>3,000</u> | <u>3,875</u> | <u>276,815</u> |
| Liabilities: | | | | |
| Deposits held for others | \$ 277,690 | 3,000 | 3,875 | 276,815 |
| Total liabilities | <u>\$ 277,690</u> | <u>3,000</u> | <u>3,875</u> | <u>276,815</u> |

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
For the Year Ended June 30, 2020

| Grand List Year | Uncollected Balance & New Levy July 1, 2019 | Lawful Corrections | | (Transfers to) Recoveries From Suspense | Balance to be Collected |
|--------------------|--|--------------------|-----------|---|-------------------------------|
| | | Increases | Decreases | | |
| 2003 | \$ - | | | | - |
| 2004 | - | | | | - |
| 2005 | - | | | | - |
| 2006 | - | | | | - |
| 2007 | - | | | | - |
| 2008 | - | | | | - |
| 2009 | - | | | | - |
| 2010 | - | | | | - |
| 2011 | - | | | | - |
| 2012 | 405 | | (355) | | 50 |
| 2013 | 418 | | (374) | | 44 |
| 2014 | 2,073 | | (388) | | 1,685 |
| 2015 | 54,799 | 493 | (1,049) | | 54,243 |
| 2016 | 97,826 | | (1,810) | | 96,016 |
| 2017 | 378,830 | 838 | (6,102) | | 373,566 |
| Total | \$ 534,351 | 1,331 | (10,078) | - | 525,604 |
| 2018 | 29,810,930 | 14,821 | (104,457) | - | 29,721,294 |
| Total | \$ 30,345,281 | 16,152 | (114,535) | - | 30,246,898 |

SCHEDULE 12

| Collections | | | | Uncollected Balance June 30, 2020 |
|-------------|----------|--------------|------------|---|
| Taxes | Interest | Lien Fees | Total | |
| | | | - | - |
| | | | - | - |
| | | | - | - |
| | | | - | - |
| | | | - | - |
| | | | - | - |
| | | | - | - |
| | | | - | - |
| | | | - | 50 |
| | | | - | 44 |
| 1,685 | 603 | 24 | 2,312 | - |
| 26,782 | 15,479 | 72 | 42,333 | 27,461 |
| 61,499 | 23,203 | 279 | 84,981 | 34,517 |
| 275,563 | 53,968 | 1,314 | 330,845 | 98,003 |
| 365,529 | 93,253 | 1,689 | 460,471 | 160,075 |
| 29,321,160 | 108,196 | 330 | 29,429,686 | 400,134 |
| 29,686,689 | 201,449 | 2,019 | 29,890,157 | 560,209 |

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

For the Year Ended June 30, 2020

| | General Purpose |
|---|-----------------------------|
| | |
| Debt limitation: | |
| 2 1/4 times base | \$ 67,252,853 |
| 4 1/2 times base | |
| 3 3/4 times base | |
| 3 1/4 times base | |
| 3 times base | |
| 7 times base | |
| | |
| Total debt limitation | \$ 67,252,853 |
| | |
| Indebtedness: | |
| Bonds payable | \$ 14,599,990 |
| Bonds authorized and unissued | <u>2,731,590</u> |
| | |
| Total indebtedness | \$ 17,331,580 |
| | |
| Less: School construction grants receivable | <u>-</u> |
| | |
| Total indebtedness of the City | \$ 17,331,580 |
| | |
| Debt limitation in excess of outstanding and authorized debt | \$ <u>49,921,273</u> |

SCHEDULE 13

Total tax collections (including interest and lien fees)
for the year ended June 30, 2020 \$ 29,890,157

Reimbursement for revenue loss on:
Elderly Tax Relief - Freeze -

Base \$ 29,890,157

| <u>Schools</u> | <u>Sewers</u> | <u>Urban Renewal</u> | <u>Pension Bonding</u> | <u>Total Debt</u> |
|--------------------|--------------------|--------------------------|----------------------------|-----------------------|
| 134,505,707 | 112,088,089 | 97,143,010 | 89,670,471 | 209,231,099 |
| <u>134,505,707</u> | <u>112,088,089</u> | <u>97,143,010</u> | <u>89,670,471</u> | <u>209,231,099</u> |
| 8,429,010 | 360,000 | | | 23,389,000 |
| | | | | <u>2,731,590</u> |
| 8,429,010 | 360,000 | - | - | 26,120,590 |
| - | - | - | - | - |
| <u>8,429,010</u> | <u>360,000</u> | <u>-</u> | <u>-</u> | <u>26,120,590</u> |
| <u>126,076,697</u> | <u>111,728,089</u> | <u>97,143,010</u> | <u>89,670,471</u> | <u>183,110,509</u> |

PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2020

| <u>Taxpayer</u> | <u>Nature of Operations</u> | <u>Taxable Assessed Value as of 10/1/19</u> |
|---------------------------------|-----------------------------|---|
| Eversource | Power company | \$ 29,485,950 |
| CRP/BWN, LLC | Health care facility | 6,951,130 |
| City of Waterbury | Watershed | 6,761,900 |
| 6645 Federal Square Realty, LLC | Real estate | 4,700,040 |
| Aquarion Water Company of CT | Leased land for cottages | 3,609,620 |
| White Memorial Foundation | Real estate | 3,557,500 |
| C.A. Litchfield Land, LLC | Water supply | 3,070,990 |
| Union Savings | Banking | 2,614,410 |
| 130 Chestnut Hill, LLC | Real estate | 2,605,440 |
| Arethusa Farm, LLC | Real estate | <u>2,401,930</u> |
| Total | Commercial real estate | \$ <u><u>65,758,910</u></u> |

Source: Town of Litchfield, Office of Tax Assessor

TAXABLE GRAND LIST
JUNE 30, 2020

| <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> |
|-------------------|--------------------|-----------------|----------------------|-------------------------------------|------------------------|-----------------------------------|
| 10/1/2019 \$ | 929,475,160 | 53,239,035 | 77,158,050 | 1,059,872,245 | 2,962,432 | 1,056,909,813 |

Source: Town of Litchfield, Office of Tax Assessor

**CALCULATION OF DIRECT DEBT AND NEW DIRECT DEBT
JUNE 30, 2020**

| | | |
|---|----|-----------------------------|
| Long-term indebtedness (1): | | |
| Bonds: | | |
| General purpose | \$ | 15,196,530 |
| Schools | | 5,365,470 |
| Sewers | | 173,000 |
| State of Connecticut PLO (Clean Water Fund) | | <u>738,874</u> |
| Total long-term indebtedness | \$ | 21,473,874 |
| Short-term indebtedness: | | |
| Bond anticipation notes | | <u>-</u> |
| Total direct debt | \$ | 21,473,874 |
| Exclusions (2): | | |
| Sewer assessments receivable | | |
| Intergovernmental receivable - Town of Morris (PLO) | | |
| Sewer use charges receivable | | <u> </u> |
| Total net direct debt | \$ | <u><u>21,473,874</u></u> |

(1) Does not include authorized but unissued debt

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

Note: The Town has no overlapping or underlying indebtedness

CURRENT DEBT RATIOS
JUNE 30, 2020

| | | |
|---|----|---------------|
| Total direct indebtedness | \$ | 21,473,874 |
| Total net direct indebtedness | \$ | 21,473,874 |
| Population (1) | | 8,252 |
| Net taxable grand list (10/1/17) | \$ | 1,046,959,259 |
| Estimated full value (10/1/17) | \$ | 1,495,656,084 |
| Equalized net taxable grand list (2015) (2) | \$ | 1,440,658,955 |
| Per capita income (2016) (3) | \$ | 44,833 |
| Total direct indebtedness: | | |
| Per capita | \$ | 2,602 |
| To net taxable grand list | | 2.05% |
| To estimated full value | | 1.44% |
| To equalized net taxable grand list | | 1.49% |
| Per capita to per capita income | | 5.80% |
| Total net indirect indebtedness: | | |
| Per capita | \$ | 2,602 |
| To net taxable grand list | | 2.05% |
| To estimated full value | | 1.44% |
| To equalized net taxable grand list | | 1.49% |
| Per capita to per capita income | | 5.80% |

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

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