

TOWN OF LITCHFIELD, CONNECTICUT

ANNUAL FINANCIAL REPORT

June 30, 2023

TOWN OF LITCHFIELD, CONNECTICUT
JUNE 30, 2023

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CLERMONT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, 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.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Litchfield, Connecticut and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Town of Litchfield, Connecticut's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we;

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Litchfield, Connecticut's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in aggregate, which raise substantial doubt about the Town of Litchfield, Connecticut's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 4a through 4f and the required supplemental information relating to pension on pages 56-66, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, 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

Waterbury, Connecticut

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

December 15, 2023

TOWN OF LITCHFIELD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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, 2023. Please read this MD&A in conjunction with the Town's financial statements.

Financial Highlights

- The net position of our governmental activities increased by \$1.1 million.
- The net position of our business-type activities increased by \$183 thousand.
- The General Fund reported a fund balance this year of \$8.1 million; \$175 thousand less than the General Fund balance reported in the prior year.
- The resources available for appropriation (unassigned fund balance) in the General Fund were \$7.6 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 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 the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report on 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.

TOWN OF LITCHFIELD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 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 \$1.1 million from \$71.0 million in 2022 to \$72.2 million in 2023.

The net operating income and net investment income decreased the business-type activities by \$183 thousand for the fiscal year ending June 30, 2023. The net position ended at \$5.4 million.

TOWN OF LITCHFIELD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

TABLE 1 NET POSITION

		Governmental Activities (thousands)	
		2023	2022
Current and other assets	\$	21,135	20,117
Capital assets		79,961	81,842
Deferred inflows		983	1,902
Total assets & deferred inflows	\$	102,079	103,861
Current and other liabilities	\$	2,905	3,586
Deferred outflows		1,934	1,495
Long-term liabilities		25,069	27,718
Total liabilities & deferred outflows	\$	29,908	32,799
Net position:			
Investment in capital assets	\$	58,743	60,971
Restricted		1,093	839
Unrestricted		12,334	9,252
Total net position	\$	72,170	71,062

TABLE 2 CHANGE IN NET ASSETS

		Governmental Activities (thousands)	
		2023	2022
Revenues:			
Program revenues:			
Charges for services	\$	774	1,338
Operating grants and contributions		5,643	4,672
Capital grants and contributions		347	1,757
General revenues:			
Property taxes		31,264	29,820
Grants and contributions not restricted to specific purposes		298	296
Unrestricted investment earnings and other revenues		123	64
Other general revenues (and transfers)		(1,297)	45
Total revenues	\$	37,152	37,992
Program expenses:			
General government	\$	3,057	2,750
Public safety		1,552	1,475
Public works		6,530	6,225
Health and welfare		127	88
Culture and recreation		1,249	795
Education		23,294	22,602
Interest and fiscal charges		234	626
Total program expenses	\$	36,043	34,561
Increase (decrease) in net position	\$	1,109	3,431

TOWN OF LITCHFIELD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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 \$14.5 million which is a \$1.2 million increase from the previous year. The Town continues to grow funds to commit to future capital projects. The general fund transferred \$1.3 million to other funds for this purpose.

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 \$200 thousand, which included depreciation expense of \$128 thousand. Net fund position at year end included \$3.9 million of net capital investment and \$1.3 million unrestricted.

The Internal Service Fund recorded a negative change in net fund position. Beginning in 2020/2021 fiscal year, the Town ended the self-employed medical program. The Town continues to use the excess funds to subsidize employee health insurance until the fund is depleted. At June 30, 2023, the Town reduced the assets to \$1.2 million, which was reduced by \$410 thousand to subsidize the Town's employee medical benefit program.

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 in part because of a greater valuation of motor vehicles
- Charges for services increased due to the increase in construction activity.
- Investments increased because of the interest rates increasing.
- 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 \$1.6 million. Of these savings, \$1.4 million was committed for future capital projects, including \$7,957 for capital projects related to education (nonlapsing account).

Capital Assets

At June 30, 2023, the Town had \$80.0 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 \$1.9 million. The largest portion of the new addition is the federal bridges program and road reconstruction.

TOWN OF LITCHFIELD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

TABLE 3 CAPITAL ASSETS (Net of Depreciation)

		Governmental	
		Activities (thousands)	
		2023	2022
Land	\$	1,679	1,679
Buildings and improvements		42,934	43,724
Furniture, fixtures, and equipment		3,402	3,862
Infrastructure		31,945	32,575
Total	\$	79,960	81,840

		Business-type	
		Activities (thousands)	
		2023	2022
Buildings and improvements	\$	2,267	2,367
Equipment		65	32
Infrastructure		1,776	1,835
Total	\$	4,108	4,234

TABLE 4 OUTSTANDING DEBT

Long-Term Liabilities

At June 30, 2023, the Town had \$25.0 million in long-term liabilities versus \$27.6 million last year, as shown in Table 4.

		(Thousands)	
		2023	2022
Long-term debt		21,440	22,862
Other long-term liabilities	\$	3,628	4,716
Total long-term liabilities	\$	25,068	27,579

General obligation bonds (backed by the Town) were reduced by \$1.3 million as payments on debt were larger than new issuances. The Town continues a debt reduction plan through funding larger amounts of projects through general fund savings.

Other obligations include accrued vacation pay and sick leave, and net pension and other postretirement 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 a more than expected increase in the market value of the pension trust assets.

Included in the business-type activities is \$23 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. This note is expected to be paid in full in 2024.

TOWN OF LITCHFIELD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2023 budget and mil rate. 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 2023-24.

Contacting the Town's Financial Management

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

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STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-type Activities	Total*
Assets:			
Cash and cash equivalents	\$ 20,259,049	50	20,259,099
Receivables, net	1,292,295	194,043	1,486,338
Inventory	6,469		6,469
Net pension and OPEB assets	775,608		775,608
Internal balances	(1,198,465)	1,198,465	-
Capital assets:			
Capital assets, not being depreciated	1,679,473		1,679,473
Capital assets, being depreciated, net	78,281,263	4,108,391	82,389,654
Total assets	\$ 101,095,692	5,500,949	106,596,641
Deferred outflows of resources:			
Deferred portion of refunding	\$ 185,410		185,410
Pension and other post retirement	796,842		796,842
Total deferred outflows of resources	\$ 982,252	-	982,252
Liabilities:			
Accounts payable and other current liabilities	\$ 1,190,146	25,816	1,215,962
Due to custodial funds	202,789		202,789
Accrued interest	241,542		241,542
Payments in advance	1,270,426		1,270,426
Noncurrent liabilities:			
Due within one year	3,390,000	22,992	3,412,992
Due in more than one year	21,678,224		21,678,224
Total liabilities	\$ 27,973,127	48,808	28,021,935
Deferred inflows of resources:			
Pension and other post retirement	\$ 1,864,141		1,864,141
Advance tax collections	70,192		70,192
Total deferred inflows of resources	\$ 1,934,333	-	1,934,333
Net position:			
Invested in capital assets, net of related debt	\$ 58,743,896	4,085,399	62,829,295
Restricted for:			
Donor's intentions	1,092,155		1,092,155
Unrestricted	12,334,433	1,366,742	13,701,175
Total net position	\$ 72,170,484	5,452,141	77,622,625

* After internal balances have been eliminated

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

TOWN OF LITCHFIELD, CONNECTICUT

EXHIBIT B

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

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	\$ 3,057,337	609,927	7,667		(2,439,743)		(2,439,743)
Public safety	1,551,851	14,641	28,014		(1,509,196)		(1,509,196)
Public works	6,530,582	76,312	558,319	347,145	(5,548,806)		(5,548,806)
Community service	127,606		20,490		(107,116)		(107,116)
Culture and recreation	1,246,868	37,039	133,422		(1,076,407)		(1,076,407)
Education	23,293,865	35,817	4,831,243		(18,426,805)		(18,426,805)
Interest on long-term debt	234,640		63,602		(171,038)		(171,038)
Total governmental activities	\$ 36,042,749	773,736	5,642,757	347,145	(29,279,111)	-	(29,279,111)
Business-type activities:							
Water Pollution Control Authority	\$ 1,196,084	1,301,032				104,948	104,948
Interest on long-term debt	3,426					(3,426)	(3,426)
Total business-type activities	\$ 1,199,510	1,301,032	-	-	-	101,522	101,522
Total primary government	\$ 37,242,259	2,074,768	5,642,757	347,145	(29,279,111)	101,522	(29,177,589)
General revenues and transfers:							
Property taxes					\$ 31,263,574		31,263,574
Grants and contributions not restricted for specific programs					298,285		298,285
Unrestricted investment earnings					805,322	33,182	838,504
Other unrestricted income					123,104		123,104
Loss on disposal of assets					(2,046,992)	(6,800)	(2,053,792)
Transfers					(55,272)	55,272	-
Total general revenues and transfers					\$ 30,388,021	81,654	30,469,675
Change in net position					\$ 1,108,910	183,176	1,292,086
Net position - beginning					71,061,574	5,268,965	76,330,539
Net position - ended					\$ 72,170,484	5,452,141	77,622,625

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

TOWN OF LITCHFIELD, CONNECTICUT

EXHIBIT C

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General	Capital Projects	American Rescue Plan	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 20,138,101			115,155	20,253,256
Receivables, net	597,613	442,660		252,022	1,292,295
Due from other funds		5,454,085	1,299,745	1,973,294	8,727,124
Inventories	6,469				6,469
Total assets	<u>\$ 20,742,183</u>	<u>5,896,745</u>	<u>1,299,745</u>	<u>2,340,471</u>	<u>30,279,144</u>
Liabilities:					
Accounts and other payables	\$ 1,133,521			56,625	1,190,146
Unearned revenues			1,253,736	16,690	1,270,426
Due to other funds	11,004,327			1,019	11,005,346
Total liabilities	<u>\$ 12,137,848</u>	<u>-</u>	<u>1,253,736</u>	<u>74,334</u>	<u>13,465,918</u>
Deferred inflows of resources:					
Unavailable receipts	\$ 427,071			252,022	679,093
Payments in advance	70,192				70,192
Total deferred inflows of resource	<u>\$ 497,263</u>	<u>-</u>	<u>-</u>	<u>252,022</u>	<u>749,285</u>
Fund balances:					
Nonspendable	\$ 6,469				6,469
Restricted for:					
Donor's intentions			46,009	855,063	901,072
Committed for:					
Board of Education nonlapsing	250,000				250,000
Encumbrances	191,083				191,083
Specified use	99,882			814,100	913,982
Assigned		5,896,745		344,952	6,241,697
Unassigned	7,559,638				7,559,638
Total fund balances	<u>\$ 8,107,072</u>	<u>5,896,745</u>	<u>46,009</u>	<u>2,014,115</u>	<u>16,063,941</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,742,183</u>	<u>5,896,745</u>	<u>1,299,745</u>	<u>2,340,471</u>	

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.	79,960,736
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.	(388,206)
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.	882,761
Long-term liabilities , including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(24,348,748)
Net position of governmental activities (Exhibit A)	<u>\$ 72,170,484</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General	Capital Projects	American Rescue Plan	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes and assessments	\$ 29,836,343			1,424,053	31,260,396
Intergovernmental	5,308,554	30,483	539,911	218,293	6,097,241
Charges for services	773,500				773,500
Investment income	709,565		46,009	17,712	773,286
Miscellaneous	178,152			176,464	354,616
Total revenues	<u>\$ 36,806,114</u>	<u>30,483</u>	<u>585,920</u>	<u>1,836,522</u>	<u>39,259,039</u>
Expenditures:					
Current:					
General government	\$ 1,798,504			669,398	2,467,902
Public safety	998,851				998,851
Public works	3,341,231		111,000	349,213	3,801,444
Public health	54,559		10,000		64,559
Culture and recreation	571,058		102,249	293,183	966,490
Education	22,877,696			1,072,748	23,950,444
Other	1,278,093		160,000		1,438,093
Capital outlay		1,939,202	156,662		2,095,864
Debt service	4,057,958				4,057,958
Total expenditures	<u>\$ 34,977,950</u>	<u>1,939,202</u>	<u>539,911</u>	<u>2,384,542</u>	<u>39,841,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,828,164</u>	<u>(1,908,719)</u>	<u>46,009</u>	<u>(548,020)</u>	<u>(582,566)</u>
Other financing sources (uses):					
Transfer from other funds	\$ 91,574	1,900,000		195,000	2,186,574
Transfer to other funds	(2,095,000)			(91,574)	(2,186,574)
Proceeds from sale of bonds	107	2,166,000			2,166,107
Total other financing sources (uses)	<u>\$ (2,003,319)</u>	<u>4,066,000</u>	<u>-</u>	<u>103,426</u>	<u>2,166,107</u>
Net changes in fund balances	<u>\$ (175,155)</u>	<u>2,157,281</u>	<u>46,009</u>	<u>(444,594)</u>	<u>1,583,541</u>
Fund balances (deficits) - beginning	<u>8,282,227</u>	<u>3,739,464</u>	<u>-</u>	<u>2,458,709</u>	<u>14,480,400</u>
Fund balances (deficits) - ended	<u>\$ 8,107,072</u>	<u>5,896,745</u>	<u>46,009</u>	<u>2,014,115</u>	<u>16,063,941</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

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)	\$ 1,583,541
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.	(1,879,956)
Revenues previously recognized in the Statement of Activities that provided current financial resources in the current year.	(1,582,173)
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.	3,374,006
The net expense of certain activities of internal service funds is reported with governmental activities.	<u>(386,508)</u>
Change in net position of governmental activities (Exhibit B)	\$ <u><u>1,108,910</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, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 29,698,527	29,698,527	29,836,343	137,816
Intergovernmental	1,431,644	1,431,644	1,610,477	178,833
Charges for services	677,255	677,255	773,500	96,245
Investment income	39,924	39,924	709,565	669,641
Other revenues	112,000	112,000	178,152	66,152
Total revenues	<u>\$ 31,959,350</u>	<u>31,959,350</u>	<u>33,108,037</u>	<u>1,148,687</u>
Expenditures:				
Current:				
General government	\$ 1,790,037	1,867,175	1,792,182	74,993
Public safety	1,072,030	1,028,289	981,672	46,617
Public works	3,315,050	3,337,859	3,184,937	152,922
Health and welfare	57,340	57,340	53,569	3,771
Culture and recreation	602,837	602,867	571,876	30,991
Education	19,277,500	19,277,500	19,077,500	200,000
Other	1,853,835	1,796,936	1,287,776	509,160
Debt service:				
Principal retirements	3,662,936	3,662,936	3,662,936	-
Interest and other charges	643,449	644,112	644,112	-
Total expenditures	<u>\$ 32,275,014</u>	<u>32,275,014</u>	<u>31,256,560</u>	<u>1,018,454</u>
Revenues over (under) expenditures	<u>\$ (315,664)</u>	<u>(315,664)</u>	<u>1,851,477</u>	<u>2,167,141</u>
Other financing sources (uses):				
Transfer to other funds	\$ (25,000)	(25,000)	(16,000)	(9,000)
Premium on debt issuance			107	(107)
Debt and other reimbursement	340,664	340,664	340,664	-
Total other financing sources (uses)	<u>\$ 315,664</u>	<u>315,664</u>	<u>324,771</u>	<u>(9,107)</u>
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>-</u>	<u>2,176,248</u>	<u>2,158,034</u>
Surplus appropriations and commitments:				
Transfer to Capital and Nonrecurring			(1,900,000)	
Transfer to Special Projects - Tree Trimming			(195,000)	
Net change in unassigned fund balance			\$ 81,248	
Unassigned fund balance, July 1, 2022			<u>7,478,390</u>	
Unassigned fund balance, June 30, 2023			<u>\$ 7,559,638</u>	

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

STATEMENT OF NET FUND POSITION
 PROPRIETARY FUNDS
 June 30, 2023

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Assets:		
Current assets:		
Cash and cash equivalents	\$ 50	5,793
Investments		
Receivables, net of allowance	194,043	
Notes receivable, current portion		
Due from other funds	1,198,465	876,968
Total current assets	\$ 1,392,558	882,761
Noncurrent assets:		
Capital assets, net of accumulated depreciation	\$ 4,108,389	
Total noncurrent assets	\$ 4,108,389	-
Total assets	\$ 5,500,947	882,761
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,816	
Notes payable - current	22,992	
Total current liabilities	\$ 48,808	-
Noncurrent liabilities:		
Notes payable, less current portion	\$ -	
Total noncurrent liabilities	\$ -	-
Total liabilities	\$ 48,808	-
Net fund position:		
Invested in capital assets, net of related debt	\$ 4,085,397	
Unrestricted	1,366,742	882,761
Total net fund position	\$ 5,452,139	882,761

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, 2023

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for services and other revenues	\$ 1,281,466	474,982
Other revenues		42,382
Total operating revenues	<u>\$ 1,281,466</u>	<u>517,364</u>
Operating expenses:		
Salaries and benefits	\$ 411,697	
Health insurance		935,908
Material and supplies	66,725	
Utilities	90,913	
Depreciation	166,290	
Administration and operation	460,461	
Total operating expenses	<u>\$ 1,196,086</u>	<u>935,908</u>
Operating income (loss)	<u>\$ 85,380</u>	<u>(418,544)</u>
Nonoperating revenues (expenses):		
Interest income	\$ 52,748	32,036
Interest expense	(3,426)	
Loss on disposal of assets	(6,800)	
Total nonoperating revenues (expenses)	<u>\$ 42,522</u>	<u>32,036</u>
Transfer from other funds	<u>\$ 55,272</u>	<u>-</u>
Change in net fund position	<u>\$ 183,174</u>	<u>(386,508)</u>
Net fund position - beginning	<u>5,268,965</u>	<u>1,269,269</u>
Net fund position - ended	<u><u>\$ 5,452,139</u></u>	<u><u>882,761</u></u>

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

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2023

	Business-type Activities Water Pollution Control	Governmental Activities Internal Service Funds
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,300,319	517,364
Payments to employees	(411,697)	
Payments to suppliers	(590,303)	(935,908)
Net cash flows provided by (used in) operating activities	\$ 298,319	(418,544)
Cash flows from noncapital and related financing activities:		
Transfer in and payments made through governmental activities	\$ (67,715)	
Transfer (to) from other funds	55,272	392,301
Net cash provided by (used in) noncapital and related financing activities	\$ (12,443)	392,301
Cash flows from capital and related financing activities:		
Purchase of assets	\$ (29,096)	
Principal payments on capital debt	(272,936)	
Interest paid on capital debt	(3,426)	
Net cash provided by (used in) capital and related financing activities	\$ (305,458)	-
Cash flows from investing activities:		
Interest received on investments	\$ 33,182	32,036
Net cash provided by (used in) investing activities	\$ 33,182	32,036
Net increase (decrease) in cash and cash equivalents	\$ 13,600	5,793
Cash and cash equivalents - beginning	(8,090)	-
Cash and cash equivalents - ending	\$ 5,510	5,793
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 85,380	(418,544)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	166,290	
Changes in assets and liabilities:		
Decrease (increase) in receivable accounts	36,120	
Increase (decrease) in accounts payable	27,796	
Increase (decrease) in payments in advance	(17,267)	
Net cash flows from operating activities	\$ 298,319	(418,544)

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

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2023

	Pensions and Post Employment Trust Funds	Custodial
Assets:		
Cash and cash equivalents	\$ 535,550	193,287
Receivable from general fund		192,842
Investments, at fair value:		
Mutual funds	23,559,734	
Total assets	<u>\$ 24,095,284</u>	<u>386,129</u>
Net position:		
Held for deposit for students	\$	191,987
Held for deposit for contractors		194,142
Held in trust for post employment benefits	24,095,284	
Total net position	<u>\$ 24,095,284</u>	<u>386,129</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, 2023

	Pensions and Post Employment Trust Funds
Additions:	
Employer contributions	\$ 650,171
Employee contributions	32,333
Total contributions	<u>\$ 682,504</u>
Investment earnings:	
Net increase in fair value of investments	\$ 1,872,032
Interest and dividends	492,266
Less: administrative expenses	(52,390)
Total investment earnings	<u>\$ 2,311,908</u>
Total additions	<u>\$ 2,994,412</u>
Deductions:	
Benefits	\$ 1,360,251
Total deductions	<u>\$ 1,360,251</u>
Change in net position	\$ 1,634,161
Net position - beginning	<u>22,461,123</u>
Net position - ended	<u><u>\$ 24,095,284</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, 2023

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 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 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, 2023

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 it is 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, 2023

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** accounts 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 **custodial 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 fair value using quoted market prices.

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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, 2023**

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 expenses 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 expenses 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, 2023

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 is not restricted for any project or other purpose.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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, which was 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, 2023

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 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 (Exhibit F)	\$ 33,108,037	31,256,560	324,771
Consolidate canine fund		16,000	16,000
2022 Encumbrances		328,004	
2023 Encumbrances		(191,093)	
Net change in inventory		17,364	
Non-lapsing account expenditures		102,128	
State Teachers' Retirement "on-behalf" payment, not recognized for budgetary purposes	3,698,077	3,698,077	
Reclassify debt reimbursements to WPCA		(249,090)	(249,090)
Surplus appropriations			(2,095,000)
Balance, GAAP basis (Exhibit D)	\$ 36,806,114	35,227,050	2,003,319

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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
Net capital assets being depreciated	<u>78,281,263</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$ <u>79,960,736</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	\$ (19,565,000)
Premium on bond issuances	(1,874,998)
Deferred portion on refunding	185,410
Compensated absences	(237,375)
Net pension liability	(3,390,851)
Net OPEB asset	775,608
Accrued interest on debt	<u>(241,542)</u>
Net adjustment to reduce fund balance to arrive at net position of government activities	\$ <u>(24,348,748)</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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	\$	427,071
Deferred outflows/inflows of resources-pension		518,803
Deferred outflows/inflows of resources-OPEB		(1,586,102)
Notes and assessments receivable		<u>252,022</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>(388,206)</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	\$	2,024,592
Disposals		(2,046,992)
Depreciation		<u>(1,857,556)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>(1,879,956)</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	\$	3,390,000
New issuances		(2,085,000)
Deferred portion on refunding		(37,641)
Premium new issuances		(81,107)
Amortization of issuance premiums		337,487
Net change in compensated absences		6,618
Net change in claims and judgment estimates		2,750
Net change in OPEB liability and net deferred inflows/outflows		1,038,712
Net change in pension liability and net deferred inflows/outflows		815,561
Accrued interest		<u>(13,374)</u>
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>3,374,006</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

Note 4 – Deposits and Investments

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

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Governmental activities	\$ 11,154,882	9,098,374	20,253,256
Business-type activities	50		50
Fiduciary funds	535,550		535,550
Investments:			
Fiduciary funds		23,559,734	23,559,734
Total deposits & investments	<u>\$ 11,690,482</u>	<u>32,658,108</u>	<u>44,348,590</u>

Deposits

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

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

Bank deposit accounts	\$ 8,232,218
Certificate of deposits	3,457,788
Cash on hand	<u>476</u>
	\$
Total deposits	<u>11,690,482</u>

Custodial Credit Risk

As of June 30, 2023, the carrying amount of the Town's deposits had bank deposit balances of approximately \$10,696,000. The amount of the bank balance covered under federal depository insurance was approximately \$7,400,000. 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, 2023, approximately \$1.1 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, 2023

As of June 30, 2023, the Town held the following investments:

Investment Type	Fund	Fair Value (Level 1 hierarchy)	Weighted Average to Maturity (years)	Risk
State Investment Fund	Government Funds	\$ 9,098,374	.2	N/A
Mutual Funds	Trust Funds	23,559,734	.2	N/A
Total investments		<u>\$ 32,658,108</u>		

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that the 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, 2023

Note 5 – Receivables, Deferred Revenue and Payables

Receivables

The receivables as of June 30, 2023, for the Town's individual major funds and non-major, internal service and fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

	Governmental Funds			Total
	General Fund	Capital Projects	Non-major Funds	
Property taxes	\$ 475,111			475,111
Interest on taxes	75,164			75,164
Intergovernmental	864	442,660		443,524
Accounts and notes	61,474		252,022	313,496
Allowance	(15,000)			(15,000)
Total net receivables	\$ 597,613	442,660	252,022	1,292,295

The receivables as of June 30, 2023 for the Town's business-type activities are as follows:

	W.P.C.A.
Accounts	\$ 194,043

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:

	Unavailable	Unearned	Total
General Fund:			
Delinquent property taxes	\$ 427,071		427,071
Advanced tax collections		70,192	70,192
Other Governmental Funds:			
Grants received in advance		1,270,426	1,270,426
Assessments and notes	252,022		252,022
Total deferred portion	\$ 679,093	1,340,618	2,019,711

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

Payables

Payables as of June 30, 2023, 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	\$ 966,513	167,008	1,133,521
Non-major funds	56,625		56,625
Total governmental funds	\$ 1,023,138	167,008	1,190,146
W.P.C.A.	25,816		25,816
Total payables	\$ 1,048,954	167,008	1,215,962

Note 6 – Inter-fund Receivables, Payables and Transfers

Inter-funds Receivables and Payables

Inter-fund receivables and payables at June 30, 2023, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	\$ 5,454,085
American Rescue Plan	General Fund	1,299,745
Internal Service	General Fund	876,968
Nonmajor Governmental	General Fund	1,972,275
W.P.C.A.	General Fund	1,198,465
Agency Fund	General Fund	202,789
	Total	11,004,327

Inter-fund Transfers

Inter-fund receivables and payables at June 30, 2023, consisted of the following:

<u>Transfer In</u>	<u>Purpose</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor	Tree Pruning	General Fund	\$ 195,000
Capital Projects	Reserve	General Fund	1,900,000
General Fund	Debt Payment	W.P.C.A.	55,272
General Fund	Debt Payment	Nonmajor	91,574
		Total	\$ 2,241,846

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassify / Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,679,473			1,679,473
Total capital assets, not being deprec.	\$ 1,679,473	-	-	1,679,473
Capital assets being depreciated:				
Buildings and improvements	\$ 56,166,414	394,660	369,865	56,191,209
Machinery and equipment	12,855,246	517,213	1,857,442	11,515,017
Infrastructure	49,480,128	1,112,719	2,629,501	47,963,346
Total capital assets being depreciated	\$ 118,501,788	2,024,592	4,856,808	115,669,572
Less: accumulated depreciation:				
Buildings and improvements	\$ 12,442,590	523,613	(291,316)	13,257,519
Machinery and equipment	8,993,177	305,449	1,185,701	8,112,925
Infrastructure	16,904,802	1,028,494	1,915,431	16,017,865
Total accumulated depreciation	\$ 38,340,569	1,857,556	2,809,816	37,388,309
Net capital assets, being depreciated	\$ 80,161,219	167,036	2,046,992	78,281,262
Total capital assets, governmental	\$ 81,840,692	167,036	2,046,992	79,960,735

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

Governmental activities:	
General government	\$ 56,220
Public safety	265,245
Public works	1,364,675
Recreation	45,943
Education	125,473
Total depreciation expense	\$ 1,857,556

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

	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	92,743	47,096	58,016	81,823
Sewers	4,754,323			4,754,323
Total capital assets being depreciated	\$ 8,700,953	47,096	58,016	8,690,033
Less: accumulated depreciation:				
Buildings and improvements	\$ 1,486,728	99,888		1,586,616
Machinery and equipment	61,012	7,083	51,216	16,879
Sewers	2,918,830	59,319		2,978,149
Total accumulated depreciation	\$ 4,466,570	166,290	51,216	4,581,644
Total capital assets, business-type	\$ 4,234,383	(119,194)	6,800	4,108,389

Note 8 – Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ended Balance	Due In One Year
Governmental activities:					
Long-term debt:					
General obligation bonds	\$ 15,960,000	2,085,000	1,820,000	16,225,000	1,820,000
G.O. refunding bonds	4,910,000		1,570,000	3,340,000	1,570,000
Total long-term debt	\$ 20,870,000	2,085,000	3,390,000	19,565,000	3,390,000
Deferred amount on:					
Issuance premium	1,992,422	81,107	198,531	1,874,998	
Net long-term debt	\$ 22,862,422	2,166,107	3,588,531	21,439,998	3,390,000
Other long-term liabilities:					
Compensated absence	243,993		6,618	237,375	
Net pension liability	4,206,412		815,561	3,390,851	
Net OPEB obligation	263,104		263,104	-	
Claims and judgments	2,750		2,750		
Total governmental activities long-term liabilities	\$ 27,578,681	2,166,107	4,676,564	25,068,224	3,390,000
Business-type activities:					
Clean water fund notes	\$ 295,928	-	272,936	22,992	22,992
Total business-type activities long-term liabilities	\$ 295,928	-	272,936	22,992	22,992

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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, 2023, the outstanding general obligation bonded indebtedness of the Town was as follows:

	<u>General</u>	<u>Refunding</u>
\$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	\$	1,135,000
\$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	750,000	
\$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	3,870,000	
\$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	1,685,000	
\$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	1,235,000	
\$9,400,000 GOB 2019 , issue of 2019, due 8/1/2034, interest at 3.0% to 5.0%, annual principal payments of \$240,000 to \$1,430,000	2,915,000	2,205,000
\$2,000,000 GOB 2020 , issue of 2020, due 8/1/2035, interest at 2.0% to 4.0%, annual principal payments of \$100,000 to \$140,000	1,800,000	
\$2,020,000 GOB 2021 , issue of 2021, due 8/1/2036, interest at 2.0% to 4.0%, annual principal payments of \$130,000 to \$135,000	1,885,000	
\$2,085,000 GOB 2022 , issue of 2022, due 8/1/2036, interest at 3.0% to 5.0%, annual principal payments of 135,000 to \$140,000.	2,085,000	
Total general obligation bonds	\$ 16,225,000	3,340,000

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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

Year Ended, June 30	Governmental Activity	
	Principal	Interest
2024	\$ 3,055,000	565,794
2025	2,795,000	455,836
2026	2,190,000	371,224
2027	1,550,000	315,664
2028	1,375,000	266,461
2029-2033	6,385,000	734,511
2034-2038	2,215,000	107,284
Total	\$ 19,565,000	2,816,774

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, 2023, as follows:

	Authorized	Authorized and Unissued
2023-24 Capital Improvements	\$ 5,433,298	\$ 5,433,298

*As described in Note 13, \$1,430,000 of this balance was issued with a premium received of \$74,000 subsequent to June 30, 2023 as well as several federal and state grant approvals totaling \$3928,959 left a total issued and unauthorized balance of \$900,000 subsequent to the August 9, 2022, 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 loan details are as follows:

Note	Date of Issue	Original Amount	Balance
CWF-PLO 499-C	July 31, 2004	\$ 4,595,198	\$ 22,992

These loan 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
2024	\$ 22,992	31

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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 2003, and at June 30, 2023 the 20-year debt was fully paid.

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.

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 equivalent's 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.

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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 plan 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 401(a)-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 firefighters who belong to the volunteer fire departments and, as of July 1, 1992, the members of the volunteer ambulance corps. Volunteer firefighters 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	88	82
Terminated plan members entitled to, but not yet receiving benefits	40	50
Active plan members	33	158
Total	161	290

Summary of Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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.

Investment Policy

The pension plan's policy regarding 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 on investments

For the year ended June 30, 2022, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was (12.05)% for the Town Plan and (12.01)% for the Merit Service Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Net Pension Liability of the Town

The Town's net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020.

The components of the net pension liability of the Town at June 30, 2023, were as follows:

	Town Plan	Merit Service Plan	Total
Total pension liability	\$ 20,124,542	5,456,035	25,580,577
Plan fiduciary net position	17,556,407	4,633,319	22,189,726
Net pension liability	\$ 2,568,135	822,716	3,390,851
Plan fiduciary net position as a percentage of the total pension liability	87.23%	84.92%	86.74%

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	6.25%, 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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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 weighing 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%	4.40%
International developed economies	6.00%	6.80%
International emerging economies	5.00%	6.10%
High quality bond	33.00%	1.20%
High yield bond	5.00%	3.70%
Cash equivalents	2.00%	-.20%
	<u>100.00%</u>	

Discount Rate

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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, 2022	\$ 19,892,222	16,414,539	3,477,683
Changes for the year:			
Service cost	\$ 244,050		244,050
Interest on total pension liability	1,322,783		1,322,783
Difference between expected and actual experience	(1,149,866)		(1,149,866)
Change in assumptions	912,223		912,223
Employer contributions		528,358	(528,358)
Employee contributions		26,192	(26,192)
Net investment income		1,684,188	(1,684,188)
Benefit payments, including refund of employee contributions	(1,096,870)	(1,096,870)	
Net changes	\$ 232,320	1,141,868	(909,548)
Balances as of June 30, 2023	\$ 20,124,542	17,556,407	2,568,135

Merit Service Plan:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2022	\$ 5,050,740	4,322,011	728,729
Changes for the year:			
Service cost	\$ 60,529		60,529
Interest on total pension liability	336,379		336,379
Difference between expected and actual experience	(41,069)		(41,069)
Change in assumptions	309,463		309,463
Employer contributions		127,954	(127,954)
Net investment income		443,361	(443,361)
Benefit payments, including refund of employee contributions	(260,007)	(260,007)	
Net changes	\$ 405,295	311,308	93,987
Balances as of June 30, 2023	\$ 5,456,035	4,633,319	822,716

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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 6.25%, 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 (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Town Plan net pension liability	\$ 4,520,896	2,568,135	888,168
Merit Service Plan net pension liability	1,515,994	822,716	251,190

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, 2023, and the changes in net position for the year then ended.

Schedule of Net Position

	Town Plan	Merit Service Plan
Assets:		
Cash and cash equivalents	\$ 389,462	102,651
Investments	17,166,944	4,530,669
Net assets held in trust for pension benefits	\$ 17,556,406	4,633,320

Schedule of Changes in Net Position

	Town Plan	Merit Service Plan
Additions:		
Contributions:		
Employer	\$ 522,217	127,954
Employee	32,333	
Total	\$ 554,550	127,954
Investment income:		
Net appreciation (depreciation) in fair value of Investments	\$ 1,366,760	359,577
Interest and dividends	358,878	94,724
Investment management fees	(41,451)	(10,939)
Net investment income	\$ 1,684,187	443,362
Deductions:		
Benefits	\$ 1,096,870	260,007
Net increase	\$ 1,141,897	311,309
Net position at beginning of year	16,414,539	4,322,011
Net position at end of year	\$ 17,556,406	4,633,320

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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

For the year ended June 30, 2023, the Town recognized pension expense of \$700,804 on behalf of the Town Plan and Merit Service Plan. As of June 30, 2023, 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	\$	377,323	377,323
Net difference between expected and actual earnings on investments	587,016	153,982	740,998
Total	587,016	531,305	1,118,321

	Town Plan Deferred Inflows of Resources	Merit Service Plan Deferred Inflows of Resources	Total Deferred Inflows
Differences between expected and actual experience	\$	(68,213)	(68,213)
Total	\$ -	(68,213)	(68,213)

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
2024	\$ 86,024	79,636	165,660
2025	31,500	76,272	107,772
2026	588,335	206,497	794,832
2027	(118,843)	9,008	(109,835)
2028	-	38,001	38,001
Thereafter	-	53,678	53,678
Total	\$ 587,016	463,092	1,050,108

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, 2023

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 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, 165 Capitol Avenue, 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 the 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 the average annual salary.

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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, 2023, \$625,641 mandatory contributions were deducted from the salaries of teachers who were participants in the System. The estimated covered payroll for the Town was \$8,937,730.

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		36,280,542
Total net pension liability	\$	<u>36,280,542</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2014 - June 30, 2019.

For the year ended June 30, 2023, the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$3,506,555 as payments made by the State of Connecticut on behalf of the Town for teachers' pension.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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	2.50%
Salary increase	3.00-6.50%, including inflation
Investment rate of return	6.90%, 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 PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement. The PubT-2010 Disabled Retiree Table projected generationally with MP-2019 was used for the period after disability retirement. The PubT-2010 Contingent Survivor Table projected generationally with and set forward 1 year for both males and females was used for survivors and beneficiaries. The PubT-2010 Employee Table projected generationally with MP-2019 was used for active members.

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

Long-Term Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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, 2023

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
Domestic Equity Fund	20.0%	5.4%
Developed mkt intl. stock fund	11.0%	6.4%
Emerging markets – non-U.S.	9.0%	8.6%
Core fixed income	13.0%	0.8%
Emerging market debt fund	5.0%	3.8%
High yield bonds	3.0%	3.4%
Real estate	19.0%	5.2%
Private equity	10.0%	9.4%
Private credit	5.0%	6.5%
Alternative investment	3.0%	3.1%
Cash	2.0%	-0.4%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Defined Contribution Retirement Plan

On July 1, 2012, the Town established a defined contribution retirement plan that covers employees of the Town and Board of Education hired on or after July 1, 2012. This plan was adopted and can be amended by the Board of Selectmen. Under this plan, the Town contributes an amount equal to 3% each year of an eligible employee's wages into a 401(a) Plan 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, 2023, and contributions of \$38,219 have been made in the fiscal year ended June 30, 2023.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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, 2023. The plan does not issue a stand-alone financial report.

At July 1, 2023, plan participation consisted of the following (not rounded):

Retirees and beneficiaries currently receiving benefits	4
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	101
Total participants	<u>105</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.

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.*

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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 superintendent is also eligible for a \$250,000 life insurance policy until age 67, after five years of service.

Investments Policy

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

Rate of Return on investments

For the year ended June 30, 2023, 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, 2023, were as follows:

Total OPEB liability	\$	1,129,950
Plan fiduciary net position		<u>1,905,558</u>
Net OPEB liability (asset)	\$	<u>(775,608)</u>
Plan fiduciary net position as a percentage of the total OPEB liability		<u>117%</u>

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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	6.25%, 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

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and most recent best estimates of geometric real rates of return for each major asset class as of the July 1, 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%	4.40%
International developed economies	6.00%	5.80%
International emerging economies	5.00%	6.10%
High quality bond	33.00%	2.10%
High yield bond	5.00%	3.70%
Cash equivalents	2.00%	-.20%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members and administrative expenses. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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, 2022	\$ 1,468,848	1,724,574	(255,726)
Changes for the year:			
Service cost	\$ 40,421		40,421
Interest on total pension liability	100,734		100,734
Change in assumptions	124,715		124,715
Difference between expected and actual experience	(570,401)		(570,401)
Employer contributions		14,737	14,737
TRB subsidy		19,630	19,630
Net investment income		180,984	180,984
Benefit payments, including refund of employee contributions	(34,367)	(34,367)	
Net changes	\$ (338,898)	180,984	(519,882)
Balances as of June 30, 2023	\$ 1,129,950	1,905,558	(775,608)

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 6.25%, 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 (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB liability	\$ (653,477)	(775,608)	(884,647)

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 6.25%, 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	\$ (919,320)	(775,608)	(604,337)

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$(123,012). As of June 30, 2023, 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	\$ 31,028	(1,636,010)
Changes of assumptions	117,017	(159,918)
Net difference between projected and actual earnings on OPEB plan investments	61,781	
Total	\$ 209,826	(1,795,928)

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,	
2024	\$ (126,781)
2025	(131,584)
2026	(74,584)
2027	(136,408)
2028	(122,117)
Thereafter	(994,628)
Total	\$ (1,586,102)

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

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

Benefit Provisions

The plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member currently receiving 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 \$220 per month for a retired member plus an additional \$220 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. As of July 1, 2022, the subsidy amount was increased for the first time since July of 1996. A subsidy amount of \$440 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 \$440 per month towards coverage under a local school district plan.

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

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

The choices and calendar year premiums charged as of July 1, 2022, are as follows:

- Medicare Supplement with Prescriptions \$ 269
- Medicare Supplement with Prescriptions and Dental 319

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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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, 2022, \$111,172 mandatory contributions were deducted from the salaries of active teachers who were participants in the System. The estimated covered payroll for the Town was \$8,937,730.

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, 2023, 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		3,177,343
Total net OPEB liability	\$	<u>3,177,343</u>

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The assumptions used in the June 30, 2023; valuation was 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, 2023, the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures related to OPEB in the amount of \$191,522 as payments made by the State of Connecticut on behalf of the Town teachers' OPEB.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% (previously 2.75)
Salary increase	3.00-6.50% (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	3.54 (2.16% at prior measurement date)
Single equivalent interest rate	3.53% (previously 3.17%)
Healthcare cost trend rates	5.125% for 2020 decreasing to an ultimate rate of 4.50% by 2031
Year fund net position will be depleted	2027

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

Long-Term Rate of Return

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Treasuries (cash equivalents)	100.00%	1.50%

Discount Rate

The discount rate used to measure the total OPEB was 3.53%. 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 2027 and, as a result, the Municipal Bond Index Rate was used in the determination in developing the discount rate.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2023

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

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

Note 12 – Fund Deficits and Restrictions to Fund Position

Restricted Fund Position

Fund	Restricted Net Position	Restriction
American Rescue Plan	\$ 46,009	Interest earned limited to ARPA requirements
Nonmajor Fund	76,891	Donor restricted - BoE capital improvements
Nonmajor Fund	389,337	State statutes restricted to WPCA operations
Nonmajor Fund	31,594	Grant restricted to Small Cities program
Nonmajor Fund	297,836	Grant restricted to road improvements
Nonmajor Fund	49,202	Donor restricted to scholarships
Nonmajor Fund	10,243	Donor restricted to cemeteries
Total restricted fund balance	\$ <u>901,112</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.

During the presentation of the 2023/2024 budget, the Department of Education forewent additional deposits into the non-lapsing account.

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

Balance at July 1, 2022	\$ 352,128
Deposits	-
Expenditures	(102,128)
Balance at June 30, 2023	\$ <u>250,000</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.

TOWN OF LITCHFIELD, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2023**

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, 2023, \$4.8 million of general fund unassigned balance was limited for these purposes.

Note 13 – Subsequent Events

Management has evaluated events subsequent to the date of the financial statements through December 15, 2023, the date the financial statements were available to be issued. No events have occurred subsequent to the Statement of Net Position date through December 15, 2023, that would require adjustment to the financial statements.

On June 28, 2022, the Towns citizens of Goshen, Litchfield, Morris, and Warren approved to enter into Regional School District No. 20 to provide educational services to children for grades kindergarten through twelfth grade. The region will conduct a two-year development period and is expected to begin educational services for the 2024-2025 school year at which time the Litchfield public school system will operate. During the two-year development period, the Town will determine the material effects on the Town's net position due to this action.

On August 8, 2023, the Town issued general obligation bonds of \$1,430,000 to fund in part the 2023-2024 capital improvement program. The bond is to be paid over 15 years with semi-annual payments of interest at 4% or 5% and is expected to be fully paid in 2038. The premium on the sale of the bond, totaling \$74,000, was applied to the capital projects program.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TOWN PLAN
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:										
Service cost	\$ 244,050	235,797	271,006	261,842	325,668	316,176	372,872	358,531	344,741	396,238
Interest	1,322,783	1,289,746	1,251,272	1,215,723	1,174,819	1,132,494	1,144,711	1,092,779	1,023,014	976,938
Difference between expected and actual experience	(1,149,866)		(351,970)		(130,438)		(853,171)		318,394	
Change in assumptions	912,223		430,877		823,306					
Benefit payments, net	(1,096,870)	(993,523)	(998,381)	(923,012)	(881,041)	(826,927)	(739,058)	(708,980)	(697,793)	(630,245)
Net change in total pension liability	\$ 232,320	532,020	602,804	554,553	1,312,314	621,743	(74,646)	742,330	988,356	742,931
Total pension liability - beginning	19,892,222	19,360,202	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 - ended	\$ 20,124,542	19,892,222	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	\$ 528,358	520,645	559,267	550,742	851,760	850,572	719,626	672,363	1,093,734	1,067,885
Contributions - employee	26,192	28,216	31,700	34,944	36,769	37,280	60,322	20,527		
Net investment income	1,684,188	(2,260,095)	3,830,174	747,969	1,055,208	865,796	1,252,987	118,227	327,163	1,295,948
Benefit payments, net	(1,096,870)	(993,523)	(998,381)	(923,012)	(881,041)	(826,927)	(739,058)	(708,980)	(697,793)	(630,245)
Net change in plan fiduciary net position	\$ 1,141,868	(2,704,757)	3,422,760	410,643	1,062,696	926,721	1,293,877	102,137	723,104	1,733,588
Plan fiduciary net position - beginning	16,414,492	19,119,249	15,696,489	15,285,846	14,223,150	13,296,429	12,002,552	11,900,415	11,177,311	9,443,723
Plan fiduciary net position - ended	\$ 17,556,360	16,414,492	19,119,249	15,696,489	15,285,846	14,223,150	13,296,429	12,002,552	11,900,415	11,177,311
Net pension liability - ending	\$ 2,568,182	3,477,730	240,953	3,060,909	2,916,999	2,667,381	2,972,359	4,340,882	3,700,689	3,435,437
Plan fiduciary net position as a percentage of total pension liability	87.24%	82.52%	98.76%	83.68%	83.98%	84.21%	81.73%	73.44%	76.28%	76.49%
Covered payroll	\$ 1,598,040	2,251,490	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	160.71%	154.46%	11.08%	87.84%	86.64%	69.61%	80.67%	101.61%	90.09%	78.12%

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	6.25%, net of pension plan investment expense (previously 6.75%)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - MERIT SERVICE PLAN
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:										
Service cost	\$ 60,529	60,529	54,579	54,579	52,540	52,540	59,412	59,412	59,412	65,858
Interest	336,379	327,375	315,903	306,466	293,922	284,891	281,563	271,181	258,709	247,891
Diff. between expected and actual experience	(41,069)		(7,459)		(53,714)		(94,174)		33,529	
Change in assumptions	309,463		40,635		261,286					
Benefit payments, net	(260,007)	(249,199)	(230,402)	(212,380)	(216,856)	(200,269)	(184,752)	(179,891)	(167,268)	(138,757)
Net change in total pension liability	\$ 405,295	138,705	173,256	148,665	337,178	137,162	62,049	150,702	184,382	174,992
Total pension liability - beginning	5,050,740	4,912,035	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 - ended	\$ 5,456,035	5,050,740	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	\$ 127,954	127,954	119,508	118,419	118,419	118,419	158,102	154,100	150,102	150,102
Contributions - employee										
Net investment income	443,361	(595,269)	1,010,933	198,700	280,447	240,218	351,066	32,649	97,690	395,941
Benefit payments, net	(260,007)	(249,199)	(230,402)	(212,380)	(216,856)	(200,269)	(184,752)	(180,389)	(167,268)	(138,757)
Net change in plan fiduciary net position	\$ 311,308	(716,514)	900,039	104,739	182,010	158,368	324,416	6,360	80,524	407,286
Plan fiduciary net position - beginning	4,322,011	5,038,525	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 - ended	\$ 4,633,319	4,322,011	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 - ended	\$ 822,716	728,729	(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	84.92%	85.57%	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	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	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

6.25%, net of pension plan investment expense (previously 6.75%)

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - OPEB FOR THE BOARD OF EDUCATION
Last Seven Fiscal Years

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	\$ 40,421	39,054	49,776	48,092	55,169	53,304	51,501
Interest	100,734	94,023	143,618	138,490	173,411	167,805	158,952
Differences between expected and actual experience	(570,401)	35,138	(828,563)	(103,897)	(435,011)	(125,270)	(68,299)
Change in assumptions	124,715		(39,674)	(21,039)	(186,094)		
Benefit payments, including refunds of member contributions	(34,367)	(104,793)	4,671		(30,775)	(4,897)	(95,701)
Net change in total OPEB liability	\$ (338,898)	63,422	(670,172)	61,646	(423,300)	90,942	46,453
Total OPEB liability - beginning	1,468,848	1,405,426	2,075,598	2,013,952	2,437,252	2,346,310	2,299,857
Total OPEB liability - ended	\$ 1,129,950	1,468,848	1,405,426	2,075,598	2,013,952	2,437,252	2,346,310
Plan fiduciary net position:							
Contributions - employer	\$ 14,737	94,563	(16,221)	9,049	26,828	(25,903)	215,521
Contributions - employee	-						
Contributions - TRB subsidy	19,630	10,230	11,550	11,990	22,770	30,800	27,170
Net investment income	180,984	(238,536)	391,086	76,902	103,480	88,644	124,083
Benefit payments, including refunds of member contributions	(34,367)	(104,793)	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	\$ 180,984	(238,536)	391,086	76,902	122,303	83,544	265,448
Plan fiduciary net position - beginning	1,724,574	1,963,110	1,572,024	1,495,122	1,372,819	1,289,275	1,023,827
Plan fiduciary net position - ended	\$ 1,905,558	1,724,574	1,963,110	1,572,024	1,495,122	1,372,819	1,289,275
Net OPEB liability - ended	\$ (775,608)	(255,726)	(557,684)	503,574	518,830	1,064,433	1,057,035
Plan fiduciary net position as a percentage of total OPEB liability	168.64%	117.41%	139.68%	75.74%	74.24%	56.33%	54.95%
Covered payroll	\$ 8,933,836	8,937,730	8,635,466	9,176,000	8,865,708	8,451,000	8,451,000
Net OPEB liability as a percentage of its covered payroll	-8.68%	-2.86%	-6.46%	5.49%	5.85%	12.60%	12.51%

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. In 2022, the discount rate was adjusted to 6.25% from 6.75%

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)	(Thousands) Covered Payroll	Contribution as a Percentage of Covered Payroll
2023 \$	528	528		1,598	33.04%
2022	521	521		2,251	23.15%
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%

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	6.25%, net of pension plan investment expense (previously 6.75%)

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.

TOWN OF LITCHFIELD, CONNECTICUT

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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
2023	\$ 128	128		Na	Na
2022	128	128		N/A	N/A
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

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: 6.25%, net of pension plan investment expense (previously 6.75%)

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
2023	\$ 22	15	7	8,934	0.17%
2022	21	94.60	(73.6)	8,937	1.06%
2021	120	120	-	8,635	1.39%
2020	178	27	151	9,176	0.29%
2019	178	27	151	8,865	0.30%
2018	173	(26)	199	8,451	-0.31%
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

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	6.25%, net of investment related and administrative expenses (changed from 6.75% in previous year.

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 Ten Fiscal Years

<u>Year ended June 30</u>	<u>Annual money- weighted rate of return, net of investment expense</u>
2023	10.48 %
2022	(12.05)
2021	24.80
2020	4.96
2019	7.41
2018	6.47
2017	10.50
2016	1.01
2015	2.91
2014	13.76

SCHEDULE OF INVESTMENT RETURNS - MERIT SERVICE PLAN
Last Ten Fiscal Years

<u>Year ended June 30</u>	<u>Annual money- weighted rate of return, net of investment expense</u>
2023	10.46 %
2022	(12.01)
2021	24.81
2020	5.00
2019	7.40
2018	6.51
2017	10.52
2016	1.02
2015	2.97
2014	14.01

SCHEDULE OF INVESTMENT RETURNS - OPEB FOR THE BOARD OF EDUCATION
Last Seven Fiscal Years

<u>Year ended June 30</u>	<u>Annual money- weighted rate of return, net of investment expense</u>
2023	10.49 %
2022	(12.15)
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 Eight Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016
Town's proportion of the net pension liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the pension liability	\$ -	-	-	-	-	-	-	-
State's proportionate share of the net pension liability associated with the Town	<u>36,280,542</u>	<u>30,429,128</u>	<u>38,420,204</u>	<u>35,948,513</u>	<u>27,718,392</u>	<u>29,074,044</u>	<u>30,673,339</u>	<u>22,686,851</u>
Total	<u>\$ 36,280,542</u>	<u>30,429,128</u>	<u>38,420,204</u>	<u>35,948,513</u>	<u>27,718,392</u>	<u>29,074,044</u>	<u>30,673,339</u>	<u>22,686,851</u>
Town's covered payroll	<u>\$ 8,933,836</u>	<u>8,937,730</u>	<u>8,635,466</u>	<u>8,698,205</u>	<u>8,710,714</u>	<u>8,762,327</u>	<u>8,558,683</u>	<u>8,440,514</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of total pension liability	<u>54.06%</u>	<u>60.77%</u>	<u>49.24%</u>	<u>52.00%</u>	<u>57.69%</u>	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>

Notes to Schedule

Changes in benefit terms

In 2022, legislation was passed restoring the 25% wear down of Plan N benefits to vested members as of June 30, 2019.

Changes in assumptions

None

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent of salary closed, grading to a level dollar amortization method for June 30, 2024 valuation
Single equivalent amortization period	27.8 years
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increase	3.00-6.50%, 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.

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
TEACHERS' RETIREMENT PLAN
Last Five Fiscal Years

	2023	2022	2021	2020	2019
Town's proportion of the net OPEB liability	0.00%	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	3,177,343	3,315,198	5,730,375	5,606,372	5,541,084
Total	\$ 3,177,343	3,315,198	5,730,375	5,606,372	5,541,084
Town's covered payroll	\$ 8,933,836	8,937,730	8,698,205	8,698,205	8,710,714
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability	9.46%	6.11%	2.50%	2.08%	1.49%

Notes to Schedule

Changes in benefit terms In June 2022, There was a change in the mximum monthly subsidy amounts offered to retirees and their dependants from \$110/\$220 to \$220/\$440.

Changes in assumptions The single equivalent interest rate was updated to 3.53% as of June 30, 2022.

The expected annual per capita claims cost were updated to reflect anticipated medical and prescription drug claim experience;
The assumed age related annual percentage increases in expected annual per capita health care claim costs were updated;
Long-term health care cost trend rates were updated: and
The percentages of participating retirees who are expected to enroll in the Medicare Supplement Pain and the Medicare Advantage Plan options were updated to better reflect anticipated plan experience.

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, 2023

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Property taxes:				
Current years' levy	\$ 29,093,527	29,093,527	29,113,887	20,360
Property taxes on motor vehicles	245,000	245,000	316,739	71,739
Prior years' levy	205,000	205,000	237,669	32,669
Interest and penalties	155,000	155,000	168,048	13,048
Total property taxes	\$ 29,698,527	29,698,527	29,836,343	137,816
Intergovernmental:				
State grants for education	\$ 1,293,502	1,293,502	1,312,192	18,690
Other state grants	138,142	138,142	298,285	160,143
Total intergovernmental	\$ 1,431,644	1,431,644	1,610,477	178,833
Charges for services:				
Licenses and permits	\$ 3,300	3,300	3,175	(125)
Charges for services	671,555	671,555	764,430	92,875
Fines and forfeits	2,400	2,400	5,895	3,495
Total charges for services	\$ 677,255	677,255	773,500	96,245
Investment income	\$ 39,924	39,924	709,565	669,641
Miscellaneous revenues	\$ 112,000	112,000	147,923	35,923
Other financing sources:				
Debt reimbursement	\$ 312,664	312,664	312,664	-
Premium on bond	-	-	107	107
W.P.C.A. reimbursement	28,000	28,000	28,000	-
Total other financing sources	\$ 340,664	340,664	340,771	107
Total revenue and other financing sources	\$ 32,300,014	32,300,014	33,418,579	1,118,565

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE 2

Page 1 of 2

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
 BUDGETARY BASIS - BUDGET AND ACTUAL
 For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
General Government:				
Board of Finance	\$ 27,712	27,712	26,230	1,482
Treasurer	8,913	8,913	8,908	5
Vital Statistics	400	400	203	197
Registrars	34,983	34,983	29,911	5,072
Elections	25,140	28,045	28,044	1
Inland Wetlands	4,500	4,500	2,689	1,811
Economic Development Commission	1,000	1,000	1,000	-
Board of Tax Review	650	650	378	272
Building and Grounds	256,000	294,060	294,059	1
Planning and Zoning	8,015	23,496	23,495	1
Probate Court	8,003	8,003	8,003	-
Finance Department	245,990	248,349	248,349	-
Land Use Administration	114,959	123,282	123,281	1
Town Clerk	147,701	152,335	152,335	-
Computer Equipment	97,174	102,150	102,149	1
Zoning Appeals Board	4,000	4,000	3,503	497
Legal Services Corporate Counsel	77,500	77,500	59,450	18,050
Central Services	26,400	26,400	24,937	1,463
Assessor	172,469	172,469	141,314	31,155
Tax Collector	133,215	133,215	122,913	10,302
Municipal Management	217,112	217,512	217,511	1
Building Inspector	147,422	147,422	144,786	2,636
Board of Selectmen	30,779	30,779	28,734	2,045
Total General Government	\$ 1,790,037	1,867,175	1,792,182	74,993
Public safety:				
Litchfield Emergency Management	\$ 17,229	17,229	16,076	1,153
Ambulance	67,910	77,910	77,910	
Fire Marshal	115,718	118,718	113,238	5,480
E911 Emergency	96,840	96,840	95,531	1,309
Fire Protection	426,628	427,403	427,402	1
Patrol Services	157,242	38,822	149	38,673
Police Department	190,463	251,367	251,366	1
Total Public Safety	\$ 1,072,030	1,028,289	981,672	46,617
Public Works:				
Building and Ground Maintenance	\$ 97,000	104,741	104,740	1
Highways and Bridges	668,995	672,968	672,967	1
Supervision	25,125	25,125	16,373	8,752
Operations	1,493,914	1,493,914	1,372,400	121,514
Milton Historic District	1,350	1,350	864	486
Engineering	130,506	132,596	132,596	-
Equipment Maintenance	221,660	221,660	199,493	22,167
Solid Waste and Recycling	676,500	685,505	685,504	1
Total Public Works	\$ 3,315,050	3,337,859	3,184,937	152,922

GENERAL FUND EXPENDITURES, AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Health and Welfare:				
OSHA Mandated Health	\$ 2,000	2,000	1,865	135
Social Services	55,340	55,340	51,704	3,636
Total Health and Welfare	\$ 57,340	57,340	53,569	3,771
Culture and Recreation:				
Recreation	\$ 105,368	105,368	76,378	28,990
Co-op Programs	104,019	104,049	64,751	39,298
Library	393,450	393,450	430,747	(37,297)
Total Culture and Recreation	\$ 602,837	602,867	571,876	30,991
Education:				
Board of Education	\$ 19,277,500	19,277,500	19,077,500	200,000
Total Education	\$ 19,277,500	19,277,500	19,077,500	200,000
Other:				
Contingency	\$ 75,000	-	-	-
Fringe Benefits	1,619,535	1,619,535	1,610,468	9,067
Beautification Commission	1,500	1,500	1,407	93
Cemetery Services	22,800	22,800	22,800	-
Insurance	135,000	153,101	153,101	-
Total Other	\$ 1,853,835	1,796,936	1,787,776	9,160
Debt Service:				
Principal	\$ 3,662,936	3,662,936	3,662,936	-
Interest	643,449	644,112	644,112	-
Total Debt Service	\$ 4,306,385	4,307,048	4,307,048	-
Other Financing Uses:				
Capital Improvements	\$ 25,000	25,000	16,000	9,000
Total Other Financing Uses	\$ 25,000	25,000	16,000	9,000
Total Expenditures and Other Financial Uses	\$ 32,300,014	32,300,014	31,772,560	527,454

TOWN OF LITCHFIELD, CONNECTICUT

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2023

		Special Revenue		
	Town Hall Annex	Special Education Grants	Cafeteria	Parks and Recreation
Assets:				
Cash and cash equivalents	\$			
Receivables, net				
Due from other funds	290,048	76,891		87,633
Total assets	\$ 290,048	76,891	-	87,633
Liabilities:				
Accounts payable and accrued liabilities	\$ 56,625			
Unearned revenues				16,690
Due to other funds				
Total liabilities	\$ 56,625	-	-	16,690
Deferred inflows of resources:				
Unavailable receipts	\$ -	-	-	-
Fund balance (deficits):				
Restricted for:				
Donor's intentions	\$	76,891		
Committed:				
Specific uses				
Assigned	233,423			70,943
Total fund balance (deficits)	\$ 233,423	76,891	-	70,943
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 290,048	76,891	-	87,633

Special Revenue					
Road Ordinance	Sewer Assessment	LOCIP	Small Cities Grant	Miscellaneous Special Revenue	Town Road Aid
			32,613	32,333	
	217,147		34,875		
3,133	389,337	40,546		778,634	297,836
3,133	606,484	40,546	67,488	810,967	297,836
			1,019		
-	-	-	1,019	-	-
-	217,147	-	34,875	-	-
	389,337		31,594		297,836
3,133				810,967	
		40,546			
3,133	389,337	40,546	31,594	810,967	297,836
3,133	606,484	40,546	67,488	810,967	297,836

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE 3

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COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2023

		Permanent Fund	
	Scholarships	Cemetery Trust	Total Non-major Funds
Assets:			
Cash and cash equivalents	\$ 39,966	10,243	115,155
Receivables, net			252,022
Due from other funds	9,236		1,973,294
Total assets	\$ 49,202	10,243	2,340,471
Liabilities:			
Accounts payable and accrued liabilities	\$		56,625
Unearned revenues			16,690
Due to other funds			1,019
Total liabilities	\$ -	-	74,334
Deferred inflows of resources:			
Unavailable receipts	\$ -	-	252,022
Fund balance (deficits):			
Restricted for:			
Donor's intentions	49,202	10,243	855,103
Committed:			
Specific uses			814,100
Assigned			344,912
Total fund balance (deficits)	\$ 49,202	10,243	2,014,115
Total liabilities, deferred inflows of resources, and fund balances (deficits)	\$ 49,202	10,243	2,340,471

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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, 2023

	Special Revenue			
	Town Hall Annex	Special Education Grants	Cafeteria	Parks and Recreation
Revenues:				
Intergovernmental	\$	945,509	81,225	
Charges for services	63,999			128,885
Investment income				2,701
Other				
Total revenues	<u>\$ 63,999</u>	<u>945,509</u>	<u>81,225</u>	<u>131,586</u>
Expenditures:				
General	\$			
Public works				
Culture and recreation	153,756			139,427
Education		945,509	127,239	
Total expenditures	<u>\$ 153,756</u>	<u>945,509</u>	<u>127,239</u>	<u>139,427</u>
Revenue over (under) expenditures	<u>\$ (89,757)</u>	<u>-</u>	<u>(46,014)</u>	<u>(7,841)</u>
Other financing sources:				
Transfers in	\$			
Transfers (out)				
Total other financing sources	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in fund balances (deficits)	<u>\$ (89,757)</u>	<u>-</u>	<u>(46,014)</u>	<u>(7,841)</u>
Fund balances (deficits) - beginning	<u>323,180</u>	<u>76,891</u>	<u>46,014</u>	<u>78,784</u>
Fund balances (deficits) - ended	<u><u>\$ 233,423</u></u>	<u><u>76,891</u></u>	<u><u>-</u></u>	<u><u>70,943</u></u>

Special Revenue					
Road Ordinance	Sewer Assessment	LOCIP	Small Cities Grant	Miscellaneous Special Revenue	Town Road Aid
	372	2,870		11,598	385,721
	15,011			22,167	
	63,602			112,862	
-	78,985	2,870	-	146,627	385,721
		519	54,920	614,478	348,589
-	-	519	54,920	614,478	348,589
-	78,985	2,351	(54,920)	(467,851)	37,132
	(91,574)			195,000	
-	(91,574)	-	-	195,000	-
-	(12,589)	2,351	(54,920)	(272,851)	37,132
3,133	401,926	38,195	86,514	1,083,818	260,704
3,133	389,337	40,546	31,594	810,967	297,836

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	Special Revenue	Permanent Fund	
	Scholarships	Cemetery Trust	Non-major Governmental Funds
Revenues:			
Intergovernmental	\$		1,424,053
Charges for services			218,293
Investment income			17,712
Other			176,464
Total revenues	\$ -	-	1,836,522
Expenditures:			
General	\$		669,398
Public works		105	349,213
Culture and recreation			293,183
Education			1,072,748
Total expenditures	\$ -	105	2,384,542
Revenue over (under) expenditures	\$ -	(105)	(548,020)
Other financing sources:			
Transfers in	\$		195,000
Transfers (out)			(91,574)
Total other financing sources	\$ -	-	103,426
Changes in fund balances (deficits)	\$ -	(105)	(444,594)
Fund balances (deficits) - beginning	49,202	10,348	2,458,709
Fund balances (deficits) - ended	\$ 49,202	10,243	2,014,115

W.P.C.A.
 COMBINING STATEMENT OF NET FUND POSITION
 June 30, 2023

	Operating	Capital Reserve	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 50		50
Receivables, net of allowance	194,043		194,043
Due from other funds	235,533	962,932	1,198,465
Total current assets	<u>\$ 429,626</u>	<u>962,932</u>	<u>1,392,558</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	\$ 4,108,389		4,108,389
Total noncurrent assets	<u>\$ 4,108,389</u>	<u>-</u>	<u>4,108,389</u>
Total assets	<u>\$ 4,538,015</u>	<u>962,932</u>	<u>5,500,947</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 25,816		25,816
Notes payable - current	22,992		22,992
Total current liabilities	<u>\$ 48,808</u>	<u>-</u>	<u>48,808</u>
Total liabilities	<u>\$ 48,808</u>	<u>-</u>	<u>48,808</u>
Net position:			
Invested in capital assets, net of related debt	\$ 4,085,397		4,085,397
Unrestricted	403,810	962,932	1,366,742
Total net position	<u>\$ 4,489,207</u>	<u>962,932</u>	<u>5,452,139</u>

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE 6

W.P.C.A.

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

For the Year Ended June 30, 2023

	Operating	Capital Reserve	Total
Operating revenues:			
Charges for services	\$ 1,281,466		1,281,466
Total operating revenues	<u>\$ 1,281,466</u>	<u>-</u>	<u>1,281,466</u>
Operating expenses:			
Salaries and benefits	\$ 411,697		411,697
Materials and supplies	66,725		66,725
Utilities	90,913		90,913
Depreciation	166,290		166,290
Administration and operation	460,461		460,461
Total operating expenses	<u>\$ 1,196,086</u>	<u>-</u>	<u>1,196,086</u>
Operating income	<u>\$ 85,380</u>	<u>-</u>	<u>85,380</u>
Nonoperating revenues (expense):			
Interest income	\$ 19,566	33,182	52,748
Interest expense	(3,426)		(3,426)
Loss on disposal	(6,800)		(6,800)
Total nonoperating revenues (expense)	<u>\$ 9,340</u>	<u>33,182</u>	<u>42,522</u>
Transfers to (from) other funds:			
Transfers from general fund - debt	\$ 55,272		55,272
Transfers from capital reserve	29,096	(29,096)	-
Total transfers to (from) other funds	<u>\$ 84,368</u>	<u>(29,096)</u>	<u>55,272</u>
Changes in fund net position	<u>\$ 179,088</u>	<u>4,086</u>	<u>183,174</u>
Fund net position - beginning	<u>4,310,119</u>	<u>958,846</u>	<u>5,268,965</u>
Fund net position - ended	<u><u>\$ 4,489,207</u></u>	<u><u>962,932</u></u>	<u><u>5,452,139</u></u>

W.P.C.A.

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023

	Operating	Capital Reserve	Total
Cash flow from operating activities:			
Receipts from customers and users	\$ 1,300,319		1,300,319
Payments to employees	(411,697)		(411,697)
Payments to suppliers	(590,303)		(590,303)
Net cash provided by (used in) operating activities	\$ 298,319	-	298,319
Cash flow from noncapital and related financing activities:			
Interfund account activity	\$ (77,229)	(4,086)	(81,315)
Transfer from other funds	55,272		55,272
Transfer to other funds	29,096	(29,096)	
Net cash provided by (used in) noncapital and related financing activities	\$ 7,139	(33,182)	(26,043)
Cash flow from capital and related financing activities:			
Purchase of assets	\$ (29,096)		(29,096)
Principal made on capital debt	(272,936)		(272,936)
Interest paid on capital debt	(3,426)		(3,426)
Net cash provided by (used in) capital and related financing activities	\$ (305,458)	-	(305,458)
Cash flow from investing activities:			
Interest received on investments	\$	33,182	33,182
Net cash provided by (used in) investing activities	\$ -	33,182	33,182
Net increase (decrease) in cash and cash equivalents	\$ -	-	-
Cash and cash equivalents - beginning	50		50
Cash and cash equivalents - ended	\$ 50	-	50
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 85,380		85,380
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	166,290		166,290
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	36,120		36,120
(Decrease) increase in accounts payable	27,796		27,796
(Decrease) increase in payments in advance	(17,267)		(17,267)
Net cash provided by (used in) operating activities	\$ 298,319	-	298,319

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL - W.P.C.A.
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Sewer usage fees	\$ 895,903	895,903	966,610	70,707
Sewer usage interest	60,871	60,871	71,834	10,963
Sewer dumping charges	88,000	88,000	109,188	21,188
Town of Morris upgrade and service	122,074	122,074	112,647	(9,427)
Other charges	26,913	26,913	21,186	(5,727)
Investment income	6,200	6,200	19,566	13,366
Total revenues	\$ 1,199,961	1,199,961	1,301,031	101,070
Expenditures:				
Current:				
Sewer administration (313201)	\$ 440,116	440,116	491,824	(51,708)
Sewer operations (313202)	391,466	391,466	394,880	(3,414)
Employee benefits (318101)	169,363	169,363	148,662	20,701
Debt payments (317101)	199,016	199,016	199,016	-
Total expenditures	\$ 1,199,961	1,199,961	1,234,382	(34,421)
Revenues over (under) expenditures	\$ -	-	66,649	66,649
Other financing sources (uses):				
Transfer to capital reserve fund	\$ -	-	-	-
Revenues over expenditures and other financing sources (uses)	\$ -	-	66,649	66,649

Net change in unassigned fund balance	\$ 66,649
2022 Encumbrances	(34,503)
Unassigned fund balance, July 1, 2022	371,664
Unassigned fund balance, June 30, 2023	\$ 403,810

PENSIONS & POST EMPLOYMENT TRUST FUNDS
 COMBINING STATEMENT OF NET POSITION
 June 30, 2023

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total Trust Funds
Assets:				
Cash and cash equivalents	\$ 389,462	102,651	43,437	535,550
Investments	17,166,944	4,530,669	1,862,121	23,559,734
Total assets	<u>\$ 17,556,406</u>	<u>4,633,320</u>	<u>1,905,558</u>	<u>24,095,284</u>
Net position:				
Held in trust for pension benefits	\$ 17,556,406	4,633,320		22,189,726
Held in trust for post employee benefits			1,905,558	1,905,558
Total net position	<u>\$ 17,556,406</u>	<u>4,633,320</u>	<u>1,905,558</u>	<u>24,095,284</u>

PENSIONS & POST EMPLOYMENT TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN NET POSITION
 For the Year Ended June 30, 2023

	Town Pension Trust Fund	Merit Service Pension Trust Fund	OPEB Trust Fund	Total Trust Funds
Additions:				
Employer contributions	\$ 522,217	127,954		650,171
Employee contributions	32,333			32,333
Total contributions	<u>\$ 554,550</u>	<u>127,954</u>	<u>-</u>	<u>682,504</u>
Investment earnings:				
Net increase (decrease) in fair value	\$ 1,366,760	359,577	145,695	1,872,032
Interest and dividends	358,878	94,724	38,664	492,266
Less: administrative expense	(41,451)	(10,939)	-	(52,390)
Total investment earnings	<u>\$ 1,684,187</u>	<u>443,362</u>	<u>184,359</u>	<u>2,311,908</u>
Deductions:				
Benefits	\$ 1,096,870	260,007	3,374	1,360,251
Total deductions	<u>\$ 1,096,870</u>	<u>260,007</u>	<u>3,374</u>	<u>1,360,251</u>
Change in net position	\$ 1,141,867	311,309	180,985	1,634,161
Net position - beginning	<u>16,414,539</u>	<u>4,322,011</u>	<u>1,724,573</u>	<u>22,461,123</u>
Net position - ended	<u>\$ 17,556,406</u>	<u>4,633,320</u>	<u>1,905,558</u>	<u>24,095,284</u>

CUSTODIAL FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 For the Year Ended June 30, 2023

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Student Activity Funds				
Assets:				
Cash and cash equivalents	\$ 205,894	18,684	32,591	191,987
Total assets	<u>\$ 205,894</u>	<u>18,684</u>	<u>32,591</u>	<u>191,987</u>
Liabilities:				
Deposits held for others	\$ 205,894	18,684	32,591	191,987
Total liabilities	<u>\$ 205,894</u>	<u>18,684</u>	<u>32,591</u>	<u>191,987</u>
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ 1,300			1,300
Accounts receivable	201,119	5,500	13,777	192,842
Total assets	<u>\$ 202,419</u>	<u>5,500</u>	<u>13,777</u>	<u>194,142</u>
Liabilities:				
Deposits held for others	\$ 202,419	5,500	13,777	194,142
Total liabilities	<u>\$ 202,419</u>	<u>5,500</u>	<u>13,777</u>	<u>194,142</u>
Total Agency Funds				
Assets:				
Cash and cash equivalents	\$ 207,194	18,684	32,591	193,287
External balances	201,119	5,500	13,777	192,842
Total assets	<u>\$ 408,313</u>	<u>24,184</u>	<u>46,368</u>	<u>386,129</u>
Liabilities:				
Deposits held for others	\$ 408,313	24,184	46,368	386,129
Total liabilities	<u>\$ 408,313</u>	<u>24,184</u>	<u>46,368</u>	<u>386,129</u>

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
For the Year Ended June 30, 2023

Grand List Year	Uncollected Balance and New Levy July 1, 2022	Lawful Corrections		(Transfers to) Recoveries From Suspense	Balance to be Collected
		Increases	Decreases		
2006	\$ -	-	-	-	-
2007	-	-	-	-	-
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-
2011	-	-	-	-	-
2012	50	-	-	-	50
2013	44	314	(157)	-	201
2014	(141)	404	(303)	-	(40)
2015	(287)	394	-	-	107
2016	(6,201)	-	(41)	(260)	(6,502)
2017	196	-	(42)	-	154
2018	59,567	851	(1,203)	(27,012)	32,203
2019	75,302	-	(1,097)	-	74,205
2020	252,074	1,109	(3,261)	-	249,922
	\$ 380,604	3,072	(6,104)	(27,272)	350,300
2021	29,918,535	41,607	(212,562)	-	29,747,580
Total	\$ 30,299,139	44,679	(218,666)	(27,272)	30,097,880

SCHEDULE 12

Collections				Uncollected
Taxes	Interest	Lien Fees	Total	Balance June 30, 2023
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	50
157	7	-	164	44
101	-	-	101	(141)
394	-	-	394	(287)
379	418	24	3,244	(6,881)
(59)	603	-	26,195	213
39,400		48	131,564	(7,197)
60,557	22,453	192	269,107	13,648
138,511	29,663	618	168,792	111,411
239,440	53,144	882	599,561	110,860
29,383,329	98,202	405	29,481,936	364,251
29,622,769	151,346	1,287	30,081,497	475,111

TOWN OF LITCHFIELD, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
For the Year Ended June 30, 2023

	<u>General Purpose</u>
Debt limitation:	
2 1/4 times base	\$ 67,683,368
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	\$ 67,683,368
Indebtedness:	
Bonds payable	\$ 16,629,300
Bonds authorized and unissued	<u>5,486,143</u>
Total indebtedness	\$ 22,115,443
Less: School construction grants receivable	<u>-</u>
Total indebtedness of the Town	\$ 22,115,443
Debt limitation in excess of outstanding and authorized debt	\$ <u>45,567,925</u>

Total tax collections (including interest and lien fees)
for the year ended June 30, 2023 \$ 30,081,497

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

Base \$ 30,081,497

<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Bonding</u>	<u>Total Debt</u>
135,366,737	112,805,614	97,764,865	90,244,491	210,570,479
<u>135,366,737</u>	<u>112,805,614</u>	<u>97,764,865</u>	<u>90,244,491</u>	<u>210,570,479</u>
4,152,700	88,000			20,870,000
<u>4,152,700</u>	<u>88,000</u>	<u>-</u>	<u>-</u>	<u>5,486,143</u>
4,152,700	88,000	-	-	26,356,143
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,152,700</u>	<u>88,000</u>	<u>-</u>	<u>-</u>	<u>26,356,143</u>
<u>131,214,037</u>	<u>112,717,614</u>	<u>97,764,865</u>	<u>90,244,491</u>	<u>184,214,336</u>