

TOWN OF LITCHFIELD, CONNECTICUT

ANNUAL FINANCIAL REPORT

June 30, 2021

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, 2021, 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, 2021, 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 57-67, 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 November 30, 2021, on our consideration of the Town of Litchfield, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Litchfield, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Litchfield, Connecticut's internal control over financial reporting and compliance.

CLERMONT & ASSOCIATES, LLC

Prospect, Connecticut



November 30, 2021

TOWN OF LITCHFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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, 2021. Please read this MD&A in conjunction with the Town's financial statements.

Financial Highlights

- Net position of our governmental activities increased by \$1.8 million.
- Net position of our business-type activities increased by \$165 thousand.
- The General Fund reported a fund balance this year of \$7.66 million; \$69 thousand more than the General Fund balance reported in the prior year.
- The resources available for appropriation in the General Fund were \$7.3 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 State Statute. 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 \$1.8 million from \$65.8 million in 2020 to \$67.6 million in 2021.

The net operating income and net investment income decreased the business-type activities by \$113 thousand for the fiscal year ending June 30, 2021. The net position ended at \$5.0 million.

TABLE 1 NET POSITION (In Thousands)

		Governmental Activities	
		2021	2020
Current and other assets	\$	19,765	16,349
Capital assets		79,879	81,448
Deferred inflows		368	250
Total assets & deferred inflows	\$	100,012	98,047
Current and other liabilities	\$	3,330	4,764
Deferred outflows		4,596	857
Long-term liabilities		24,452	26,619
Total liabilities & deferred outflows	\$	32,378	32,240
Net position:			
Investment in capital assets	\$	56,433	55,789
Restricted		107	10
Unrestricted		11,094	10,008
Total net position	\$	67,634	65,807

TABLE 2 CHANGE IN NET ASSETS (In Thousands)

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 1,083	490
Operating grants and contributions	8,374	5,673
Capital grants and contributions	707	2,317
General revenues:		
Property taxes	29,592	29,822
Grants and contributions not restricted to specific purposes	208	123
Unrestricted investment earnings and other revenues	86	230
Other general revenues (and transfers)	(52)	(55)
Total revenues	\$ 39,998	38,600
Program expenses:		
General government	\$ 2,207	2,405
Public safety	1,514	1,595
Public works	7,506	6,344
Health and welfare	42	56
Culture and recreation	731	860
Education	25,652	23,306
Interest and fiscal charges	520	630
Total program expenses	\$ 38,172	35,196
Increase (decrease) in net position	\$ 1,826	3,404

Town Funds Financial Analysis**Governmental Funds**

As the Town completed the year, the governmental funds (as presented in the balance sheet - Exhibit C) reported a combined fund balance of \$13.25 million which is a \$1.72 million increase from the previous year.

Proprietary Funds

The Town reports the Water Pollution Control Authority as a proprietary fund (Exhibit G, H, and I). Under this presentation, the operating income was \$123 thousand, which included depreciation expense of \$168 thousand. Net fund position at year end included \$3.8 million of net capital investment and \$1.2 million unrestricted.

The Internal Service Fund recorded a negative change in net fund position. 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 and subsequent years. \$502 thousand of this reserve was used for the Town's current year medical insurance.

General Fund Budgetary Highlights

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

- Property tax increased because of the timeliness of collections.
- Charges for service increased due to the increase in construction activity.
- Investments decreased because of the reduced interest rates.
- All departments expended less than the budgeted amounts with the largest savings in the other (health insurance) and the education department. The reduction in health insurance was due to the portion paid by the self insurance fund.

For budgetary purposes, the operations of the Town increased the assigned fund balance by \$1.7 million. Of this savings, \$1,387,778 was committed for future capital projects, including \$121,751 for capital projects related to education (nonlapsing account).

Capital Assets

At June 30, 2021, the Town had \$84 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines. The Town's total amount represents a net decrease (including additions, deductions and depreciation) of \$1.6 million. The largest portion of new addition is the federal bridges program.

TABLE 3 CAPITAL ASSETS (Net of Depreciation)

		Governmental Activities	
		2021	2020
Land	\$	1,679	1,679
Buildings and improvements		44,165	44,429
Furniture, fixtures and equipment		3,171	3,244
Infrastructure		28,888	28,404
Construction in progress		1,975	3,692
Total	\$	<u>79,878</u>	<u>81,448</u>
		Business-type Activities	
		2021	2020
Buildings and improvements	\$	2,427	2,531
Equipment		32	29
Infrastructure		1,894	1,936
Total	\$	<u>4,353</u>	<u>4,496</u>

TABLE 4 OUTSTANDING DEBT (In Thousands)

Long-Term Liabilities

At June 30, 2021 the Town had \$25.0 million in long-term liabilities versus \$30.6 million last year, as shown in Table 4.

	<u>2021</u>	<u>2020</u>
\$	<u>25,015,583</u>	<u>30,649,573</u>

General obligation bonds (backed by the Town) were reduced by \$2,190,000 as payments on debt was larger than new issuances.

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. The largest reduction in the long-term liabilities included the net pension obligation, which was a result of more than expected increase in the market value of the pension trust assets.

Included in the business-type activities is \$563 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 2021 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 2021-22.

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, 2021

	Governmental Activities	Business-type Activities	Total*
Assets:			
Cash and cash equivalents	\$ 18,740,903	50	18,740,953
Receivables, net	1,186,315	263,565	1,449,880
Notes receivable	-	-	-
Prepaid expenses	260,692	-	260,692
Inventory	14,550	-	14,550
Internal balances	(995,238)	995,238	-
Net pension asset	557,684	-	557,684
Capital assets:			
Capital assets, not being depreciated	3,654,750	-	3,654,750
Capital assets, being depreciated, net	76,224,348	4,354,205	80,578,553
Total assets	\$ 99,644,004	5,613,058	105,257,062
Deferred outflows on resources:			
Pension and other post retirement	\$ 367,996	-	367,996
Total deferred outflows on resources	\$ 367,996	-	367,996
Liabilities:			
Accounts payable and other current liabilities	\$ 1,654,725	27,145	1,681,870
Accrued interest	255,288	-	255,288
Payments in advance	1,216,996	3,147	1,220,143
External balances	202,789	-	202,789
Noncurrent liabilities:			
Due within one year	3,260,000	267,536	3,527,536
Due in more than one year	21,192,119	295,928	21,488,047
Total liabilities	\$ 27,781,917	593,756	28,375,673
Deferred inflows on resources:			
Pension and other post retirement	\$ 4,538,078	-	4,538,078
Advance tax collections	58,345	-	58,345
Total deferred inflows on resources	\$ 4,596,423	-	4,596,423
Net position:			
Invested in capital assets, net of related debt	\$ 56,432,709	3,790,741	60,223,450
Restricted for:			
Donor's intentions	107,423	-	107,423
Unrestricted	11,093,528	1,228,561	12,322,089
Total net position	\$ 67,633,660	5,019,302	72,652,962

* After internal balances have been eliminated

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Functions/programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,206,685	717,345	-	-	(1,489,340)	-	(1,489,340)
Public safety	1,514,194	9,040	54,489	-	(1,450,665)	-	(1,450,665)
Public works	7,506,312	169,968	475,184	706,843	(6,154,317)	-	(6,154,317)
Community service	41,707	64,000	-	-	22,293	-	22,293
Culture and recreation	730,731	56,051	-	-	(674,680)	-	(674,680)
Education	25,652,382	66,657	7,844,436	-	(17,741,289)	-	(17,741,289)
Interest on long-term debt	520,396	-	-	-	(520,396)	-	(520,396)
Total governmental activities	\$ 38,172,407	1,083,061	8,374,109	706,843	(28,008,394)	-	(28,008,394)
Business-type activities:							
Water Pollution Control Authority	\$ 1,121,511	1,245,117	-	-	-	123,606	123,606
Interest on long-term debt	14,119	-	-	-	-	(14,119)	(14,119)
Total business-type activities	\$ 1,135,630	1,245,117	-	-	-	109,487	109,487
Total primary government	\$ 39,308,037	2,328,178	8,374,109	706,843	(28,008,394)	109,487	(27,898,907)
General revenues:							
Property taxes					\$ 29,591,574	-	29,591,574
Grants and contributions not restricted for specific programs					207,738	-	207,738
Unrestricted investment earnings					37,487	3,439	40,926
Other unrestricted income					50,361	-	50,361
Transfers					(52,449)	52,449	-
Total general revenues and transfers					\$ 29,834,711	55,888	29,890,599
Change in net position					\$ 1,826,317	165,375	1,991,692
Net position - beginning					65,807,343	4,853,927	70,661,270
Net position - ending					\$ 67,633,660	5,019,302	72,652,962

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 18,279,743	-	142,535	18,422,278
Receivables, net	685,655	97,670	402,990	1,186,315
Due from other funds	-	3,513,339	3,008,929	6,522,268
Inventories	14,550	-	-	14,550
Total assets	\$ 18,979,948	3,611,009	3,554,454	26,145,411
Liabilities and Fund Balances				
Liabilities:				
Accounts and other payables	\$ 1,397,517	161,542	95,666	1,654,725
Unearned revenues	283,832	-	933,164	1,216,996
Due to other funds	9,081,045	-	30	9,081,075
Total liabilities	\$ 10,762,394	161,542	1,028,860	11,952,796
Deferred inflows of resources:				
Unavailable receipts	\$ 499,715	-	384,295	884,010
Payments in advance	58,345	-	-	58,345
Total deferred inflows of resources	\$ 558,060	-	384,295	942,355
Fund balances:				
Nonspendable	\$ 14,550	-	-	14,550
Restricted for:				
Donor's intentions	-	-	107,423	107,423
Committed for:				
Board of Education nonlapsing	254,161	-	-	254,161
Capital outlays	-	3,449,467	-	3,449,467
Specified use	-	-	604,680	604,680
Assigned	66,712	-	1,433,027	1,499,739
Unassigned	7,324,071	-	(3,831)	7,320,240
Total fund balances	\$ 7,659,494	3,449,467	2,141,299	13,250,260
Total liabilities, deferred inflows of resources and fund balances	\$ 18,979,948	3,611,009	3,554,454	

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.	79,879,098
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.	(1,588,506)
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities column in the statement of net position.	1,679,405
Long-term liabilities , including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(25,586,597)
Net position of governmental activities (Exhibit A)	\$ 67,633,660

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, 2021

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes and assessments	\$ 29,657,637	-	-	29,657,637
Intergovernmental	7,259,540	706,843	1,322,307	9,288,690
Charges for services	902,446	-	180,615	1,083,061
Investment income	37,487	-	-	37,487
Miscellaneous	15,152	-	98,963	114,115
Total revenues	\$ 37,872,262	706,843	1,601,885	40,180,990
Expenditures:				
Current:				
General government	\$ 1,827,761	-	252,331	2,080,092
Public safety	1,170,423	-	-	1,170,423
Public works	3,277,261	-	663,864	3,941,125
Public health	41,707	-	-	41,707
Culture and recreation	672,319	-	-	672,319
Education	24,674,832	-	813,590	25,488,422
Other	915,744	-	-	915,744
Capital outlay	-	2,366,516	-	2,366,516
Debt service	3,859,112	-	-	3,859,112
Total expenditures	\$ 36,439,159	2,366,516	1,729,785	40,535,460
Excess (deficiency) of revenues over (under) expenditures	\$ 1,433,103	(1,659,673)	(127,900)	(354,470)
Other financing sources (uses):				
Transfer from other funds	\$ 100,463	1,083,990	329,280	1,513,733
Transfer to other funds	(1,465,719)	-	(100,463)	(1,566,182)
Proceeds from sale of bonds	1,540	2,125,000	-	2,126,540
Total other financing sources (uses)	\$ (1,363,716)	3,208,990	228,817	2,074,091
Net changes in fund balances	\$ 69,387	1,549,317	100,917	1,719,621
Fund balances (deficits) - beginning	7,590,107	1,900,150	2,040,382	11,530,639
Fund balances (deficits) - ended	\$ 7,659,494	3,449,467	2,141,299	13,250,260

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, 2021

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)	\$ 1,719,621
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.	(1,568,782)
Revenues previously recognized in the statement of activities that provided current financial resources in the current year.	(2,026,038)
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.	4,203,988
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>(502,472)</u>
Change in net position of governmental activities (Exhibit B)	\$ <u><u>1,826,317</u></u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 29,375,262	29,375,262	29,657,637	(282,375)
Intergovernmental	1,317,982	1,317,982	1,491,328	(173,346)
Charges for services	513,781	513,781	902,446	(388,665)
Investment income	240,000	240,000	37,487	202,513
Other revenues	92,000	92,000	266,415	(174,415)
Total revenues	<u>\$ 31,539,025</u>	<u>31,539,025</u>	<u>32,355,313</u>	<u>(816,288)</u>
Expenditures:				
Current:				
General government	\$ 1,819,895	1,889,204	1,827,761	61,443
Public safety	981,789	987,401	943,477	43,924
Public works	3,200,374	3,308,796	3,277,261	31,535
Health and welfare	80,844	96,333	41,707	54,626
Culture and recreation	675,556	680,557	672,319	8,238
Education	19,277,500	19,277,500	19,070,900	206,600
Other	1,588,971	1,423,037	915,744	507,293
Debt service:				
Principal retirements	3,452,243	3,452,243	3,452,243	-
Interest and other charges	746,405	708,506	708,406	100
Total expenditures	<u>\$ 31,823,577</u>	<u>31,823,577</u>	<u>30,909,818</u>	<u>913,759</u>
Revenues over (under) expenditures	<u>\$ (284,552)</u>	<u>(284,552)</u>	<u>1,445,495</u>	<u>(1,730,047)</u>
Other financing sources (uses):				
Transfer to other funds	\$ (65,000)	(65,000)	(65,000)	-
Premium on debt issuance	-	-	1,540	(1,540)
Debt and other reimbursement	349,552	349,552	349,551	1
Total other financing sources (uses)	<u>\$ 284,552</u>	<u>284,552</u>	<u>286,091</u>	<u>(1,539)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>-</u>	<u>1,731,586</u>	<u>(1,731,586)</u>
Surplus appropriations and commitments:				
Transfer to nonlapsing Board of Education			(121,751)	
Transfer to capital and nonrecurring			(1,083,990)	
Transfer to other nonmajor programs - trees			(165,000)	
Unassigned fund balance, July 1, 2020			<u>6,963,226</u>	
Unassigned fund balance, June 30, 2021			<u>\$ 7,324,071</u>	

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

STATEMENT OF NET FUND POSITION
PROPRIETARY FUNDS
June 30, 2021

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ 50	318,625
Investments	-	-
Receivables, net of allowance	263,565	-
Notes receivable, current portion	-	-
Due from other funds	995,238	1,360,780
Total current assets	\$ 1,258,853	1,679,405
Noncurrent assets:		
Capital assets, net of accumulated depreciation	\$ 4,354,205	-
Total noncurrent assets	\$ 4,354,205	-
Total assets	\$ 5,613,058	1,679,405
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 27,145	-
Payments in advance	3,147	-
Notes payable - current	267,536	-
Total current liabilities	\$ 297,828	-
Noncurrent liabilities:		
Notes payable, less current portion	\$ 295,928	-
Total noncurrent liabilities	\$ 295,928	-
Total liabilities	\$ 593,756	-
Net fund position:		
Invested in capital assets, net of related debt	\$ 3,790,741	-
Unrestricted	1,228,561	1,679,405
Total net fund position	\$ 5,019,302	1,679,405

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, 2021

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for services and other revenues	\$ 1,245,117	-
Other revenues	-	-
Total operating revenues	\$ 1,245,117	-
Operating expenses:		
Salaries and benefits	\$ 421,342	-
Health insurance	-	502,472
Material and supplies	62,114	-
Utilities	89,019	-
Depreciation	167,689	-
Administration and operation	381,347	-
Total operating expenses	\$ 1,121,511	502,472
Operating income (loss)	\$ 123,606	(502,472)
Nonoperating revenues (expenses):		
Interest income	\$ 3,439	-
Interest expense	(14,119)	-
Total nonoperating revenues (expenses)	\$ (10,680)	-
Transfer from other funds	\$ 52,449	-
Change in net fund position	\$ 165,375	(502,472)
Net fund position - beginning	4,853,927	2,181,877
Net fund position - ending	\$ 5,019,302	1,679,405

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, 2021

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,243,709	-
Payments to suppliers	(421,342)	(502,472)
Payments to employees	(514,421)	-
Net cash flows from operating activities	\$ 307,946	(502,472)
Cash flows from noncapital and related financing activities:		
Transfer in and payments made through governmental activities	\$ (127,691)	-
Transfer (to) from other funds	52,449	497,000
Net cash provided by (used in) noncapital and related financing activities	\$ (75,242)	497,000
Cash flows from capital and related financing activities:		
Purchase of assets	\$ (25,721)	-
Receipts on notes related to capital debt	65,940	-
Principal payments on capital debt	(262,243)	-
Interest paid on capital debt	(14,119)	-
Net cash provided by (used in) capital and related financing activities	\$ (236,143)	-
Cash flows from investing activities:		
Interest received on investments	\$ 3,439	-
Net cash provided by investing activities	\$ 3,439	-
Net increase (decrease) in cash and cash equivalents	\$ -	(5,472)
Cash and cash equivalents - beginning	50	324,097
Cash and cash equivalents - ending	\$ 50	318,625
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 123,606	(502,472)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	167,689	-
Changes in assets and liabilities:		
Decrease (increase) in receivable accounts	2,674	-
Increase (decrease) in accounts payable	18,059	-
Increase (decrease) in payments in advance	(4,082)	-
Net cash flows from operating activities	\$ 307,946	(502,472)

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2021

	Private Purpose Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 574,736	207,194
External balances	-	202,789
Investments, at fair value:		
Mutual funds	<u>25,546,196</u>	<u>-</u>
Total assets	\$ <u>26,120,932</u>	<u>409,983</u>
Liabilities:		
Held for deposit for others	\$ <u>-</u>	<u>409,983</u>
Total liabilities	\$ <u>-</u>	<u>409,983</u>
Net position:		
Held in trust for benefits and other purposes	\$ <u><u>26,120,932</u></u>	<u><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, 2021

	Private Purpose Trust Funds
Additions:	
Employer contributions	\$ 678,775
Employee contributions	31,700
Total contributions	<u>\$ 710,475</u>
Investment earnings:	
Net increase in fair value of investments	\$ 4,874,530
Interest and dividends	413,378
Less: administrative expenses	(55,715)
Total investment earnings	<u>\$ 5,232,193</u>
Total additions	<u>\$ 5,942,668</u>
Deductions:	
Benefits	\$ 1,228,783
Total deductions	<u>\$ 1,228,783</u>
Change in net position	\$ 4,713,885
Net position - beginning	<u>21,407,047</u>
Net position - ending	<u><u>\$ 26,120,932</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, 2021

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, 2021

Fund Financial Statements

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

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

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

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

Intergovernmental 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, 2021

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, 2021

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, 2021**

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 post-employment 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, 2021

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, 2021

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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	Other Financing Resources (Uses)
Balance, budgetary basis	\$ 32,355,313	30,909,818	286,091
Consolidate canine fund	-	63,760	65,000
Reclassify debt service	-	(301,537)	(301,537)
Surplus appropriations to capital and nonrecurring	-	-	(1,248,990)
Use of nonspendable assets		163,186	-
Relinquishment of encumbrances	(251,263)	-	-
State Teachers' Retirement "on-behalf" payment, not recognized for budgetary purposes	5,768,212	5,768,212	-
Balance, GAAP basis	\$ 37,872,262	36,603,439	(1,199,436)

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Special Revenue Funds

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

Capital Projects Funds

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

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

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

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

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

Land	\$ 1,679,473
Construction in progress	1,975,277
Net capital assets being depreciated	<u>76,224,348</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$ <u>79,879,098</u>

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

Net long-term debt	\$ (22,110,000)
Premium on bond issuances	(2,043,896)
Deferred portion on refunding	260,692
Compensated absences	(268,182)
Net pension liability and deferred inflows and outflows	(24,416)
Net OPEB liability and deferred inflows and outflows	(1,139,882)
Claims and judgments	(5,625)
Accrued interest on debt	<u>(255,288)</u>
Net adjustment to reduce fund balance to arrive at net position of government activities	\$ <u>(25,586,597)</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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	\$	(499,715)
Deferred outflows/inflows included in pension		(384,295)
Notes receivable – assessments		<u>2,472,516</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>(1,588,506)</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	\$	404,105
Depreciation		<u>(1,972,887)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>(1,568,782)</u>

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

Payments of debt	\$	3,190,000
New issuances		(2,000,000)
Deferred portion on refunding		(37,241)
Premium new issuances		(132,115)
Amortization of issuance premiums		181,167
Net change in compensated absences		(11,492)
Net change in claims and judgment estimates		2,875
Net change in OPEB liability and net deferred inflows/outflows		(636,308)
Net change in pension liability and net deferred inflows/outflows		3,636,738
Accrued interest		<u>10,364</u>
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>4,203,988</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Note 4 – Deposits and Investments

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

	Deposits	Investments	Total
Cash and cash equivalents:			
Governmental activities	\$ 14,998,175	3,742,778	18,740,953
Business-type activities	50	-	50
Fiduciary funds	781,930	-	781,930
Investments:			
Fiduciary funds	-	25,546,196	25,546,196
Total deposits and investments	\$ 15,780,155	29,288,974	45,069,129

Deposits

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

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

Bank deposit accounts	\$ 9,296,817
Certificate of deposits	6,482,912
Cash on hand	426
Total deposits	\$ 15,780,155

Custodial Credit Risk

As of June 30, 2021, the carrying amount of the Town's deposits had bank deposit balances of approximately \$15,238,475. The amount of the bank balance covered under federal depository insurance was approximately \$7,250,000. 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, 2021, approximately \$1.5 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."

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

As of June 30, 2021, the Town held the following investments:

Investment Type	Fund	Fair Value (Level 1 hierarchy)	Weighted Average to Maturity (years)	Risk
	Government			
State Investment Fund	Funds	\$ 3,742,778	.2	na
Mutual Funds	Trust Funds	25,546,196	.2	na
Total Investments		\$ 29,288,974		

Interest Rate Risk

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

Credit Risk

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

Investment Policies

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

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

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Note 5 – Receivables, Deferred Revenue and Payables

Receivables

The receivables as of June 30, 2021 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	\$ 569,610	-	-	569,610
Interest on taxes	63,214	-	-	63,214
Intergovernmental	961	97,670	18,695	117,326
Accounts	66,970	-	384,295	451,265
Allowance	(15,000)	-	-	(15,000)
Total net receivables	\$ 685,755	97,670	402,990	1,186,415

The receivables as of June 30, 2021 for the Town's business-type activities are as follows:

	W.P.C.A.
Accounts	\$ 263,565
Total net receivables	\$ 263,565

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 was to be due in October 2023, however, the Town of Morris has paid the total note balance during the June 30, 2021 year.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Note receivable – Town of Morris	\$ 65,941	-	65,941	-	-

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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	\$ 499,715	-	499,715
Advanced tax collections	-	58,345	58,345
Grants received in advance	-	283,832	283,832
Other Governmental Funds:			
Grants received in advance	-	933,164	933,164
Assessments and notes	384,295	-	384,295
Total deferred portion	\$ 884,010	1,275,341	2,159,351

Payables

Payables as of June 30, 2021 for the Town's individual major funds and non-major funds were as follows:

	<u>Vendors</u>	<u>Payroll</u>	<u>Total</u>
General Fund	\$ 1,212,078	185,439	1,397,517
Capital projects	161,542	-	161,542
Non-major funds	95,666	-	95,666
Total governmental funds	\$ 1,469,286	185,439	1,654,725
W.P.C.A.	27,145	-	27,145
Total payables	\$ 1,496,431	185,439	1,681,870

Note 6 – Inter-fund Receivables, Payables and Transfers

Inter-funds Receivables and Payables

Inter-fund receivables and payables at June 30, 2021 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	\$ 3,513,339
Internal Service	General Fund	1,360,780
Nonmajor Governmental	General Fund	3,008,929
W.P.C.A.	General Fund	995,238
Agency Fund	General Fund	202,789
	Total	\$ 9,081,075

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Inter-fund Transfers

Inter-fund receivables and payables at June 30, 2021 consisted of the following:

Transfer In	Purpose	Transfer Out	Amount
Nonmajor	Tree Pruning	General Fund	\$ 165,000
Nonmajor	Cafeteria	General Fund	164,280
Capital projects	Reserve	General Fund	1,083,990
W.P.C.A.	Debt Payment	General Fund	52,449
General Fund	Debt Payment	Nonmajor	100,463
	Total		\$ 1,566,182

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,679,473	-	-	1,679,473
Construction in progress	3,692,087	-	1,716,810	1,975,277
Total capital assets, not being deprec.	\$ 5,371,560	-	1,716,810	3,654,750
Capital assets being depreciated:				
Buildings and improvements	\$ 55,698,291	285,900	-	55,984,191
Machinery and equipment	11,451,027	355,250	-	11,806,277
Infrastructure	43,209,886	1,479,765	-	44,689,651
Total capital assets being depreciated	\$ 110,359,204	2,120,915	-	112,480,119
Less: accumulated depreciation:				
Buildings and improvements	\$ 11,269,682	549,066	-	11,818,748
Machinery and equipment	8,207,341	427,635	-	8,634,976
Infrastructure	14,805,861	996,186	-	15,802,047
Total accumulated depreciation	\$ 34,282,884	1,972,887	-	36,255,771
Net capital assets, being depreciated	\$ 76,076,320	148,028	-	76,224,348
Total capital assets, governmental	\$ 81,447,880	148,028	1,716,810	79,879,098

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

Governmental activities:	
General government	\$ 46,019
Public safety	296,670
Public works	1,434,203
Recreation	32,035
Education	163,960
Total depreciation expense	\$ 1,972,887

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 3,853,887	-	-	3,853,887
Machinery and equipment	77,603	7,000	-	84,603
Sewers	4,735,603	18,720	-	4,754,323
Total capital assets being depreciated	\$ 8,667,093	25,720	-	8,692,813
Less: accumulated depreciation:				
Buildings and improvements	\$ 1,322,401	104,394	-	1,426,795
Machinery and equipment	48,326	3,976	-	52,302
Sewers	2,800,192	59,319	-	2,859,511
Total accumulated depreciation	\$ 4,170,919	167,689	-	4,338,608
Net capital assets being depreciated	\$ 4,496,174	(141,969)	-	4,354,205
Total capital assets, business-type	\$ 4,496,174	(141,969)	-	4,354,205

Note 8 – Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ended Balance	Due In One Year
Governmental activities:					
Long-term debt:					
General obligation bonds	\$ 15,210,000	2,000,000	1,585,000	15,625,000	1,685,000
G.O.B. refunding bonds	8,090,000	-	1,605,000	6,485,000	1,575,000
Total long-term debt	\$ 23,300,000	2,000,000	3,190,000	22,110,000	3,260,000
Deferred amount on:					
Issuance premium	2,092,948	132,115	181,167	2,043,896	-
Net long-term debt	\$ 25,392,948	2,132,115	3,371,167	24,153,896	3,260,000
Other long-term liabilities:					
Compensated absence	256,690	11,492	-	268,182	-
Net pension liability	3,661,154	-	3,636,738	24,416	-
Net OPEB liability	503,574	-	503,574	-	-
Claims and judgments	8,500	-	2,875	5,625	2,875
Total governmental activities long-term liabilities	\$ 29,822,866	2,143,607	7,514,354	24,452,119	3,262,875
Business-type activities:					
Clean water fund notes	\$ 825,707	-	262,243	563,464	-
Total business-type activities long-term liabilities	\$ 825,707	-	262,243	563,464	-
Total long-term liabilities	\$ 30,648,573	2,143,607	7,776,597	25,015,583	3,262,875

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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, 2021 the outstanding general obligation bonded indebtedness of the Town was as follows:

	General	Refunding
\$2,130,000 GOB 2013 , issue of 2013, due 2023, interest at 1.5% to 2.0%, annual principal payments of \$225,000	\$ 450,000	-
\$4,555,000 GOB 2012, refunding issue of 8/1/2012, due 8/1/2024, interest at 3.0% to 4.0%, annual principal payments of \$5,000 to \$640,000	-	1,920,000
\$2,900,000 GOB 2012 , issue of 2012, due 8/1/2027, interest at 2.0% to 3.0%, annual principal payments of approximately \$200,000	1,150,000	-
\$1,270,000 GOB 2015 , issue of 2015, due 8/24/2023, interest at 2.0% to 4.0%, annual principal payments of \$145,000 to \$200,000	400,000	-
\$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	4,730,000	-
\$2,535,000 GOB 2017 , issue of 2017, due 8/16/2033, interest at 2.0% to 3.0%, annual principal payments of \$165,000 to \$170,000	2,025,000	-
\$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	1,465,000	-
\$9,400,000 GOB 2019 , issue of 2018, due 8/1/2034, interest at 3.0% to 5.0%, annual principal payments of \$240,000 to \$1,430,000	3,405,000	4,565,000
\$2,000,000 GOB 2021 , issue of 2021, due 8/1/2036, interest at 2.0% to 4.0%, annual principal payments of \$100,000 to \$140,000	2,000,000	-
Total general obligation bonds	\$ 15,625,000	6,485,000

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

Year Ended, June 30	Governmental Activity	
	Principal	Interest
2022	\$ 3,260,000	671,942
2023	3,255,000	548,424
2024	2,780,000	436,799
2025	2,520,000	339,280
2026	1,915,000	267,068
2027-2031	5,650,000	787,428
2032-2036	2,730,000	139,865
Total	\$ 22,110,000	3,190,806

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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, 2021, as follows:

	Authorized	Authorized and Unissued
2012-13 Capital Improvements	\$ 5,100,000	\$ 661,535
2020-21 Capital Improvements	2,125,055	100,055
2021-22 Capital Improvements	4,500,218	2,154,419
Total		\$ 2,916,009*

*As described in Note 13, \$2,020,000 of this balance was issued with a premium received of \$134,419 subsequent to June 30, 2021, leaving a total issued and unauthorized balance of \$761,590 subsequent to the September 14, 2021 bond issuance.

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

Clean Water Fund Loans Payable

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

Note	Date of Issue	Original Amount	Balance
CWF PLO 499-C	7/31/2004	\$ 4,595,198	\$ 563,464
Total Clean Water Fund Loans			\$ 563,464

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

Year Ended June 30,	Business-Type Activity	
	Principal	Interest
2022	\$ 267,536	8,826
2023	272,936	3,426
2024	22,992	38
Total	\$ 563,464	12,290

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2021**

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, 2021, \$5,625 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 injuries, 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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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.

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

Membership in the plans consisted of the following at July 1, 2020 the date of the last actuarial valuation:

	Town Plan	Merit Service Plan
Retirees and beneficiaries currently receiving benefits	79	74
Terminated plan members entitled to, but not yet receiving benefits	38	55
Active plan members	47	155
Total	164	284

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2021**

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.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 24.80% for the Town Plan and 24.81% 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

The components of the net pension liability of the Town at June 30, 2021 were as follows:

	Town Plan	Merit Service Plan	Total
Total pension liability	\$ 19,360,202	4,912,035	24,272,237
Plan fiduciary net position	19,119,297	5,038,525	24,157,822
Net pension liability	\$ 240,905	(126,490)	114,415
Plan fiduciary net position as a percentage of the total pension liability	98.76%	102.58%	.47%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumption, applied to all periods included in the measurement:

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

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, 2020 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. A full experience study has not been completed.

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of geometric real rates of return for each major asset class included in both pension plan's actuarial valuation as of July 1, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities	49.00%	5.10%
International developed economies	6.00%	6.10%
International emerging economies	5.00%	6.40%
High quality bond	33.00%	1.40%
High yield bond	5.00%	4.80%
Cash equivalents	2.00%	1.00%
	100.00%	

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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.

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, 2020	\$ 18,757,398	15,696,537	3,060,861
Changes for the year:			
Service cost	\$ 271,006	-	271,006
Interest on total pension liability	1,251,272	-	1,251,272
Difference between expected and actual experience	(351,970)	-	(351,970)
Change in assumptions	430,877	-	430,877
Employer contributions	-	559,267	(559,267)
Employee contributions	-	31,700	(31,700)
Net investment income	-	3,830,174	(3,830,174)
Benefit payments, including refund of employee contributions	(998,381)	(998,381)	-
Net changes	\$ 602,804	3,422,760	(2,819,956)
Balances as of June 30, 2021	\$ 19,360,202	19,119,297	240,905

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Merit Service Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2020	\$ 4,738,779	4,138,486	600,293
Changes for the year:			
Service cost	\$ 54,579	-	54,579
Interest on total pension liability	315,903	-	315,903
Difference between expected and actual experience	(7,459)	-	(7,459)
Change in assumptions	40,635	-	40,635
Employer contributions	-	119,508	(119,508)
Net investment income	-	1,010,933	(1,010,933)
Benefit payments, including refund of employee contributions	(230,402)	(230,402)	-
Net changes	\$ 173,256	900,039	(726,783)
Balances as of June 30, 2021	\$ 4,912,035	5,038,525	(126,490)

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	\$ 2,150,582	240,906	(1,404,679)
Merit Service Plan net pension liability	481,901	(126,490)	(630,767)

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, 2021 and the changes in net position for the year then ended.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Schedule of Net Position

	Town Retirement Plan	Merit Service Retirement Plan
Assets:		
Cash and cash equivalents	\$ 419,681	111,337
Investments	<u>18,699,616</u>	<u>4,927,188</u>
Net assets held in trust for pension benefits	<u>\$ 19,119,297</u>	<u>5,038,525</u>

Schedule of Changes in Net Position

	Town Retirement Plan	Merit Service Retirement Plan
Additions:		
Contributions:		
Employer	\$ 559,267	119,508
Employee	<u>31,700</u>	
Total	<u>\$ 590,967</u>	<u>119,508</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	\$ 3,568,337	941,837
Interest and dividends	302,629	79,860
Investment management fees	<u>(40,792)</u>	<u>(10,764)</u>
Net investment income	<u>\$ 3,830,174</u>	<u>1,010,933</u>
Total additions	<u>\$ 4,421,141</u>	<u>1,130,441</u>
Deductions:		
Benefits	<u>998,381</u>	<u>230,402</u>
Net increase	\$ 3,422,760	900,039
Net position at beginning of year	<u>15,696,537</u>	<u>4,138,486</u>
Net position at end of year	<u>\$ 19,119,297</u>	<u>5,038,525</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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

For the year ended June 30, 2021, 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, 2021, 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	\$ 177,420	190,576	367,996
Total	\$ 177,420	190,576	367,996

	Town Plan Deferred Inflows of Resources	Merit Service Plan Deferred Inflows of Resources	Total Deferred Inflows
Differences between expected and actual experience	\$ 144,929	72,970	217,899
Net difference between projected and actual earnings on pension plan investments	2,074,090	548,523	2,622,613
Total	\$ 2,219,019	621,493	2,840,512

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
2022	\$ 468,275	(112,149)	356,126
2023	514,178	(115,253)	398,925
2024	502,311	(111,217)	391,094
2025	556,835	(114,581)	442,254
2026	-	15,645	15,645
Thereafter	-	6,638	6,638
Total	\$ 2,041,599	(430,917)	1,610,682

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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 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>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

The 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 June 30, 2020. The assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 - June 30, 2019.

For the year ended June 30, 2021 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$5,503,512 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Long-Term Rate of Return

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.0%	

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, 2021

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, 2021, and contributions of \$25,771 have been made in the fiscal year ended June 30, 2021.

Note 11 – Other Post-Employment 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 post-employment benefits were paid out of the General Fund during the fiscal year ended June 30, 2021. The plan does not issue a stand-alone financial report.

At July 1, 2020, plan participation consisted of the following (not rounded):

Retirees and beneficiaries currently receiving benefits	7
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	102
Total participants	<u>109</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, 2021**

Litchfield Education Association OPEB Contract Provisions

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

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:

1. 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 superintendant 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 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, 2021

Rate of Return

For the year ended June 30, 2021, 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 Post-Employment 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, 2021 were as follows:

Total OPEB liability	\$	1,405,426
Plan fiduciary net position		<u>1,963,110</u>
Net OPEB liability (asset)	\$	<u>(557,684)</u>
Plan fiduciary net position as a percentage of the total OPEB liability		1.40%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.50%
Salary increase	3.50%, average, including inflation
Investment rate of return	6.75%, net of investment and administrative expense
Healthcare cost trend rates	6.00% in 2021, 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, 2020 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. A full experience study has not been completed.

Long-Term Rate of Return

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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, 2020 actuarial valuation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities	49.00%	5.60%
International developed economies	6.00%	5.90%
International emerging economies	5.00%	7.20%
High quality bond	33.00%	2.10%
High yield bond	5.00%	4.00%
Cash equivalents	2.00%	.80%
	<u>100.00%</u>	

Discount Rate

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of June 30, 2020	\$ 2,075,598	1,572,024	503,574
Changes for the year:			
Service cost	\$ 49,776	-	49,776
Interest on total pension liability	143,618	-	143,618
Difference between expected and actual experience	(828,563)	-	(828,563)
Change in assumptions	(39,674)	-	(39,674)
Employer contributions	-	(16,221)	16,221
TRB Subsidy	-	11,550	(11,550)
Employee contributions	-	-	-
Net investment income	-	391,086	(391,086)
Benefit payments, including refund of employee contributions	4,671	4,671	-
Net changes	\$ (670,172)	391,086	(1,061,258)
Balances as of June 30, 2021	\$ 1,405,426	1,963,110	(557,684)

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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	\$ (410,447)	(557,684)	(687,689)

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 6.5%, reducing by .5% each year to an ultimate rate of 4.50% for 2024 and later, 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:

	1% Decrease (5.50% decreasing to 3.50%)	Current Healthcare Trend Rate (6.50% decreasing to 4.50%)	1% Increase (7.50% decreasing to 5.50%)
Net OPEB liability	\$ (557,684)	(722,408)	(361,942)

The following schedule presents the net position held in trust for OPEB benefits at June 30, 2020 and the changes in net position for the year ended June 30, 2021:

Schedule of Net Position

	OPEB Trust Fund
Assets:	
Cash and cash equivalents	\$ 43,718
Investments	<u>1,919,392</u>
Net position restricted for other post employment benefits	\$ <u>1,963,110</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Schedule of Changes in Net Position

	OPEB Trust Fund
Additions:	
Contributions	\$ -
Investment income:	
Net appreciation (depreciation) in fair value of investments	\$ 364,356
Interest and dividends	30,889
Investment management fees	(4,159)
Net investment income	\$ 391,086
Total additions	\$ 391,086
Deductions:	
Benefits	-
Net increase	\$ 391,086
Net position at beginning of year	1,572,024
Net position at end of year	\$ 1,963,110

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$8,440. As of June 30, 2021, deferred outflows and inflows of resources related to OPEB are reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(1,293,475)
Changes of assumptions	-	(188,114)
Net difference between projected and actual earnings on OPEB plan investments	-	(215,977)
Total	\$ -	(1,697,566)

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:

Year Ended June 30,	
2022	\$ (163,677)
2023	(163,965)
2024	(162,618)
2025	(167,421)
2026	(110,426)
Thereafter	(929,459)
Total	\$ (1,697,566)

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2021**

Teachers' Retirement OPEB Plan

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

Plan Description

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

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

Benefit Provisions

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

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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.

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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, 2021 the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability associated with the Town were as follows:

Town's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the Town		5,730,375
Total net OPEB liability	\$	<u>5,730,375</u>

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period five year period ended June 30, 2019.

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 \$264,700 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% (previously 2.75%)
Salary increase	3.00% (previously 3.25 %) including inflation
Long-term investment rate of return	3.00%, net of pension plan investment expense, including inflation
Real wage growth	.05% (Previously .75%)
Wage inflation	3.00%(Previously) 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	2020

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Long-Term Rate of Return

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

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

Discount Rate

The discount rate used to measure the total OPEB was 2.21%. 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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Note 12 – Fund Deficits and Restrictions to Fund Position

Restricted Fund Position

<u>Fund</u>	<u>Restricted Net Position</u>	<u>Restriction</u>
Cemetery Trust	\$ 10,000	For donor intentions
Scholarship Fund	49,202	Scholarships
Small Cities Grant	48,221	Small Cities Program
	<u>\$ 107,423</u>	

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, 2020	\$ 132,410
Deposits:	
½ education surplus (\$206,600)	103,300
½ tuition received (\$36,902)	18,451
Expenditures	-
Balance June 30, 2021	\$ <u>254,161</u>

In addition, the Town's management assigned a portion of the general fund balance to the canine 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, 2021, \$4.8 million of general fund unassigned balance was limited for these purposes.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2021**

Fund Deficits

The School cafeteria fund had a fund deficit on June 30, 2021, which was funded by the subsequent year general fund appropriation.

Note 13 – Subsequent Events

Management has evaluated events subsequent to the date of the financial statements through November 30, 2021, the date the financial statements were available to be issued. No events have occurred subsequent to the Statement of Net Position date through November 30, 2021 that would require readjustment to the financial statements.

The Town issued a general obligation bond on September 14, 2021 for \$2,020,000. The bond was sold with a premium of \$134,419. The debt will be paid annually over a 15 year period beginning August 1, 2022 and interest will be paid semiannually with an interest rate of 2%-4%.

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

Last Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ 271,006	261,842	325,668	316,176	372,872	358,531	344,741	396,238
Interest	1,251,272	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	(351,970)	-	(130,438)	-	(853,171)	-	318,394	-
Change in assumptions	430,877	-	823,306	-	-	-	-	-
Benefit payments, including refunds of member contributions	(998,381)	(923,012)	(881,041)	(826,927)	(739,058)	(708,980)	(697,793)	(630,245)
Net change in total pension liability	\$ 602,804	554,553	1,312,314	621,743	(74,646)	742,330	988,356	742,931
Total pension liability - beginning	18,757,398	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	\$ 19,360,202	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	\$ 559,267	550,742	851,760	850,572	719,626	682,350	1,093,734	1,067,885
Contributions - employee	31,700	34,944	36,769	37,280	60,322	20,527	-	-
Net investment income	3,830,174	747,969	1,055,208	863,706	1,255,077	114,893	304,997	1,289,448
Benefit payments, including refunds of member contributions	(998,381)	(923,012)	(881,041)	(826,927)	(739,058)	(718,919)	(697,793)	(630,245)
Net change in plan fiduciary net position	\$ 3,422,760	410,643	1,062,696	924,631	1,295,967	98,851	700,938	1,727,088
Plan fiduciary net position - beginning	15,696,537	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	\$ 19,119,297	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	\$ 240,905	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	98.76%	83.68%	83.98%	84.21%	81.74%	73.44%	76.30%	76.66%
Covered payroll	\$ 2,175,353	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	11.07%	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 Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ 54,579	54,579	52,540	52,540	59,412	59,412	59,412	65,858
Interest	315,903	306,466	293,922	284,891	281,563	271,181	258,709	247,891
Differences between expected and actual experience	(7,459)	-	(53,714)	-	(94,174)	-	33,529	-
Change in assumptions	40,635	-	261,286	-	-	-	-	-
Benefit payments, including refunds of member contributions	(230,402)	(212,380)	(216,856)	(200,269)	(184,752)	(179,891)	(167,268)	(138,757)
Net change in total pension liability	\$ 173,256	148,665	337,178	137,162	62,049	150,702	184,382	174,992
Total pension liability - beginning	4,738,779	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	\$ 4,912,035	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	\$ 119,508	118,419	118,419	118,419	158,102	154,100	150,102	150,102
Contributions - employee	-	-	-	-	-	-	-	-
Net investment income	1,010,933	198,700	280,447	240,218	351,066	32,649	97,690	395,941
Benefit payments, including refunds of member contributions	(230,402)	(212,380)	(216,856)	(200,269)	(184,752)	(180,389)	(167,268)	(138,757)
Net change in plan fiduciary net position	\$ 900,039	104,739	182,010	158,368	324,416	6,360	80,524	407,286
Plan fiduciary net position - beginning	4,138,486	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	\$ 5,038,525	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	\$ (126,490)	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	102.58%	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	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	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 Five Fiscal Years

	2021	2020	2019	2018	2017
Total OPEB liability:					
Service cost	\$ 49,776	48,092	55,169	53,304	51,501
Interest	143,618	138,490	173,411	167,805	158,952
Differences between expected and actual experience	(828,563)	(103,897)	(435,011)	(125,270)	(68,299)
Change in assumptions	(39,674)	(21,039)	(186,094)	-	-
Benefit payments, including refunds of member contributions	4,671	-	(30,775)	(4,897)	(95,701)
Net change in total OPEB liability	\$ (670,172)	61,646	(423,300)	90,942	46,453
Total OPEB liability - beginning	2,075,598	2,013,952	2,437,252	2,346,310	2,299,857
Total OPEB liability - ending	\$ 1,405,426	2,075,598	2,013,952	2,437,252	2,346,310
Plan fiduciary net position:					
Contributions - employer	\$ (16,221)	9,049	26,828	(25,903)	215,521
Contributions - employee	-	-	-	-	-
Contributions - TRB subsidy	11,550	11,990	22,770	30,800	27,170
Net investment income	391,086	76,902	103,480	88,644	124,083
Benefit payments, including refunds of member contributions	4,671	(21,039)	(30,775)	(4,897)	(95,701)
Administrative and other costs	-	-	-	(5,100)	(5,625)
Net change in plan fiduciary net position	\$ 391,086	76,902	122,303	83,544	265,448
Plan fiduciary net position - beginning	1,572,024	1,495,122	1,372,819	1,289,275	1,023,827
Plan fiduciary net position - ending	\$ 1,963,110	1,572,024	1,495,122	1,372,819	1,289,275
Net OPEB liability - ending	\$ (557,684)	503,574	518,830	1,064,433	1,057,035
Plan fiduciary net position as a percentage of total OPEB liability	139.68%	75.74%	74.24%	56.33%	54.95%
Covered payroll	\$ 8,635,466	9,176,000	8,865,708	8,451,000	8,165,000
Net OPEB liability as a percentage of its covered payroll	-6.46%	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
2021	\$ 559	559	-	2,175	25.70%
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

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
2021	\$ 120	120	-	N/A	N/A
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

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
2021	\$ 120	120	-	N/A	N/A
2020	178	27	151	N/A	N/A
2019	178	27	151	N/A	N/A
2018	173	(26)	199	N/A	N/A
2017	210	215	(5)	N/A	N/A
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

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 Eight Fiscal Years

<u>Year ended June 30</u>	<u>Annual money- weighted rate of return, net of investment expense</u>
2021	24.80%
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 Eight Fiscal Years

<u>Year ended June 30</u>	<u>Annual money- weighted rate of return, net of investment expense</u>
2021	24.81%
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 POST-EMPLOYMENT BENEFITS (OPEB) BOARD OF EDUCATION
Last Five Fiscal Years

<u>Year ended June 30</u>	<u>Annual money- weighted rate of return, net of investment expense</u>
2021	24.88%
2020	5.14%
2019	7.46%
2018	6.89%
2017	10.85%

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 Seven Fiscal Years

	2021	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%	0.00%
Town's proportionate share of the net pension liability	\$ -	-	-	-	-	-	-
State's proportionate share of the net pension liability associated with the Town	38,420,204	35,948,513	27,718,392	29,074,044	30,673,339	22,686,851	20,969,447
Total	\$ 38,420,204	35,948,513	27,718,392	29,074,044	30,673,339	22,686,851	20,969,447
Town's covered payroll	\$ 8,698,205	8,698,205	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%	0.00%
Plan fiduciary net position as a percentage of total pension liability	49.24%	52.00%	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 Four Fiscal Years

	2021	2020	2019	2018
Town's proportion of the net OPEB liability	0.00%	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	5,730,375	5,606,372	5,541,084	7,483,319
Total	\$ 5,730,375	5,606,372	5,541,084	7,483,319
Town's covered payroll	\$ 8,698,205	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%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability	2.50%	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.

**GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Property taxes:				
Current years' levy	\$ 28,770,262	28,770,262	28,883,692	113,430
Property taxes on motor vehicles	245,000	245,000	251,769	6,769
Prior years' levy	205,000	205,000	332,448	127,448
Interest and penalties	155,000	155,000	189,667	34,667
Total property taxes	\$ 29,375,262	29,375,262	29,657,576	282,314
Intergovernmental:				
State grants for education	\$ 1,200,000	1,200,000	1,283,590	83,590
Other state grants	117,982	117,982	207,738	89,756
Total intergovernmental	\$ 1,317,982	1,317,982	1,491,328	173,346
Charges for services:				
Licenses and permits	\$ 7,600	7,600	13,681	6,081
Charges for services	501,681	501,681	885,770	384,089
Fines and forfeits	4,500	4,500	2,995	(1,505)
Total charges for services	\$ 513,781	513,781	902,446	388,665
Investment income	\$ 240,000	240,000	37,487	(202,513)
Miscellaneous revenues	\$ 92,000	92,000	105,921	13,921
Other financing sources:				
Debt reimbursement	\$ 28,000	28,000	28,000	-
Premium on bond	-	-	1,540	1,540
W.P.C.A. reimbursement	321,552	321,552	321,551	(1)
Total other financing sources	\$ 349,552	349,552	351,091	1,539
Total revenue and other financing sources	\$ 31,888,577	31,888,577	32,545,849	657,272

**GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
General government:				
Board of Finance	\$ 27,398	27,666	27,665	1
Treasurer	8,405	8,743	8,743	-
Vital statistics	400	405	405	-
Registrars	32,813	34,263	30,043	4,220
Elections	21,217	29,291	30,342	(1,051)
Inland wetlands	4,500	4,500	3,976	524
Economic development commission	1,000	1,000	1,000	-
Board of Tax Review	-	-	-	-
Building and grounds	434,742	475,563	469,670	5,893
Planning and zoning	6,000	21,000	13,933	7,067
Probate Court	7,869	7,869	7,869	-
Finance Department	229,559	226,865	214,493	12,372
Land use administration	122,528	124,528	119,446	5,082
Town Clerk	133,315	136,761	129,884	6,877
Computer equipment	96,174	96,174	89,102	7,072
Zoning Appeals Board	4,650	4,650	3,378	1,272
Legal Services Corporate Counsel	77,000	77,000	70,215	6,785
Central services	17,575	21,185	21,185	-
Assessor	130,167	118,567	118,553	14
Tax Collector	122,191	122,191	121,960	231
Municipal management	312,380	320,971	320,970	1
Building Inspector	-	-	-	-
Board of Selectmen	30,012	30,012	24,929	5,083
Total general government	\$ 1,819,895	1,889,204	1,827,761	61,443
Public safety:				
Litchfield emergency management	\$ 16,999	22,611	21,591	1,020
Ambulance	63,734	63,734	63,734	-
Fire Marshal	61,487	61,487	60,471	1,016
E911 emergency	92,079	92,079	92,079	-
Fire protection	405,718	405,718	403,440	2,278
Patrol services	157,734	157,734	128,111	29,623
Police Department	184,038	184,038	174,051	9,987
Total public safety	\$ 981,789	987,401	943,477	43,924
Public works:				
Building and ground maintenance	\$ 115,400	115,400	108,259	7,141
Highways and bridges	814,295	814,295	801,492	12,803
Supervision	24,641	24,641	19,801	4,840
Operations	1,331,254	1,370,324	1,370,324	-
Engineering	122,268	122,268	119,448	2,820
Equipment maintenance	223,040	268,207	268,028	179
Solid waste and recycling	569,476	593,661	589,909	3,752
Total public works	\$ 3,200,374	3,308,796	3,277,261	31,535

(Continued)

**GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Health and welfare:				
OSHA mandated health	\$ 1,000	1,421	1,421	-
Social services	79,844	94,912	40,286	54,626
Total health and welfare	\$ 80,844	96,333	41,707	54,626
Culture and recreation:				
Recreation	\$ 110,895	110,895	106,104	4,791
Co-op programs	173,923	178,923	175,477	3,446
Library	390,738	390,739	390,738	1
Total culture and recreation	\$ 675,556	680,557	672,319	8,238
Education:				
Board of Education	\$ 19,277,500	19,277,500	19,070,900	206,600
Total education	\$ 19,277,500	19,277,500	19,070,900	206,600
Other:				
Contingency	\$ 78,933	-	-	-
Fringe benefits	1,485,738	1,398,737	891,826	506,911
Beautification commission	1,500	1,500	1,118	382
Cemetery services	22,800	22,800	22,800	-
Total other	\$ 1,588,971	1,423,037	915,744	507,293
Debt service:				
Principal	\$ 3,452,243	3,452,243	3,452,243	-
Interest	746,405	708,506	708,406	100
Total debt service	\$ 4,198,648	4,160,749	4,160,649	100
Other financing uses:				
Other	\$ 65,000	65,000	65,000	-
Total other financing uses	\$ 65,000	65,000	65,000	-
Total encumbrances and financial uses	\$ 31,888,577	31,888,577	30,974,818	913,759

TOWN OF LITCHFIELD, CONNECTICUT

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2021

		Special Revenue		
	Town Hall Annex	Special Education Grants	Cafeteria	Parks and Recreation
ASSETS				
Cash and cash equivalents	\$ -	-	4,250	-
Receivables, net	-	-	18,695	-
Due from other funds	528,373	76,851	-	97,811
Total assets	\$ 528,373	76,851	22,945	97,811
LIABILITIES AND FUND BALANCES (DEFICITS)				
Liabilities:				
Accounts payable and accrued liabilities	\$ 68,073	-	26,776	24
Unearned revenues	-	-	-	10,515
Due to other funds	-	-	-	-
Total liabilities	\$ 68,073	-	26,776	10,539
Deferred inflows of resources:				
Unavailable receipts	\$ -	-	-	-
Fund balance (deficits):				
Nonspendable	\$ -	-	-	-
Restricted for:				
Donor's intentions	-	-	-	-
Committed:				
Specific uses	-	-	-	-
Assigned	460,300	76,851	-	87,272
Unassigned	-	-	(3,831)	-
Total fund balance (deficits)	\$ 460,300	76,851	(3,831)	87,272
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 528,373	76,851	22,945	97,811

Special Revenue					
Road Ordinance	Sewer Assessment	LOCIP	Small Cities Grant	Miscellaneous Special Revenue	Town Road Aid
-	-	-	59,076	28,850	-
-	320,963	-	63,332	-	-
3,133	413,702	267,128	-	1,482,680	130,015
3,133	734,665	267,128	122,408	1,511,530	130,015
-	-	-	-	793	-
-	-	-	10,825	911,824	-
-	-	-	30	-	-
-	-	-	10,855	912,617	-
-	320,963	-	63,332	-	-
-	-	-	-	-	-
-	-	-	48,221	-	-
-	-	-	-	474,272	130,015
3,133	413,702	267,128	-	124,641	-
-	-	-	-	-	-
3,133	413,702	267,128	48,221	598,913	130,015
3,133	734,665	267,128	122,408	1,511,530	130,015

(Continued)

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS, Continued
June 30, 2021

	Special Revenue		Permanent Fund	Total Non-major Funds
	Scholarships	Total Special Revenue	Cemetery Trust	
ASSETS				
Cash and cash equivalents	\$ 39,966	132,142	10,393	142,535
Receivables, net	-	402,990	-	402,990
Due from other funds	9,236	3,008,929	-	3,008,929
Total assets	<u>\$ 49,202</u>	<u>3,544,061</u>	<u>10,393</u>	<u>3,554,454</u>
LIABILITIES AND FUND BALANCE (DEFICITS)				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	95,666	-	95,666
Unearned revenues	-	933,164	-	933,164
Due to other funds	-	30	-	30
Total liabilities	<u>\$ -</u>	<u>1,028,860</u>	<u>-</u>	<u>1,028,860</u>
Deferred inflows of resources:				
Unavailable receipts	\$ -	384,295	-	384,295
Fund balance (deficits):				
Nonspendable	\$ -	-	-	-
Restricted for:				
Donor's intentions	49,202	97,423	10,000	107,423
Committed:				
Specific uses	-	604,287	393	604,680
Assigned	-	1,433,027	-	1,433,027
Unassigned	-	(3,831)	-	(3,831)
Total fund balance (deficits)	<u>\$ 49,202</u>	<u>2,130,906</u>	<u>10,393</u>	<u>2,141,299</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 49,202</u>	<u>3,544,061</u>	<u>10,393</u>	<u>3,554,454</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, 2021

	Special Revenue			
	Town Hall Annex	Special Education Grants	Cafeteria	Parks and Recreation
Revenues:				
Intergovernmental	\$ -	665,016	127,618	-
Charges for services	64,000	-	14,585	23,053
Investment income	-	-	-	-
Other	-	-	113	-
Total revenues	<u>\$ 64,000</u>	<u>665,016</u>	<u>142,316</u>	<u>23,053</u>
Expenditures:				
General	\$ 134,995	-	-	14,547
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Education	-	595,235	144,872	-
Total expenditures	<u>\$ 134,995</u>	<u>595,235</u>	<u>144,872</u>	<u>14,547</u>
Revenue over (under) expenditures	<u>\$ (70,995)</u>	<u>69,781</u>	<u>(2,556)</u>	<u>8,506</u>
Other financing sources:				
Transfers in	\$ -	-	164,280	-
Transfers (out)	-	-	-	-
Total other financing sources	<u>\$ -</u>	<u>-</u>	<u>164,280</u>	<u>-</u>
Changes in fund balances (deficits)	<u>\$ (70,995)</u>	<u>69,781</u>	<u>161,724</u>	<u>8,506</u>
Fund balances (deficits) - beginning	<u>531,295</u>	<u>7,070</u>	<u>(165,555)</u>	<u>78,766</u>
Fund balances (deficits) - ending	<u><u>\$ 460,300</u></u>	<u><u>76,851</u></u>	<u><u>(3,831)</u></u>	<u><u>87,272</u></u>

Special Revenue					
Road Ordinance	Sewer Assessment	LOCIP	Small Cities Grant	Miscellaneous Special Revenue	Town Road Aid
-	-	86,358	-	54,489	388,826
-	78,977	-	-	-	-
-	-	-	-	-	-
-	-	-	-	98,850	-
-	78,977	86,358	-	153,339	388,826
-	-	91,948	10,824	-	-
-	-	-	-	-	663,864
-	-	-	-	-	-
-	-	-	-	73,483	-
-	-	91,948	10,824	73,483	663,864
-	78,977	(5,590)	(10,824)	79,856	(275,038)
-	-	-	-	165,000	-
-	(100,463)	-	-	-	-
-	(100,463)	-	-	165,000	-
-	(21,486)	(5,590)	(10,824)	244,856	(275,038)
3,133	435,188	272,718	59,045	354,057	405,053
3,133	413,702	267,128	48,221	598,913	130,015

(Continued)

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS, Continued**
For the Year Ended June 30, 2021

	Special Revenue		Permanent Fund	Total Non-major Governmental Funds
	Scholarships	Total	Cemetery Trust	
Revenues:				
Intergovernmental	\$ -	1,322,307	-	1,322,307
Charges for services	-	180,615	-	180,615
Investment income	-	-	-	-
Other	-	98,963	-	98,963
Total revenues	\$ -	1,601,885	-	1,601,885
Expenditures:				
General	\$ -	252,314	17	252,331
Public works	-	663,864	-	663,864
Culture and recreation	-	-	-	-
Education	-	813,590	-	813,590
Total expenditures	\$ -	1,729,768	17	1,729,785
Revenue over (under) expenditures	\$ -	(127,883)	(17)	(127,900)
Other financing sources:				
Transfers in	\$ -	329,280	-	329,280
Transfers (out)	-	(100,463)	-	(100,463)
Total other financing sources	\$ -	228,817	-	228,817
Changes in fund balances (deficits)	\$ -	100,934	(17)	100,917
Fund balances (deficits) - beginning	49,202	2,029,972	10,410	2,040,382
Fund balances (deficits) - ending	\$ 49,202	2,130,906	10,393	2,141,299

**W.P.C.A.
COMBINING STATEMENT OF NET FUND POSITION
June 30, 2021**

	Operating	Capital Reserve	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 50	-	50
Receivables, net of allowance	263,565	-	263,565
Due from other funds	94,353	900,885	995,238
Total current assets	\$ 357,968	900,885	1,258,853
Noncurrent assets:			
Capital assets, net of accumulated depreciation	\$ 4,354,205	-	4,354,205
Total noncurrent assets	\$ 4,354,205	-	4,354,205
Total assets	\$ 4,712,173	900,885	5,613,058
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 27,145	-	27,145
Payments in advance	3,147	-	3,147
Notes payable - current	-	-	-
Total current liabilities	\$ 30,292	-	30,292
Noncurrent liabilities:			
Notes payable, less current portion	\$ 563,464	-	563,464
Total noncurrent liabilities	\$ 563,464	-	563,464
Total liabilities	\$ 593,756	-	593,756
Net position:			
Invested in capital assets, net of related debt	\$ 3,790,741	-	3,790,741
Unrestricted	327,676	900,885	1,228,561
Total net position	\$ 4,118,417	900,885	5,019,302

W.P.C.A.

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

For the Year Ended June 30, 2021

	Operating	Capital Reserve	Total
Operating revenues:			
Charges for services	\$ 1,178,880	-	1,178,880
Other revenues	66,237	-	66,237
Total operating revenues	<u>\$ 1,245,117</u>	<u>-</u>	<u>1,245,117</u>
Operating expenses:			
Salaries and benefits	\$ 421,342	-	421,342
Materials and supplies	62,114	-	62,114
Utilities	89,019	-	89,019
Depreciation	167,689	-	167,689
Administration and operation	361,297	20,050	381,347
Total operating expenses	<u>\$ 1,101,461</u>	<u>20,050</u>	<u>1,121,511</u>
Operating income	<u>\$ 143,656</u>	<u>(20,050)</u>	<u>123,606</u>
Nonoperating revenues (expense):			
Interest income	\$ 2,231	1,208	3,439
Interest expense	(14,119)	-	(14,119)
Total nonoperating revenues (expense)	<u>\$ (11,888)</u>	<u>1,208</u>	<u>(10,680)</u>
Transfers to (from) other funds:			
Transfers from general fund - debt	\$ 52,449	-	52,449
Transfers to capital reserve	(300,000)	300,000	-
Transfers from capital reserve	25,721	(25,721)	-
Total transfers to (from) other funds	<u>\$ (221,830)</u>	<u>274,279</u>	<u>52,449</u>
Changes in fund net position	<u>\$ (90,062)</u>	<u>255,437</u>	<u>165,375</u>
Fund net position - beginning	<u>4,208,479</u>	<u>645,448</u>	<u>4,853,927</u>
Fund net position - ending	<u><u>\$ 4,118,417</u></u>	<u><u>900,885</u></u>	<u><u>5,019,302</u></u>

W.P.C.A.
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

	Operating	Capital Reserve	Total
Cash flow from operating activities:			
Receipts from customers and users	\$ 1,243,709	-	1,243,709
Payments to employees	(421,342)	-	(421,342)
Payments to suppliers	(494,371)	(20,050)	(514,421)
Net cash provided by (used in) operating activities	<u>\$ 327,996</u>	<u>(20,050)</u>	<u>307,946</u>
Cash flow from noncapital and related financing activities:			
Interfund account activity	\$ 127,746	(255,437)	(127,691)
Transfer from other funds	52,449	-	52,449
Transfer to other funds	(300,000)	300,000	-
Net cash provided by (used in) noncapital and related financing activities	<u>\$ (119,805)</u>	<u>44,563</u>	<u>(75,242)</u>
Cash flow from capital and related financing activities:			
Purchase of assets	\$ -	(25,721)	(25,721)
Principal made on capital debt	(262,243)	-	(262,243)
Interest paid on capital debt	(14,119)	-	(14,119)
Receipts of notes related to capital debt	65,940	-	65,940
Net cash provided by (used in) capital and related financing activities	<u>\$ (210,422)</u>	<u>(25,721)</u>	<u>(236,143)</u>
Cash flow from investing activities:			
Interest received on investments	\$ 2,231	1,208	3,439
Net cash provided by (used in) investing activities	<u>\$ 2,231</u>	<u>1,208</u>	<u>3,439</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ -</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents - beginning	<u>50</u>	<u>-</u>	<u>50</u>
Cash and cash equivalents - ending	<u><u>\$ 50</u></u>	<u><u>-</u></u>	<u><u>50</u></u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 143,656	(20,050)	123,606
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	167,689	-	167,689
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	2,674	-	2,674
(Decrease) increase in accounts payable	18,059	-	18,059
(Decrease) increase in payments in advance	(4,082)	-	(4,082)
Net cash provided by (used in) operating activities	<u><u>\$ 327,996</u></u>	<u><u>(20,050)</u></u>	<u><u>307,946</u></u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL - W.P.C.A.
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Sewer usage fees	\$ 945,931	945,931	1,012,547	(66,616)
Sewer usage interest	15,000	15,000	39,675	(24,675)
Sewer dumping charges	85,000	85,000	98,659	(13,659)
Town of Morris upgrade and service	82,945	82,945	133,286	(50,341)
Other charges	19,000	19,000	27,999	(8,999)
Investment income	8,500	8,500	1,122	7,378
Total revenues	<u>\$ 1,156,376</u>	<u>1,156,376</u>	<u>1,313,288</u>	<u>(156,912)</u>
Expenditures:				
Current:				
Sewer administration (313201)	\$ 355,600	355,600	446,479	(90,879)
Sewer operations (313202)	438,542	438,542	338,607	99,935
Employee benefits (318101)	163,218	163,218	151,510	11,708
Debt payments (317101)	199,016	199,016	221,089	(22,073)
Total expenditures	<u>\$ 1,156,376</u>	<u>1,156,376</u>	<u>1,157,685</u>	<u>(1,309)</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>155,603</u>	<u>(155,603)</u>
Other financing sources (uses):				
Transfer to capital reserve fund	\$ -	-	(300,000)	-
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>-</u>	<u>(144,397)</u>	<u>(155,603)</u>
Net change in unassigned fund balance			\$ (144,397)	
Unassigned fund balance, July 1, 2020			<u>472,072</u>	
Unassigned fund balance, June 30, 2021			<u>\$ 327,675</u>	

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
June 30, 2021

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total Trust Funds
Assets:				
Cash and cash equivalents	\$ 419,681	111,337	43,718	574,736
Investments	18,699,616	4,927,188	1,919,392	25,546,196
Total assets	\$ 19,119,297	5,038,525	1,963,110	26,120,932
Liabilities:				
Accounts payable	\$ -	-	-	-
Other liabilities	-	-	-	-
Total liabilities	\$ -	-	-	-
Net position:				
Held in trust for specific purposes	<u>\$ 19,119,297</u>	<u>5,038,525</u>	<u>1,963,110</u>	<u>26,120,932</u>

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2021

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total Trust Funds
Additions:				
Employer contributions	\$ 559,267	119,508	-	678,775
Employee contributions	31,700	-	-	31,700
Total contributions	<u>\$ 590,967</u>	<u>119,508</u>	<u>-</u>	<u>710,475</u>
Investment earnings:				
Net increase (decrease) in fair value	\$ 3,568,337	941,837	364,356	4,874,530
Interest and dividends	302,629	79,860	30,889	413,378
Less: administrative expense	(40,792)	(10,764)	(4,159)	(55,715)
Total investment earnings	<u>\$ 3,830,174</u>	<u>1,010,933</u>	<u>391,086</u>	<u>5,232,193</u>
Deductions:				
Benefits	\$ 998,381	230,402	-	1,228,783
Total deductions	<u>\$ 998,381</u>	<u>230,402</u>	<u>-</u>	<u>1,228,783</u>
Change in net position	\$ 3,422,760	900,039	391,086	4,713,885
Net position - beginning	<u>15,696,537</u>	<u>4,138,486</u>	<u>1,572,024</u>	<u>21,407,047</u>
Net position - ending	<u>\$ 19,119,297</u>	<u>5,038,525</u>	<u>1,963,110</u>	<u>26,120,932</u>

AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2021

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
Student Activity Funds				
Assets:				
Cash and cash equivalents	\$ 160,506	45,388	-	205,894
Total assets	<u>\$ 160,506</u>	<u>45,388</u>	<u>-</u>	<u>205,894</u>
Liabilities:				
Accounts payable	\$ -	-	-	-
Deposits held for others	160,506	45,388	-	205,894
Total liabilities	<u>\$ 160,506</u>	<u>45,388</u>	<u>-</u>	<u>205,894</u>
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ 1,300	-	-	1,300
Accounts receivable	115,009	87,780	-	202,789
Total assets	<u>\$ 116,309</u>	<u>87,780</u>	<u>-</u>	<u>204,089</u>
Liabilities:				
Deposits held for others	\$ 116,309	87,780	-	204,089
Total liabilities	<u>\$ 116,309</u>	<u>87,780</u>	<u>-</u>	<u>204,089</u>
Total Agency Funds				
Assets:				
Cash and cash equivalents	\$ 161,806	45,388	-	207,194
External balances	115,009	87,780	-	202,789
Total assets	<u>\$ 276,815</u>	<u>133,168</u>	<u>-</u>	<u>409,983</u>
Liabilities:				
Deposits held for others	\$ 276,815	133,168	-	409,983
Total liabilities	<u>\$ 276,815</u>	<u>133,168</u>	<u>-</u>	<u>409,983</u>

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
For the Year Ended June 30, 2021

Grand List Year	Uncollected Balance and New Levy July 1, 2020	Lawful Corrections		(Transfers to) Recoveries From Suspense	Balance to be Collected
		Increases	Decreases		
2004	\$ -	-	-	-	-
2005	-	-	-	-	-
2006	-	-	-	-	-
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	50	-	-	-	50
2013	44	-	-	-	44
2014	-	-	-	140	140
2015	27,461	636	(143)	(21,246)	6,708
2016	34,517	-	(1,539)	(25,456)	7,522
2017	98,003	837	(1,602)	-	97,238
2018	400,134	15,056	(4,410)	-	410,780
	\$ 560,209	16,529	(7,694)	(46,562)	522,482
2019	29,491,699	18,234	(48,305)	-	29,461,628
Total	\$ 30,051,908	34,763	(55,999)	(46,562)	29,984,110

SCHEDULE 12

Collections				Uncollected Balance June 30, 2021
Taxes	Interest	Lien Fees	Total	
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	50
-	-	-	-	44
140	63	24	227	-
6,400	3,944	72	10,416	308
4,068	4,995	96	9,159	3,454
56,734	21,596	345	78,675	40,504
260,841	50,891	1,132	312,864	149,939
328,183	81,489	1,669	411,341	194,299
29,137,714	102,574	240	29,240,528	323,914
29,465,897	184,063	1,909	29,651,869	518,213

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
For the Year Ended June 30, 2021

	General Purpose
Debt limitation:	
2 1/4 times base	\$ 66,716,705
4 1/2 times base	
3 3/4 times base	
3 1/4 times base	
3 times base	
7 times base	
	<hr/>
Total debt limitation	\$ 66,716,705
Indebtedness:	
Bonds payable	\$ 16,454,530
Bonds authorized and unissued	<hr/> 2,781,590
Total indebtedness	\$ 19,236,120
Less: School construction grants receivable	<hr/> -
Total indebtedness of the Town	\$ 19,236,120
Debt limitation in excess of outstanding and authorized debt	\$ 47,480,585

Total tax collections (including interest and lien fees)
for the year ended June 30, 2021 \$ 29,651,869

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

Base \$ 29,651,869

<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Bonding</u>	<u>Total Debt</u>
133,433,411	111,194,509	96,368,574	88,955,607	207,563,083
<u>133,433,411</u>	<u>111,194,509</u>	<u>96,368,574</u>	<u>88,955,607</u>	<u>207,563,083</u>
5,347,470	173,000	-	-	21,975,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,781,590</u>
5,347,470	173,000	-	-	24,756,590
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,347,470</u>	<u>173,000</u>	<u>-</u>	<u>-</u>	<u>24,756,590</u>
<u>128,085,941</u>	<u>111,021,509</u>	<u>96,368,574</u>	<u>88,955,607</u>	<u>182,806,493</u>

PRINCIPAL PROPERTY TAXPAYERS
June 30, 2021

<u>Taxpayer</u>	<u>Nature of Operations</u>	<u>Taxable Assessed Value as of 10/1/20</u>
Eversource	Power company	\$ 27,156,750
City of Waterbury	Watershed	6,761,900
CRP/BWN, LLC	Health care facility	6,757,100
6645 Federal Square Realty, LLC	Real estate	4,700,040
White Memorial Foundation	Real estate	3,557,500
Aquarion Water Company of CT	Leased land for cottages	3,551,960
130 Chestnut Hill, LLC	Real estate	2,605,440
Union Savings	Banking	2,605,390
C.A. Litchfield Land, LLC	Water supply	2,525,160
Arethusa Farm, LLC	Real estate	<u>2,321,770</u>
Total	Commercial real estate	<u>\$ 62,543,010</u>

Source: Town of Litchfield, Office of Tax Assessor

TAXABLE GRAND LIST
June 30, 2021

<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>
10/1/2020 \$	932,754,718	53,249,325	82,406,300	1,068,410,343	4,817,213	1,063,593,130

Source: Town of Litchfield, Office of Tax Assessor

CALCULATION OF DIRECT DEBT AND NEW DIRECT DEBT
June 30, 2021

Long-term indebtedness (1):		
Bonds:		
General purpose	\$	16,454,530
Schools		5,347,470
Sewers		173,000
State of Connecticut PLO (Clean Water Fund)		<u>563,463</u>
Total long-term indebtedness	\$	22,538,463
Short-term indebtedness:		
Bond anticipation notes		<u>-</u>
Total direct debt	\$	22,538,463
Exclusions (2):		
Sewer assessments receivable		320,963
Intergovernmental receivable - Town of Morris (PLO)		-
Sewer use charges receivable		<u>263,565</u>
Total net direct debt	\$	<u><u>23,122,991</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, 2021

Total direct indebtedness	\$	22,538,463
Total net direct indebtedness	\$	23,122,991
Population (1)	\$	8,147
Net taxable grand list (10/1/20)	\$	1,063,593,130
Estimated full value (10/1/20)	\$	1,519,418,757
Equalized net taxable grand list (2018) (2)	\$	1,500,782,011
Per capita income (2019) (3)	\$	49,602
Total direct indebtedness:		
Per capita	\$	2,766
To net taxable grand list		2.12%
To estimated full value		1.48%
To equalized net taxable grand list		1.50%
Per capita to per capita income		5.58%
Total net indirect indebtedness:		
Per capita	\$	2,838
To net taxable grand list		2.17%
To estimated full value		1.52%
To equalized net taxable grand list		1.54%
Per capita to per capita income		5.72%

(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