

FINAL OFFICIAL STATEMENT DATED JULY 19, 2017

REFUNDING ISSUE: Book-Entry-Only

RATING: S&P Global Ratings: "AA" (BAM Insured)

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds may be includable in the calculation of certain taxes under the Code, including the federal alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See "Tax Matters" herein.



Town of Hamden, Connecticut

\$13,205,000

General Obligation Refunding Bonds, Issue of 2017, Series A

Dated: Date of Delivery

Due: August 15, as detailed below:

The Bonds will bear interest payable on February 15, 2018 and semiannually thereafter on August 15 and February 15 in each year until maturity or earlier redemption. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book entry-only form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. (See "Book Entry Only Transfer System" herein).

| Year | Principal | Coupon | Yield | CUSIP | Year | Principal | Coupon | Yield | CUSIP |
|------|------------|--------|--------|-----------|------|------------|--------|--------|-----------|
| 2018 | \$ 370,000 | 3.000% | 1.220% | 4067925F4 | 2023 | \$ 460,000 | 5.000% | 2.100% | 4067925L1 |
| 2019 | 385,000 | 4.000% | 1.430% | 4067925G2 | 2024 | 485,000 | 5.000% | 2.250% | 4067925M9 |
| 2020 | 400,000 | 4.000% | 1.600% | 4067925H0 | 2025 | 2,725,000 | 5.000% | 2.410% | 4067925N7 |
| 2021 | 415,000 | 4.000% | 1.740% | 4067925J6 | 2026 | 4,835,000 | 5.000% | 2.570% | 4067925P2 |
| 2022 | 435,000 | 5.000% | 1.880% | 4067925K3 | 2027 | 2,695,000 | 5.000% | 2.750% | 4067925Q0 |

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



The Bonds will be general obligations of the Town of Hamden, Connecticut (the "Town") and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. (See "Security and Remedies" herein).

The Bonds are not subject to redemption prior to maturity.

The Registrar, Certifying, Transfer, Paying and Escrow Agent will be U.S. Bank National Association of Hartford, Connecticut.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Robinson & Cole LLP, Bond Counsel, Hartford, Connecticut, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by Pullman & Comley, LLC of Bridgeport, Connecticut. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC on or about August 1, 2017.

RAYMOND JAMES®

No dealer, broker, salesperson, or other person has been authorized by the Town to give any information or to make any representations not contained in this Official Statement or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

The independent auditors for the Town are not passing upon and do not assume responsibility for the accuracy or completeness of the financial information presented in this Official Statement other than matters expressly set forth in their opinion in Appendix A, and they make no representation that they have independently verified the same.

Bond Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this official statement (other than matters expressly set forth as their opinions attached hereto as Appendix B), and they make no representation that they have independently verified the same.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor have the Bonds been registered under any state securities laws.

The Town deems this Official Statement to be "final" for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Underwriter's Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy and completeness of the statements made in this Official Statement, and it makes no representation that it has independently verified the same.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Town currently files its official statements for primary offerings with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system. In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide or cause to be provided (i) annual financial information and operating data, (ii) a notice of the occurrence of certain events within 10 business days of the occurrence of such events, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The Continuing Disclosure Agreement shall be executed in substantially the form attached as Appendix C to this Official Statement.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix D - Specimen Municipal Bond Insurance Policy".

Table of Contents

| | <u>Page</u> | | <u>Page</u> |
|--|-------------|---|-------------|
| Introduction..... | 1 | IV. Debt Section..... | 24 |
| I. Securities Offered..... | 2 | Outstanding Short-Term Debt..... | 24 |
| Description of the Bonds..... | 2 | Outstanding Bonded Debt..... | 24 |
| Authorization and Purpose..... | 2 | Overlapping/Underlying Debt..... | 24 |
| Plan of Refunding..... | 2 | Bonded Debt Maturity Schedule..... | 25 |
| Verification of Mathematical Computation..... | 3 | Temporary Financing..... | 25 |
| Sources and Uses of Proceeds..... | 3 | Statement of Statutory Debt Limitation..... | 26 |
| Book-Entry-Only Transfer System..... | 3 | Authorized But Unissued Debt..... | 26 |
| DTC Practices..... | 4 | Current Debt Statement..... | 27 |
| Replacement Bonds..... | 5 | Current Debt Ratios..... | 27 |
| Security and Remedies..... | 5 | Five-year Debt Statement Summary..... | 27 |
| Bondowners' Risk..... | 5 | Five-year Debt Statement Summary Ratios..... | 28 |
| Forward Looking Statements..... | 7 | Comparison of Annual Debt Service to Expenditures..... | 28 |
| Qualification for Financial Institutions..... | 7 | Authority to Incur Debt..... | 28 |
| Availability of Continuing Information..... | 7 | V. Financial Section..... | 29 |
| Bond Insurance..... | 8 | Taxable Grand List..... | 29 |
| Bond Insurance Policy..... | 8 | Major Taxpayers..... | 29 |
| Build America Mutual Assurance Company..... | 8 | Tax Collections..... | 30 |
| Rating..... | 9 | Property Tax Revenues..... | 30 |
| Tax Matters..... | 9 | Comparative Balance Sheets - General Fund..... | 31 |
| Original Issue Discount..... | 10 | Adopted Budget and Projections..... | 32 |
| Original Issue Premium..... | 10 | General Fund Revenues and Expenditures..... | 33 |
| Underwriting..... | 11 | Explanation of Audited Financial Results | 33 |
| II. The Issuer..... | 12 | Intergovernmental Revenues as a Percent | |
| Description of the Town..... | 12 | of General Fund Revenues..... | 34 |
| Form of Government..... | 12 | Capital Improvement Plan..... | 34 |
| Principal Municipal Officials..... | 13 | Future Debt Issuance Plans..... | 34 |
| Summary of Municipal Services..... | 13 | Budget Procedure..... | 35 |
| Educational System..... | 16 | Audit..... | 35 |
| Educational Facilities..... | 16 | Assessment Practices..... | 35 |
| School Enrollments..... | 16 | Property Tax Levies and Collections..... | 36 |
| Municipal Employees..... | 17 | Investment Practices..... | 37 |
| Municipal Employee Bargaining Organizations..... | 17 | Risk Management..... | 37 |
| III. Economic and Demographic Data Section..... | 18 | Pension Plans..... | 38 |
| Population Trends and Densities..... | 18 | General Funding Practices of the Town's Retirement Plan..... | 39 |
| Age Distribution of the Population..... | 18 | Participant Data..... | 39 |
| Income Distribution..... | 19 | Financial Information..... | 39 |
| Comparative Income Measures..... | 19 | Actuarial Experience | 39 |
| Educational Attainment..... | 19 | Funding Status of the Town's Retirement Plan..... | 40 |
| Labor Force Data..... | 20 | Recommended Contribution..... | 41 |
| Industry Classification..... | 20 | Strategic Plan to Fully Fund the Town's Retirement Plan..... | 42 |
| Major Employers..... | 21 | Prospective Funding Status of the Town's Retirement Plan..... | 43 |
| Commute to Work..... | 21 | Investments..... | 44 |
| Number and Value of Building Permits..... | 21 | Financial Reporting Standard..... | 44 |
| Age Distribution of Housing..... | 22 | Other Post Employment Benefits..... | 45 |
| Housing Units by Type of Structure..... | 22 | Schedule of Employer Contributions..... | 45 |
| Housing Vacancy Rates..... | 22 | Schedule of Funding Progress..... | 45 |
| Owner Occupied Housing Values..... | 23 | VI. Additional Information..... | 47 |
| Number and Size of Households..... | 23 | Litigation..... | 47 |
| Breakdown of Land Use..... | 23 | Transcript and Closing Documents..... | 47 |
| | | Concluding Statement..... | 48 |
| | | Appendix A: Preliminary 2016 General Purpose Financial Statement s | |
| | | Appendix B: Opinion of Bond Counsel and Tax Exemption | |
| | | Appendix C: Form of Continuing Disclosure Agreement | |
| | | Appendix D: Specimen Municipal Bond Insurance Policy | |

(This page intentionally left blank)

OFFICIAL STATEMENT

Introduction

The purpose of this Official Statement is to provide certain financial information and economic and demographic data relevant to the Town of Hamden, Connecticut (the “Town”) in connection with the sale of \$13,205,000 General Obligation Refunding Bonds, Issue of 2017 (the “Bonds”).

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such jurisdiction. No dealer, broker, salesman or any other person has been authorized by the Town to give any information or to make any representation, other than those contained in this Official Statement or any supplement that may be issued hereto, and if given or made, such information or representation must not be relied upon as having been authorized by the Town. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue to be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. All quotations and summaries and explanations of provisions of law herein do not purport to be complete and reference is made to said laws for full and complete statements of their provisions.

The information set forth herein has been obtained by the Town, from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

The information, estimates and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date of the Official Statement.

The information in this Official Statement has been prepared by the Town’s municipal advisor, Phoenix Advisors, LLC (the “Municipal Advisor”), from information supplied by Town officials and other sources as indicated. The Municipal Advisor does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same. U.S. Bank National Association, of Hartford, Connecticut will act as Certifying Agent, Paying Agent, Registrar and Transfer Agent for the Bonds.

RSM US LLP, the Town’s independent auditor, has not been engaged to perform, and has not performed any procedures on the preliminary financial statements addressed in Appendix A. RSM US LLP, also has not performed any procedures relating to this Official Statement.

(Remainder of page intentionally left blank)

SECTION I – SECURITIES OFFERED

Description of the Bonds

The Bonds will be dated as of the date of delivery, August 1, 2017, and will mature in annual installments on August 15 in each of the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds will be payable on February 15, 2018 and semiannually thereafter on August 15 and February 15, in each year until maturity or earlier redemption. Interest will be calculated on the basis of twelve 30-day months and a 360-day year and will be payable to the registered owner of the Bonds as of the close of business on the last business day of July and January in each year, by check, mailed to the registered owner at the address as shown on the registration books of the Town kept for such purpose, or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree. The Bonds are subject to redemption prior to maturity as more fully described herein. The Bonds shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended.

The Bonds are not subject to redemption prior to maturity.

Authorization and Purpose

The Bonds are issued pursuant to Title 7 of the General Statutes of Connecticut, as amended, the Town Charter and a refunding resolution adopted by the Town's Legislative Council.

Plan of Refunding

The Bonds are being issued to refund at or prior to maturity all or any portion of any one or more series of the Town's outstanding general obligation bonds as set forth below (the "Refunded Bonds"). The refunding of the Refunded Bonds is contingent on the delivery of the Bonds.

| <i>Issue</i> | <i>Dated Date</i> | <i>Maturity Date</i> | <i>Interest Rate</i> | <i>Par Amount</i> | <i>Redemption Date</i> | <i>Redemption Price</i> | <i>CUSIPs</i> |
|---------------|------------------------|--------------------------|--------------------------|-----------------------|----------------------------|-----------------------------|---------------|
| 2010 Series B | 6/1/2010 | 8/15/2017 | 3.250% | \$ 630,000 | n/a | n/a | 406792P54 |
| | Sub-Total | | | 630,000 | | | |
| 2011 Series A | 8/24/2011 | 8/15/2017 | 4.000% | \$ 1,750,000 | n/a | n/a | 406792Q95 |
| | | 8/15/2031 * | 4.250% | 1,750,000 | 8/15/2021 | 100.00% | 406792S28 |
| | Sub-Total | | | \$ 3,500,000 | | | |
| 2012 | 8/23/2012 | 8/15/2017 | 4.000% | 1,235,000 | n/a | n/a | 406792T76 |
| | | 8/15/2026 | 5.000% | 1,235,000 | 8/15/2022 | 100.00% | 406792U82 |
| | | 8/15/2027 | 5.000% | 1,235,000 | 8/15/2022 | 100.00% | 406792U90 |
| | Sub-Total | | | \$ 3,705,000 | | | |
| 2014 Series A | 8/21/2014 | 8/15/2017 | 4.000% | \$ 1,320,000 | n/a | n/a | 406792Y54 |
| | | 8/15/2025 | 5.000% | 1,320,000 | 8/15/2022 | 100.00% | 406792Z53 |
| | | 8/15/2026 | 5.000% | 1,320,000 | 8/15/2022 | 100.00% | 406792Z61 |
| | Sub-Total | | | \$ 3,960,000 | | | |
| 2015 Series B | 8/20/2015 | 8/15/2025 | 6.000% | 900,000 | 8/15/2023 | 100.00% | 4067924A6 |
| | | 8/15/2027 | 5.500% | 900,000 | 8/15/2023 | 100.00% | 4067924C2 |
| | Sub-Total | | | \$ 1,800,000 | | | |
| | Total | | | \$ 13,595,000 | | | |

* Moneys in Escrow Fund will be used to optionally redeem the mandatory sinking fund redemption payment that is due on August 15, 2026

Upon delivery of the Bonds, a portion of the Bond proceeds will be deposited in an irrevocable trust fund (the "Escrow Deposit Fund") established with U.S. Bank National Association, as escrow agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") dated as of the date of delivery between the Escrow Agent and the Town. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by the government of the United States of America, including, Federal National Mortgage Association ("FNMA") and Federal Home Loan Mortgage Corporation ("FHLMC") securities and any other securities permitted by Section 7-400 of the Connecticut General Statutes, all of which shall not be callable or prepayable at the

option of the issuer thereof (the “Escrow Securities”). All investment income on and the maturing principal of the Escrow Securities held in the Escrow Deposit will be irrevocably deposited by the Town for payment of the Refunded Bonds. The balance of the proceeds of the Bonds will be used to pay costs of issuance, including underwriter's discount.

Verification of Mathematical Computations

The accuracy of the mathematical computations regarding (i) the adequacy of maturing principal of and interest earned on the Escrow Securities deposited with the Escrow Agent to pay, when due, the principal of, accrued interest and redemption premium on the Refunded Bonds on the redemption date, and (ii) the yield on the Bonds and the Escrow Securities will be verified by AMTEC of Avon, Connecticut (the “Verification Agent”). Such verification of the accuracy of the mathematical computations will be based upon information and assumptions supplied to the Verification Agent by the Underwriter.

Sources and Uses of Proceeds

Proceeds of the Bonds are to be applied as follows:

| Sources: | <i>This Issue</i> |
|--------------------------------------|--------------------------|
| Par Amount..... | \$ 13,205,000.00 |
| Net Original Issue Premium | 2,301,856.60 |
| Total Sources | \$ 15,506,856.60 |
| Uses: | |
| Deposit to Escrow Deposit Fund | \$ 15,211,321.30 |
| Costs of Issuance | 123,474.63 |
| Bond Insurance | 97,366.92 |
| Underwriter's Discount | 74,693.75 |
| Total Uses | \$ 15,506,856.60 |

Book-Entry-Only Transfer System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive

written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Town or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

DTC Practices

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Replacement Bonds

In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the Town fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town is authorized to issue fully registered Bond certificates directly to the Beneficial Owner. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

Security and Remedies

The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Town, and under existing statutes the State of Connecticut is obligated to pay the Town the amount of tax revenue which the Town would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation bonds and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such bonds from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such debt would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Under the federal bankruptcy code, the Town may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9, Title 11 of the United States Code, or by state law or by a governmental officer or organization empowered by state law to authorize such entity to become a debtor under such Chapter. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

Bondowners' Risk

Purchase of the Bonds involves a degree of risk. Potential investors should be thoroughly familiar with this entire Official Statement (including the appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment, to identify risk factors and to make an informed investment decision. The discussion herein of risks that could affect payment to be made by the Town with respect to the Bonds is not intended to be comprehensive or definitive, but rather is to summarize certain matters which could affect the ability of the Town to make such payments.

Town Pension Liability: Many factors influence the amount of the Town's pension benefit liability, including, without limitation, inflationary factors, changes in the Pension Statute, changes in the levels of benefits provided or in the contribution rates of the Town, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience. Any of these factors could increase the Town's annual contribution to the Plan.

Risks Related to Town Operations: The ability of the Town to meet its payment obligations under the Bonds will depend upon the continued availability to the Town of revenues from a variety of sources sufficient to meet obligations such as the Town's operating expenses, debt service on the Bonds and other debt of the Town and extraordinary costs or expenses which may occur from time to time. Revenues and expenses of the Town will be affected by future events and conditions which will include the Town's ability to control expenses, the Town's ability to maintain or increase property tax rates and other sources of revenue, and the Town's access to other sources of funds. No assurances can be given that these or other sources of revenues will be adequate to meet the expenses of the Town.

Future revenues and expenses of the Town will be subject to conditions which may differ from current conditions to an extent that cannot be determined at this time. Descriptions of the Town's current finances and operations as well as certain projected financial and operating results of the Town are contained in "SECTION VI – Financial Information" in this Official Statement.

Unfunded Pension and OPEB Liabilities: The Retirement Plan has an approximate \$276.4 million unfunded pension liability as of July 1, 2016. The Town has an approximate \$485.5 million unfunded other postemployment benefits liability ("OPEB") as of July 1, 2016, which is expected to continue to increase. The issuance of the 2015 General Obligation Bonds, Issue of 2015 (Federally Taxable) increased the funding ratio of the Retirement Plan to approximately 37%. Unless the Town is able to reduce the remaining liabilities by reducing benefits through agreements with its public employees or enacted legislation (upheld against any challenges), the Town will need to find new sources of revenues or other funding mechanisms in order to meet these obligations.

If the Retirement Plan runs out of money, the Town will need to pay benefits out of the General Fund. The Bonds have no priority over the obligations payable from the General Fund including payments to the Retirement Plan and benefit payments to retired former employees.

Descriptions of the Town's unfunded pension and OPEB liabilities as well as the Town's Plan to address the underfunding are contained in "SECTION VI – Financial Information" in this official statement.

General Economic Factors: The Town has been subject to the effects of the recession which has affected Connecticut and the United States over the past several years. Related economic factors have adversely affected the Town's revenues, including lower consumer and business spending, high unemployment, depressed home sales and other challenges. In addition, the income levels of the Town's residents have been adversely affected by the recession.

Marketability: No assurance can be given that a secondary market for the Bonds will develop following the completion of the offering of the Bonds. Consequently, prospective note purchasers should be prepared to hold their Bonds to maturity. No assurance can be given that the initial offering price for the Bonds will continue for any period of time following issuance of the Bonds. The Underwriters are not obligated to make a secondary market for the Bonds.

Legal Matters and Future Changes in Laws: Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, regulations and provisions. Any such change, interpretation or addition could have a material adverse effect, either directly or indirectly, on the Town or the taxing authority of the Town, which could materially adversely affect the Town's ability to repay the Bonds.

Repayment of the Bonds and Potential Effects of Bankruptcy: The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds or judgments thereon, in priority to other claims. Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Under the federal bankruptcy code, the Town may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9, Title 11 of the United States Code, or by state law or by a governmental officer or organization empowered by state law to authorize such entity to become a debtor under such Chapter. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and to any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations, including the Town.

Limitations on Enforcement of Remedies: The remedies available to the Registered Owners of the Bonds upon an event of default under the Bonds are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies provided in the Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the sovereign powers of the State, and the constitutional powers of the United States of America, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Forward Looking Statements

This Official Statement, including the Appendices, contains certain statements relating to future results that are “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “intend,” “expect” and similar expressions identify forward looking statements. Any forward looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward looking statements. Inevitably, some assumptions used to develop forward looking statements will not be realized and/or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results, and those differences could be material.

Qualification for Financial Institutions

The Bonds shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.

Availability of Continuing Information

The Town prepares, in accordance with state law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management on an annual basis. The Town provides, and will continue to provide, to the rating agencies ongoing disclosure in the form of annual financial reports, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the “Continuing Disclosure Agreement”). The Underwriters’ obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements for the benefit of holders of certain of its bonds and notes to provide certain annual financial information and event notices pursuant financial information and event notices pursuant to Rule 15c2-12(b)(5). Due to changes in personnel and omissions on the part of the Town, the Town has failed to file its audited financial statements and operating data in a timely manner in accordance with its continuing disclosure agreements. For the fiscal year ended June 30, 2011, the audited financial statements and operating data of the Town were filed late with the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access website (“EMMA”) on May 3, 2012. The Town also failed to file notice of the failure to file its audited financial statements and operating data for the fiscal year ended June 30, 2011 on a timely basis with the MSRB. The failure to file such audited financial statements and operating data and notices remedied July 24, 2012 and July 27, 2012, respectively, and the Town has implemented procedures to ensure the timely filing of audited financial statements and operating data in the future.

As of the date hereof, the Town’s audited financial statements for the fiscal year ending June 30, 2016 (“2016 Audit”) have not been completed due to a change in auditing firms for this fiscal period. As such, the audited financial statements, with accompanying operating data and other financial information, for the fiscal year ending June 30, 2016 has not been filed with the MSRB in accordance with prior Continuing Disclosure Agreements. The Town filed a notice of the failure to file such annual financial information with the MSRB on February 28, 2017 with an expectation that the final 2016 Audit would be available by March 31, 2017. However, the audit was not completed by March 31, 2017 and is still not finalized. The Town filed draft 2016 audited financial statements on June 30, 2017. The Town also filed a notice of the failure to file the final 2016 annual financial information on July 5, 2017. The Town’s audited financial statements for the fiscal year ending June 30, 2016 will be filed with the MSRB through the EMMA system promptly upon its availability. The Town shall file a final notice of failure to file for the final 2016 Audit shortly thereafter. The Town has implemented procedures to ensure the timely filing of audited financial statements and operating data.

Despite the foregoing and except as described herein, the Town is in material compliance with its continuing disclosure obligations pursuant to Rule 15c2-12.

Bond Insurance

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), which rating was affirmed on June 26, 2017. An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2017 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$504.2 million, \$71.5 million and \$432.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE”.

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

Rating

The Town has received a rating of "A+" from S&P Global Ratings ("S&P") on the Bonds. S&P is expected to assign the Bonds an insured rating of AA based upon the issuance of the insurance policy to be issued by BAM at the time of delivery of the Bonds. The Town furnished to S&P certain information and materials, some of which may not have been included in this Official Statement. The rating reflects only the views of S&P. No application was made to any other rating agencies for the purpose of obtaining ratings on outstanding securities of the Town.

Generally, the rating agencies base their rating upon such information and materials and upon investigations, studies and assumptions by the rating agencies. There can be no assurance that a rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability or market price of the Town's outstanding bonds and notes, including this issue.

Tax Matters

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met at and subsequent to delivery of the Bonds in order that interest on the Bonds be and remains excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Tax Regulatory Agreement, which will be executed and delivered by the Town concurrently with the Bonds, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Town also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Town with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations.

Ownership of the Bonds may also result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of ownership and disposition of, or receipt of interest on, the Bonds.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Bonds, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Bonds or adversely affect the market price of the Bonds.

The opinions of Bond Counsel are rendered as of their date and are based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to their attention, or to reflect any changes in law that may thereafter occur or become effective.

Prospective purchasers of the Bonds are advised to consult their own tax advisors regarding other State and local tax consequences of ownership and disposition of and receipt of interest on the Bonds.

Original Issue Discount

The initial public offering price of certain maturities of the Bonds may be less than the principal amount payable on such Bonds at maturity. The excess of the principal amount payable at maturity over the initial public offering price at which a substantial amount of these Bonds are sold constitutes original issue discount. The prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any Bond during each day it is owned by a taxpayer is added to the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds by such owner. Accrued original issue discount on the Bonds is excluded from gross income for federal income tax purposes. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond, and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest paid during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Prospective purchasers of the Bonds should consult their own tax advisors with respect to the federal, state and local income tax consequences of the disposition of and receipt of interest on the Bonds.

Original Issue Premium

The initial public offering price of certain maturities of the Bonds may be greater than the principal amount payable on such Bonds at maturity. The excess of the initial public offering price at which a substantial amount of these Bonds are sold over the principal amount payable at maturity or on earlier call date constitutes original issue premium. The prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as amortizing with respect to any Bond during each day it is owned by a taxpayer is subtracted from the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds by such owner. Amortized original issue premium on the Bonds is not treated as a deduction from gross income for federal income tax purposes. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity using the taxpayer's cost

basis and a constant semiannual compounding method. Prospective purchasers of the Bonds should consult their own tax advisors with respect to the federal, state and local income tax consequences of the disposition of and receipt of interest on the Bonds.

Underwriting

The Bonds are being purchased by Raymond James & Associates, Inc. (the “Underwriter”). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Town at the net aggregate purchase price of \$15,432,162.85 (consisting of the principal amount of \$13,205,000.00 plus original issue premium of 2,301,856.60, less Underwriter’s discount of 74,693.75).

The Underwriter will be obligated to purchase all of the Bonds, if any such Bonds are purchased. The Underwriter intends to offer the Bonds to the public initially at the yields set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices and such public offering prices may be changed, from time to time, by the Underwriter.

(Remainder of page intentionally left blank)

SECTION II – THE ISSUER

Description of the Town

The Town was first settled in 1664. On May 1, 1786, Hamden withdrew from New Haven and was incorporated as Connecticut's ninetieth town. Located north of the City of New Haven, and also bordering Woodbridge, Bethany, and North Haven, the Town is located approximately 85 miles east of New York City and 35 miles southwest of Hartford, Connecticut. The Town encompasses approximately 33 square miles within New Haven County.

The Town is traversed by two major highways, the Wilbur Cross Parkway (Route 15) and Interstate 91 (via the Route 40 connector). The Town's location also provides quick access to the Connecticut Turnpike (Interstate 95). Metro-North, Amtrak and Conrail in New Haven provide rail service to Boston and New York. Commercial, cultural and educational amenities in New Haven and New York City are accessible via state and interstate highways. Regional air transportation needs are provided at Tweed–New Haven Airport in New Haven. National and international air service is provided by Bradley International Airport in Connecticut and Kennedy, LaGuardia International and Newark Airports in New York and New Jersey.

The Town is a primarily residential community with a diversified economic base and a population of approximately 61,000. Major employers include the Town of Hamden and its Board of Education, Quinnipiac University, Arden House Care & Rehabilitation Center, Stop & Shop, Area Cooperative Educational Services ("ACES"), Whitney Center, Children's Center, AAA (Automobile Association of America) and Hamden Healthcare. Primary business clusters of health care, bioscience, and education are fueled by the Town's proximity to major academic institutions, including Yale University, Albertus Magnus College, Southern Connecticut State University, and the University of New Haven. The Town's population is slightly older and more educated when compared to that of the State as a whole. These factors, along with the diversified economic base, contribute to an unemployment rate that for the past five years, has been consistently below regional and state averages.

The public school system of the Town provides a balanced curriculum for approximately 6,000 students. There are several vocational training facilities, private secondary schools, colleges and universities in close proximity to the Town that offer a variety of educational programs. Town residents are within minutes from the main campus of Yale-New Haven Hospital and the St. Raphael Hospital campus of Yale-New Haven Hospital which are located in New Haven. Numerous private medical practitioners are located in the Hamden–New Haven region.

Form of Government

The Town is organized and has operated since 1965 under the Mayor–Council form of government. The current Charter was adopted on November 8, 2011. General Town elections are held on the first Tuesday in November of each odd-numbered year to elect the Mayor, Town Clerk and the Legislative Council. The terms of office are for two years and commence at noon on the last Sunday of November following the election.

The Legislative Council (the "Council") comprises six members elected at large and one member elected from each of the nine voting districts in existence as of July 1, 1975. All serve without compensation except for an annual stipend of \$1,200 each. The Council, by a majority vote, but not less than every ten years, may determine that redistricting is necessary and appoint a commission to re-divide the Town so that each voting district shall contain an equal number of voters. The members of the Council choose one member to be President of the Council. The President presides over all Council meetings.

Under the current Town Charter, the legislative power of the Town is vested exclusively in the Council. The Council has the power to enact, amend or repeal ordinances not inconsistent with the Charter or the Connecticut General Statutes and to provide for the preservation of good order, peace, health and safety of the Town and its inhabitants. At least one public hearing must be held before any ordinance can be passed, except for ordinances relating to procedures of the Council or a public emergency. The electors have the power to approve or reject an ordinance by petition for referendum, as provided in the Charter. As the fiscal authority of the Town, the Council adopts the budget and may fix the tax rate in mills. Should the Council not adopt a budget ten days before the end of the fiscal year, the budget as originally submitted by the Mayor is deemed to have been adopted by the Council, and the Mayor then has the right to fix the tax rate.

Principal Municipal Officials

| Office | Name | Manner of Selection/Term | Years of Service |
|---|-------------------|---------------------------------|-------------------------|
| Mayor | Curt Balzano Leng | Elected/2 years | 2 years |
| Chief of Staff | David Garretson | Appointed/Indefinite | 2 years |
| Director of Finance | Salvatore DeCola | Appointed/Indefinite | 5 years |
| Town Clerk..... | Vera A. Morrison | Elected/2 years | 21.5 years |
| Tax Collector..... | Kathleen Flynn | Appointed/Indefinite | 20 years |
| Assessor..... | Donna Otlowski | Appointed/Indefinite | 3 years |
| Superintendent of Schools..... | Jody Goeler | Appointed/Indefinite | 3 years |
| Deputy Finance Director. ¹ | Amaechi E. Obi | Appointed/Indefinite | 29.5 years |

¹ The Deputy Finance Director, Amaechi Obi, retired from the Town of Hamden effective July 9, 2017. The Town is actively searching for his replacement.

Summary of Municipal Services

Police Protection: The Police Department is responsible for the prevention and deterrence of crime, apprehension of offenders, return of property, efficient control and movement of traffic, and the provision of public safety. It is responsible for the enforcement of all laws, ordinances and regulations governing the criminal and motor vehicle codes and the protection of all guarantees provided by the U.S. and State of Connecticut constitutions. The Department is also responsible for staffing and supervising the Central Communications Division for all police, fire and medical requests for service to the public. The Department is staffed by 108 sworn police officers and 45 non-sworn positions, of which 23 are part-time crossing guards.

Fire Protection and Emergency Medical Service: Fire protection and emergency medical services are provided by a combination career and volunteer Fire Department consisting of 92 paid career firefighters and officers, nine staff personnel and 40 volunteers. The Town operates seven fire stations, five staffed full-time, one staffed by both career and volunteer firefighters and two staffed by volunteers. The Fire Department operates 15 emergency response vehicles as well as 12 support vehicles and pieces of equipment for specialty services such as hazardous materials and technical rescue response. Full-time paramedic service is provided with two fire-rescue vehicles. In addition, the Fire Department supports a professional mountain rescue team which responds to high-angle emergencies when requested. Ambulance transport is provided to the Town by American Medical Response from New Haven.

Planning and Zoning: The Town has a combined Planning and Zoning Commission of nine members and three alternates. A professional staff is available to ensure that development conforms to Hamden and state codes. The Planning and Zoning Department has created a computerized permit database that helps both staff and the public determine the current approved zoning uses and evaluate changes over time.

Public Works and Parks: Supervised by the Director of Public Works, the Department of Public Works has a staff of 61 employees, organized into five divisions, as follows: Streets and Bridges, Sanitation, Parkway and Trees, Buildings and Grounds, and Fleet Maintenance. The Department's responsibilities include road maintenance and repair, snow plowing, and tree removal, as well as the maintenance and cleaning of storm sewers. Its administration is responsible for the continuous flow of paper work and, with the assistance of a dispatcher, a timely and courteous response to telephone calls. Numbering ten employees, the Parks Division maintains the Town's parks, ten miles of canal line, and ball fields.

Engineering: The Engineering Department provides professional engineering services to assist in maintaining and improving the Town's infrastructure. It provides or supervises planning, surveying, design, and construction administration and inspection services for Town capital improvement projects, including highway, bridge, storm drainage, and other infrastructure projects. The Engineering Department also reviews plans and other technical information submitted by developers for compliance with Town design and construction standards and good engineering practice. It comments to the Planning and Zoning and Inland Wetlands commissions, coordinates compliance with the Town's Stormwater Management Permit, issues permits for and inspects work within the Town highway rights-of-way, including utility excavation, driveways, sidewalks, and storm sewer connections, and inspects sidewalks for tripping hazards and for snow and ice removal. The Department oversees Town sidewalk repair and permanent trench repair contracts and serves as liaison to state and federal agencies and utility companies regarding capital improvement projects. Also, the Department maintains Geographic Information System ("GIS") data regarding the Town's infrastructure, such as the storm drainage system, sidewalks, pavement, and bridges.

Economic and Community Development: The Economic and Community Development Department fosters and develops initiatives to maintain/expand existing businesses and to attract new businesses. These initiatives include neighborhood revitalization projects, property development, and negotiation for clusters in retail, health care, financial services, insurance and manufacturing. Programs administered include tax incentives; small-business loans; streetscape; redevelopment initiatives through the Hamden Economic Development Corporation; Community Development Block Grants (“CDBG”); a Business Assistance Center; Economic Development Web Page (www.hamden-ct.com); marketing and recruitment; brown fields redevelopment; and workforce readiness initiatives. The office has three staff members paid by the Town and two funded by CDBG. It interacts with the business community, various community organizations, and Town, state and federal agencies.

Since 2001 the total increase in tax base directly from expansions and relocations included a total of over \$29,000,000 or over \$650,000 annually in net tax revenue of new grand list growth attributed to the Business Incentive Program as well as larger project development investment resulting in a total of \$5.6 million in new anticipated tax revenue.

Many of the Town’s industry clusters have grown despite the recent downturn in the State and regional economy. Over the past five years there has been over \$7.5 million of new investment in manufacturing facilities relating to over 125,000 square feet of space.

The local economy remains diverse with a mix of manufacturing, retail and growing health care sector. The Town has a strong partnership between the business community, Town government, and the Hamden Economic Development Corporation. The Town’s Economic Development Director has been acting in his capacity since 1999 facilitating the consistency needed for long term projects and initiatives.

Some recent economic development projects that have been completed or are in various stages of design and construction include the following:

- American Automobile Association (AAA): new 7,000 square foot building opened in the spring of 2014. This new building replaced the original building built in 1970. AAA is one of Town’s largest employers.
- BankWell (formerly Quinnipiac Bank & Trust): invested \$1.8 million to open a new bank office on October 2013.
- Rockville Bank: rehabilitated a 3,000 square feet building into a new retail banking office in February 2014.
- Eli’s Restaurant: completed a 3,500 square foot addition in the spring of 2014.
- New Mixed Use Building: A new 14,000 square foot mixed-use building was completed in December 2014 located next to the Mount Carmel Post Office.
- Hamden Business Incubator: The Hamden Economic Development Corporation (HEDC) has secured \$9 million in funds to renovate a 40,000 square foot former school/community center into a business incubator for up to twenty new businesses. This project is currently under construction and should be completed in late-2017.
- Quinnipiac University: is a private, coeducational university with approximately 6,500 undergraduate and 2,500 graduate students based in Hamden. Quinnipiac began as a small college in New Haven in 1929 and has grown into a University with eight schools and colleges, including schools of law and medicine. The University has experienced tremendous growth in recent years. The University’s York Hill Campus, completed in 2012, includes over 2,000 new dorm rooms, a student center and an 185,000 square foot athletic facility all of which has had a significant impact on small business growth throughout Hamden.
- Whitney Center: an assisted living facility, is currently the second largest taxpayer in the Town. The \$75 million phase I expansion is complete and its \$25 million phase II expansion is in the planning stages. Phase I resulted in over \$1 million in new tax revenue.
- A 396 unit housing project has been approved and is under construction to be completed in late-2017. Total project cost is \$45 million and anticipated new tax revenue will be \$1.2 million annually.

The investment derived from these projects has yielded over \$6 million in new tax revenue for the Town as well as having a major impact on the local economy. This is due to the large number of employees for many of the facilities. These employees have already produced a positive increase in economic activity for smaller local businesses.

Human Services: The Elderly Services Department functions as the central resource center for information regarding programs, activities and services for elderly residents, individuals, and families who need assistance in caring for elderly relatives. The Department oversees the operation of the Miller Senior Center, a multi-purpose facility located at 2901 Dixwell Avenue. In addition, Town government includes departments dedicated to community and youth services, as well as to the development of personnel for a full-time work force.

Recreation: The Town recently merged its Arts Commission with the Parks and Recreation Department to create a new department known as Arts, Recreation & Culture. In 2011, the Town reorganized Parks & Recreation by transferring a division of that department to Public Works in order to satisfy the ever-growing need of sports groups for access to more and better-conditioned surfaces. The portion of the department not transferred to Public Works sought to create new programs and to work with the Arts Commission and Youth Services to expand programming. Opportunities for new synergies in the delivery of recreation and arts have emerged through an analysis of a mutually beneficial partnership with Southern Connecticut State University. Cost-savings will be limited, but the enhanced service offerings by Arts, Recreation & Culture will result in a higher level of service and diversification of available programs.

Library: The Hamden Public Library, the community's information center, provides a variety of library resources, access to innovative technology and a knowledgeable staff to improve the quality of life and meet the informational, educational and cultural interests of the community. Service locations are the Miller Memorial Central Library, the Brundage-Community Branch and the Whitneyville Branch. Approximately 19,853 residents have library cards. The collection consists of approximately 206,000 books, magazines, paperbacks, CDs, DVDs, and audio books. The libraries offer a local area network providing access to databases, access to the statewide holdings at Connecticut libraries and wireless access to the internet for the public. The public access catalog is available in all the libraries or from home through the library's website: www.hamdenlibrary.org. The libraries provide programs for children and work cooperatively with the schools and the Hamden Partnership for Young Children.

Water: Water is supplied to the Town by the South Central Connecticut Regional Water Authority, formerly known as the New Haven Water Company.

Sewer: Sewer services are provided by the Greater New Haven Water Pollution Control Authority.

Solid Waste: On July 1, 2010, the Town, in collaboration with four other municipalities, began a ten-year solid waste disposal contract with Covanta Projects L.P. of Wallingford, Connecticut ("Covanta"). Under this contract, all curbside solid waste collected in Hamden is transported to Covanta's transfer station in Wallingford (the "System"). The contract offers two five-year options to extend for any or all of the participating municipalities.

Under the terms of the contract, the Town is required to deliver or cause to be delivered to the System acceptable solid waste generated within its boundaries with a minimum commitment of 14,850 tons per year and to pay a uniform per-ton disposal service fee therefor. The aggregate minimum commitment of the five participating municipalities is 66,285 tons per year. For the past several years, the Town has delivered more than 30,000 tons annually. The Town's commitment to pay disposal fees is a "put-or-pay" commitment, meaning that, if the commitment of the five participating municipalities is not met by the total delivery of all five participating municipalities or by other solid waste delivered in any year and, if the Town does not meet its minimum commitment, it must pay the disposal fee for its proportionate share of the aggregate minimum commitment, minus the amount of total acceptable solid waste delivered. Disposal fees are payable, provided that the System is accepting solid waste delivered by on or behalf of the Town, whether or not such solid waste is processed at Covanta's facility in Wallingford. Should the facility be unable to process this waste, it will be sent to other facilities owned by Covanta at no additional cost to the Town.

The Town's obligation to pay disposal fees is absolute and unconditional so long as Covanta accepts the Town's solid waste. The Town has pledged its full faith and credit to the payment of the disposal fees and has agreed to enforce or levy and collect all taxes, cost-sharing or other assessments or charges and take other such action as may be necessary to pay the fees. For the fiscal year ended 2017, the disposal fee was \$65.00. For fiscal year 2017-18, the disposal fee is \$66.14 per ton.

Educational System

The Town's school system serves approximately 6,000 students and comprises one Early Learning Center for pre-K students, eight elementary schools for pupils in grades kindergarten through 6, one middle school for grades 7 and 8, an inter-district K-12 magnet school, and one high school for grades 9 through 12. The Board of Education also conducts pre-school programs at the Church Street, Helen Street and Alice Peck Schools. The schools are governed by a nine-member Board of Education. Also located in the Town are three parochial elementary schools and three private college preparatory schools.

Educational Facilities

| School | Grades | Date of Construction (Additions, Remodeling) | Number of Classrooms | 10/1/2016 Enrollment | Rated Capacity |
|-------------------------------------|---------------|---|---------------------------------|---------------------------------|---------------------------|
| Alice Peck Elementary | Pre-K | 1954 (1991) | 18 | 137 | 300 |
| Bear Path Elementary | K-6 | 2003 | 25 | 445 | 495 |
| Dunbar Hill Elementary | K-6 | 1950 (1995) | 18 | 299 | 334 |
| Helen Street Elementary | K-6 | 1992 | 20 | 347 | 350 |
| Ridge Hill Elementary | K-6 | 1971 (2011) | 22 | 336 | 560 |
| Shepherd Glen Elementary | K-6 | 1972 | 17 | 321 | 477 |
| Spring Glen Elementary | K-6 | 2003 | 22 | 432 | 450 |
| West Woods Elementary | K-6 | 1973 | 24 | 372 | 510 |
| Church Street Elementary | K-6 | 1991 | 28 | 319 | 438 |
| Hamden Middle | 7-8 | 2006 | 50 | 812 | 1,270 |
| Hamden High | 9-12 | 1935 (1998) | 77 | 1,569 | 1,785 |
| Central Office (Administration).... | N/A | 1915 (2011) | N/A | N/A | N/A |
| Total..... | | | 321 | 5,430 ¹ | 6,969 |

¹ Does not include approximately 320 students from the Town who attend the inter-district K-12 Magnet School

Source: Town of Hamden, Board of Education

School Enrollments

| School Year | Historical | | | Total ¹ |
|--------------------|-----------------------------|-------------------------|--------------------------|---------------------------|
| | Grades Pre-K - 6 | Grades 7 - 8 | Grades 9 - 12 | |
| 2007-2008 | 3,150 | 912 | 2,191 | 6,253 |
| 2008-2009 | 3,086 | 866 | 2,113 | 6,065 |
| 2009-2010 | 3,086 | 881 | 1,973 | 5,940 |
| 2010-2011 | 3,148 | 900 | 1,937 | 5,985 |
| 2011-2012 | 3,079 | 906 | 1,852 | 5,837 |
| 2012-2013 | 3,091 | 900 | 1,805 | 5,796 |
| 2013-2014 | 3,089 | 865 | 1,811 | 5,765 |
| 2014-2015 | 3,059 | 815 | 1,757 | 5,631 |
| 2015-2016 | 3,003 | 826 | 1,664 | 5,493 |
| 2016-2017 | 3,008 | 812 | 1,610 | 5,430 |
| School Year | Projected | | | Total |
| 2017-2018 | 2,704 | 854 | 1,578 | 5,136 |
| 2018-2019 | 2,641 | 843 | 1,568 | 5,052 |

¹ Does not include approximately 320 students from the Town who attend the inter-district K-12 Magnet School

Source: Town of Hamden, Board of Education

Municipal Employees¹

| | 2016-17 | 2015-16 | 2014-2015 | 2013-2014 | 2012-2013 |
|-------------------------|----------------|----------------|------------------|------------------|------------------|
| General Government..... | 448 | 452 | 470 | 470 | 465 |
| Board of Education..... | 898 | 879 | 836 | 831 | 804 |
| Total..... | 1,346 | 1,331 | 1,306 | 1,301 | 1,269 |

¹ The figures shown above regarding municipal employees comprise full-time, part-time and permanent staff.

Municipal Employees Bargaining Organizations

| General Government | Organization | Positions Covered | Current Contract Expiration Date |
|--|--|--------------------------|---|
| Police | UPSEU/COPS | 105 | 6/30/2022 |
| Firefighters | Local 2687, International Assoc. of Firefighters | 96 | 6/30/2020 |
| Public Works | Local 424, UPSEU Unit #1 | 54 | 6/30/2017 ¹ |
| Town Hall / Engineering | Council #4, AFSCME, Local 2863 | 74 | 6/30/2017 ¹ |
| Dispatchers | UPSEC, Local 424 Unit #63 | 15 | 6/30/2017 ¹ |
| Parks and Recreation..... | Local 424, UPSEU Unit #36 | 17 | 6/30/2017 ¹ |
| Library | Local 1303-115, Council #4, AFSCME | 37 | 6/30/2017 ¹ |
| Supervisors | Local 424, UPSEU Unit #23 | 28 | 6/30/2017 ¹ |
| Non-bargaining | N/A | 22 | N/A |
| Total General Government Employees..... | | 448 | |

| Board of Education | Organization | Positions Covered | Current Contract Expiration Date |
|---|--|--------------------------|---|
| Custodians and Maintenance..... | Local 431, Council #4, AFSCME, AFL-CIO | 53 | 6/30/2017 ¹ |
| Teachers..... | Hamden Education Association, Local 57 | 550 | 6/30/2019 |
| Administrators..... | Association of Hamden Public School Administrators, AHPSA, AFL-CIO | 34 | 6/30/2020 |
| Nurses..... | Hamden School Nurses Association, CILU | 17 | 6/30/2016 ¹ |
| Clerical and Paraprofessionals .. | Local 424, UPSEU Unit #2 | 168 | 6/30/2017 ¹ |
| Security Guards..... | Local 1303-373, AFSCME | 10 | 6/30/2019 |
| Supervisors | UPSEU Local 424 | 9 | 6/30/2017 ¹ |
| Non-bargaining | N/A | 57 | N/A |
| Total Board of Education Employees..... | | 898 | |
| Total General Government & Board of Education Employees..... | | 1,346 | |

¹ In negotiation

Source: Town of Hamden

Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject the arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of teachers' contracts, in assessing the financial capability of a municipality, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

SECTION III – ECONOMIC AND DEMOGRAPHIC DATA SECTION

Population Trends and Densities

| Year | Actual Population | % Increase | Density ¹ |
|-------------------|------------------------------|-------------------|-----------------------------|
| 2015 ² | 61,523 | 0.9% | 1,847.5 |
| 2010 | 60,960 | 7.11 | 1,830.6 |
| 2000 | 56,913 | 8.54 | 1,709.1 |
| 1990 | 52,434 | 2.67 | 1,574.6 |
| 1980 | 51,071 | 3.47 | 1,533.7 |
| 1970 | 49,357 | 20.22 | 1,482.2 |
| 1960 | 41,056 | -- | 1,232.9 |

¹ Per square mile: 33.3 square miles.

² American Community Survey 2011-2015.

Source: U.S. Department of Commerce, Bureau of Census, 2010

Age Distribution of the Population

| Age | Town of Hamden | | State of Connecticut | |
|---|-----------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Under 5 years | 3,199 | 5.2% | 191,445 | 5.3% |
| 5 to 9 years | 2,601 | 4.2 | 214,983 | 6.0 |
| 10 to 14 years | 2,972 | 4.8 | 231,075 | 6.4 |
| 15 to 19 years | 6,640 | 10.8 | 255,286 | 7.1 |
| 20 to 24 years | 6,055 | 9.8 | 237,578 | 6.6 |
| 25 to 34 years | 7,369 | 12.0 | 436,678 | 12.2 |
| 35 to 44 years | 7,033 | 11.4 | 448,840 | 12.5 |
| 45 to 54 years | 8,587 | 14.0 | 556,454 | 15.5 |
| 55 to 59 years | 4,037 | 6.6 | 259,565 | 7.2 |
| 60 to 64 years | 4,042 | 6.6 | 219,040 | 6.1 |
| 65 to 74 years | 4,150 | 6.7 | 291,955 | 8.1 |
| 75 to 84 years | 2,991 | 4.9 | 162,332 | 4.5 |
| 85 years and over | 1,847 | 3.0 | 87,991 | 2.4 |
| Total..... | 61,523 | 100% | 3,593,222 | 100% |
| Median Age (Years) 2015..... | 37.9 | | 40.4 | |
| Median Age (Years) 2010..... ¹ | 37.4 | | 40.0 | |

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

Source: American Community Survey 2011-2015.

Income Distribution

| Income | Town of Hamden | | State of Connecticut | |
|------------------------|-----------------------|----------------|-----------------------------|----------------|
| | Families | Percent | Families | Percent |
| \$ 0 - \$ 9,999..... | 238 | 1.7% | 30,926 | 3.5% |
| 10,000 - 14,999..... | 107 | 0.8 | 18,063 | 2.0 |
| 15,000 - 24,999..... | 654 | 4.6 | 46,085 | 5.1 |
| 25,000 - 34,999..... | 876 | 6.2 | 55,715 | 6.2 |
| 35,000 - 49,999..... | 1,394 | 9.8 | 83,173 | 9.3 |
| 50,000 - 74,999..... | 2,285 | 16.1 | 139,724 | 15.6 |
| 75,000 - 99,999..... | 2,108 | 14.9 | 126,557 | 14.1 |
| 100,000 - 149,999..... | 3,347 | 23.6 | 183,030 | 20.4 |
| 150,000 - 199,999..... | 1,701 | 12.0 | 94,575 | 10.6 |
| 200,000 and over..... | 1,446 | 10.2 | 117,791 | 13.2 |
| Total..... | 14,156 | 100.0% | 895,639 | 100.0% |

Source: American Community Survey 2011-2015.

Comparative Income Measures

| | Town of Hamden | State of Connecticut |
|----------------------------------|-----------------------|-----------------------------|
| Per Capita Income, 2015..... | \$ 34,907 | \$ 38,803 |
| Per Capita Income, 2010..... | \$ 34,596 | \$ 36,775 |
| Median Family Income, 2015..... | \$ 91,708 | \$ 89,031 |
| Median Family Income, 2010 | \$ 88,613 | \$ 84,170 |

Source: American Community Survey 2011-2015.

Educational Attainment (Years of School Completed – Age 25 and Over)

| | Town of Hamden | | State of Connecticut | |
|---|-----------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Less than 9th grade..... | 1,265 | 3.2% | 105,725 | 4.3% |
| 9th to 12th grade..... | 1,341 | 3.3 | 144,132 | 5.9 |
| High School graduate..... | 9,208 | 23.0 | 673,973 | 27.4 |
| Some college, no degree..... | 7,115 | 17.8 | 430,129 | 17.5 |
| Associate's degree | 2,637 | 6.6 | 183,289 | 7.4 |
| Bachelor's degree..... | 9,194 | 23.0 | 516,001 | 21.0 |
| Graduate or professional degree..... | 9,296 | 23.2 | 409,606 | 16.6 |
| Total..... | 40,056 | 100.0% | 2,462,855 | 100.0% |
| Total high school graduate or higher (%)..... | | 93.5% | | 89.9% |
| Total bachelor's degree or higher (%)..... | | 46.2% | | 37.6% |

Source: American Community Survey 2011-2015.

Labor Force Data

| <i>Period</i> | <i>Town of Hamden</i> | | <i>Percentage Unemployed</i> | | |
|------------------------------|-----------------------|-------------------|------------------------------|-------------------------------|-----------------------------|
| | <i>Employed</i> | <i>Unemployed</i> | <i>Town of Hamden</i> | <i>New Haven Labor Market</i> | <i>State of Connecticut</i> |
| May 2017 | 34,265 | 1,611 | 4.5 | 4.9 | 4.8 |
| <i>Annual Average</i> | | | | | |
| 2016..... | 33,404 | 1,680 | 4.8 | 5.3 | 5.3 |
| 2015..... | 33,576 | 1,780 | 5.0 | 5.7 | 5.6 |
| 2014..... | 30,238 | 3,112 | 6.5 | 6.9 | 6.7 |
| 2013..... | 29,470 | 2,442 | 7.7 | 8.1 | 7.9 |
| 2012..... | 29,662 | 2,696 | 7.7 | 8.7 | 8.3 |
| 2011..... | 30,032 | 2,804 | 8.3 | 9.2 | 8.8 |
| 2010..... | 28,793 | 2,708 | 8.5 | 9.3 | 9.0 |
| 2009..... | 28,805 | 2,361 | 8.6 | 8.2 | 8.2 |
| 2008..... | 29,327 | 1,692 | 7.6 | 5.9 | 5.7 |
| 2007..... | 29,289 | 1,370 | 5.5 | 4.8 | 4.6 |

Source: State of Connecticut, Department of Labor.

Industry Classification

| <i>Sector</i> | <i>Town of Hamden</i> | | <i>State of Connecticut</i> | |
|--|-----------------------|----------------|-----------------------------|----------------|
| | <i>Number</i> | <i>Percent</i> | <i>Number</i> | <i>Percent</i> |
| Agriculture, forestry, fishing and hunting, and mining..... | 25 | 0.1% | 7,214 | 0.4% |
| Construction..... | 1,069 | 3.3 | 100,593 | 5.6 |
| Manufacturing..... | 3,143 | 9.6 | 191,286 | 10.7 |
| Wholesale trade..... | 597 | 1.8 | 44,581 | 2.5 |
| Retail trade..... | 3,072 | 9.4 | 193,799 | 10.9 |
| Transportation warehousing, and utilities..... | 958 | 2.9 | 66,850 | 3.8 |
| Information..... | 675 | 2.1 | 41,486 | 2.3 |
| Finance, insurance, real estate, and leasing..... | 1,980 | 6.1 | 163,822 | 9.2 |
| Professional, scientific, management, administrative, and waste management..... | 2,984 | 9.1 | 199,942 | 11.2 |
| Education, health and social services..... | 12,993 | 39.8 | 471,587 | 26.5 |
| Arts, entertainment, recreation, accommodation and food services..... | 2,397 | 7.3 | 153,516 | 8.6 |
| Other services (except public admin.)..... | 1,275 | 3.9 | 79,998 | 4.5 |
| Public Administration..... | 1,458 | 4.5 | 66,743 | 3.7 |
| <i>Total Labor Force, Employed.....</i> | 32,626 | 100.0% | 1,781,417 | 100.0% |

Source: American Community Survey 2011-2015.

Major Employers

The following are among the most significant employers in the Town as of June 2017:

| <i>Employer</i> | <i>Nature of Business</i> | <i>Approximate Employees</i> | <i>Percentage of Total Town Employment</i> |
|---|-----------------------------|------------------------------|--|
| Town of Hamden/Board of Education | Municipality | 1,346 | 3.93% |
| Quinnipiac University | Education | 851 | 2.48 |
| Genesis Health Care & Rehabilitation Center.... | Nursing home | 370 | 1.08 |
| Whitney Center | Assisted living | 287 | 0.84 |
| AAA | Automobile club | 281 | 0.82 |
| ACES | Special education services | 261 | 0.76 |
| Stop & Shop | Food store | 255 | 0.74 |
| Children's Center | Child care agency | 240 | 0.70 |
| XL Care Agencies of CT | Home health care | 155 | 0.45 |
| State of Connecticut, Department of Children and Families | State agency | 151 | 0.44 |
| Hamden Health Care | Nursing home | 145 | 0.42 |
| Porcelen SPECRAIL | Fence manufacturer | 125 | 0.36 |
| Shop Rite Supermarket | Food store | 113 | 0.33 |
| Amphenol Corporation | Electrical Parts Manufactur | 105 | 0.31 |
| EZ Form Cable | Electrical manufacturer | 72 | 0.21 |
| Atria Larson | Assisted Living | 70 | 0.20 |
| Total | | 4,827 | 14.1% |

Commute to Work (16 years of age and over)

| | <i>Town of Hamden</i> | | <i>State of Connecticut</i> | |
|----------------------------------|-----------------------|----------------|-----------------------------|----------------|
| | <i>Number</i> | <i>Percent</i> | <i>Number</i> | <i>Percent</i> |
| Drove alone | 25,158 | 78.4% | 1,369,767 | 78.3% |
| Car pools | 2,644 | 8.2 | 143,588 | 8.2 |
| Used public transportation | 1,419 | 4.4 | 84,597 | 4.8 |
| Walked | 1,428 | 4.5 | 53,146 | 3.0 |
| Used other means | 525 | 1.6 | 20,584 | 1.2 |
| Worked at home | 905 | 2.8 | 76,670 | 4.4 |
| Total | 32,079 | 100.0% | 1,748,352 | 100.0% |
| Mean travel to work (minutes) | 24.1 | — | 25.4 | |

Source: American Community Survey 2011-2015.

Number and Value of Building Permits¹

| <i>Fiscal Year Ended 6/30</i> | <i>Number of Permits</i> | <i>Total Value</i> |
|-------------------------------|--------------------------|--------------------|
| 2017 ² | 2,516 | \$ 66,652,695 |
| 2016 | 2,958 | 34,050,904 |
| 2015 | 2,778 | 39,283,857 |
| 2014 | 2,434 | 30,761,083 |
| 2013 | 2,374 | 27,295,387 |
| 2012 | 2,551 | 33,180,649 |
| 2011 | 2,147 | 31,204,542 |
| 2010 | 2,034 | 102,483,551 |
| 2009 | 1,623 | 71,975,422 |
| 2008 | 2,077 | 161,547,932 |

¹ Includes residential and commercial construction

² As of 5/31/17.

Age Distribution of Housing

| Year Built | Town of Hamden | | State of Connecticut | |
|---------------------------------|-----------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| 1939 or earlier..... | 5,032 | 19.9% | 331,829 | 22.2% |
| 1940 to 1969..... | 10,121 | 40.1 | 536,501 | 36.0 |
| 1970 to 1979..... | 3,092 | 12.3 | 199,447 | 13.4 |
| 1980 to 1989..... | 3,102 | 12.3 | 193,595 | 13.0 |
| 1990 to 1999..... | 2,667 | 10.6 | 115,076 | 7.7 |
| 2000 or 2009..... | 1,092 | 4.3 | 103,911 | 7.0 |
| 2010 or later..... | 121 | 0.5 | 11,427 | 0.8 |
| Total Housing Units..... | 25,227 | 100.0% | 1,491,786 | 100.0% |

Source: American Community Survey 2011-2015.

Housing Units by Type of Structure

| Housing Units | Town of Hamden | | State of Connecticut | |
|-----------------------------|-----------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| 1-unit, detached | 14,377 | 57.0% | 882,941 | 59.2% |
| 1-unit, attached | 1,132 | 4.5 | 80,636 | 5.4 |
| 2 units | 1,724 | 6.8 | 121,410 | 8.1 |
| 3 or 4 units | 1,542 | 6.1 | 132,512 | 8.9 |
| 5 to 9 units | 1,159 | 4.6 | 82,727 | 5.5 |
| 10 to 19 units | 1,255 | 5.0 | 55,826 | 3.7 |
| 20 or more units | 3,992 | 15.8 | 123,561 | 8.3 |
| Mobile home | 46 | 0.2 | 11,898 | 0.8 |
| Boat, RV, van, etc. | - | - | 275 | 0.0 |
| Total Inventory..... | 25,227 | 100.0% | 1,491,786 | 100.0% |

Source: American Community Survey 2011-2015.

Housing Unit Vacancy Rates

| Housing Units | Town of Hamden | | State of Connecticut | |
|------------------------------|-----------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| Occupied housing units | 23,187 | 91.9% | 1,491,786 | 52.4% |
| Vacant housing units | 2,040 | 8.1 | 1,352,583 | 47.6 |
| Total units | 25,227 | 100.0% | 2,844,369 | 100.0% |
| Homeowner vacancy rate | — | 1.2 | — | 1.8 |
| Rental vacancy rate | — | 7.0 | — | 6.8 |

Source: American Community Survey 2011-2015.

Owner-occupied Housing Units

| Specified Owner-Occupied Units | Town of Hamden | | State of Connecticut | |
|---------------------------------------|-----------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Less than \$50,000..... | 433 | 2.8% | 24,620 | 2.7% |
| \$50,000 to \$99,000..... | 350 | 2.3 | 28,771 | 3.2 |
| \$100,000 to \$149,999..... | 1,689 | 11.0 | 78,066 | 8.6 |
| \$150,000 to \$199,000..... | 3,322 | 21.7 | 140,544 | 15.5 |
| \$200,000 to \$299,999..... | 5,862 | 38.2 | 251,106 | 27.7 |
| \$300,000 to \$499,999..... | 2,942 | 19.2 | 235,670 | 26.0 |
| \$500,000 or more..... | 669 | 4.4 | 106,965 | 11.8 |
| \$1,000,000 or more..... | 69 | 0.4 | 40,485 | 4.5 |
| Total..... | 15,336 | 100.0% | 906,227 | 100.0% |
| Median Value..... | \$230,800 | | \$270,500 | |

Source: American Community Survey 2011-2015.

Number and Size of Households

| Household Characteristics | Town of Hamden | | State of Connecticut | |
|--------------------------------------|-----------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Persons in households | 56,108 | — | 3,475,053 | — |
| Persons per household (average) | 2.42 | — | 2.57 | — |
| Persons per family (average) | 3.10 | — | 3.17 | — |
| Family households | 14,156 | 61.1% | 895,639 | 66.2% |
| Non-family households | 9,031 | 38.9% | 456,944 | 33.8% |
| All households | 23,187 | 100.0% | 1,352,583 | 100.0% |

Family households by type

| | | | | |
|--------------------------------------|---------------|---------------|----------------|---------------|
| Married couple | 10,831 | 76.5% | 661,596 | 73.9% |
| Female householders, no spouse ... | 2,655 | 18.8% | 175,228 | 19.6% |
| Other | 670 | 4.7% | 58,815 | 6.6% |
| Total family households | 14,156 | 100.0% | 895,639 | 100.0% |

Non-family households by type

| | | | | |
|--|--------------|---------------|----------------|---------------|
| Householders living alone | 7,384 | 81.8% | 378,145 | 82.8% |
| Other | 1,647 | 18.2% | 78,799 | 17.2% |
| Total non-family households | 9,031 | 100.0% | 456,944 | 100.0% |

Source: American Community Survey 2011-2015.

Breakdown of Land Use

| Land Use Category | Total Acreage | Percent |
|--------------------------|----------------------|----------------|
| Developed..... | 9,388 | 44.5% |
| Vacant..... | 4,646 | 22.0 |
| Open Space..... | 7,086 | 33.5 |
| Total..... | 21,120 | 100.0% |

SECTION IV – DEBT SECTION

Debt Summary As of August 1, 2017 (Pro Forma)

Outstanding Short-term Debt

| <i>Project</i> | <i>Amount Authorized</i> | <i>New Money/ (Paydowns)</i> | <i>Outstanding Notes Due: 8/24/17</i> |
|-------------------------------|------------------------------|----------------------------------|---|
| Alice Peck School | \$ 2,540,000 | \$ 2,540,000 | \$ 2,540,000 |
| Skiff Street Bridge..... | 8,270,000 | 7,070,000 | 7,070,000 |
| CIP Fiscal Year 2016-17 | 11,510,000 | 11,510,000 | 11,510,000 |
| Total | \$ 22,320,000 | \$ 21,120,000 | \$ 21,120,000 |

Outstanding Bonded Debt As of August 1, 2017

| <i>Dated Date</i> | <i>Purpose</i> | <i>Interest Rate %</i> | <i>Original Issue</i> | <i>Amount Outstanding ¹</i> | <i>Fiscal Year of Maturity</i> |
|---|---------------------------------------|------------------------|---------------------------|--|--|
| 08/15/09 | Land Acquisition – Series B..... | 3.50 - 5.50 | \$ 4,000,000 | \$ 2,120,000 | 2020 |
| 06/01/10 | General Purpose Refunding, Series A.. | 3.00 - 4.00 | 1,584,000 | 512,000 | 2021 |
| 06/01/10 | School Refunding, Series A..... | 3.00 - 4.00 | 3,366,000 | 1,088,000 | 2021 |
| 06/01/10 | General Purpose Refunding, Series B.. | 3.00 - 5.00 | 4,096,900 | 1,335,600 | 2021 |
| 06/01/10 | School Refunding, Series B..... | 3.00 - 5.00 | 3,633,100 | 1,184,400 | 2021 |
| 08/24/11 | General Purpose..... | 2.00 - 4.25 | 31,397,600 | 19,175,700 | 2032 |
| 08/24/11 | Schools..... | 2.00 - 4.25 | 2,602,400 | 1,824,300 | 2032 |
| 10/06/11 | General Purpose Refunding, Series B.. | 3.00 - 4.00 | 3,538,100 | 610,600 | 2021 |
| 10/06/11 | Schools Refunding, Series B..... | 3.00 - 4.00 | 9,611,900 | 624,400 | 2021 |
| 08/23/12 | General Purpose..... | 2.00 - 5.00 | 23,555,000 | 15,307,500 | 2033 |
| 08/23/12 | Schools..... | 2.00 - 5.00 | 1,150,000 | 747,500 | 2033 |
| 05/15/13 | General Purpose Refunding..... | 3.00 - 5.00 | 15,158,600 | 15,158,600 | 2026 |
| 05/15/13 | Schools Refunding..... | 3.00 - 5.00 | 14,256,400 | 14,256,400 | 2026 |
| 08/21/14 | General Purpose..... | 2.00 - 5.00 | 26,405,000 | 19,800,000 | 2035 |
| 03/10/15 | Pension Bonds | 4.00 - 5.20 | 125,000,000 | 120,525,000 | 2045 |
| 06/17/15 | General Purpose Refunding..... | 2.00 - 5.00 | 11,000,000 | 9,620,000 | 2030 |
| 06/17/15 | Schools Refunding..... | 2.00 - 5.00 | 4,545,000 | 2,045,000 | 2030 |
| 08/20/15 | General Purpose, Series B..... | 3.00 - 6.00 | 11,286,500 | 7,898,000 | 2036 |
| 08/20/15 | Schools, Series B..... | 3.00 - 6.00 | 6,673,500 | 4,672,000 | 2036 |
| 08/18/16 | General Purpose..... | 3.00 - 5.00 | 18,747,000 | 18,747,000 | 2037 |
| 08/18/16 | Schools..... | 3.00 - 5.00 | 9,788,000 | 9,788,000 | 2037 |
| Total Outstanding Bonded Debt..... | | | \$ 331,395,000 | \$ 267,040,000 | |
| This Issue | | | | | |
| 08/01/17 | General Purpose Refunding..... | 3.00 - 5.00 | \$ 11,887,000 | \$ 11,887,000 | 2028 |
| 08/01/17 | Schools Refunding..... | 3.00 - 5.00 | 1,318,000 | 1,318,000 | 2028 |
| Total This Issue..... | | | 13,205,000 | 13,205,000 | |
| Grand Total..... | | | \$ 344,600,000 | \$ 280,245,000 | |

¹ Excludes bonds refunded or defeased.

The Town is planning on issuing \$11.5 million of Series B new money bonds and \$9.6 million of bond anticipation notes shortly after the issuance of the Bonds.

Overlapping/Underlying Debt

The Town does not have overlapping or underlying debt.

**Bonded Debt Maturity Schedule
As of August 1, 2017
(Pro Forma)**

| Fiscal Year Ended 6/30 | Principal Payments | Interest Payments | Total Debt Service | This Issue: The Bonds | Total Principal | Cumulative Principal Retired % |
|---|-------------------------------|------------------------------|-------------------------------|----------------------------------|----------------------------|---|
| 2018 ¹ | \$ 8,405,000 | \$ 12,709,292 | \$ 21,114,292 | \$ - | \$ 8,405,000 | 3.0% |
| 2019 | 14,090,000 | 11,600,368 | 25,690,368 | 370,000 | 14,460,000 | 8.2% |
| 2020 | 14,590,000 | 10,982,962 | 25,572,962 | 385,000 | 14,975,000 | 13.5% |
| 2021 | 15,140,000 | 10,307,121 | 25,447,121 | 400,000 | 15,540,000 | 19.0% |
| 2022 | 15,710,000 | 9,613,325 | 25,323,325 | 415,000 | 16,125,000 | 24.8% |
| 2023 | 16,310,000 | 8,888,259 | 25,198,259 | 435,000 | 16,745,000 | 30.8% |
| 2024 | 13,560,000 | 8,214,493 | 21,774,493 | 460,000 | 14,020,000 | 35.8% |
| 2025 | 13,390,000 | 7,647,690 | 21,037,690 | 485,000 | 13,875,000 | 40.7% |
| 2026 | 11,065,000 | 7,157,271 | 18,222,271 | 2,725,000 | 13,790,000 | 45.7% |
| 2027 | 5,190,000 | 6,815,429 | 12,005,429 | 4,835,000 | 10,025,000 | 49.2% |
| 2028 | 6,665,000 | 6,543,251 | 13,208,251 | 2,695,000 | 9,360,000 | 52.6% |
| 2029 | 9,810,000 | 6,179,862 | 15,989,862 | - | 9,810,000 | 56.1% |
| 2030 | 9,985,000 | 5,745,440 | 15,730,440 | - | 9,985,000 | 59.6% |
| 2031 | 10,465,000 | 5,287,213 | 15,752,213 | - | 10,465,000 | 63.4% |
| 2032 | 10,660,000 | 4,811,696 | 15,471,696 | - | 10,660,000 | 67.2% |
| 2033 | 9,115,000 | 4,369,317 | 13,484,317 | - | 9,115,000 | 70.4% |
| 2034 | 8,095,000 | 3,976,104 | 12,071,104 | - | 8,095,000 | 73.3% |
| 2035 | 8,320,000 | 3,593,252 | 11,913,252 | - | 8,320,000 | 76.3% |
| 2036 | 7,235,000 | 3,230,935 | 10,465,935 | - | 7,235,000 | 78.9% |
| 2037 | 6,595,000 | 2,900,460 | 9,495,460 | - | 6,595,000 | 81.2% |
| 2038 | 5,445,000 | 2,595,970 | 8,040,970 | - | 5,445,000 | 83.2% |
| 2039 | 5,740,000 | 2,305,160 | 8,045,160 | - | 5,740,000 | 85.2% |
| 2040 | 6,045,000 | 1,998,750 | 8,043,750 | - | 6,045,000 | 87.4% |
| 2041 | 6,365,000 | 1,676,090 | 8,041,090 | - | 6,365,000 | 89.6% |
| 2042 | 6,705,000 | 1,336,270 | 8,041,270 | - | 6,705,000 | 92.0% |
| 2043 | 7,065,000 | 978,250 | 8,043,250 | - | 7,065,000 | 94.5% |
| 2044 | 7,440,000 | 601,120 | 8,041,120 | - | 7,440,000 | 97.2% |
| 2045 | 7,840,000 | 203,840 | 8,043,840 | - | 7,840,000 | 100.0% |
| Total..... | \$ 267,040,000 | \$ 152,269,192 | \$ 419,309,192 | \$ 13,205,000 | \$ 280,245,000 | |

¹ Excludes \$5,550,000 principal payments and \$780,543.75 of interest payments made from July 1, 2017 through August 1, 2017.

**THE TOWN OF HAMDEN HAS NEVER DEFAULTED IN THE PAYMENT OF ITS
DEBT OBLIGATIONS EITHER AS TO PRINCIPAL OR INTEREST**

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of project costs or temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third year and for each subsequent year during which such temporary notes remain outstanding, in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

Temporary notes must be permanently funded no later than ten years from their initial borrowing date, except sewer notes issued in anticipation of state and/or federal grants. If written commitment exists, the municipality may renew the sewer notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15th of the total amount of the notes issued by funds derived from sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

**Statement of Statutory Debt Limitation
As of August 1, 2017
(Pro Forma)**

| | |
|--|-----------------------|
| Total Tax Collections (including interest and lien fees) received by the Treasurer for the year ended June 30, 2016 (preliminary) | \$ 166,691,728 |
| Reimbursement For Revenue Loss (Tax relief for elderly)..... | 397,951 |
| Base for Debt Limitation Computation..... | \$ 167,089,679 |

| | <u>General Purpose</u> | <u>Schools</u> | <u>Sewers</u> | <u>Urban Renewal</u> | <u>Unfunded Pension</u> |
|--|-----------------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| Debt Limitation: | | | | | |
| 2 ¹ / ₄ times base..... | \$ 375,951,778 | \$ - | \$ - | \$ - | \$ - |
| 4 ¹ / ₂ times base..... | - | 751,903,556 | - | - | - |
| 3 ³ / ₄ times base..... | - | - | 626,586,296 | - | - |
| 3 ¹ / ₄ times base..... | - | - | - | 543,041,457 | - |
| 3 times base..... | - | - | - | - | 501,269,037 |
| Total Debt Limitation..... | \$ 375,951,778 | \$ 751,903,556 | \$ 626,586,296 | \$ 543,041,457 | \$ 501,269,037 |
| Indebtedness: | | | | | |
| Bonds Outstanding | \$ 110,285,000 ¹ | \$ 36,230,000 | \$ - ¹ | \$ - | \$ 120,525,000 |
| Bonds – This Issue..... | 11,887,000 | 1,318,000 | - | - | - |
| Notes | 18,580,000 | 2,540,000 | - | - | - |
| Overlapping/Underlying Debt..... | - | - | - | - | - |
| Debt Authorized But Unissued..... | 3,321 | - | - | - | - |
| Total Net Indebtedness..... | \$ 140,755,321 | \$ 40,088,000 | \$ - | \$ - | \$ 120,525,000 |
| DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS.... | \$ 235,196,457 | \$ 711,815,556 | \$ 626,586,296 | \$ 543,041,457 | \$ 380,744,037 |

¹ Includes Clean Water Fund Project Loan Obligation.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$1,169,627,753

**Authorized but Unissued Debt
As of August 1, 2017
(Pro Forma)**

| <u>Project</u> | <u>Amount Authorized</u> | <u>Expected Grants</u> | <u>Previously Bonded</u> | <u>This Bond Issue</u> | <u>Outstanding Notes Due: 8/24/17</u> | <u>Authorized But Unissued Debt</u> |
|-------------------------------|--------------------------|------------------------|--------------------------|------------------------|---------------------------------------|-------------------------------------|
| Refunding Bonds | \$ 20,000,000 | \$ - | \$ - | \$ 13,205,000 | \$ - | \$ 6,795,000 |
| Alice Peck School | 2,540,000 | 2,540,000 | - | - | 2,540,000 | - |
| Skiff Street Bridge | 8,270,000 | 7,070,000 | 1,196,679 | - | 7,070,000 | 3,321 |
| CIP Fiscal Year 2016-17 | 11,510,000 | - | 11,510,000 | - | 11,510,000 | - |
| Total..... | \$ 42,320,000 | \$ 9,610,000 | \$ 12,706,679 | \$ 13,205,000 | \$ 21,120,000 | \$ 6,798,321 |

**Current Debt Statement
As of August 1, 2017
(Pro Forma)**

Long-Term Debt Outstanding:

| | |
|---|-----------------------|
| General Purpose (Includes this issue)..... | \$ 122,172,000 |
| Schools (Includes this issue)..... | 37,548,000 |
| Pension..... | 120,525,000 |
| Total Long-Term Debt..... | 280,245,000 |
| Short-Term Debt (to mature 8/24/17) | 21,120,000 |
| Direct Debt..... | 301,365,000 |
| Overlapping/Underlying Debt | - |
| Total Overall Debt..... | 301,365,000 |
| Less: School Construction Grants Receivable (As of June 30, 2016) | 1,140,000 |
| Total Overall Net Debt..... | \$ 300,225,000 |

**Current Debt Ratios
As of August 1, 2017
(Pro Forma)**

| | |
|---|-----------------|
| Population (2015) ¹ | 61,523 |
| Net Taxable Grand List (10/1/16) | \$3,864,173,000 |
| Estimated Full Value (70%)..... | \$5,520,247,143 |
| Equalized Grand List (10/1/14) ² | \$5,578,004,424 |
| Money Income per Capita (2015) ¹ | \$34,907 |

| | Total Overall Debt | Total Overall Net Debt |
|---|-------------------------------|-----------------------------------|
| Per Capita..... | \$4,898.41 | \$4,879.88 |
| Ratio to Net Taxable Grand List..... | 7.80% | 7.77% |
| Ratio to Estimated Full Value..... | 5.46% | 5.44% |
| Ratio to Equalized Grand List..... | 5.40% | 5.38% |
| Debt per Capita to Money Income per Capita (2015).... | 14.03% | 13.98% |

¹ American Community Survey 2011-2015

² Office of Policy and Management, State of Connecticut.

Five-year Debt Statement Summary

| | 2015-16 ¹ | 2014-2015 | 2013-2014 | 2012-2013 | 2011-2012 |
|---------------------------------------|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Population..... | 61,605 | 61,468 | 60,900 | 60,900 | 60,960 |
| Net taxable grand list | \$3,864,777,000 | \$4,075,941,000 | \$4,072,871,372 | \$4,061,234,000 | \$4,022,853,966 |
| Estimated full value | \$5,521,110,000 | \$5,822,772,857 | \$5,818,387,674 | \$5,801,762,857 | \$5,746,934,237 |
| Equalized net taxable grand list | \$5,469,363,955 | \$5,513,135,592 | \$5,754,354,481 | \$5,754,354,481 | \$5,754,354,481 |
| Per capita income | \$34,419 | \$33,888 | \$34,596 | \$34,596 | \$34,596 |
| Long-term debt | \$ 268,885,000 | \$ 262,175,000 | \$ 119,040,000 | \$ 129,975,000 | \$ 118,350,000 |
| Short-term debt | 23,335,000 | 17,960,000 | 28,905,000 | 17,960,000 | 25,775,000 |
| Total Overall Debt | \$ 292,220,000 | \$ 280,135,000 | \$ 147,945,000 | \$ 147,935,000 | \$ 144,125,000 |

¹ Preliminary.

Five-year Debt Statement Summary Ratios

| Overall debt: | 2015-16 ¹ | 2014-15 | 2013-2014 | 2012-2013 |
|---|-----------------------------|----------------|------------------|------------------|
| Per capita | \$4,743.45 | \$4,557.41 | \$2,426.92 | \$2,565.29 |
| To net taxable grand list | 7.56% | 6.87% | 3.63% | 3.84% |
| To estimated full value | 5.29% | 4.81% | 2.54% | 2.69% |
| To equalized net taxable grand list..... | 5.34% | 5.08% | 2.57% | 2.72% |
| Debt per capita to per capita income..... | 13.78% | 13.45% | 7.02% | 7.41% |

¹ Preliminary.

Comparison of Annual Debt Service to General Fund Expenditures

| Fiscal Year Ended 6/30 | Total Debt Service | Total General Fund Expenditures¹ | Ratio of Total Debt Service to General Fund Expenditures |
|-----------------------------------|-------------------------------|--|---|
| 2016 | \$ 22,139,790 | \$ 222,551,036 | 9.95% |
| 2015 | 14,183,868 | 208,005,986 | 6.82% |
| 2014 | 16,213,367 | 207,944,664 | 7.80% |
| 2013 | 16,280,508 | 201,069,301 | 8.10% |
| 2012 | 15,339,245 | 189,196,483 | 8.11% |
| 2011 | 4,333,809 | 184,639,339 | 2.35% |
| 2010 | 13,514,084 | 181,852,150 | 7.43% |

¹ Includes transfers out.

Source: Town of Hamden Finance Department.

Authority to Incur Debt

The Town has the power to incur indebtedness as provided by the Connecticut General Statutes and the Town's Charter. Pursuant to Section 10-9 of the Charter, borrowing for capital projects that will cause the related debt service of the Town to exceed ten percent (10%) of the then current fiscal year's budget and borrowing for non-capital projects (e.g., the pension plans) that will cause the related debt service of the Town to exceed four percent (4%) of the then current year's budget shall be submitted to binding referendum.

(Remainder of page intentionally left blank)

SECTION V – FINANCIAL SECTION

Taxable Grand List (\$ in thousands)

| Grand List As Of 10/1 | Residential Real Property % | Commercial and Industrial Real Property % | Personal Property % | Motor Vehicle % | Gross Taxable Grand List (000's) | Exemptions, Veterans Relief and Disabled (000's) | Net Taxable Grand List (000's) | Percent Growth |
|--------------------------------------|--|--|------------------------------------|--------------------------------|---|---|---|---------------------------|
| 2016 | 65.53% | 21.71% | 4.55% | 8.21% | \$ 3,913,253 | \$ 49,080 | \$ 3,864,173 | -0.02% |
| 2015 ² | 65.76 | 21.59 | 4.42 | 8.23 | 3,913,423 | 48,646 | 3,864,777 | -5.04 |
| 2014 | 68.71 | 19.65 | 3.98 | 7.66 | 4,120,910 | 50,991 | 4,069,919 | 0.03 |
| 2013 ¹ | 68.75 | 19.67 | 3.94 | 7.64 | 4,119,729 | 50,982 | 4,068,747 | 0.18 |
| 2012 | 68.91 | 19.61 | 3.90 | 7.57 | 4,111,323 | 50,089 | 4,061,234 | 0.31 |
| 2011 | 69.09 | 19.53 | 3.76 | 7.62 | 4,101,879 | 53,113 | 4,048,766 | 0.64 |
| 2010 ² | 69.53 | 19.46 | 3.76 | 7.25 | 4,078,676 | 55,838 | 4,022,838 | -6.68 |
| 2009 | 72.84 | 16.99 | 3.62 | 6.55 | 4,355,185 | 44,520 | 4,310,665 | 0.09 |
| 2008 | 73.10 | 16.70 | 3.60 | 6.60 | 4,349,444 | 42,671 | 4,306,773 | -0.08 |
| 2007 | 73.00 | 16.80 | 3.20 | 7.00 | 4,351,943 | 41,640 | 4,310,303 | - |

¹ Income and Expense Penalty of \$4,276,837 removed from 2013 Grand List amount.

² Revaluation.

Source: Town of Hamden, Assessor's Office.

Major Taxpayers

| Name of Taxpayer | Business | Taxable Valuation As of 10/1/16 | Percent of Net Taxable Grand List ¹ |
|---------------------------------|------------------------------|--|---|
| Whitney Center | Elderly Health Care Facility | \$ 64,186,280 | 1.66% |
| Baker Hamden LLC | Apartments | 55,940,570 | 1.45 |
| Broadmoor 1 LLC Et Al..... | Apartments | 34,848,590 | 0.90 |
| Hamden Developers LLC | Apartments | 34,223,070 | 0.89 |
| Sermonte Associates | Apartments | 29,132,530 | 0.75 |
| United Illuminating | Utility | 24,280,720 | 0.63 |
| 2335 Rte 10 Hamden-CT Inc. | Retail | 23,466,310 | 0.61 |
| MC Corporation | Retail | 21,108,430 | 0.55 |
| Southern Conn. Gas Co. | Utility | 17,645,400 | 0.46 |
| Hamden Plaza Associates | Apartments | 15,241,100 | 0.39 |
| Total..... | | \$ 320,073,000 | 8.28% |

¹ Based on the Net Taxable Grand List of October 1, 2016 of \$3,864,173,000.

Source: Town of Hamden, Assessor's Office.

Tax Collections

| Grand List of 10/1 | Fiscal Year Ending 6/30 | Mill Rate | Adjusted Annual Levy | Percent of Annual Levy Collected at End of Fiscal Year | Percent of Annual Levy Uncollected at End of Fiscal Year | Percent of Annual Levy Uncollected as of 6/30/2016 |
|-----------------------------------|--|----------------------|---------------------------------|---|---|---|
| 2015 ¹ | 2017 | 45.36 | 164,933,109 | <i>IN COLLECTION</i> | | |
| 2014 | 2016 | 40.87 | 162,702,112 | 98.6 | 1.4 | 1.40% |
| 2013 | 2015 | 39.93 | 161,657,046 | 98.7 | 1.3 | 0.01 |
| 2012 | 2014 | 38.94 | 157,577,658 | 98.6 | 1.4 | 0.00 |
| 2011 | 2013 | 37.14 | 150,149,003 | 98.5 | 1.5 | 0.00 |
| 2010 ¹ | 2012 | 34.77 | 138,966,450 | 98.5 | 1.5 | 0.00 |
| 2009 | 2011 | 31.16 | 133,375,296 | 98.4 | 1.6 | 0.00 |
| 2008 | 2010 | 29.41 | 126,148,748 | 98.4 | 1.6 | 0.00 |
| 2007 | 2009 | 29.42 | 126,857,937 | 98.7 | 1.3 | 0.00 |
| 2006 | 2008 | 29.10 | 124,608,733 | 98.7 | 1.3 | 0.00 |

¹ Revaluation.

Source: Town of Hamden, Tax Collector

Property Taxes Revenues

The Town's budget for fiscal year 2015–16 derives 78% of its annual revenues through a direct property tax. The following table summarizes recent tax revenues as a percentage of total revenue.

| Fiscal Year Ended June 30 | Tax Revenues as % of Total Revenues |
|--------------------------------------|--|
| 2016 | 79.70% |
| 2015 | 76.67 |
| 2014 | 76.95 |
| 2013 | 76.87 |
| 2012 | 75.66 |
| 2011 | 75.21 |
| 2010 | 69.57 |
| 2009 | 71.03 |
| 2008 | 73.31 |

The comparative balance sheets, statements of revenues, expenditures, and changes in fund balance for the General Fund and other financial information presented herein are derived from audited financial statements for fiscal years ended June 30, 2012 through 2015. The Town has provided preliminary financial information for fiscal year 2015-16 on page 29 and page 31. The Town's independent accountants have not examined, reviewed, or compiled any of the estimates or expressed any opinion or provided any other form of assurance with respect to such estimates, and, accordingly, assume no responsibility for them. The financial information presented herein is the responsibility of the Town's management. See Appendix A – "Auditor's Section" herein.

Comparative Balance Sheets – General Fund

| | <i>Preliminary¹</i> 6/30/2016 | Actual 6/30/2015 | Actual 6/30/2014 | Actual 6/30/2013 | Actual 6/30/2012 |
|---|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Assets: | | | | | |
| Cash and Cash Equivalents..... | \$ 33,775,975 | \$ 24,303,396 | \$ 24,543,152 | \$ 26,780,644 | \$ 21,263,770 |
| Property Taxes Receivable..... | - | - | - | - | 4,534,255 |
| Intergovernmental Receivables | - | 7,510,307 | 9,062,295 | 11,803,117 | 12,985,934 |
| Receivables, net | 8,745,884 | | | | |
| Due from Other Funds..... | 6,188,478 | 4,368,282 | 3,065,406 | 2,653,585 | 3,284,981 |
| Total Assets | 48,710,337 | 36,181,985 | 36,670,853 | 41,237,346 | 42,068,940 |
| Liabilities: | | | | | |
| Accounts and Other Payables..... | 7,880,776 | 3,462,812 | 1,989,541 | 7,882,924 | 7,492,382 |
| Unearned Revenues..... | - | - | 8,473,789 | 8,282,451 | 1,404,069 |
| Deferred Revenue..... | - | - | - | - | 10,453,059 |
| Due to Other Funds..... | 25,846,989 | 18,127,283 | 21,428,997 | 22,112,634 | 16,990,184 |
| Payments In Advance..... | - | - | 2,561,187 | 1,270,268 | - |
| Total Liabilities | 33,727,765 | 21,590,095 | 34,453,514 | 39,548,277 | 36,339,694 |
| Liabilities: | | | | | |
| Payments In Advance..... | 4,561,021 | 406,975 | - | - | - |
| Unearned Revenues..... | 7,460,850 | 11,141,163 | - | - | - |
| Total Deferred Inflows | 12,021,871 | 11,548,138 | - | - | - |
| Fund Balances: | | | | | |
| Unassigned..... | 2,960,701 | 3,043,752 | 2,216,205 | 1,687,935 | 1,194,991 |
| Assigned..... | - | - | 1,135 | 1,135 | - |
| Reserved for Encumbrances..... | - | - | - | - | - |
| Reserved for Subsequent Year's Budget... | - | - | - | - | - |
| Unreserved and Undesignated..... | - | - | - | - | - |
| Total Fund Balances | 2,960,701 | 3,043,752 | 2,217,340 | 1,689,070 | 1,194,991 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 48,710,337 | \$ 36,181,985 | \$ 36,670,854 | \$ 41,237,347 | \$ 37,534,685 |
| Operating revenues | \$ 217,509,730 | \$ 206,809,203 | \$ 208,952,934 | \$ 200,852,851 | \$ 188,285,326 |
| Fund balance as percent of operating revenues | 1.36% | 1.47% | 1.06% | 0.84% | 0.63% |

¹ Preliminary based on the 2016 draft audit, however, the Town does not expect any material change in the General Fund results.

(Remainder of page intentionally left blank)

**Adopted Budget for Fiscal 2016-17 and
Council Adopted Budget for Fiscal Year 2017-18 Projections**

| | 2016-17 Projected | 2017-18 Council Adopted |
|--|------------------------------|------------------------------------|
| Revenues | | |
| Taxes | \$ 172,282,990 | \$ 174,353,678 |
| Intergovernmental | 34,627,572 | 36,283,235 |
| Departmental revenues ... | 12,595,130 | 15,406,302 |
| Total revenues | \$ 219,505,693 | \$ 226,043,215 |
| Expenditures | | |
| General government..... | \$ 9,602,827 | \$ 10,567,898 |
| Public safety | 27,364,238 | 29,333,531 |
| Public works | 11,677,470 | 11,769,500 |
| Culture and recreation | 2,950,463 | 3,072,847 |
| Health and welfare | 1,603,750 | 1,651,529 |
| Employee benefits | 60,191,113 | 64,253,073 |
| Debt service | 21,753,575 | 20,894,837 |
| Board of Education | 84,008,995 | 84,500,000 |
| Total expenditures | \$ 219,152,430 | \$ 226,043,215 |
| Excess of revenues over expenditures..... | \$ 353,263 | \$0 |

Based on preliminary results the fund balance for June 30, 2016 totals \$2,960,701 and unassigned fund balance totals \$2,960,701.

| | 6/30/2016 Preliminary | 6/30/2017 Budget |
|---|----------------------------------|-----------------------------|
| Total fund balance as percent of operating revenues | 1.36% | 1.40% |
| Unassigned fund balance as % of operating revenues | 1.36% | 1.40% |

(Remainder of page intentionally left blank)

**General Fund Revenues, Expenditures and Changes in Fund Balance
(GAAP Basis)**

| | Adopted Budget ² 2017-18 | Adopted Budget ² 2016-17 | Preliminary ⁴ 2015-16 | Actual ¹ 2014-15 | Actual ¹ 2013-14 |
|--|--|--|---|--|--|
| Revenues: | | | | | |
| Property Taxes | \$ 174,353,678 | \$ 173,148,734 | \$ 166,677,729 | \$ 162,646,202 | \$ 157,520,523 |
| Licenses, Permits, and Fees..... | - | - | - | - | - |
| Intergovernmental | 36,283,235 | 35,433,375 | 44,146,760 | 37,141,207 | 43,373,808 |
| Charges for Services | 4,000,000 | 3,832,236 | 5,459,071 | 5,267,502 | 5,054,413 |
| Investment Income..... | 150,000 | 101,000 | 156,928 | 109,947 | 79,206 |
| Other | 10,500,000 | 8,905,336 | 1,069,242 | 1,644,345 | 2,924,984 |
| Total Revenues | 225,286,913 | 221,420,681 | 217,509,730 | 206,809,203 | 208,952,934 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Education..... | 84,008,995 | 84,008,995 | 94,446,338 | 84,858,213 | 91,700,269 |
| General Government..... | 10,144,308 | 10,144,308 | 9,306,122 | 8,448,513 | 9,876,460 |
| Public Safety..... | 27,914,935 | 27,914,935 | 27,485,639 | 26,975,603 | 24,291,467 |
| Public Works..... | 11,485,394 | 11,485,394 | 11,811,930 | 12,000,404 | 12,000,310 |
| Health and Welfare..... | 1,712,760 | 1,712,760 | 1,172,390 | 1,699,785 | 1,617,268 |
| Culture and Recreation..... | 3,041,714 | 3,041,714 | 2,471,994 | 2,742,750 | 2,560,646 |
| Employee Benefits | 61,359,000 | 61,359,000 | 53,716,833 | - | - |
| Other..... | - | - | - | 57,096,850 | 49,684,877 |
| Capital Outlay | - | - | - | - | - |
| Debt Service..... | 21,753,575 | 21,753,575 | 22,139,790 | 14,183,868 | 16,213,367 |
| Total Expenditures | 221,420,681 | 221,420,681 | 222,551,036 | 208,005,986 | 207,944,664 |
| Revenues over (under) expenditures | 3,866,232 | - | (5,041,306) | (1,196,783) | 1,008,270 |
| Other Financing Sources Uses: | | | | | |
| Refunding Bond Proceeds..... | - | - | - | - | - |
| Bond Premium | - | - | 2,195,000 | 987,071 | - |
| Payments to Escrow Agent | - | - | - | - | - |
| Operating Transfers In | - | - | 363,255 | 1,037,259 | - |
| Operating Transfers (Out) | - | - | - | - | (480,000) |
| Total other Financing Sources (uses) | - | - | 2,558,255 | 2,024,330 | (480,000) |
| Revenues and other financing sources over (under) expenditures and other financing (uses) | \$ 3,866,232 | \$ - | \$ (2,483,051) | \$ 827,547 | \$ 528,270 |
| Fund Balance, July 1..... | \$ 2,960,701 | \$ 2,960,701 | \$ 5,443,752 ³ | \$ 2,217,340 | \$ 1,689,070 |
| Restatement | - | - | - | (1,135) | - |
| Fund Balance, June 30..... | \$ 6,826,933 | \$ 2,960,701 | \$ 2,960,701 | \$ 3,043,752 | \$ 2,217,340 |

¹ GAAP Basis of accounting.

² Budgetary Basis of accounting.

³ Fund Balance was restated from 6/30/15 based on how the bond premium was treated.

⁴ These operating results are preliminary based on the 2016 draft audit, however, the Town does not expect any material change in the General Fund results.

Intergovernmental Revenues as a Percent of General Fund Revenues

| Fiscal Year Ended 6/30 | Intergovernmental Revenues | Total Revenues | Percent |
|-----------------------------------|---------------------------------------|---------------------------|----------------|
| 2017 ¹ | \$ 35,433,375 | \$ 221,420,681 | 16.0% |
| 2016 ² | 44,146,760 | 217,509,730 | 20.30 |
| 2015 | 37,141,207 | 208,809,203 | 17.79 |
| 2014 | 43,373,808 | 208,952,934 | 20.76 |
| 2013 | 45,338,028 | 200,852,851 | 22.57 |
| 2012 | 42,518,172 | 188,285,326 | 22.58 |
| 2011 | 44,696,470 | 183,436,468 | 24.37 |
| 2010 | 40,619,842 | 173,070,065 | 23.47 |

Source: Annual Audited Financial Statements.

¹ Subject to audit.

² Preliminary.

Capital Improvement Program

| Purpose | Fiscal 2016-17 | Fiscal 2017-18 | Fiscal 2018-19 | Fiscal 2019-20 | Fiscal 2020-21 | Fiscal 2021-22 | Total |
|------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------|
| Animal Control | \$ 400,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 400,000 |
| Assessor | - | - | - | 1,370,000 | - | - | 1,370,000 |
| Building | 25,000 | 25,000 | - | - | - | - | 50,000 |
| Economic Department | 393,000 | 275,000 | 380,000 | 185,000 | 375,000 | 165,000 | 1,773,000 |
| Community Services | 200,000 | 200,000 | 500,000 | - | - | - | 900,000 |
| Finance | 278,344 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 1,778,344 |
| Engineering | 850,000 | 2,000,000 | 700,000 | 1,250,000 | 1,000,000 | 1,500,000 | 7,300,000 |
| Fire | 812,500 | 2,557,500 | 2,340,000 | 40,000 | 180,000 | 230,000 | 6,160,000 |
| Information Technology | 905,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 1,405,000 |
| Library | 320,000 | 645,000 | 10,000 | 105,000 | 5,000 | 255,000 | 1,340,000 |
| Mayor's Office | 535,000 | 600,000 | 450,000 | 600,000 | 450,000 | 600,000 | 3,235,000 |
| Parks | 705,000 | 275,000 | 325,000 | 250,000 | 300,000 | 250,000 | 2,105,000 |
| Police | 719,500 | 425,662 | 425,662 | 475,662 | 500,662 | 350,000 | 2,897,148 |
| Public Works | 1,194,500 | 800,000 | 575,000 | 815,000 | 750,000 | 860,000 | 4,994,500 |
| Purchasing | 80,000 | 90,000 | 90,000 | 90,000 | 540,000 | 90,000 | 980,000 |
| Traffic | 885,000 | 1,620,000 | 1,035,000 | 1,020,000 | 1,035,000 | 1,020,000 | 6,615,000 |
| Town Clerk | 77,500 | 80,000 | 80,000 | 75,000 | 50,000 | 25,000 | 387,500 |
| Education | 13,341,786 | 2,353,940 | 3,201,621 | 1,651,700 | 1,189,500 | 443,000 | 22,181,547 |
| Total | \$21,722,130 | \$12,347,102 | \$10,512,283 | \$ 8,327,362 | \$ 6,775,162 | \$ 6,188,000 | \$65,872,039 |

The Town expects to fund its Capital Improvement Program from a combination of bonds, grants and leases.

Future Debt Issuance Plans

The Town expects no major capital needs for the next three to five years though the Town plans to issue roughly \$10 million annually for general capital needs. The Town is planning on issuing \$11.5 million of Series B new money bonds and \$9.6 million of bond anticipation notes shortly after the issuance of the Bonds.

Budget Procedure

The Town adheres to the following procedure in establishing the budgetary data included in the General Fund and certain Special Revenue Funds financial statements. Financial controls are provided by the Legislative Council which is responsible for approving annual budgets, approving all other Town appropriations and determining the tax rate. The annual budget-making process for the Town is outlined in Chapter 6 of the Town Charter. The timetable is established annually but all actions must be completed at least 45 days prior to the beginning of each fiscal year based upon a budget submitted by the Mayor. The process is detailed below:

| <u>On or About</u> | <u>Action</u> |
|---------------------------|---|
| By February 23 | Departments, office, boards, and commissions submit estimates of receipts and expenditures to the Mayor and Director of Finance. |
| By March 17 | The Mayor submits the budget to the Legislative Council not later than 105 days before the end of the fiscal year. |
| By May 1 | The Legislative Council holds one or more public hearings to obtain taxpayer comments no later than 60 before the beginning of the fiscal year. |
| By May 15 | The Legislative Council adopts the budget not later than 45 days before the beginning of the fiscal year. |
| July 1 | The new fiscal year begins. |

All unencumbered appropriations lapse at year-end, except those for the Capital Projects Fund and certain special revenue grants. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

Audit

The Town, in accordance with the provisions of Chapter 111 of the Connecticut General Statutes, employs the services of an independent CPA firm to audit its financial records annually. The audit is conducted in compliance with Public Act 77-611 and contains the financial statements of the Town and the auditor's opinion thereon, in addition to specific comments and recommendations.

Assessment Practices

The Town completed a statistical revaluation on the Grand List of October 1, 2015. A physical revaluation is required every ten years with five-year revaluation updates in between physical revaluations. The next revaluation, which will be a physical revaluation, is scheduled for October 1, 2020.

The maintenance of an equitable tax base by locating and appraising all real and personal property within the Town for inclusion onto the Grand List is the responsibility of the Assessor's Office. The Grand List represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Town on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last general revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Each year a Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current Grand List are warranted.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. Upon issuance of a certification of completion, a physical inspection is conducted and a new fair market value is determined with the aid of schedules developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties and estimate changes to existing income streams.

Connecticut General Statutes Section 12-71e, as amended, allows municipalities to tax motor vehicles at a different rate than other taxable property, but caps the motor vehicle tax rate at 32.00 mills for the assessment year commencing October 1, 2016, and each assessment year thereafter. Section 4-66l of the General Statutes, as amended, diverts a portion of state collected sales tax revenue to provide funding to municipalities to mitigate the revenue loss attributed to the motor vehicle property tax cap. The City's motor vehicle tax rates for the current 2016 assessment year is 32.00 mills.

All personal property (furniture, fixtures, equipment, machinery, supplies, non-registered motor vehicles, and leased equipment) is revalued annually. Random audits are conducted periodically.

Motor vehicle registration lists are furnished to the Town by the State Department of Motor Vehicles. The Office of Policy and Management has determined that the average retail values represented by the National Automobile Dealers

Association pricing guides must be utilized in preparation of the grand lists. These values are applied uniformly and equitably to all vehicles in the Town; a myriad of exemptions are then applied to qualifying applicants. The same process is applied to the Supplemental Motor Vehicle list, which represents new or replacement vehicles which were registered after the October 1 assessment date, but before the following July. Bills for this supplemental list are issued the following January, eighteen months after the Grand List date.

Section 12-124a of the Connecticut General Statutes permits a municipality, upon approval by its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent (8%) of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at six percent (6%) per annum, at such rate approved by the legislative body at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien. The Town has not approved the use of this abatement provision to date.

Property Tax Levies and Collections

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. Real, personal property and motor vehicle taxes are billed in the following July and are payable in two installments on July 1 and January 1, except any tax under \$250 which is payable in full on July 1. Motor vehicle supplemental bills are payable on January 1. A significant estimate for outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with state law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are lienied each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills.

Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are considered uncollectible fifteen years after the due date in accordance with Connecticut General Statutes, Section 12-164.

Property tax revenues 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 (within 60 days of the close of the fiscal year) are to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as deferred revenue on the Town's financial statements. Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes, which are deemed to be uncollectible.

Connecticut General Statutes Section 4-66l, as amended ("Section 4-66l"), creates certain disincentives on increasing adopted budget expenditures for municipalities in Connecticut. Beginning in fiscal year 2018, the Office of Policy and Management ("OPM") must reduce the amount of the municipal revenue sharing grant for those municipalities whose increase in its adopted budget expenditures, with certain exceptions, exceed the spending limit specified in the general statutes. The reduction to the municipal revenue sharing grant will generally equal 50 cents for every dollar by which the municipality's adopted budget exceeds the expenditure cap. A municipality whose population increased from the previous fiscal year, as determined by OPM, may increase its adopted budget expenditures over the expenditure cap by an amount proportionate to its population growth. Section 4-66l requires each municipality to annually certify to the Secretary of OPM whether the municipality has exceeded the spending limit, and if so, the amount by which the limit was exceeded.

Under Section 4-66l, municipal spending does not include expenditures: (i) for debt service, special education, or costs to implement court orders or arbitration awards; (ii) associated with a major disaster or emergency declaration by the President or disaster emergency declaration issued by the Governor under the civil preparedness law; (iii) for any municipal revenue sharing grant the municipality disburses to a district; or (iv) budgeting for an audited deficit, non-recurring grants, capital expenditures or payments on unfunded pension liabilities.

Investment Practices

Under the Town Charter and under Connecticut General Statutes Sections 7-400, 7-401 and 7-402, and under an Investment Policy (the "Policy") implemented by the finance office, the Town may invest in certificates of deposit, repurchase agreements, municipal notes and bonds, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation,

obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government, mutual funds and money market mutual funds.

The Town's investment practices have been to invest only in certificates of deposit, repurchase agreements and the State of Connecticut Short Term Investment Fund. All investments are to be approved by the Director of Finance. The Director of Finance has followed these investment practices, and the Town's operating funds and capital funds are currently invested in the following short-term investments: (1) overnight repurchase agreements with specified banks collateralized by U.S. agency obligations such as the Federal Home Loan Mortgage Corporation which are valued daily; and (2) overnight U.S. Treasury obligations. Under the Policy, there are set investment limits for each bank named as a public depository, depending on each bank's financial performance. Quarterly public depository financial statements are reviewed to determine that the risk-based capital ratio of any bank does not fall below 4%.

All Town pension funds are invested in mutual funds and securities as determined by the pension fund administrators. Board of Education pension funds are invested in a cost-sharing, multiple-employer public employees retirement system established by the State of Connecticut and administered by the State of Connecticut Retirement Commission to provide pension benefits for the employees of participating municipalities.

Risk Management

The Town and the Board of Education are exposed to various risks of loss related to public official liability, employee health and medical, police professional liability, theft or impairment of assets, errors or omissions, injury to employees, natural disasters, and owners and contractors protective liability.

The Town and the Board of Education purchase commercial insurance for all risks of loss other than employee medical and heart and hypertension. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the past three years.

The Town currently is a member in Connecticut Interlocal Risk Management Agency ("CIRMA"), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of Connecticut General Statutes, for workers' compensation, auto liability, general liability, public officials liability, school leaders liability, police professional liability, umbrella and property insurance. CIRMA currently has 233 members in the workers' compensation pool. The Town pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws. The Town is subject to a \$300,000 per claim deductible for workers' compensation claims for claims from July 1, 1999 to June 30, 2009. The Board of Education was also covered by CIRMA on a fully insured basis for this same period of time.

The Town and Board of Education also maintain coverage for claims in excess of the CIRMA liability limits through a policy issued by American International Group (AIG).

Beginning on July 1, 2009, the Town and Board of Education became self-insured for Workers' Compensation coverage. The program was reinsured through New York Marine & General Insurance Company. The Town retains the first \$500,000 of each loss. PMA of Connecticut serves as the Claims Administrator for the program.

Beginning on July 1, 2010, the Town and Board of Education changed the carrier for the Excess Worker's Compensation coverage to Safety National Insurance Company.

The self-insurance programs for medical insurance are being administered by a third-party administrator ("the administrator") and are reported as an internal service fund. The third party administrator is Anthem Blue Cross and Blue Shield of Connecticut. Medical insurance premiums are based upon estimates by number of employees and type of coverage (single or family), trends in the insurance claims and estimates for administration. The claims liability reported is based upon the requirements of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded. The Town maintains stop loss coverage of \$250,000 for individual medical claims.

In fiscal year 2009-10 the Town's Medical Self-Insurance Fund was in a deficit situation of \$8.6 million, effectively eliminating the Town's fund balance. Also contributing to the operating deficit for fiscal year 2009-10 was the general state of the economy which caused a decrease in revenues including building permits, charges for service and interest income.

The fiscal year 2010-11 budget erased this Medical Self-Insurance deficit and funded the Medical Self Insurance operating budget account at 100% for the first time in several years. This increase represented a \$14.2 million (\$8.6 million deficit elimination and addition of \$5.6 million) increase in medical funding from fiscal year 2009-10. To accomplish this funding level, the Town reorganized departments, privatized two operations that were causing a significant drain each year, implemented a reduction in force, and refinanced and restructured existing debt.

Pension Plans

The Town maintains the Employees Retirement Plan of the Town (the “Town’s Retirement Plan” or the “Plan”), a single-employer, defined benefit public employee retirement system. The Plan was established by the Town in 1949 and covers all full-time Town employees who are members of the police or fire departments (“Guardian employees”) hired prior to July 1, 2006 and all other full-time employees (“Service employees”) hired prior to July 1, 2007. Current and former employees covered by the Connecticut State Teachers Retirement System are not part of the Plan. The Plan is governed by an eleven-member board composed of two Guardian employees, two Service employees, one member of the Plan who is not a member of a bargaining unit, four persons who are not members of the Plan, the Mayor and the Finance Director. As of July 1, 2016, the date of the most recent valuation, 722 retired participants and beneficiaries, 24 vested former participants and 408 active participants are in the Town’s Retirement Plan.

Effective July 1, 2007, the Town closed the Plan and all new hires, except those in the Connecticut State Teachers’ Retirement System, are enrolled in the Connecticut Municipal Employees Retirement System (“CMERS”). CMERS is a defined benefit plan administered by the State Retirement Commission. The State Treasurer’s office is responsible for investing CMERS funds for the exclusive benefit of CMERS members. The Town currently has 31 Guardian employees and 37 Service employees enrolled in CMERS. CMERS is funded by employee and employer contributions at rates set by the State Retirement Commission to fund the remaining costs. The Town also contributes towards the administrative costs of CMERS. As of June 30, 2014, CMERS was 87.8% funded. The Town currently contributes 11.38% and 14.98% of participants pay to CMERS for Service and Guardian employees, respectively; these rates will remain the same for the fiscal year ending June 30, 2017. CMERS does not provide unfunded information for participating employers, but the Town’s estimated unfunded liability to CMERS was approximately \$0.7 million as of June 30, 2016.

The following table represents recent Town funding payments for the Plan and CMERS.

| <i>Fiscal Year Ended 6/30</i> | <i>Plan</i> | <i>CMERS</i> | <i>Total</i> |
|--------------------------------------|--------------------|---------------------|---------------------|
| 2009..... | \$ 12,500,000 | \$ 165,698 | \$12,665,698 |
| 2010..... | 12,500,000 | 205,572 | 12,705,572 |
| 2011..... | 6,550,000 | 499,995 | 7,049,995 |
| 2012..... | 3,040,000 | 636,584 | 3,676,584 |
| 2013..... | 9,340,000 | 923,474 | 10,263,474 |
| 2014..... | 12,500,000 | 1,110,466 | 13,610,466 |
| 2015..... | 14,768,025 | 1,700,000 | 16,468,025 |
| 2016..... | 12,100,000 | 2,219,517 | 14,319,517 |
| 2017..... | 15,750,000 | 1,900,000 | 17,650,000 |
| 2018*..... | 17,700,000 | 2,000,000 | 19,700,000 |

**Pursuant to the Pension Statute, based on the issuance of the Town’s 2015 General Obligation Bonds, Issue of 2015 (Federally Taxable) on March 10, 2015, the Town is required to contribute eighty percent (80%) of the ARC, or \$17,700,000, for fiscal 2018.*

The certified teaching faculty and administrative personnel of the Town participate in the Connecticut State Teachers Retirement System, administered by the Connecticut State Teachers Retirement Board. This is a noncontributory multiple-employer Public Employer Retirement System. The Town does not contribute to the plan nor does it have any legal obligation for benefit payments.

General Funding Practices of the Town’s Retirement Plan

Since the issuance of the Town’s General Obligation Bonds, Issue of 2015 (Federally Taxable) (the “2015 POBs”), actuarial valuations of the Town’s Retirement Plan are performed as of July 1 on an annual basis. The actuarial valuation uses recognized methods to calculate the actuarial value of assets and the actuarial accrued liability of the Plan. The most recent actuarial valuation as of July 1, 2016 was prepared by Segal Consulting, the Town’s actuary (the “Actuary”). The

valuation was posted on the Electronic Municipal Market Access (“EMMA”) website under “Other Financial/Operational Data” on January 14, 2017.

Participant Data

The actuarial valuation and review considers the number and demographic characteristics of covered participants, including active participants, vested terminated participants, retired participants and beneficiaries. The Plan has been closed to new entrants since 2007 for Service employees and 2006 for Guardian employees and therefore the number of active participants is declining. The average age, service, and salary of the active population in the Plan are increasing. In the July 1, 2016 actuarial valuation, there were 408 active participants with an average age of 52.0, average credited service of 16.8 years and average salary of \$69,601. The 425 active participants in the July 1, 2015 actuarial valuation had an average age of 51.1, average service of 16.0 years and average salary of \$68,217. There were 24 participants with a vested right to a deferred or immediate vested benefit as of July 1, 2016, and 22 as of July 1, 2015. In the July 1, 2016 actuarial valuation, there were 609 retired participants and 113 beneficiaries receiving total monthly benefits of \$2,049,798. For comparison, in the July 1, 2015 actuarial valuation, there were 614 retired participants and 112 beneficiaries receiving monthly benefits of \$2,018,585. The retired participant count in the July 1, 2016 actuarial valuation includes 85 participants receiving a disability pension. For the July 1, 2016 actuarial valuation, there were 85 participants receiving a disability pension.

Financial Information

Retirement plan funding anticipates that, over the long term, both net contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments. Retirement plan assets change as a result of the net impact of these income and expense components.

It is desirable to have level and predictable plan costs from one year to the next. For this reason, there is an asset valuation method in place that gradually adjusts the actuarial value of assets to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value. Both the actuarial value and market value of assets are representations of the Plan’s financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Retirement Plan’s liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

Actuarial Experience

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions.

The actual experience that is compared against the assumptions include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

If the overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss). Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single years’ experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience. If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The following chart summarizes the Retirement Plan's gains and losses, as identified in the last four actuarial valuations. Historically, the Town has completed actuarial valuations on a two-year cycle. Gains and losses of 1% or less per year are considered not to be significant. As can be seen in the chart, the gains and losses attributable to non-investment sources have been below this threshold.

| Ending June 30 | Actuarial Accrued Liability (AAL) | Investment Gain/(Loss) | | Non-Investment Gain/(Loss) | | Total Actuarial Gain/(Loss) | |
|---------------------------|--|-----------------------------------|-----------------|---------------------------------------|-----------------|--|-----------------|
| | | Amount (in \$) | % of AAL | Amount (in \$) | % of AAL | Amount (in \$) | % of AAL |
| 2008 | \$303,003,978 | (\$45,497) | -0.02% | \$4,164,371 | 1.37% | \$4,118,874 | 1.36% |
| 2010 | 323,748,595 | (11,813,294) | -3.65% | (617,479) | -0.19% | (12,430,773) | -3.84% |
| 2012 | 419,266,994 | (7,028,682) | -1.68% | (6,804,497) | -1.62% | (13,833,179) | -3.30% |
| 2014 | 452,501,230 | 943,270 | 0.21% | (2,736,035) | -0.60% | (1,792,765) | -0.40% |
| 2015 | 454,439,941 | 416,880 | 0.09% | 10,753,874 | 2.37% | 11,170,754 | 2.46% |
| 2016 | 441,521,657 | 3,663,473 | 0.83% | 1,393,565 | 0.32% | 5,057,038 | 1.15% |

Funding Status of the Town's Retirement Plan

Payments into the Plan are made from Town and employee contributions. The table below shows Town contributions, employee contributions, net investment income, administrative expenses paid, benefits paid and the actuarial value of the Plan assets for the fiscal years ending June 30, 2006 through June 30, 2016.

Information in the tables derived from the Town's internal records, audited financial statements and information provided by the Town's actuarial consultants.

| Year ended June 30 | Town Contributions | Employee Contributions | Investment Return | Administrative Expenses | Benefit Payments | Actuarial Value of Assets at end of year |
|-------------------------------|-------------------------------|-----------------------------------|------------------------------|------------------------------------|-----------------------------|---|
| 2008 | 12,000,000 | 1,845,471 | 5,387,042 | 110,134 | 17,359,201 | 85,832,527 |
| 2009 | 12,500,000 | 1,983,963 | (3,223,225) | 106,880 | 18,101,394 | 78,884,991 |
| 2010 | 12,500,000 | 1,968,410 | 6,884,458 | 100,740 | 18,784,600 | 81,352,519 |
| 2011 | 6,550,000 | 2,053,140 | 3,232,260 | 113,089 | 19,762,293 | 73,312,537 |
| 2012 | 3,040,000 | 2,138,782 | 1,040,920 | 103,868 | 20,586,244 | 58,842,127 |
| 2013 | 9,340,000 | 2,153,222 | 2,355,295 | 101,595 | 22,346,744 | 50,242,305 |
| 2014 | 12,500,000 | 2,181,831 | 5,916,442 | 76,352 | 23,582,140 | 46,762,549 |
| 2015 | 137,071,112 | 2,232,056 | (1,355,734) | 109,273 | 24,325,333 | 163,625,550 |
| 2016 | 12,100,000 | 2,195,488 | 1,468,812 | (118,719) | 24,437,110 | 154,834,124 |
| 2017 ¹ | 15,750,000 | N/A | N/A | N/A | N/A | N/A |
| 2018 ² | 17,700,000 | N/A | N/A | N/A | N/A | N/A |

¹ Unaudited.

² Budgeted amount

Employee contributions rates have increased as follows:

- The rate for Guardians increased from 8.00% to 8.50% of pay, effective July 1, 2013.
- The rate for Service employees increased from 6.50% to 7.00% on July 1, 2013, 7.00% to 7.50% on July 1, 2014, 7.50% to 7.75% on July 1, 2015, and from 7.75% to 8.00% of pay effective July 1, 2016.

In addition to Town and employee contributions, the Town issued the 2015 POBs on March 10, 2015. Proceeds from such bonds in the amount of \$122,303,087 were deposited into the Plan shortly after issuance. See "Strategic Plan to Fully Fund Town's Retirement Plan" on the next page.

Recommended Contribution

The amount of annual recommended contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. The recommended contribution for the Town's fiscal year beginning July 1, 2014 was based on a 30-year increasing amortization with 2% annual increases expected. The 2% growth is tied to the Town's expected budgetary increases. The 30-year period was reestablished with the 2014 valuation, in conjunction with the issuance of the 2015 POBs pursuant to the Pension Statute; pursuant to the Pension Statute, the 30-year amortization period is fixed from the date of issuance of the 2015 POBs and will decline in the future.

The Town developed a strategy to fund the Plan that meets the Pension Statute requirements and provides a level payment for all of the Town's retirement plans in total, for ease in budgeting. Thus, after the initial five year ramp-up, the Town expects to initially contribute more than 100% of the annual recommended contribution under the Pension Statute. As the CMERS cost increases, the Town's contribution to the Plan will decrease such that the total contribution remains level.

The Town's contribution to the Plan compared to the Plan's Actuarially Required Contribution for the Plan year ending June 30, 2007 through June 30, 2017 are shown below. The anticipated Town contribution and the Actuarially Recommended Contribution for plan year ending June 30, 2018 is also shown.

| Year Beginning | Town Contribution | Actuarially Recommended Contribution ("ARC") | Percent of ARC Contributed |
|-----------------------|--------------------------|---|-----------------------------------|
| June 30, 2007..... | \$ 9,000,000 | \$ 15,956,437 | 56.4% |
| June 30, 2008..... | 12,000,000 | 16,754,259 | 71.6 |
| June 30, 2009..... | 12,500,000 | 18,292,735 | 68.3 |
| June 30, 2010..... | 12,500,000 | 18,911,433 | 66.1 |
| June 30, 2011..... | 6,550,000 | 19,088,623 | 34.3 |
| June 30, 2012..... | 3,040,000 | 19,850,851 | 15.3 |
| June 30, 2013..... | 9,340,000 | 27,145,128 | 34.4 |
| June 30, 2014..... | 12,500,000 | 27,688,031 | 45.1 |
| June 30, 2015..... | 14,768,025 | 29,536,050 | 50.0 |
| June 30, 2016*..... | 12,100,000 | 21,998,113 | 55.0 |
| June 30, 2017*..... | 15,750,000 | 21,067,247 | 74.8 |
| June 30, 2018*..... | 17,700,000 | 22,300,000 | 79.4 |

**Pursuant to the Pension Statute, based on the issuance of the Town's 2015 POBs, the Town was required to contribute fifty-five percent (55%) of the ARC, or \$12,100,000, for fiscal 2016, and \$15,570,000, or 70% of an estimated ARC of \$22,500,000 for fiscal 2017. The Town is required to contribute eighty percent (80%) of the ARC, or \$17,700,000, for fiscal 2018.*

Actuarial valuations are performed as of July 1. The actuarial valuation uses recognized methods to calculate the actuarial value of assets and the actuarial accrued liability of the Plan. Set forth below are the actuarial accrued liabilities, the actuarial value of assets, the resulting unfunded accrued liabilities, the funded ratios on an actuarial and market basis, and the ratio of actuarial value of assets to market value of assets for the 2012 to 2016 valuations.

| | July 1st | | | | |
|---|-----------------|---------------|----------------|---------------|---------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Actuarial accrued liability..... | \$ 419,266,994 | N/A | \$ 452,501,230 | \$454,439,941 | \$441,521,657 |
| Actuarial value of assets..... | 58,842,127 | \$ 49,822,768 | 46,762,549 | 167,629,557 | 165,080,700 |
| Unfunded accrued liability..... | 360,424,867 | N/A | 405,738,681 | 286,810,384 | 276,440,957 |
| Actuarial recommended contribution..... | \$ 27,145,128 | \$27,688,031 | \$ 29,536,050 | \$ 21,998,113 | \$ 21,067,247 |
| Market value of assets..... | \$ 57,919,838 | \$ 52,092,655 | \$ 50,112,795 | \$163,625,653 | \$154,834,124 |
| Funded ratio (actuarial value)..... | 14.03% | N/A | 10.33% | 36.89% | 35.07% |
| Funded ratio (market value)..... | 13.81% | N/A | 11.08% | 36.01% | 37.39% |

Strategic Plan to Fully Fund the Town's Retirement Plan

To formally address the underfunding of the Retirement Plan, Hamden engaged the services of Segal Consulting in 2012 to conduct a six-month planning process designed to develop a long-term, multi-tiered program to dramatically increase the Plan's funded ratio. Experts from Segal Consulting in the areas of actuarial pension analysis, the Town's Municipal Advisor, Bond Counsel, Pension Investment Advisors and representatives from the Mayor's Office, Finance Department, Legislative Council, Union Representatives and Personnel Department were part of a working group that participated and contributed to developing the plan. The plan developed was presented to the Hamden Legislative Council and the public on January 31, 2013. This plan was posted on the EMMA website under "Consultant Reports" on April 18, 2013.

The plan for comprehensive pension reform and full funding of Hamden's Retirement Plan contains the recommendations for increased funding of the existing Plan in a fashion that yields long-term tax stability. It supplies options for a new Plan design for future employees that reduce overall retirement costs and effectively manages investment risk between the employer and the employee. It outlines the cost-of-living ("COLA") increases under the current Pension Ordinance and cost-savings that can be achieved through COLA reduction. It also identifies and implements administrative/technical changes that will provide enhanced oversight and projections for the fund. The issuance of the Town's 2015 General Obligation Bonds, Issue of 2015 (Federally Taxable) to increase the corpus of the fund is included in the Plan. Finally, a change to the fund valuation timeliness, development of a defined contribution program, and moving to a level-dollar total contribution model, for the retirement programs combined, are also part of the comprehensive pension reform package.

The Town formally took action to implement recommended changes designed to solve the pension underfunding issue. On March 10, 2015, the Town issued \$125,000,000 of general obligation pension funding bonds to help fund the Town's unfunded liability. The Town contributed \$14.8 million to the Plan in fiscal year 2014-15 and \$12.1 million in fiscal year 2015-16 and \$15.75 million for fiscal year 2016-17. The Town has budgeted a contribution of \$17.7 million for the fiscal year 2017-18. To start addressing the extraordinary cost of the COLA, the Mayor implemented a provision of the Town Retirement Ordinance that reduces the COLA payments to retirees from the 3% which had been given annually to an inflation-based COLA equal to 1.58% for 2014, -0.9% for 2015 and 1.37% for 2016. This percentage is derived from the Consumer Price Index, and the Town will use this as a metric for future COLA increases, reducing this significant pressure on the Plan.

Section 7-374c of the Connecticut General Statutes (the "Pension Statute") provides that as long as the pension deficit funding bonds are outstanding, the municipality shall (a) appropriate funds each year in an amount sufficient to meet the ARC and contribute such amount to the Retirement Plan, commencing with the fiscal year in which the pension deficit funding bonds are issued and (b) notify OPM annually of the amount of the ARC and the amount actually contributed to the Retirement Plan. The Pension Statute provides that if the municipality fails to appropriate sufficient funds to meet the ARC in any fiscal year, there shall be deemed appropriated an amount sufficient to meet such requirement, notwithstanding the provisions of any other general statute, special act or local law. Under the Pension Statute, "ARC" is defined as the annual required contribution of the municipal employer to the pension plan of the municipality, as established by the actuarial valuation and determined by an enrolled actuary in a method and using assumptions meeting the parameters established by generally accepted accounting principles, provided the amortization schedule used to determine such contribution shall be fixed and shall have a term not longer than the longer of ten years, or thirty years from the date of issuance of the pension deficit funding bonds. In the event that the funding ratio of the Plan, as determined immediately succeeding the deposit of the proceeds of the POBs, is reduced by 30% or more, the maximum permitted term of such amortization schedule shall be reduced by the same percentage. As such, if the Town's Retirement Plan has a funding ratio of approximately 37% after the deposit of the proceeds of the Bonds, a reduction in the funding ratio to 24.8% (a 33% reduction), could trigger a reduction of the amortization schedule of 10 years, significantly increasing the Town's annual ARC payment. Such a significant increase in the Town's annual ARC payment could force the Town to seek legislative relief to avoid violating the Pension Statute requirement to appropriate and deposit the ARC to the Retirement Plan each year the pension deficit funding bonds are outstanding.

It is unclear under the Pension Statute what remedies are available if the Town fails to budget and/or deposit the ARC to the Retirement Plan. However, an "appropriation" is the legal authority to spend money within a Town budget. Although never tested, it is believed the State could obtain a judgment and require the contribution to be deposited to the Retirement Plan. In addition, the Town receives more than \$30 million of revenues from the State, which could be intercepted and deposited into the Retirement Plan.

In May 2014, the Town sponsored legislation to make funding the Retirement Plan more affordable for the Town's taxpayers. In June 2014, the Connecticut General Assembly adopted Public Act 14-217 (the "Town Pension Act"), which allows the Town to "ramp up" its ARC payments to the Retirement Plan. Pursuant to the Town Pension

Act, the Town is permitted to make the following ARC payments pursuant to the Pension Statute: (i) for the fiscal year in which the pension deficit funding bonds are issued, not less than 50% of the ARC; (ii) for the first fiscal year subsequent to the year of issue of the pension deficit funding bonds, not less than 55% of the ARC or an amount equal to \$5 million more than the contribution in the prior fiscal year, whichever is less, (iii) for the second fiscal year subsequent to the year of issue of the pension deficit funding bonds, 70% of the ARC or an amount equal to \$5 million more than the contribution in the prior fiscal year, whichever is less, (iv) for the third fiscal year subsequent to the year of issue of the pension deficit funding bonds, 80% of the ARC or an amount equal to \$5 million more than the contribution in the prior fiscal year, whichever is less, and (v) for the fourth fiscal year subsequent to the year of issue of the pension deficit funding bonds and for each fiscal year thereafter, 100% of the ARC required pursuant to Pension Statute. For fiscal year 2017-18, the Town has budgeted a contribution to the Plan of \$17,700,000, which assumes an ARC of not greater than \$22,300,000.

Approximately \$122 million proceeds of the pension deficit funding bonds have been deposited in the Retirement Plan. Notwithstanding any limitations on the investment of proceeds received from the sale of bonds, notes or other obligations set forth in CGS Section 7-400, the net proceeds of the pension deficit funding bonds may be invested in accordance with the terms of the Retirement Plan, as such terms may be amended from time to time.

In addition, on an annual basis, the municipality shall provide the Secretary and the Treasurer with (i) an actuarial valuation of the Retirement Plan, (ii) any changes that have been made in the actuarial assumptions or methods, (iii) the footnote disclosure and required supplementary information disclosure required by GASB Statement No. 27 with respect to the Retirement Plan, and (iv) a review of the investments of the Retirement Plan and an analysis of performance by asset class. The Town filed its second report with the Secretary and the Treasurer for fiscal 2016 on January 25, 2017.

Prospective Funding Status of the Town's Retirement Plan

The table below sets forth the estimated cash flow, assets, liabilities and funding levels of the Pension Plan submitted to the Secretary and the Treasurer in connection with the issuance of the 2015 POBs. Assumptions included the deposit of approximately \$122 million of proceeds from the Town's 2015 POBs, and assuming ramp up contributions by the Town pursuant to the Pension Statute, as modified by the Town Pension Act, current benefits remaining in place and a 7.0% rate of return on Plan assets.

Hamden Proposed Pension Plan
Cash Flow, Assets, Liabilities and Funding Levels (In millions)

| Fiscal Year | Market Value of Assets (BoY) | Employer Contributions Toward Normal Cost | Employer Contributions Toward Amortization | Employee Contributions | Benefit Payments | Admin Expenses | Net Cash Flow | Average MVA | Net Investment Return | Market Value of Assets (EoY) | Accrued Liability (EoY) | Unfunded Accrued Liability (MVA) - EoY | Funded Percentage |
|--------------------|-------------------------------------|--|---|-------------------------------|-------------------------|-----------------------|----------------------|--------------------|------------------------------|-------------------------------------|--------------------------------|---|--------------------------|
| 2015 | \$ 50.1 | \$ 3.6 | \$ 134.2 | \$ 2.2 | \$ (25.0) | \$ (0.1) | \$ 114.9 | \$ 107.6 | \$ 7.5 | \$ 172.6 | \$ 464.3 | \$ 291.7 | 37.17% |
| 2016 | 172.6 | 3.2 | 11.5 | 2.2 | (26.0) | (0.1) | (9.2) | 168.0 | 11.8 | 175.1 | 475.4 | 300.3 | 36.84% |
| 2017 | 175.1 | 3.0 | 13.1 | 2.1 | (27.2) | (0.1) | (9.1) | 170.6 | 11.9 | 178.0 | 485.9 | 307.9 | 36.63% |
| 2018 | 178.0 | 2.8 | 16.1 | 2.0 | (28.2) | (0.1) | (7.4) | 174.2 | 12.2 | 182.7 | 495.8 | 313.1 | 36.86% |
| 2019 | 182.7 | 2.6 | 21.5 | 1.9 | (29.3) | (0.1) | (3.4) | 181.0 | 12.7 | 191.9 | 505.0 | 313.1 | 38.01% |
| 2020 | 191.9 | 2.4 | 23.8 | 1.8 | (30.5) | (0.1) | (2.7) | 190.6 | 13.3 | 202.6 | 513.4 | 310.8 | 39.46% |
| 2021 | 202.6 | 2.2 | 25.9 | 1.7 | (31.6) | (0.1) | (1.9) | 201.7 | 14.1 | 214.8 | 520.9 | 306.1 | 41.24% |
| 2022 | 214.8 | 2.1 | 28.2 | 1.6 | (32.6) | (0.1) | (0.9) | 214.3 | 15.0 | 228.9 | 527.5 | 298.6 | 43.39% |
| 2023 | 228.9 | 1.9 | 28.0 | 1.4 | (33.7) | (0.1) | (2.5) | 227.6 | 15.9 | 242.3 | 533.1 | 290.9 | 45.44% |
| 2024 | 242.3 | 1.7 | 27.7 | 1.3 | (34.8) | (0.1) | (4.1) | 240.2 | 16.8 | 255.0 | 537.9 | 282.9 | 47.41% |
| 2025 | 255.0 | 1.6 | 27.5 | 1.2 | (35.8) | (0.1) | (5.6) | 252.2 | 17.7 | 267.0 | 541.5 | 274.5 | 49.31% |
| 2026 | 267.0 | 1.4 | 27.1 | 1.1 | (36.8) | (0.1) | (7.2) | 263.4 | 18.4 | 278.3 | 544.2 | 265.9 | 51.14% |
| 2027 | 278.3 | 1.3 | 26.9 | 1.0 | (37.8) | (0.1) | (8.7) | 273.9 | 19.2 | 288.7 | 545.7 | 257.0 | 52.91% |
| 2028 | 288.7 | 1.1 | 26.5 | 0.9 | (38.6) | (0.1) | (10.2) | 283.6 | 19.9 | 298.4 | 546.0 | 247.6 | 54.66% |
| 2029 | 298.4 | 1.0 | 26.3 | 0.8 | (39.4) | (0.2) | (11.5) | 292.7 | 20.5 | 307.4 | 545.0 | 237.6 | 56.41% |
| 2030 | 307.4 | 0.9 | 26.0 | 0.7 | (40.2) | (0.2) | (12.7) | 301.0 | 21.1 | 315.7 | 543.0 | 227.2 | 58.15% |
| 2031 | 315.7 | 0.7 | 25.6 | 0.6 | (40.8) | (0.2) | (14.0) | 308.7 | 21.6 | 323.3 | 539.8 | 216.4 | 59.90% |
| 2032 | 323.3 | 0.6 | 25.3 | 0.5 | (41.4) | (0.2) | (15.1) | 315.8 | 22.1 | 330.4 | 535.3 | 204.9 | 61.71% |
| 2033 | 330.4 | 0.5 | 25.0 | 0.4 | (42.0) | (0.2) | (16.1) | 322.3 | 22.6 | 336.8 | 529.7 | 193.0 | 63.57% |
| 2034 | 336.8 | 0.4 | 24.6 | 0.4 | (42.3) | (0.2) | (17.1) | 328.3 | 23.0 | 342.7 | 522.9 | 180.2 | 65.54% |
| 2035 | 342.7 | 0.3 | 24.3 | 0.3 | (42.5) | (0.2) | (17.7) | 333.8 | 23.4 | 348.3 | 514.9 | 166.6 | 67.65% |
| 2036 | 348.3 | 0.3 | 24.0 | 0.2 | (42.6) | (0.2) | (18.3) | 339.2 | 23.7 | 353.8 | 505.8 | 152.0 | 69.94% |
| 2037 | 353.8 | 0.2 | 23.7 | 0.2 | (42.5) | (0.2) | (18.7) | 344.4 | 24.1 | 359.2 | 495.8 | 136.6 | 72.46% |
| 2038 | 359.2 | 0.2 | 23.4 | 0.1 | (42.3) | (0.2) | (18.8) | 349.8 | 24.5 | 364.9 | 484.7 | 119.8 | 75.28% |
| 2039 | 364.9 | 0.1 | 23.0 | 0.1 | (42.0) | (0.2) | (18.9) | 355.5 | 24.9 | 370.9 | 473.0 | 102.1 | 78.41% |
| 2040 | 370.9 | 0.1 | 22.7 | 0.1 | (41.5) | (0.2) | (18.9) | 361.4 | 25.3 | 377.3 | 460.7 | 83.4 | 81.89% |
| 2041 | 377.3 | 0.1 | 22.4 | 0.1 | (41.0) | (0.2) | (18.7) | 368.0 | 25.8 | 384.4 | 447.7 | 63.3 | 85.86% |
| 2042 | 384.4 | 0.0 | 22.0 | 0.0 | (40.3) | (0.2) | (18.5) | 375.2 | 26.3 | 392.2 | 434.1 | 41.9 | 90.35% |
| 2043 | 392.2 | 0.0 | 21.7 | 0.0 | (39.6) | (0.2) | (18.0) | 383.2 | 26.8 | 401.0 | 420.0 | 19.0 | 95.48% |
| 2044 | 401.0 | 0.0 | 21.4 | 0.0 | (38.7) | (0.2) | (17.5) | 392.3 | 27.5 | 411.0 | 405.5 | (5.5) | 101.36% |
| Total | | 36.5 | 819.5 | 27.2 | (1,107.0) | (4.8) | (228.6) | | 589.4 | | | | |

(Remainder of page intentionally left blank)

Investments

The Retirement Plan's Investment Policy, last revised in September 2012, outlines the long-term objectives, goals and guidelines of the Plan. It states the responsibilities of the Plan's service providers and the Board in overseeing the Plan. The document establishes and defines the performance measurement criteria, permissible and restricted investments, communication policies, trading policies, proxy voting guidelines and asset allocation.

Dahab Associates, the Town's Pension Plan Consultants, provided an asset allocation study in October 2014. The study identified allocations to improve the Plan's probability of achieving the 7.0% rate of return on both a short- and long-term basis. Recognizing the closed nature of the Plan, the exposure to less liquid asset classes was limited and allocations that are expected to have a greater likelihood of lower volatility in returns were favored.

In connection with the issuance of 2015 POBs, there was a slight shift in asset allocation. Two new asset classes, global tactical asset allocation (GTAA) and private equity real estate were introduced, while the overall exposure to domestic equity was reduced. The new target allocation of the Plan is 20% large cap equity, 10% small/mid cap equity, 10% international equity, 10% real estate, 10% GTAA; 40% bonds; and 0% cash. Based on the asset allocation study, the portfolio is expected to earn a return of 8.90% over the next 20 years with a standard deviation of 8.88%. The revised asset allocation has a greater than 61% probability of achieving the expected 7.00% actuarial rate of return.

The Plan's current allocation and the revised target allocation are detailed below:

| Asset Class | Current Allocation | Revised Target Allocation |
|--------------------------------------|---------------------------|----------------------------------|
| Large Cap Equity..... | 25.80% | 20% |
| SMID Cap Core Equity..... | 14.70% | 10% |
| International Equity..... | 15.50% | 10% |
| Real Estate..... | 4.80% | 10% |
| Global Tactical Asset Allocation.... | 0.00% | 10% |
| Broad Market Bonds..... | 38.70% | 40% |
| Cash..... | 0.50% | 0% |
| Total..... | 100.00% | 100% |

The following chart provides the 20-year historical returns for the Retirement Plan, as culled from the Town's actuarial valuation reports completed over the last 20 years. The average annual return for the past 20 years was approximately 8.47%.

| Year Ended 30-Jun | Market Return | Year Ended 30-Jun | Market Return |
|------------------------------|--------------------------|------------------------------|--------------------------|
| 1997 | 21.72% | 2007 | 15.27% |
| 1998 | 23.38% | 2008 | -4.58% |
| 1999 | 13.47% | 2009 | -14.64% |
| 2000 | 14.57% | 2010 | 15.61% |
| 2001 | -10.71% | 2011 | 20.50% |
| 2002 | -9.92% | 2012 | 0.02% |
| 2003 | 2.14% | 2013 | 9.78% |
| 2004 | 9.26% | 2014 | 14.70% |
| 2005 | 9.38% | 2015 | -1.63% |
| 2006 | 9.01% | 2016 | 0.93% |

Financial Reporting Standard

Governmental Accounting Standards Board (GASB) Statement No. 67 is effective for plan years beginning after June 15, 2013. GASB 67 generally expands the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position, and requires additional note disclosures and required supplementary information.

GASB 67 requires plans to project the expected income from contributions and investments, and outflows due to benefit payments and expenses, and the Plan's liabilities are recalculated by discounting benefits which are projected to be fully funded with the funding rate, and discounting any unfunded benefits with a 20-year bond rate. For the Town, the 2015 POBs were issued in fiscal year ending June 30, 2015, plus contributions from the Town and employees. Future contributions are assumed to be made by the Town in accordance with the Town Pension Act, and employee contributions are presumed to continue as currently specified in employee agreements. The current assets plus income from the above sources is projected to fund future benefits, and therefore there are no unfunded benefits discounted at a 20-year bond rate. As a result, the liabilities for GASB 67 reporting were calculated at a 7.00% rate, the same as the funding rate for valuation purposes.

GASB 67 requires the liabilities to be compared to the market value of assets, rather than a smoothed actuarial value. As of June 30, 2014, the Plan had \$50.1 million in assets and \$452.5 million in liabilities, and thus the net pension liability was \$402.4 million. The fiduciary net position as a percentage of total pension liability was 11%. As of June 30, 2015, following the issuance of the 2015 POBs, the Plan had \$163.6 million in assets and \$454.4 million in liabilities, and thus the net pension liability was \$290.8 million. The fiduciary net position as a percentage of total pension liability was 36%. As of June 30, 2016, the Plan had \$154.8 million in assets and \$441.5 million in liabilities, and thus the net pension liability was \$286.7 million. The fiduciary net position as a percentage of total pension liability was 35%.

Also additional pension information including the Town's July 1, 2016 actuarial pension valuation report and a detailed pension study completed by Segal Consulting were filed on the EMMA website.

Other Post-Employment Benefits (OPEB)

The Town provides post-employment health care benefits in accordance with employee bargaining agreements to all employees who retire with at least 20 years of regular service or 10 years of service for disability retirement. As of July 1, 2016 the Town's plan consisted of 1,206 retirees and 1,240 active plan participants, which includes teachers hired after July 1, 1999. The Town provides coverage through contract carriers for retirees over 65 and a self-insurance program for retirees under 65. The Town currently pays for these services on a pay-as-you-go basis. For fiscal years 2011–12 through 2016–17, the Town's pay-as-you-go contribution is as set forth below.

The Town has complied with the requirements of Governmental Accounting Standards Board ("GASB") Statements 43 and 45, which require municipalities and other governmental entities to undertake an actuarial evaluation of their other post-employment benefit ("OPEB") plans and include information concerning the valuation of such plans in their financial statements. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

Schedule of Employer Contributions

| <i>Fiscal Year</i> | <i>Annual OPEB Cost</i> | <i>Actual Contributions</i> | <i>Percentage Contributed</i> | <i>Net OPEB Obligation</i> |
|---------------------------|--------------------------------|------------------------------------|--------------------------------------|-----------------------------------|
| 6/30/2017 ¹ | \$ 30,795,818 | N/A | N/A | N/A |
| 6/30/2016 | 35,570,962 | \$ 18,377,480 | 51.7% | \$ 171,272,584 |
| 6/30/2015 | 34,567,833 | 17,338,134 | 50.2% | 154,079,102 |
| 6/30/2014 | 34,884,722 | 17,669,283 | 50.7% | 136,849,403 |
| 6/30/2013 | 33,920,115 | 16,718,841 | 49.3% | 119,633,964 |
| 6/30/2012 | 33,055,026 | 15,847,243 | 47.9% | 100,410,498 |

¹ Projected.

Schedule of Funding Progress

| Actuarial Valuation Date July 1 | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (a-b) | Funded AAL Ratio (a/b) |
|--|--|--|-------------------------------|---------------------------------------|
| 7/1/2016 | — | \$485,508,647 | \$485,508,647 | — |
| 7/1/2015 | — | — | — | — |
| 7/1/2014 | — | 451,966,876 | 451,966,876 | — |
| 7/1/2013 | — | — | — | — |
| 7/1/2012 | — | 439,980,586 | 439,980,586 | — |
| 7/1/2011 | — | — | — | — |
| 7/1/2010 | — | — | — | — |
| 7/1/2009 | — | 344,724,721 | 344,724,721 | — |
| 7/1/2008 | — | 366,234,442 | 366,234,442 | — |

For fiscal year 2013–14 the Town established an OPEB Trust Fund to pay retiree medical claims in the future. The Town setup the OPEB trust fund in June 2014 and has deposited a total of \$450,000 to the OPEB trust fund thus far, and budgeted a contribution of \$150,000 for fiscal 2018.

(Remainder of page intentionally left blank)

SECTION VI – ADDITIONAL INFORMATION

Litigation

The Town, its officers, employees, boards and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. With the exception of certain categories of these lawsuits, including but not limited to, land use appeals, tax appeals and some labor related matters, the Town maintains liability insurance with and without deductibles that provide for defense costs and liability coverage for such lawsuits. Some matters are defended under a reservation of rights. It is the Town Attorney's opinion that such pending litigation will not be finally determined, individual or in the aggregate, so as to result in final judgment against the Town which would have a material adverse effect on the Town's financial position.

Pursuant to a consent order issued on July 10, 2001 by the State of Connecticut Department of Energy and Environmental Protection, the Town and other respondents are responsible for the remediation of certain properties located in the Newhall section of the Town which contain waste materials and other pollutants. The Town previously issued \$8.0 million from its capital plan to pay for the costs associated with the remediation of Rochford Field and Mill Rock Park properties and has been awarded \$4.0 million from the State of Connecticut for costs associated with the remediation of Rochford Field.

There are other claims, for which statutory notice has been provided to the Town, that have the potential to develop into lawsuits and expose the Town to liability. All these notice of claims are forwarded to the Town's insurance carriers to process as they see fit.

Transcript and Closing Documents

The Underwriter will be furnished the following documents when the Bonds are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A certificate on behalf of the Town signed by the Mayor and the Director of Finance, which will be dated the date of delivery, and attached to a signed copy of the Official Statement, certifying that, to the best of said officials' knowledge and belief, as of the date of the execution of the Bond Purchase Agreement and as of the closing date, the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut.
5. An executed continuing disclosure agreement for the Bonds in substantially the form attached as Appendix C to this Official Statement.
6. Any other documents or certifications required by the Bond Purchase Agreement.

A transcript of the proceedings taken by the Town will be kept on file at the offices of U.S. Bank National Association in Hartford, Connecticut and will be available for examination upon reasonable notice.

Concluding Statement

This Official Statement is not to be construed as a contract or agreement between the Town and the purchaser or holders of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representation of fact, and no representation is made that any of such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provision of law are subject to repeal or amendment.

Information herein has been derived by the Town from official and other sources and is believed by the Town to be reliable, but such information other than that obtained from official records of the Town has not been independently confirmed or verified by the Town and its accuracy is not guaranteed.

Additional information may be obtained from Salvatore DeCola, Director of Finance, Town of Hamden, 2750 Dixwell Avenue, Hamden, Connecticut 06518, and telephone number (203) 287-7010 or from the Town's Municipal Advisor, Phoenix Advisors, LLC, Barry Bernabe, Managing Director, (203) 283-1110. This Official Statement has been duly prepared and delivered by the Town, and executed for and on behalf of the Town by the following officials:

By *Curt Balzano Leng*
Curt Balzano Leng, *Mayor*

By *Salvatore DeCola*
Salvatore DeCola, *Director of Finance*

Dated as of July 19, 2017

Appendix A

The following includes the Preliminary General Purpose Financial Statements of the Town of Hamden, Connecticut for the fiscal year ended June 30, 2016. The supplemental data which was a part of that report has not been reproduced herein. A copy of the complete preliminary report and the Town's audited financial statements for the fiscal year ended June 30, 2015 are available on EMMA and upon request from Barry J. Bernabe, Managing Director, Phoenix Advisors, 53 River Street, Suite 1, Milford, Connecticut 06460, Telephone (203) 283-1110.

(This page intentionally left blank)

Town of Hamden, Connecticut

Financial Report
June 30, 2016

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

Town of Hamden, Connecticut

Contents

| | <u>Page</u> |
|---|-------------|
| Financial Section | |
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis | 3-9 |
| Basic Financial Statements | |
| <u>Exhibit</u> | |
| <u>Government-Wide Financial Statements</u> | |
| A Statement of net position | 11 |
| B Statement of changes in net position | 12 |
| <u>Fund Financial Statements</u> | |
| C Balance sheet – governmental funds | 13 |
| D Statement of revenues, expenditures and changes in fund balances (deficits) – governmental funds | 14 |
| E Reconciliation of the statement of revenues, expenditures and changes in fund balances (deficit) of governmental funds to the statement of activities | 15 |
| F Statement of revenues, expenditures and changes in fund balance - budgetary basis – budget and actual – general fund | 16 |
| G Statement of fund net position – proprietary funds | 17 |
| H Statement of revenues, expenses and changes in fund net position - proprietary funds | 18 |
| I Statement of cash flows – proprietary funds | 19 |
| J Statement of fiduciary net position – fiduciary funds | 20 |
| K Statement of changes in fiduciary net position – fiduciary funds | 21 |
| Notes to financial statements | 22-63 |

Town of Hamden, Connecticut

Contents

| Required Supplementary Information | | Page |
|--|---|-------|
| RSI-1 | Schedule of changes in net pension liability and related ratios – pension plan | 65-66 |
| RSI-2 | Schedule of employer contributions – pension plan | 67 |
| RSI-3 | Schedule of funding progress – pension plan | 68 |
| RSI-4 | Other post-employment benefits (OPEB) | 69 |
| RSI-5 | Schedule of the town's proportionate share of net pension liability – municipal employees retirement fund | 70 |
| RSI-6 | Schedule of the town's proportionate share of net pension liability – teachers' retirement plan | 71 |
| Supplemental and Combining Nonmajor Fund Statements and Schedules | | |
| <u>Schedule</u> | | |
| <u>General Fund</u> | | |
| 1. | Schedule of general fund revenues and other financing sources – budgetary basis - budget and actual | 73-74 |
| 2. | Schedule of general fund expenditures and other financing uses - budgetary basis - budget and actual | 75-76 |
| <u>Nonmajor Governmental Funds</u> | | |
| 3. | Combining balance sheet | 78-81 |
| 4. | Combining statement of revenues, expenditures and changes in fund balances (deficits) | 82-85 |
| <u>Internal Service Funds</u> | | |
| 5. | Combining statement of net fund position | 87 |
| 6. | Combining statement of revenues, expenses and changes in net fund position | 88 |
| 7. | Combining statement of cash flows | 89 |
| <u>Private Purpose Trust Funds</u> | | |
| 8. | Combining statement of net position | 91 |
| 9. | Combining statement of changes in net position | 92 |
| <u>Agency Funds</u> | | |
| 10. | Combining statement of fiduciary net position | 93 |
| 11. | Combining statement of changes in assets and liabilities | 94 |
| <u>Other Schedules</u> | | |
| 12. | Schedule of property taxes levied, collected and outstanding | 96-97 |
| 13. | Schedule of debt limitation | 98 |

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

Financial Section

**Town of Hamden, Connecticut
Management's Discussion and Analysis
June 30, 2016**

Our discussion and analysis of the financial performance of the Town of Hamden, Connecticut (the Town), provides an overview of the Town's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Town's financial statements that follow this section.

Financial Highlights

- On a government-wide basis, the liabilities of the Town of Hamden exceeded its assets, resulting in a total net position on June 30, 2016, of (\$_____). The increase in deficit from FY2015 concerns primarily liabilities associated with bonds issued in the current year.
- On a government-wide basis, during the year, the Town's net position decreased by \$_____ compared to a \$47,505,505 decrease in 2015.
- At the close of the year, the Town of Hamden's combined governmental funds, on a current financial resources basis, had a fund balance deficit of \$_____, an increase of \$_____ from the prior fiscal year fund balance of \$2,289,990. The capital expenditures on the bonded projects totaling \$_____ resulted in this deficit.
- At the end of the 2016 fiscal year, the total fund balance for the General Fund alone was \$_____, an increase of \$_____ from the prior fiscal year. The total General Fund balance at year-end represents _____% of the total General Fund expenditures of \$_____ for the fiscal year ending June 30, 2016.
- The Town of Hamden's total long-term bonded indebtedness increased by \$_____ during the current fiscal year to \$_____ through the issuance of pension funding bonds and general obligation bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Hamden's basic financial statements. The basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Hamden's finances, in a manner similar to private-sector business. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the Town's overall financial status.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference reported as net assets. The Town's net assets - 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 net assets may serve as an indicator of whether the financial position of the Town is improving or deteriorating. It speaks to the question of whether or not the Town, as a whole, is better or worse off as a result of this year's activities. Other non-financial factors will need to be considered, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town of Hamden.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period, for example uncollected taxes and earned but unused vacation leave.

Activities of the Town of Hamden encompass the Town's basic services and include governmental and community services, administration, public safety, health and welfare, and education. Property taxes, charges for services and state and federal grants finance most of these activities.

The government-wide financial statements (statement of net assets and statement of activities) can be found in Exhibits A and B of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. The Town of Hamden, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town of Hamden has three kinds of funds:

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Hamden maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Memorial Town Hall Fund, and the Capital Project Fund. Data from the other governmental funds are combined into a single, aggregated presentation as Nonmajor Governmental Funds.

The Town of Hamden adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the authorized budget. The statement of revenues and expenditures on a budgetary basis can be found in Exhibit F. This information is reported as required supplementary information.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found in Exhibits C and D of this report.

Proprietary funds. The Town maintains 1 type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses internal service funds to account for its self-insured medical and workers' compensation benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found in Exhibits G, H and I of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to provide services to the Town's constituency. The Town has one pension trust fund, three private purpose trust funds and three agency funds. The basic fiduciary fund financial statements can be found in Exhibit J and K of this report

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately after the Exhibits in this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. Town of Hamden governmental activities liabilities exceeded assets by \$_____ on June 30, 2016. The growth in the deficit from FY2015 to FY2016 concerns primarily liabilities associated with the issue of bonds

Town of Hamden, Connecticut Summary Statement of Net Assets (Deficit)

| | June 30, 2016 | June 30, 2015 |
|--|-------------------------|-------------------------|
| Current and other assets | \$ 46,350,171 | \$ 35,915,658 |
| Deferred outflows of resources | - | 544,293 |
| Capital assets | 258,120,031 | 260,225,060 |
| Total assets and deferred outflows of resources | 304,470,202 | 296,685,011 |
| Other liabilities | 41,178,746 | 31,871,825 |
| Deferred inflows of resources | 10,179,192 | 8,256,378 |
| Long-term liabilities | 764,101,371 | 740,861,858 |
| Total liabilities and deferred inflows of resources | 815,459,309 | 780,990,061 |
| Net assets (deficit): | | |
| Investment in capital assets - net of related debt | 133,799,179 | 122,955,059 |
| Restricted | - | 10,943 |
| Unrestricted (deficit) | (568,104,229) | (607,271,052) |
| Total net assets (deficit) | \$ (434,305,050) | \$ (484,305,050) |

By far the largest portion of the Town of Hamden's net assets (deficit) reflects its investment in capital assets (such as land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding and the unrestricted deficit position related to the net retirement obligations. Deferred outflows and inflows of resources were separated for 2016.

**Town of Hamden, Connecticut
Summary Statement of Activities**

| | June 30, 2016 | June 30, 2015 |
|--|------------------|---------------------|
| Operating Revenues: | | |
| Charges for services | \$ - | \$ 6,311,454 |
| Operating grants and contributions | - | 39,892,994 |
| Capital grants and contributions | - | 1,731,870 |
| General Revenues: | | |
| Property taxes | - | 164,346,117 |
| Grants not restricted to specific purposes | - | 6,422,987 |
| Unrestricted investment earnings | - | 109,947 |
| Miscellaneous | - | 613,747 |
| Total revenues | - | 219,429,116 |
| Expenses: | | |
| General government | - | 17,118,599 |
| Education | - | 156,213,467 |
| Public safety | - | 42,494,099 |
| Public works | - | 35,233,621 |
| Health and welfare | - | 3,882,182 |
| Culture and recreation | - | 4,870,239 |
| Interest on long-term debt | - | 7,122,414 |
| Total expenses | - | 266,934,621 |
| governmental activities. | | |
| Changes in net assets (deficit) | - | (47,505,505) |
| Net assets (deficit), beginning (restated) | (484,305,050) | (436,799,545) |
| Net assets (deficit), ending | \$ (484,305,050) | \$ (484,305,050) |

The Town of Hamden's net deficit position increased by \$_____ during the fiscal year. This increase in the deficit is principally due to the issue of pension funding and general obligation bonds.

Governmental Activities

For governmental activities, approximately ____% of the revenues were derived from property taxes, followed by approximately ____% from intergovernmental revenues.

Major revenue factors included:

- Property tax revenue increased by \$_____ due to a mill rate increase.

For governmental activities, approximately ____% of the Town's expenses relate to education, ____% relate to general government, ____% relate to public works operations, ____% to public safety and the remaining ____% relate to interest expense, health and welfare, community development and culture and recreation.

Major expense factors include:

- Functional expenses generally increased due primarily to the issue of pension funding and general obligation bonds.

Financial Analysis of the Government's Funds

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

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

The **General Fund** is the chief operating fund of the Town of Hamden. At the end of the current fiscal year, the fund balance of the general fund was \$_____.

As stated earlier, the fund balances of the Town of Hamden's general fund increased by \$_____ during the current fiscal year. This increase was due to lower than expected operating expenditures.

The **Memorial Town Hall Fund** had a fund balance of \$_____. The decrease in fund balance of \$_____ was primarily due to the expenditures of previously bonded funds. This fund is approaching the completion of the project.

The **Capital Project Fund** had an increase in fund balance of \$_____ which included increase in funding and the current year capital expenditures.

Proprietary Funds. The deficit of the Internal Service Funds at the end of the year was \$_____, a decrease in deficit of \$_____ over the prior year due to increased funding and less claims.

General Fund Budgetary Highlights

During the year, actual revenues and other financing sources were \$_____, which were lower than budgetary estimates by \$_____.

Actual expenditures and transfers out on a budgetary basis totaled \$_____ or \$_____ less than budgeted.

Major contributors were:

- Revenues from property taxes, building permits and other charges for services were less than anticipated.

Capital Assets and Debt Administration

Capital Assets. The Town of Hamden's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$_____ million on a gross basis and \$_____ million net of accumulated depreciation. This investment in capital assets includes land, buildings, land improvements, machinery and equipment, park facilities, roads and bridges.

Town of Hamden, Connecticut Capital Assets Net of Depreciation

| | June 30, 2016 | June 30, 2015 |
|------------------------------------|-----------------------|----------------------|
| Governmental funds capital assets: | | |
| Land | \$ 18,281,108 | \$ 18,281,108 |
| Land improvements | 12,796,961 | 13,845,613 |
| Buildings and improvements | 170,176,619 | 139,745,533 |
| Machinery and equipment | 9,356,386 | 7,678,030 |
| Infrastructure | 7,764,706 | 12,219,949 |
| Construction in progress | 39,744,251 | 68,454,825 |
| Total | \$ 258,120,031 | \$ 260,225,058 |

The major capital asset events during the current fiscal year included building improvements to several properties as well as land and equipment improvements.

Additional information on the Town of Hamden's capital assets can be found in Note 7 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Hamden had total bonds payable outstanding of \$_____, compared to \$262,270,000 at the beginning of the year. 100% of this debt is backed by the full faith and credit of the Town government. Upon issuance of the municipal bond insurance policy at the time of delivery of the bonds by Assured Guaranty Municipal Corp., the bonds were rated on April 16, 2013 to be "A3" by Moody's Investor's Service and "A" by Standard & Poor's.

The Town has been active in reducing the long-term liabilities derived from the pension and other post-employment obligations. The Town set up and began to fund an irrevocable trust for future OPEB obligations and has been approved for and plans to bond a portion of the pension obligation.

Additional information on the Town's long-term debt can be found in Note 8.

Economic Factors and 2015/2016 Budgeting Information

The Town has not been immune from the effects of the national economic downturn and slow recovery. As of June 2016, the unemployment rate for the Hamden labor market area was _____%, compared with 5.7% for the prior June. Connecticut's overall unemployment rate stood at _____% in June 2016, compared with 5.8% the previous June.

FY 2014/2015

Over the next several years, the Town of Hamden will continue to face significant budgetary challenges, chiefly the following: 1) building its general fund balance; 2) improving the funding of its pension plan; 3) contributing to Other Post-Employment Benefits ("OPEB").

Requests for Information

This financial report is designed to provide a general overview of the Town of Hamden's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Hamden Government Center, 2750 Dixwell Avenue, Hamden, Connecticut 06518.

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

This page intentionally left blank.

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

Basic Financial Statements

Statement of Net Position
June 30, 2016

| | Primary Government Governmental Activities |
|---|---|
| Assets | |
| Cash and cash equivalents | \$ 36,500,227 |
| Receivables, net | 9,828,737 |
| Inventory | 21,207 |
| Capital assets: | |
| Capital assets, not being depreciated | 58,025,359 |
| Capital assets, being depreciated, net | 200,094,672 |
| Total assets | 304,470,202 |
| Deferred outflows of resources: | |
| Deferred charges | - |
| Liabilities | |
| Accounts payable and accrued expenses | \$ 11,946,575 |
| Accrued interest | 5,897,171 |
| External balances | - |
| Bond anticipation notes | 23,335,000 |
| Noncurrent liabilities: | |
| Due within one year | 12,192,400 |
| Due in more than one year | 751,908,971 |
| Total liabilities | 805,280,117 |
| Deferred inflows of resources: | |
| Advance tax collections | 4,561,021 |
| Loss on refunding debt | 5,618,171 |
| Total deferred inflow of resources | 10,179,192 |
| Net position: | |
| Invested in capital assets, net of related debt | 133,799,179 |
| Restricted | - |
| Unrestricted | (568,104,229) |
| Total net assets (deficit) | \$ (434,305,050) |

See notes to financial statements.

Town of Hamden, Connecticut

Exhibit B

Statement of Changes in Net Position
For the Year Ended June 30, 2016

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Change in Net Assets |
|---------------------------------|-------------|---|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Total |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - |
| Public safety | - | - | - | - | - |
| Public works | - | - | - | - | - |
| Health and welfare | - | - | - | - | - |
| Cultural and recreation | - | - | - | - | - |
| Education | - | - | - | - | - |
| Interest on long-term debt | - | - | - | - | - |
| Total primary government | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>\$ -</u> | <u>-</u> |
| | | | | | |
| | | General revenues: | | | |
| | | Property taxes | | | - |
| | | Grants and contributions not restricted to specific programs | | | - |
| | | Unrestricted investment earnings | | | - |
| | | Other unrestricted income | | | - |
| | | Total general revenues and transfers | | | <u>-</u> |
| | | Change in net position | | | - |
| | | Net position, beginning, as restated | | | <u>(434,305,050)</u> |
| | | Net position, ending | | | <u>\$ (434,305,050)</u> |

See notes to financial statements.

Balance Sheet
Governmental Funds
June 30, 2016

| | Major Funds | | | Total |
|---|----------------------|----------------------|---------------------|----------------------|
| | General | Capital | Nonmajor | Total |
| | Fund | Project | Governmental | Governmental |
| | Fund | Fund | Funds | Funds |
| Assets | | | | |
| Cash and cash equivalents | \$ 33,775,975 | \$ 253,125 | \$ 2,093,706 | \$ 36,122,806 |
| Receivables, net | 8,745,884 | - | 1,082,853 | 9,828,737 |
| Due from other funds | 6,188,478 | 22,269,185 | 2,599,143 | 31,056,806 |
| Inventories | - | - | 21,207 | 21,207 |
| Total assets | \$ 48,710,337 | \$ 22,522,310 | \$ 5,796,909 | \$ 77,029,556 |
| Liabilities, Deferred Inflows and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts and other payables | \$ 7,880,776 | \$ 2,054,419 | \$ 1,804,005 | \$ 11,739,200 |
| Due to other funds | 25,846,989 | - | 2,255,690 | 28,102,679 |
| Bond anticipation notes | - | 23,335,000 | - | 23,335,000 |
| Unearned revenues | - | - | - | - |
| Total liabilities | 33,727,765 | 25,389,419 | 4,059,695 | 63,176,879 |
| Deferred inflows of resources: | | | | |
| Payments in advance | 4,561,021 | - | - | 4,561,021 |
| Unavailable revenues | 7,460,850 | - | - | 7,460,850 |
| Total deferred inflows of resources | 12,021,871 | - | - | 12,021,871 |
| Fund balances: | | | | |
| Nonspendable | - | - | 21,207 | 21,207 |
| Restricted for: | | | | |
| Donor's intentions | - | - | 10,943 | 10,943 |
| Grants | - | - | 1,477,730 | 1,477,730 |
| Committed for: | | | | |
| Other | - | - | 1,708,066 | 1,708,066 |
| Assigned | - | - | - | - |
| Unassigned | 2,960,701 | (2,867,109) | (1,480,732) | (1,387,140) |
| Total fund balances | 2,960,701 | (2,867,109) | 1,737,214 | 1,830,806 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 48,710,337 | \$ 22,522,310 | \$ 5,796,909 | |

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. | 258,120,031 |
| Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds. | 7,460,850 |
| Internal service funds are used by management to change 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 assets. | (9,330,647) |
| Long-term liabilities , including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds. | (767,110,610) |
| Net assets of governmental activities (Exhibit A) | \$ (509,029,570) |

See notes to financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Governmental Funds
For the Year Ended June 30, 2016

| | Major Funds | | Nonmajor | Total |
|--|--------------------|---------------------|-------------------|---------------------|
| | General | Capital | Governmental | Governmental |
| | Fund | Project | Funds | Funds |
| | | Fund | | |
| Revenues: | | | | |
| Property taxes and assessments | \$ 166,677,729 | \$ - | \$ - | \$ 166,677,729 |
| Intergovernmental | 44,146,760 | - | 12,331,325 | 56,478,085 |
| Charges for services | 5,459,071 | - | 1,694,956 | 7,154,027 |
| Investment income | 156,928 | - | 77 | 157,005 |
| Miscellaneous | 1,069,242 | - | 2,403 | 1,071,645 |
| Total revenues | 217,509,730 | - | 14,028,761 | 231,538,491 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 9,306,122 | - | - | 9,306,122 |
| Public safety | 27,485,639 | - | 358,959 | 27,844,598 |
| Public works | 11,811,930 | - | 21,063 | 11,832,993 |
| Health & Welfare | 1,172,390 | - | 548,194 | 1,720,584 |
| Culture and recreation | 2,471,994 | - | 12,975 | 2,484,969 |
| Education | 94,446,338 | - | 11,724,782 | 106,171,120 |
| Payroll & benefits | 53,716,833 | - | - | 53,716,833 |
| Other | - | - | 2,287,522 | 2,287,522 |
| Capital Outlay | - | 12,468,164 | - | 12,468,164 |
| Principal reitirement | 22,139,790 | - | - | 22,139,790 |
| Total expenditures | 222,551,036 | 12,468,164 | 14,953,495 | 249,972,695 |
| Excess (deficiency) of revenues over (under) expenditures | (5,041,306) | (12,468,164) | (924,734) | (18,434,204) |
| Other financing sources (uses): | | | | |
| Transfer from other funds | 363,255 | - | - | 363,255 |
| Transfer to other funds | - | (363,255) | - | (363,255) |
| Premium | 2,195,000 | - | - | 2,195,000 |
| Proceeds from sale of bonds | - | 17,960,000 | - | 17,960,000 |
| Total other financing sources (uses) | 2,558,255 | 17,596,745 | - | 20,155,000 |
| Change in fund balances (deficits) | (2,483,051) | 5,128,581 | (924,734) | 1,720,796 |
| Fund balances (deficits), beginning, as restated | 5,443,752 | (7,995,690) | 2,661,948 | 110,010 |
| Fund balances (deficits), ending | \$ 2,960,701 | \$ (2,867,109) | \$ 1,737,214 | \$ 1,830,806 |

See notes to financial statements.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
(Deficit) of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016**

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) \$ 1,720,796

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (2,105,029)

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 pension. 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. (22,966,216)

The net expense of certain activities of internal service funds is reported with governmental activities. (4,395,015)

Change in net position of governmental activities (Exhibit B) \$ (27,745,464)

See notes to financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis -
Budget and Actual - General Fund
For the Year Ended June 30, 2016**

| | Budgeted Amounts | | Actual | Variance With |
|--|--------------------|--------------------|---------------------|-----------------------|
| | Original | Final | Budgetary | Final Budget |
| | | | Basis | Positive |
| | | | | (Negative) |
| Revenues: | | | | |
| Property taxes | \$ 167,587,504 | \$ 167,587,504 | \$ 166,677,729 | \$ (909,775) |
| Intergovernmental | 33,509,766 | 33,509,766 | 33,238,755 | (271,011) |
| Charges for services | 3,821,907 | 3,821,907 | 2,780,258 | (1,041,649) |
| Investment income | 90,000 | 90,000 | 156,928 | 66,928 |
| Licenses, permits and fees | 3,195,162 | 3,195,162 | 2,678,814 | (516,348) |
| Other revenues | 3,331,600 | 3,331,600 | 1,069,246 | (2,262,354) |
| Total revenues | 211,535,939 | 211,535,939 | 206,601,730 | (4,934,209) |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 10,457,621 | 8,583,562 | 8,425,049 | 158,513 |
| Public safety | 27,199,776 | 27,616,843 | 27,485,643 | 131,200 |
| Public works | 11,620,753 | 12,241,832 | 11,819,438 | 422,394 |
| Health and welfare | 1,778,500 | 1,733,898 | 1,680,469 | 53,429 |
| Cultural and recreation | 2,951,249 | 2,872,619 | 2,837,476 | 35,143 |
| Education | 83,120,625 | 83,120,625 | 83,538,338 | (417,713) |
| Employee benefits | 54,663,553 | 55,622,698 | 53,716,833 | 1,905,865 |
| Debt service: | | | | |
| Principal retirements | 9,940,000 | 9,940,000 | 11,345,000 | (1,405,000) |
| Interest and other charges | 9,803,862 | 9,803,862 | 10,794,790 | (990,928) |
| Total expenditures | 211,535,939 | 211,535,939 | 211,643,036 | (107,097) |
| Revenues over (under) expenditures | - | - | (5,041,306) | (5,041,306) |
| Other financing sources (uses): | | | | |
| Premium on debt issuance | - | - | 2,195,000 | 2,195,000 |
| Transfers in | - | - | 563,254 | 563,254 |
| Total other financing sources (uses) | - | - | 2,758,254 | 2,758,254 |
| Revenues over expenditures and other financing sources (uses) | \$ - | \$ - | (2,283,052) | \$ (2,283,052) |
| Timing differences in education budget and accrual basis | | | (199,999) | |
| Net change in unassigned fund balance | | | (2,483,051) | |
| Unassigned fund balance, July 1, 2015, as restated | | | 5,443,752 | |
| Unassigned fund balance, June 30, 2016 | | | \$ 2,960,701 | |

See notes to financial statements.

Statement of Net Fund Position - Proprietary Funds
June 30, 2016

| | Governmental Activities |
|--|-----------------------------------|
| | <u>Internal Service Funds</u> |
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 377,421 |
| Receivables, net of allowance | - |
| Due from other funds | <u>5,299</u> |
| Total assets | <u><u>382,720</u></u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | 207,375 |
| Due to other funds | <u>2,189,050</u> |
| Total current liabilities | <u><u>2,396,425</u></u> |
| Noncurrent liabilities: | |
| Incurred, but not reported claims | <u>7,316,942</u> |
| Total noncurrent liabilities | <u><u>7,316,942</u></u> |
| Total liabilities | <u><u>9,713,367</u></u> |
| Net fund position: | |
| Unrestricted | <u>(9,330,647)</u> |
| Total net fund position | <u><u>\$ (9,330,647)</u></u> |

See notes to financial statements.

Statement of Revenues, Expenses and Changes in Net Fund Position
Proprietary Funds
For the Year Ended June 30, 2016

| | Governmental Activities |
|---------------------------------|----------------------------|
| | <u>Internal</u> |
| | <u>Service Funds</u> |
| Operating revenues: | |
| Employer's contribution | \$ 22,350,000 |
| Employee contribution | 4,335,113 |
| Total operating revenues | <u>26,685,113</u> |
| Operating expenses: | |
| Salaries and benefits | 31,080,128 |
| Total operating expenses | <u>31,080,128</u> |
| Operating loss | (4,395,015) |
| Net fund position, beginning | <u>(4,935,632)</u> |
| Net fund position, ending | <u>\$ (9,330,647)</u> |

See notes to financial statements.

Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2016

| | Governmental Activities Internal Service Funds |
|---|---|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 26,901,381 |
| Payments for benefits | (27,853,930) |
| Net cash flows used in operating activities | <u>(952,549)</u> |
| Net decrease in cash and cash equivalents | (952,549) |
| Cash and cash equivalents, beginning | <u>1,329,970</u> |
| Cash and cash equivalents, ending | <u><u>\$ 377,421</u></u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (4,395,015) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Changes in assets and liabilities: | |
| Decrease in accounts receivable | 216,268 |
| Increase in accounts payable | 98,667 |
| Increase in due to other funds | 2,189,050 |
| Increase in claims incurred but not reported | 938,481 |
| Net cash flows from operating activities | <u><u>\$ (952,549)</u></u> |

See notes to financial statements.

Statement of Fiduciary Net Position
June 30, 2016

| | Pension Trust Fund | Other Post- Employment Benefits | Private Purpose Trust Funds | Agency Funds |
|---|-----------------------|---------------------------------------|--------------------------------------|-----------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 3,916,417 | \$ 300,000 | \$ 389,303 | \$ 900,022 |
| Investments, at fair value: | | | | |
| Common stocks | 29,529,425 | - | - | - |
| Mutual funds | 64,528,873 | - | - | - |
| Alternative investments | 56,625,670 | - | - | - |
| Accounts receivable | 339,303 | - | - | - |
| External balances | - | - | 170,982 | 77,450 |
| Prepaid expenses | 14,617 | - | - | - |
| Total assets | 154,954,305 | 300,000 | 560,285 | 977,472 |
| Liabilities | | | | |
| Accounts payable and accrued expenses | 120,181 | - | 6,000 | - |
| Due to broker for securities purchased | - | - | - | - |
| Other liabilities | - | 1,189,160 | - | - |
| External balances | - | 1,005,951 | 12,857 | - |
| Held for deposit for others | - | - | - | 977,472 |
| Total liabilities | 120,181 | 2,195,111 | 18,857 | 977,472 |
| Net position: | | | | |
| Net position - held in trust for pension benefits and other purposes | \$ 154,834,124 | \$ (1,895,111) | \$ 541,428 | \$ - |

See notes to financial statements.

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2016

| | Pension Trust Fund | Other Post- Employment Benefits | Private Purpose Trust Funds |
|---|-----------------------|---------------------------------------|-----------------------------------|
| Additions: | | | |
| Contributions: | | | |
| Town of Hamden | \$ 12,100,000 | \$ 12,900,000 | \$ - |
| Employees | 2,195,488 | 1,335,717 | - |
| Other | - | - | 240,591 |
| Total contributions | 14,295,488 | 14,235,717 | 240,591 |
| Investment earnings: | | | |
| Net decrease in fair value of investments | (1,376,414) | - | - |
| Interest and dividends | 3,192,122 | - | 1,934 |
| Less: investment expenses | (346,896) | - | - |
| Net investment income | 1,468,812 | - | 1,934 |
| Total additions | 15,764,300 | 14,235,717 | 242,525 |
| Deductions: | | | |
| Benefits paid to participants | 24,437,110 | 15,262,237 | - |
| Administrative expenses | 118,719 | - | - |
| Other deductions | - | - | 266,297 |
| Total deductions | 24,555,829 | 15,262,237 | 266,297 |
| Change in net position | (8,791,529) | (1,026,520) | (23,772) |
| Net position: | | | |
| Beginning of year | 163,625,653 | (868,591) | 565,200 |
| End of year | \$ 154,834,124 | \$ (1,895,111) | \$ 541,428 |

See notes to financial statements.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 1. Significant Accounting Policies

Reporting entity: The Town of Hamden, Connecticut (the Town) was founded in 1664 and incorporated as a Town in 1786. The Town covers an area of 33 square miles, and is located approximately 70 miles northeast of New York City and 30 miles southwest of Hartford, Connecticut.

The Town is a municipal corporation governed under a Council/Mayor form of government and provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education, planning, zoning and general administrative services to its residents.

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

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

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

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

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.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The Town reports the following major governmental funds:

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

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

The other governmental funds of the Town are considered nonmajor and are as follows:

The **Special Revenue Funds** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The **Capital Project Funds** are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlay.

The **Permanent Fund** is used to account for assets which are committed to specific purposes.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Additionally, the Town reports the following fund types:

The **Internal Service Fund** account for employee medical and workers' compensation insurance provided to employees of the Town.

The **Private Purpose Trust Fund** is used to account for assets held by the Town in a trustee capacity or as an agent on behalf of others.

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

The **Pension Trust Fund** is used to account for the accumulation of resources to be used for retirement benefits.

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 the internal service funds include the cost of providing administering the employee benefits. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pension plan accounting:

Pension Trust Fund: The Pension Trust Fund is reported on the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Administrative costs are financed through investment earnings.

Governmental funds: 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 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. The net pension liability is reported in the statement of net position as a non-current liability. In the governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources.

Funding policy: The Town makes contributions at the discretion of management.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Net other post-employment benefit obligations: In fiscal year 2008, the Town implemented GASB Statement No. 45, *"Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions."* This pronouncement required the Town to calculate and record a net other post-employment benefit obligation (NOPEBO) at June 30, 2008. The NOPEBO is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2007. The Town makes annual contributions based upon budgetary decisions using the actuarial valuation. The NOPEBO is recorded as a non-current liability in the government-wide financial statements.

On October 7, 2013 the Town's Legislative Council approved an ordinance to establish a trust fund to fund current and future post-employment health care benefits for eligible retired employees of the Town. The Mayor and the President of the Legislative Council will serve as trustees of the Trust. The Trustees will also serve as the Plan Administrator. The Legislative Council shall have authority to amend or terminate the Trust.

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, to be cash and cash equivalents.

Investments: Investments are stated at the fair value using quoted market prices. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The balance of the pooled fixed income investments were invested in a pool similar to a 2a-7. The fair value of the position in the pool is the same as the value of the pool shares. These investments are stated at amortized cost.

Fair value: The Town uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Town's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

The three categories within the hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

Level 3: Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment.

See Note 4 for additional information regarding fair value.

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

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

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

All accounts and property tax receivables 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 government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 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.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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> |
|----------------------------|--------------|
| Land improvements | 20 |
| 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.

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.

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.

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

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 or proprietary fund type statement of net position. 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.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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, granters, 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.

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

The *nonspendable fund balances* 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.

The *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 Hamden, that was considered to be the Board of Aldermen.

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.

When both restricted and unrestricted amounts are available for use, it is the Town's practice to use restricted resources first. Additionally, the Town would first use committed, then assigned, and lastly unassigned.

Note 2. Budgets and Budgetary Accounting

General Fund: The budgetary basis of accounting and the Town's general budget policies are as follows:

- A. Not later than 105 days prior to the beginning of the fiscal year, the Mayor prepares and submits to the Legislative Council an annual budget based on detailed estimated revenues and expenditures for the Town.
- B. The Legislative Council must hold public hearings not later than 60 days before the beginning of the fiscal year, at which time taxpayers' comments are obtained.
- C. Not later than 45 days prior to the beginning of the fiscal year, the Legislative Council must adopt the budget.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 2. Budgets and Budgetary Accounting (Continued)

- D. With approval from the Mayor, the Legislative Council may transfer any unencumbered appropriation from one department, commission, board or office to another. Any additional appropriation over and above the budget total may be made by resolution of the Legislative Council upon recommendation of the Mayor and certification from the Director of Finance that there is an unappropriated, unencumbered general fund cash balance available to meet the additional appropriation. Unencumbered appropriations lapse at year-end.
- E. Formal budgetary integration is employed as a management control device during the year for the general fund. Only the general fund is required to be budgeted.
- F. The legal level of control is at the department level.
- G. Encumbrances are recognized as a valid and proper charge against a budget issued appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly encumbrances outstanding at year-end are reflected in budgetary reports as expenditures of the current year. If an appropriation is not encumbered, it lapses at year-end and may not be used by the department.
- H. Classifications of certain revenues and expenditures under accounting principles generally accepted in the United States of America differ from classifications utilized for budgetary purposes.

There were no additional appropriations for the year ended June 30, 2016.

The statement of revenues and expenditures, and change in fund balance - budgetary basis - budget to actual presented in the financial statements for the General Fund is on the budgetary basis of accounting which is a basis of accounting other than the accrual basis and the modified basis of accounting. The budgetary basis of accounting and the Town's general budget policies are as follows:

A 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 (GMP) is as follows:

| | Revenues | Expenditures and Encumbrances |
|--|-----------------------|-------------------------------------|
| Balance, budgetary basis | \$ 206,601,730 | \$ 211,643,036 |
| State teachers' retirement "on-behalf" payment, not recognized for budgetary purposes | 10,908,000 | 10,908,000 |
| Timing differences between the town's education expense and the accrual basis of accounting | - | - |
| Balance, GAAP basis | <u>\$ 217,509,730</u> | <u>\$ 222,551,036</u> |

Town of Hamden, Connecticut

Notes to Financial Statements

Note 2. Budgets and Budgetary Accounting (Continued)

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 | \$ 18,281,108 |
| Construction-in-progress | 39,744,251 |
| Net capital assets being depreciated | <u>200,094,672</u> |
| Net adjustment to increase fund balance to arrive at net assets of government activities | <u>\$ 258,120,031</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:

| | |
|---|-------------------------|
| Long-term debt | \$ (268,885,000) |
| Deferred charges on debt | (13,128,689) |
| Net pension liability | (286,688,533) |
| Net pension liability-MERS | (7,642,956) |
| Net OPEB obligation | (171,272,584) |
| Compensated absences | (5,580,648) |
| Heart and hypertension | (3,466,229) |
| Landfill closure | (48,800) |
| Claims and judgments | (4,500,000) |
| Accrued interest on debt | <u>(5,897,171)</u> |
| Net adjustment to reduce fund balance to arrive at net assets of government activities | <u>\$ (767,110,610)</u> |

Town of Hamden, Connecticut

Notes to Financial Statements

Note 3. Reconciliation of Government-wide and Fund Financial Statements (Continued)

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 | \$ 6,775,393 |
| Noncurrent account receivable | <u>685,457</u> |
| Net adjustment to increase fund balance to arrive at net assets of government activities | <u>\$ 7,460,850</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 | \$ 9,680,192 |
| Depreciation | <u>(11,785,221)</u> |
| Net adjustment to increase net changes in fund balances to arrive at changes in net assets of governmental activities | <u>\$ (2,105,029)</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 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." The details of this difference are as follows:

| | |
|---|------------------------|
| Issuance of debt | \$ (17,960,000) |
| Payments of debt | 11,345,000 |
| Premium and savings (loss) on new issuances | (2,040,833) |
| Amortization of bond premiums and savings | 457,141 |
| Net change in net pension liabilities | 1,993,707 |
| Net change in OPEB obligation | (17,193,482) |
| Net change in other liabilities | <u>432,251</u> |
| Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities | <u>\$ (22,966,216)</u> |

Town of Hamden, Connecticut

Notes to Financial Statements

Note 4. Deposits and Investments

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

| | Deposit | Investments | Total |
|--------------------------------|----------------------|-----------------------|-----------------------|
| Cash and cash equivalents: | | | |
| Governmental funds | \$ 36,122,806 | \$ - | \$ 36,122,806 |
| Internal service funds | 377,421 | - | 377,421 |
| Fiduciary funds | 5,505,742 | - | 5,505,742 |
| Investments: | | | |
| Fiduciary funds (pension_ | - | 150,683,968 | 150,683,968 |
| Total deposits and investments | <u>\$ 42,005,969</u> | <u>\$ 150,683,968</u> | <u>\$ 192,689,937</u> |

Deposits: The carrying amounts of the Town's deposits at June 30, 2016 consist of the following:

| | |
|------------------------|----------------------|
| Banks deposit accounts | \$ 41,852,422 |
| Certified deposits | 148,146 |
| Cash on hand | 5,401 |
| Total deposits | <u>\$ 42,005,969</u> |

Custodial credit risk: As of June 30, 2016, the carrying amount of the Town's deposits had bank balances of approximately \$37,433,000. The amount of the bank balance covered under federal depository insurance was approximately \$2,250,000. The remaining deposits were uninsured, however, provisions of the Connecticut General Statutes provide for protection against loss in excess of deposit insurance by requiring all qualified public depositories to maintain segregated collateral for public deposits. As of June 30, 2016 approximately \$3,623,000 of uninsured deposits were collateralized under the provision.

Investments: As of June 30, 2016, the Town held the following investments:

| Investment Type | Fund | Fair Value |
|-------------------------|-------------|-----------------------|
| Common stock | Trust funds | \$ 29,529,425 |
| Mutual funds | Trust funds | 64,528,873 |
| Alternative Investments | Trust funds | 56,625,670 |
| Total investments | | <u>\$ 150,683,968</u> |

Interest rate risk: Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The Town has no formal policy specifically related to interest rate risk. The Town minimizes its exposure to interest rate risk by investing its operating funds in short-term investments.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 4. Deposits and Investments (Continued)

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

Investment policies: The Town maintains an investment policy which excludes certain private purpose fund investments. The Town's investment policy strictly prohibits all funds to invest in investments not included in Chapter 12, Section 7-400 of the State of Connecticut's General Statutes.

Fair value: The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2016:

Investment Instruments Measured at Fair Value

| | Fair Value Measurements Using | | | |
|--|---|---|---|------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Other Observable Inputs (Level 3) | |
| | June 30, 2016 | | | |
| Investments by fair value level: | | | | |
| Stocks | \$ 29,529,425 | \$ 29,529,425 | \$ - | \$ - |
| Mutual funds | 64,528,873 | 15,376,000 | 49,152,873 | - |
| Total investments by fair value level | 94,058,298 | 44,905,425 | 49,152,873 | - |
| Investments measured at the net asset level (NAV): | | | | |
| Real estate funds | 56,625,670 | | | |
| Total investments measured at the NAV | 56,625,670 | | | |
| Total investments measured at fair value | \$ 150,683,968 | | | |

Investments Measured at the NAV

| | Fair Value | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|---------------------------------------|---------------|-------------------------|---|--------------------------------|
| Investments Measured at the NAV: | | | | |
| Real estate funds | \$ 56,625,670 | \$ - | Quarterly | Various |
| Total Investments Measured at the NAV | \$ 56,625,670 | | | |

Real estate funds: This type includes real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 5. Receivables, Payables and Unearned or Unavailable Funds

The receivables as of June 30, 2015 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:

| | General Fund | Nonmajor Funds | Internal Service | Total |
|-----------------------|-----------------|-------------------|---------------------|--------------|
| Property taxes | \$ 7,284,340 | \$ - | \$ - | \$ 7,284,340 |
| Intergovernmental | - | 1,078,074 | - | 1,078,074 |
| Accounts | 1,461,544 | 4,779 | - | 1,466,323 |
| Net total receivables | \$ 8,745,884 | \$ 1,082,853 | \$ - | \$ 9,828,737 |

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

| | Unavailable | Unearned | Total |
|--------------------------------|---------------|----------|---------------|
| General fund: | | | |
| Delinquent property taxes | \$ 6,775,393 | \$ - | \$ 6,775,393 |
| Delinquent accounts receivable | 685,457 | - | 685,457 |
| Advanced payments | 4,561,021 | - | 4,561,021 |
| Total deferred revenue | \$ 12,021,871 | \$ - | \$ 12,021,871 |

Payables: Payables as of June 30, 2016 for the Town's individual major funds and nonmajor funds were as follows:

| | Vendors | Payroll | Cash Overdraft | Total |
|--------------------------|--------------|--------------|-------------------|---------------|
| General fund | \$ 1,624,640 | \$ 6,240,904 | \$ - | \$ 7,865,544 |
| Capital projects funds | 2,054,419 | - | - | 2,054,419 |
| Nonmajor funds | 1,801,643 | - | 2,362 | 1,804,005 |
| Total governmental funds | \$ 5,480,702 | \$ 6,240,904 | \$ 2,362 | \$ 11,723,968 |

Town of Hamden, Connecticut

Notes to Financial Statements

Note 5. Receivables, Payables and Unearned or Unavailable Funds (Continued)

Temporary notes payable:

Bond anticipation notes: The Town uses short-term notes payable in anticipation of bond-issuances to provide interim funding for various capital projects. Activity for the current fiscal year was as follows:

| | Beginning Balance | Borrowings | Repayments | Ending Balance |
|--------------------------|----------------------|---------------|---------------|-------------------|
| Bond anticipation notes: | | | | |
| August 2014 BAN | \$ 17,960,000 | \$ - | \$ 17,960,000 | \$ - |
| August 2015 BAN | - | 23,335,000 | - | 23,335,000 |
| Total governmental funds | \$ 17,960,000 | \$ 23,335,000 | \$ 17,960,000 | \$ 59,255,000 |

Note 6. Interfund Receivables, Payables and Transfers

Interfund receivables and payables: Interfund receivables and payables at June 30, 2016 consisted of the following:

| <u>Fund</u> | <u>Receivable</u> | <u>Payable</u> |
|--------------------------------|----------------------|----------------------|
| General fund | \$ 6,188,478 | \$ 28,246,989 |
| Capital projects | 22,269,185 | - |
| Nonmajor | 2,743,453 | - |
| Internal service fund | - | 2,183,751 |
| Other Post Employment Benefits | - | 1,005,951 |
| Private purpose trusts | 158,125 | - |
| Performance bond | 77,450 | - |
| | <u>\$ 31,436,691</u> | <u>\$ 31,436,691</u> |

Town of Hamden, Connecticut

Notes to Financial Statements

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------|---------------|-------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 18,281,108 | \$ - | \$ - | \$ 18,281,108 |
| Construction in progress | 68,454,827 | 6,802,353 | 35,512,929 | 39,744,251 |
| Total capital assets, not being depreciated | 86,735,935 | 6,802,353 | 35,512,929 | 58,025,359 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 24,170,116 | 152,423 | - | 24,322,539 |
| Buildings and improvements | 204,995,551 | 34,544,690 | - | 239,540,241 |
| Machinery and equipment | 35,322,771 | 3,699,755 | - | 39,022,526 |
| Infrastructure | 89,080,677 | 46,100 | 52,200 | 89,074,577 |
| Total capital assets being depreciated | 353,569,115 | 38,442,968 | 52,200 | 391,959,883 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 10,324,502 | 1,201,076 | - | 11,525,578 |
| Buildings and improvements | 65,250,018 | 4,113,604 | - | 69,363,622 |
| Machinery and equipment | 27,644,742 | 2,021,398 | - | 29,666,140 |
| Infrastructure | 76,860,728 | 4,449,143 | - | 81,309,871 |
| Total accumulated depreciation | 180,079,990 | 11,785,221 | - | 191,865,211 |
| Total capital assets, being depreciated, net | 173,489,125 | 26,657,747 | 52,200 | 200,094,672 |
| Governmental activities capital assets, net | \$ 260,225,060 | \$ 33,460,100 | \$ 35,565,129 | \$ 258,120,031 |

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

| | |
|--|----------------------|
| Governmental activities: | |
| General government | \$ 912,636 |
| Education | 2,863,615 |
| Public safety | 455,876 |
| Public works | 7,392,512 |
| Health and welfare | 37,769 |
| Community services | 122,813 |
| Total depreciation expense - governmental activities | <u>\$ 11,785,221</u> |

Town of Hamden, Connecticut

Notes to Financial Statements

Note 8. Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance* | Increases | Decreases | Ending Balance | Due Within One Year |
|---|-----------------------|---------------|---------------|-------------------|------------------------|
| Governmental activities: | | | | | |
| Long-term debt: | | | | | |
| General obligation bonds | \$ 262,270,000 | \$ 17,960,000 | \$ 11,345,000 | \$ 268,885,000 | \$ 11,730,000 |
| Total long-term debt | 262,270,000 | 17,960,000 | 11,345,000 | 268,885,000 | 11,730,000 |
| Deferred amount on: | | | | | |
| (Gain) loss on bond premium* | 5,826,321 | 2,040,833 | 356,635 | 7,510,519 | - |
| Net long-term debt | 5,826,321 | 2,040,833 | 356,635 | 7,510,519 | - |
| Other long-term liabilities: | | | | | |
| Net pension liability | 290,814,288 | - | 4,125,755 | 286,688,533 | - |
| Net pension liability- MERS* | 5,510,908 | 2,132,048 | - | 7,642,956 | - |
| Net OPEB obligation | 154,079,102 | 17,193,482 | - | 171,272,584 | - |
| Compensated absences | 6,038,590 | - | 457,942 | 5,580,648 | 446,000 |
| Claims payable | 7,447,052 | 1,059,050 | - | 8,506,102 | - |
| Heart and hypertension* | 3,723,215 | - | 256,986 | 3,466,229 | - |
| Landfill | 65,200 | - | 16,400 | 48,800 | 16,400 |
| Claims and judgments | 4,500,000 | - | - | 4,500,000 | - |
| Total governmental activities long-term liabilities | \$ 740,274,676 | \$ 40,385,413 | \$ 16,558,718 | \$ 764,101,371 | \$ 12,192,400 |

General obligation bonds: The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business type activities and are direct obligations and pledge the good faith and credit of the government. Certain general obligation bonds are to be repaid by revenues of the enterprise funds. These bonds generally are issued as 5 year and 20 year serial bonds with equal amounts of principal maturing each year. As of June 30, 2016, the outstanding general obligation bonded indebtedness of the Town was as follows:

| | General | Refunding |
|---|--------------|-----------|
| \$3,190,000 G.O.B. taxable 2009B, issue of 8/15/2009, due 8/15/2024, interest at 5.0% to 5.5%, annual principal payments of \$265,000 | \$ 2,385,000 | \$ - |
| \$4,950,000 G.O.B. refunding 2010A, issue of 8/15/2010, due 8/15/2020, interest at 3.0% to 4.0%, annual principal payments of \$400,000 | - | 2,000,000 |

Town of Hamden, Connecticut

Notes to Financial Statements

Note 8. Long-Term Liabilities (Continued)

| | General | Refunding |
|---|----------------|---------------|
| \$7,415,000 G.O.B. 2010B refunding, issue of 8/15/2010, due 8/1/2017, interest at 3.0% to 5.0%, annual principal payments of \$630,000 | - | 3,150,000 |
| \$34,000,000 G.O.B. 2011A, issue of 8/24/2011, due 8/15/2031, interest at 2.0% to 4.25%, annual principal payments of \$1,750,000 to \$10,500,000 | 27,330,000 | - |
| \$13,150,000 G.O.B. refunding 2011B, issue of 9/1/2011, due 7/15/2018, interest at 3.0% to 4.0%, annual principal payments of \$1,235,000 to \$3,335,000 | - | 4,725,000 |
| \$24,705,000 G.O.B. 2012, issue of 8/15/12, due 8/15/2032, interest at 2.0% to 5.0%, annual principal payments of \$1,235,000 | 20,995,000 | - |
| \$29,415,000 G.O.B. refunding 2013, issue of 5/2/2013 due 8/25/2025 with interest of 5.0% and annual principal payments of \$1,320,000 to \$1,325,000 | - | 29,415,000 |
| \$26,405,000 G.O.B. 2015A, issue of 8/24/2011, due 8/15/2031, interest at 2.0% to 4.25%, annual principal payments of \$1,750,000 to \$10,500,000 | 25,080,000 | - |
| \$15,545,000 G.O.B. refunding 2015, issue of 5/2/2013 due 8/25/2025 with interest of 5.0% and annual principal payments of \$1,320,000 to \$1,325,000 | - | 13,250,000 |
| \$125,000,000 pension funding bonds 2015, issue of 3/10/15, due 8/15/44 with interest at 4.0% to 5.2% and annual principal payments of \$2,070,000 to \$7,840,000 | 122,595,000 | |
| \$17,960,000 bonds 2015 Series B, issue of 8/12/15 due 8/12/30 with interest at 3.0% to 6.0% and annual principal payments of \$510,000 to \$513,500 | 17,960,000 | - |
| Total general obligation bonds | \$ 216,345,000 | \$ 52,540,000 |

Town of Hamden, Connecticut

Notes to Financial Statements

Note 8. Long-Term Liabilities (Continued)

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

| Year ended June 30: | Governmental Activity | |
|---------------------|-----------------------|-----------------------|
| | Principal | Interest |
| 2017 | \$ 11,730,000 | \$ 12,423,575 |
| 2018 | 12,525,000 | 11,510,812 |
| 2019 | 12,660,000 | 10,986,468 |
| 2020 | 13,160,000 | 10,433,412 |
| 2021 | 13,710,000 | 9,829,071 |
| 2022-2046 | 205,100,000 | 102,086,298 |
| Totals | <u>\$ 268,885,000</u> | <u>\$ 157,269,636</u> |

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

The Town has authorized but unissued general purpose bonds related to capital projects at June 30, 2016 in the amount of \$0.

Legal debt limit: The Town's indebtedness (including authorized but not unissued bonds), net of principal reimbursements expected from the state, does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

| Catetory | Debt Limit | Indebtedness | Balance |
|-------------------|----------------|----------------|----------------|
| General | \$ 375,951,778 | \$ 127,704,340 | \$ 248,247,438 |
| Pension | 501,269,037 | 122,595,000 | 378,674,037 |
| Schools | 751,903,556 | 41,920,660 | 709,982,896 |
| Sewers | 626,586,296 | - | 626,586,296 |
| Urban development | 543,041,457 | - | 543,041,457 |

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$1,169,627,753.

The State of Connecticut reimburses the Town for eligible school bond principal and interest costs. The amount of such reimbursement for the year ended June 30, 2016 was approximately \$1,198,000. Additional payments for principal and interest aggregating approximately \$685,000 are to be received through the bonds' maturity dates.

Conduit debt: Conduit debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 8. Long-Term Liabilities (Continued)

The Town has issued revenue bonds, the proceeds of which will be used for financing the design and construction of the Whitney Center Project. The bonds are secured by the property financed and are payable from the Whitney Center operations. Accordingly, the bonds were not reported in the general purpose financial statements. As of June 30, 2016, there is \$49,420,000 of revenue bonds outstanding.

Defeased bonds: The Town has issued general obligation refunding bonds to provide resources to purchase U.S. Governmental, State, and local government securities that were then placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of general obligation bonds. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net assets. The amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. The advanced refunding was undertaken to reduce total debt service payments over the next 15 years. The amount deferred was amortized over this period. The amount as of June 30, 2016 that was considered to be defeased was \$0.

Note 9. Employee Retirement Systems

Town plan: The Town of Hamden is the administrator of a single employer, contributory public employee retirement system (PERS) established and administered to provide pension benefits for its employees. The Retirement Plan provides retirement, disability, and death benefits through a single employer, contributory defined benefit plan to plan members and beneficiaries. The Plan issues a separate, stand-alone audited financial report. The report can be obtained upon request.

The PERS is a contributory defined benefit plan. Substantially all full-time employees of the Town are eligible to participate. Participants in the State Teachers' Retirement System, part-time Town employees and officials elected by popular vote are excluded.

Employees begin to vest their retirement benefits after completion of at least 10 years of credited service, and full vesting is attained after completing 15 years of service.

Employees hired into the Guardian services (members of the police and fire departments) after July 1, 2006 participate in the Connecticut Municipal Retirement System (CMERS) and are not eligible to participate in the Plan. Similarly, service employees hired after July 1, 2007 participate in CMERS and are not eligible for the pension plan.

The Plan provides retirement benefits, disability retirement benefits and pre-retirement and post-retirement death benefits. The Plan includes specific benefit provisions, vesting rules and employee contribution rules for the following employee classifications: guardian employees and service employees. Guardian employees are defined as full-time employees who are members of the police or fire department. All other town employees are considered to be service employees. The plan provides for an annual cost of living adjustment to pension benefit payments based on changes in the consumer pricing index.

Guardian employees receive normal pension benefits upon the earlier of age 60 or completion of 20 years of credited service, equal to 2.5% of average annual compensation per year of credit service for the first 20 years, plus 3% per year of credited service for the next 5 years, plus 2% per year in excess of 25 years, to a maximum of 35 years. Disability benefits are provided as the greater of 30% of average annual compensation if hired on or after July 1, 1981, 25% if hired on or after July 1, 1987, or normal pension accrued. Guardian employees hired prior to July 1, 1981 have a minimum benefit of 50% of average annual compensation.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

Service employees receive normal pension benefits, upon the earlier of age 65, the completion of 30 years of credited service, or age 55 and completion of 20 years of credited service, equal to 2.5% of average annual compensation per year of credited service for the first 20 years, plus 2% in excess of 20 years to a maximum of 35 years. No employee shall receive more than 85% except for employees with the required years of service, who were hired before July 1, 1978. As of June 30, 2008, such employee's benefits are frozen. Disability benefits are provided as the greater of 50% of average annual compensation or the employee's normal retirement pension.

The Town of Hamden makes contributions to the Plan, at the discretion of the Town's Legislative Council.

Plan provisions include mandatory employee contributions by service employees. Effective January 1, 2000, plan provisions also include mandatory employee contributions by Guardian employees and all employee contributions are made on a pre-tax basis. These contributions are negotiated as part of the collective bargaining agreements.

Service employees currently contribute 6.5% of their average annual compensation. Guardian employees contributed 8.5% of average annual compensation. Average compensation includes regular base salary, longevity payments and any workers compensation payments.

Employees are 100% vested in their contributions to the Plan. If a member leaves employment prior to becoming eligible for benefits, all accumulated employee contributions will be paid to the member in the form of a lump sum payment with interest calculated at 5% per year.

The Plan may be discontinued or amended in any respect at any time by action of the Town's Legislative Council.

Summary of significant accounting policies:

Basis of accounting: Financial statements are prepared using the accrual basis of accounting for the three defined benefit pension plans. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. 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.

Administrative costs: Administrative costs of the Plan are financed through investment earnings.

Investments:

Investment policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the PERS Board by a majority vote of its members. It is the policy of the PERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The assets must be invested with the care, skill and diligence that a prudent person acting in this capacity would exercise to comply with all objectives outlined herein, the Investment Advisors Act of 1940 and all other governing statutes.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

Based on recommendations the Plan's investment advisors, the Board has established reasonable guidelines for each asset class, specifying acceptable and/or prohibited investments, limits on asset and asset class exposures, risk constraints, and investment return objectives. The Board will from time-to time elect to invest in commingled funds, recognizing the benefits of such funds as investment vehicles, the ability to diversify more extensively than in small, direct investment accounts and the lower costs that are generally associated with these funds.

Investment management of the assets of the Town shall be in accordance with the following asset allocation guidelines:

| Asset Class | Target Allocation |
|----------------------------------|-------------------|
| Equity - domestic | 30% |
| Equity - international | 10% |
| Fixed income | 40% |
| Global Tactical Asset Allocation | 10% |
| Real estate | 10% |
| Total | 100% |

Rate of return: For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses was 1.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

In accordance with GASB Statement No. 67, the components of the net pension liability of the Town at June 30, 2016 were as follows:

| | |
|------------------------------|-----------------------|
| Total pension liability | \$ 441,521,657 |
| Plan fiduciary net position | 154,834,124 |
| Town's net pension liability | <u>\$ 286,687,533</u> |

Plan fiduciary net position as a percentage of the total liability 35.07%

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

| | |
|---------------------------|--|
| Inflation | 3.0% |
| Salary increases | 2.5% |
| Investment rate of return | 7.0% including inflation, net of pension plan investment expense |

Healthy mortality rates were based on the six-distinct RP-2000 Combined Healthy Mortality Table, projected 19 years with Scale BB.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan's target asset allocation as of June 30, 2016 are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | Target Allocation |
|----------------------------------|---|----------------------|
| Domestic equity | 6.75% | 30 |
| International equity | 7.45% | 10 |
| Fixed income | 1.75% | 40 |
| Global Tactical Asset Allocation | 3.75% | 10 |
| Real estate | 4.55% | 10 |
| Total | | 100 |

Discount rate: The blended discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current negotiated contribution rates: 8.50% of annual compensation for Guardians, and 8.00% of annual compensation for Service employees. Town contributions are assumed to be made in accordance with Section 219 of Public Act 14-217, specifically 70% of the actuarially determined contribution for the fiscal year ending June 30, 2017, 80% of the actuarially determined contribution for the fiscal year ending June 30, 2018, and 100% of the actuarially determined contribution thereafter. The actuarially determined contribution is equal to the total normal cost plus a 30-year closed amortization of the unfunded actuarial accrued liability, beginning July 1, 2014 (28 years remaining). Amortization payments are expected to grow by 2% annually. Based on these assumptions, the Retirement Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on Retirement Plan investments was applied to the projected benefit payments.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

Membership in the Plan consisted of the following at July 1, 2015, the date of the last actuarial valuation:

| | |
|---|--------------|
| Retirees and beneficiaries receiving benefits | 722 |
| Terminated plan members entitled to, but not yet receiving benefits | 24 |
| Active plan members | 408 |
| Total | <u>1,154</u> |

Three year trend information:

| Year Ending | Annual Pension Cost (APC) | Annual Contribution | Percentage of APC Contributed | Net Pension Obligation |
|-------------|---------------------------|---------------------|-------------------------------|------------------------|
| 6/30/14 | \$ 28,687,321 | \$ 12,500,000 | 43.6% | \$ 196,341,184 |
| 6/30/15 | 29,536,050 | 14,768,025 | 50.0% | 290,814,288 |
| 6/30/16 | 21,998,113 | 12,100,000 | 55.0% | 286,687,533 |

Schedule of funding progress:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | (Over) Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|---------------------------|-----------------------------------|----------------------------|--------------|-----------------|---|
| July 1, 2012 | \$ 58,842,127 | \$ 419,266,994 | \$ 360,424,867 | 14.03% | \$ 31,241,635 | 1153.67% |
| July 1, 2014 | \$ 46,762,549 | \$ 452,501,230 | \$ 405,738,681 | 10.33% | \$ 29,347,110 | 1382.55% |
| July 1, 2015 | \$ 167,629,557 | \$ 454,439,941 | \$ 286,810,384 | 36.89% | \$ 28,992,189 | 989.27% |

Historical trend information: The schedules of funding progress, found in the Plan's separate stand alone, audited financial report, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial assumptions are as follows:

| | |
|--------------------------------|---|
| Valuation date: | 7/1/15 |
| Actuarial cost method: | Entry age normal method |
| Amortization method: | Level percent, with 2% annual increase |
| Remaining amortization period: | 30 years closed as of 7/1/2014 |
| Asset valuation method: | Market value, less unrecognized returns in each of the last five years. |
| Actuarial assumptions: | |
| Investment rate of return: | 7.0% |
| Projected salary increases: | 2.5% per year |
| Cost of living adjustments: | 3.00% per year |

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

Changes in net pension liability:

| | Increase (Decrease) | | |
|--|-------------------------|-----------------------------|-----------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)-(b) |
| Balances as of June 30, 2015 | \$ 454,439,941 | \$ 163,625,653 | \$ 290,814,288 |
| Changes for the year: | | | |
| Service cost | 5,888,328 | - | 5,888,328 |
| Interest on total pension liability | 30,955,497 | - | 30,955,497 |
| Differences between expected and actual experience | 1,347,205 | - | 1,347,205 |
| Changes in assumptions | (26,672,204) | - | (26,672,204) |
| Employer contributions | - | 12,100,000 | (12,100,000) |
| Member contributions | - | 2,195,488 | (2,195,488) |
| Net investment income | - | 1,468,812 | (1,468,812) |
| Benefit payments, including refund to employee contributions | (24,437,110) | (24,437,110) | - |
| Administrative expenses | - | (118,719) | 118,719 |
| Net changes | (12,918,284) | (8,791,529) | (4,126,755) |
| Balances as of June 30, 2016 | \$ 441,521,657 | \$ 154,834,124 | \$ 286,687,533 |

Sensitivity of the net pension liability to changes in the discount rate:

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability | \$ 340,008,912 | \$ 286,687,533 | \$ 242,283,412 |

Deferred outflows/inflows recognized in future years:

| | Deferred Outflows of Resources | Deferred Inflow of Resources |
|--|-----------------------------------|---------------------------------|
| Differences between expected and actual experience | \$ 898,136 | \$ (3,589,749) |
| Net difference between projected and actual earnings | 12,003,767 | - |
| Assumption changes | - | (17,781,468) |
| Total | \$ 12,901,903 | \$ (21,371,217) |

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

Year Ending June 30:

| | |
|-------|-----------------------|
| 2017 | \$ (8,671,885) |
| 2018 | (5,082,135) |
| 2019 | 3,359,531 |
| 2020 | 1,925,175 |
| Total | <u>\$ (8,469,314)</u> |

Projected recognition of deferred outflows (inflows):

| | Year Established | Beginning Balance | Amount Recognized During FYE June 30, 2016 | Outstanding Balance at June 30, 2016 |
|-----------------------|---------------------|------------------------|---|--|
| Fiscal year outflows: | | | | |
| Investment loss | 2015 | \$ 7,171,787 | \$ 1,434,359 | \$ 4,303,071 |
| Liability loss | 2016 | 1,347,205 | 449,069 | 898,136 |
| Investment loss | 2016 | 9,625,872 | 1,925,176 | 7,700,696 |
| Total outflows | | <u>\$ 18,144,864</u> | <u>\$ 3,808,604</u> | <u>\$ 12,901,903</u> |
| Fiscal year inflows: | | | | |
| Liability gain | 2015 | \$ (10,769,246) | \$ (3,589,748) | \$ (3,589,749) |
| Assumption changes | 2016 | (26,672,204) | (8,890,736) | (17,781,468) |
| Total inflows | | <u>\$ (37,441,450)</u> | <u>\$ (12,480,484)</u> | <u>\$ (21,371,217)</u> |
| Total | | <u>\$ (19,296,586)</u> | <u>\$ (8,671,880)</u> | <u>\$ (8,469,314)</u> |

Deferred outflows/inflows recognized in future years:

| | FYE June 30, 2017 | FYE June 30, 2018 | FYE June 30, 2019 | FYE June 30, 2020 |
|-----------------------|------------------------|-----------------------|----------------------|----------------------|
| Fiscal year outflows: | | | | |
| Investment loss | \$ 1,434,357 | \$ 1,434,357 | \$ 1,434,357 | \$ - |
| Liability loss | 449,068 | 449,068 | - | - |
| Investment loss | 1,925,174 | 1,925,174 | 1,925,174 | 1,925,174 |
| Total outflows | <u>\$ 3,808,599</u> | <u>\$ 3,808,599</u> | <u>\$ 3,359,531</u> | <u>\$ 1,925,174</u> |
| Fiscal year inflows: | | | | |
| Liability gain | \$ (3,589,749) | \$ - | \$ - | \$ - |
| Assumption changes | (8,890,734) | (8,890,734) | - | - |
| Total inflows | <u>\$ (12,480,483)</u> | <u>\$ (8,890,734)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total | <u>\$ (8,671,884)</u> | <u>\$ (5,082,135)</u> | <u>\$ 3,359,531</u> | <u>\$ 1,925,174</u> |

Note 9. Employee Retirement Systems (Continued)

Municipal Employees' Retirement System

Plan description: Full-time employees participate in the Municipal Employees' Retirement System (MERS). MERS is a cost-sharing multiple-employer public employee retirement system established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits to employees of participating municipalities. Chapters 7-425 to 7-451 of the State of Connecticut General Statutes, which can be amended by legislative action, establishes MERS benefits, member contribution rates and other plan provisions. MERS is considered to be part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports can be obtained at www.ct.gov.

Benefit provisions: The plan provides retirement, disability and death benefits and annual cost-of-living adjustments to plan members and their beneficiaries. Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service or 25 years of aggregate service. In addition, compulsory retirement is at age 65 for police and fire members.

Normal retirement: For members not covered by social security, retirement benefits are calculated as 2 percent of the average of the three highest paid years of service times the years of service. For members covered by social security, retirement benefits are calculated as 1½ percent of the average of the three highest paid years of service not in excess of the year's breakpoint plus 2 percent of average of the three highest paid years of service in excess of the year's breakpoint, times years of service. The year's breakpoint is defined as \$10,700 increased by 6.0 percent each year after 1982, rounded to the nearest multiple of \$100. Maximum benefit is 100 percent of average final compensation and the minimum benefit is \$1,000 annually.

Early retirement: Members must have 5 years of continuous or 15 years of active aggregate service. Benefits are calculated as a service retirement allowance on the basis of the average of the three highest paid years of service to the date of termination. Benefits are deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Disability retirement - service connected: This applies to employees who are totally and permanently disabled and such disability has arisen out of and in the course of employment with the municipality. Disability due to heart and hypertension in the case of fire and police is presumed to have been suffered in the line of duty. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including worker's compensation benefits) of 50 percent of compensation at the time of disability.

Disability retirement - service connected: This applies to employees who are totally and permanently disabled and such disability has arisen out of and in the course of employment with the municipality. Disability due to heart and hypertension in the case of fire and police is presumed to have been suffered in the line of duty. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including worker's compensation benefits) of 50 percent of compensation at the time of disability.

Disability retirement - non-service connected: This applies to employees who have 10 years of service and are totally and permanently disabled. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

Death benefit: This applies to employees who are eligible for service, disability or early retirement and married for at least 12 months preceding death. Benefits are calculated based on the average of the three highest paid years of service and creditable service at date of death, payable to the spouse. Benefit is equal to 50 percent of the average of the life annuity allowance and reduced 50 percent joint and survivor allowance.

Contributions:

Member: Contributions for members not covered by social security are 5 percent of compensation; for members covered by social security, 2¼ percent of compensation up to the social security taxable wage base plus 5 percent, if any, in excess of such base.

Employer: Participating employers make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment, which covers the liabilities of MERS not met by member contributions.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2016, the Town reports a liability of \$7,642,956 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2016, the Town's proportion was 13.28 percent. The increase or decrease in proportion from June 30, 2014 is not available. Investments are measured at fair value.

For the year ended June 30, 2016, the Town recognized pension expense of \$3,452,823. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Town contributions after the measurement date | \$ 2,219,517 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | 579,094 | - |
| Total | <u>\$ 2,798,611</u> | <u>\$ -</u> |

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

Amounts reported as deferred outflows of resources related to Town contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30:

| | |
|-------|-------------------|
| 2017 | \$ 32,612 |
| 2018 | 32,612 |
| 2019 | 32,612 |
| 2020 | 481,257 |
| Total | <u>\$ 579,093</u> |

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

| | |
|----------------------------|--|
| Inflation: | 3.25% |
| Salary increases: | 4.25% - 11.00%, including inflation |
| Investment rate of return: | 8.00%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females.)

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

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| Large Cap U.S. Equities | 16% | 5.8% |
| Developed Non-U.S. Equities | 14% | 6.6% |
| Emerging Markets (Non-U.S.) | 7% | 8.3% |
| Core Fixed Income | 8% | 1.3% |
| Inflation Linked Bond Fund | 5% | 1.0% |
| Emerging Market Bond | 8% | 3.7% |
| High Yield Bonds | 14% | 3.9% |
| Real Estate | 7% | 5.1% |
| Private Equity | 10% | 7.6% |
| Alternative Investments | 8% | 4.1% |
| Liquidity Fund | 3% | 0.4% |
| Total | 100% | |

Discount rate: The discount rate used to measure the total pension liability was 8.00 percent. 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 employer contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the Town's proportionate share of the net pension liability, calculated using the discount rate of 8.00 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Decrease (9.00%) |
|---|------------------------|-------------------------------------|------------------------|
| Town's proportionate share of the net pension liability | \$ 13,975,739 | \$ 7,642,956 | \$ 2,314,463 |

Note 9. Employee Retirement Systems (Continued)

Teachers' Retirement System Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

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

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

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

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

Contributions: Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (school districts): School District employers are not required to make contributions to the plan.

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

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

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2016, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100 percent of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

| | |
|---|-----------------------|
| Town's proportionate share of the net pension liability | \$ - |
| State's proportionate share of the net pension liability associated with the Town | 122,756,960 |
| Total | <u>\$ 122,756,960</u> |

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2016, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2016, the Town recognized pension expense and revenue of \$3,884,000 in Exhibit II for on-behalf amounts for the benefits provided by the State.

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

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

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

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

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

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| Large Cap U.S. Equities | 21.00% | 5.80% |
| Developed Non-U.S. Equities | 18.00% | 6.60% |
| Emerging Markets (Non-U.S.) | 9.00% | 8.30% |
| Core Fixed Income | 7.00% | 1.30% |
| Inflation Linked Bond Fund | 3.00% | 1.00% |
| Emerging Market Bond | 5.00% | 3.70% |
| High Yield Bonds | 5.00% | 3.80% |
| Real Estate | 7.00% | 5.10% |
| Private Equity | 11.00% | 7.60% |
| Alternative Investments | 8.00% | 4.10% |
| Liquidity Fund | 6.00% | 0.40% |
| Total | 100.00% | |

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

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

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

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

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

Other post-employment benefits: The Town provides post-employment benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit post-retirement healthcare plan. An annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2014. The post-employment plan does not issue stand-alone financial reports.

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, the Town recognized the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

The contribution requirements of plan members and the Town are established and may be amended by the Town. The Town determines the required contribution using the Entry Age Normal Method. For fiscal year 2016, the Town contributions made on a pay-as-you go basis were \$13,000,000.

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

| | |
|---|--------------|
| Retirees and beneficiaries receiving benefits | 1,289 |
| Active plan members | 843 |
| Total | <u>2,132</u> |

The calculation of the change in net OPEB obligation for the year ended June 30, 2016 is as follows:

| | |
|--|-----------------------|
| Annual required contribution | \$ 39,778,717 |
| Interest on net pension obligation | 6,163,164 |
| Adjustment to ARC | <u>(10,370,919)</u> |
| Annual OPEB cost | 35,570,962 |
| Contributions made | <u>(18,377,480)</u> |
| Increase in net OPEB liability | 17,193,482 |
| Net OPEB obligation, beginning of year | <u>154,079,102</u> |
| Net OPEB obligation, end of year | <u>\$ 171,272,584</u> |

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45 and based on the valuation at July 1, 2014. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The actuarial accrued liability as of July 1, 2014 is \$451,966,876

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

Three year trend information: The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

| Fiscal Year Ended | Annual OPEB Cost | Actual Contributions | Percentage of Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|----------------------|--------------------------------|---------------------|
| 6/30/14 | \$ 34,884,722 | \$ 17,669,283 | 50.7% | \$ 136,849,403 |
| 6/30/15 | 34,567,833 | 17,338,134 | 50.2% | 154,079,102 |
| 6/30/16 | 35,570,962 | 18,377,480 | 51.7% | 171,272,584 |

Funded status and funding progress:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Accrued Liability (AAL) Actuarial (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| July 1, 2014 | \$ - | \$ 451,966,876 | \$ 451,966,876 | 0.00% | N/A | N/A |

Historical trend information: The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

Town of Hamden, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems (Continued)

The information presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

| | |
|--------------------------------------|----------------------------------|
| Valuation date: | 7/1/14 |
| Actuarial cost method: | Projected unit credit |
| Asset valuation method: | N/A |
| Amortization method: | Level dollar closed, 30 years |
| Remaining amortization period: | 24 years as of July 1, 2014 |
| Actuarial assumptions: | |
| Investment rate of return: | 4.0% (pay-as-you-go) |
| Inflation rate: | 2.0% |
| Projected salary increases: | N/A |
| Non-Medicare medical trend rate: | 7.5% graded to 5.0% over 5 years |
| Medicare medical trend rate: | 6.5% graded to 5.0% over 3 years |
| Prescription drug trend: | 8.5% graded to 5.0% over 7 years |
| Dental cost trend rate: | 4.0% |
| Administrative expense trend rate: | 3.0% |
| ACA excise tax threshold trend rate: | 3.5% in 2018, 2.5% thereafter |

Note 10. Commitments and Contingencies

Lawsuits: There were several personal injury, negligence and personnel related lawsuits pending against the Town. The outcome and eventual liability of the Town, if any in these cases, is not known at this time. Other than that below, 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.

Environmental contingency: The Town's Newhall site contains wetlands and low-lying areas that were used by the public for dumping. This was common practice throughout Connecticut until the late 1900's. Public health officials had encouraged the filling of wetlands and low-lying land to protect public health. Today we know that the waste included metals and chemicals that polluted the soil. Although the owners of the polluted properties have changed since the dumping began, it is now the responsibility of the Town of Hamden, the South Central Regional Water Authority, the State Department of Energy and Environmental Protection (DEEP) and Olin Corporation to remediate the pollution. This was established through a legal settlement and a consent order.

Through the consent order, the Town has agreed to remediate Mill Rock Park and the portion of the Hamden Community Center (former Newhall Street School) not owned by the Regional Water Authority. The Town has recorded a long-term liability of \$4.5 million dollars to recognize the estimated local costs of fulfilling the consent order. DEEP released its final remediation standards plan in October 2007.

The Town's residential remediation, comprising more than three hundred individual properties, was completed in 2012. The remediation of two parks is expected to extend from 2014 to 2015, and the remediation efforts of the South Central Regional Water Authority are currently planned for 2015 and 2016.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 10. Commitments and Contingencies (Continued)

Landfill post-closure monitoring: State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for thirty years after closure, which was in 1991. The liability for the landfill post-closure care, aggregating \$48,800, is based on the amount estimated to be paid for all equipment, facilities and services required to monitor and maintain the landfill as of June 30, 2016. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

Operating contracts:

Municipal solid waste management services contract: The Town has entered into the municipal solid waste management services contract, as amended, (the Service Contract) with Covanta Projects L.P. of Wallingford pursuant to which it participates with four other Connecticut Municipalities. Under the contract, all curbside solid waste collected in Hamden is transported to Covanta's mass-burn solid waste resource recovery and electric generation facility in Wallingford (the System), the same location used under the twenty-year agreement with the Connecticut Resources Recovery Authority that expired on June 30, 2010. The Covanta contract offers two five-year options to extend for any or all of the participating municipalities.

Under the Service Contract, the Town is required to deliver, or cause to be delivered, to the System acceptable solid waste generated within its boundaries with a minimum commitment of 14,850 tons per year and to pay a uniform per ton disposal service payment (the Service Payment). The current fee is \$65.00 per ton. The aggregated minimum commitment of the five Contracting Municipalities is 66,285 tons per year. The Town's Service Payment commitment is a "put-or-pay" commitment in that if the aggregate minimum commitment of the Contracting Municipalities is not met by the total deliveries of all the Contracting Municipalities in any year, the Town must pay the Service Payment for its full portion of the aggregate minimum commitment even if it did not deliver that full portion. Disposal fees are payable, provided the system is accepting solid waste delivered by or on behalf of the Town, regardless of whether such solid waste is processed at Covanta's facility in Wallingford. If the facility is not able to process this waste, it will be sent to other facilities owned by Covanta at no additional cost to the Town.

As amended, effective February 1, 2012, the service payment applicable in any contract year is calculated by increasing the fee for the immediately preceding contract year by an amount equal to one hundred percent of the percentage increase, if any, in the CPI during the twelve month period ending on March 31 of the immediately preceding contract year. However, the annual increase in the fee shall not be less than 1.75%, or more than 3.5% for any contract year.

The amended contract also provides for a reserve account, to be held by Wallingford, for the benefit of the original contracted municipalities, and is to be funded initially with \$2,000,000 from funds paid to the original municipalities by the CRRA, and thereafter by reserve charges to be collected by Covanta from the original municipalities and their authorized haulers, and remitted to Wallingford for deposit in the reserve account. The Town of Hamden's contribution to the reserve was 23.06% of the total reserve balance requirement, or \$465,244. There were no additional reserve fees added per ton for the year ended June 30, 2016.

The Town's obligation to pay disposal fees is absolute and unconditional as long as Covanta accepts the Town's solid waste. The Town has pledged its full faith and credit to the payment of disposal fees and has also agreed to enforce or levy and collect all taxes, cost sharing or other assessments or charges and take all such other action as may be necessary to pay the fees.

Note 10. Commitments and Contingencies (Continued)

Software maintenance agreement: The Town entered into a software license and maintenance agreement on August 13, 2012 with a technology company. The total amount of the lease is \$491,706. The term of the agreement was for three years from September 1, 2012 through August 31, 2015, with payments of \$52,655 due on the first day of each three months (quarterly) until the end of the term. The agreement was extended on August 31, 2015 expiring on August 31, 2018, with payments of \$40,975.50 due on the first day of each three months (quarterly) until the end of the term.

Bus service contract: The Hamden Board of Education, as of July 1, 2010, has contracted with a school bus service company to supply and maintain school buses (in quantity and capacity) and personnel as required to fulfill Hamden's Public School transportation needs. The term of the contract is for five years ending June 30, 2015. The contract was extended on July 1, 2015 through June 30, 2017. The contract does not include the cost of fuel, which is to be paid for by the Board of Education. The service company carries and pays for the cost of insurance.

Transportation service types vary and the cost of those services vary by mileage rate or hourly rate, depending on the service type. For the current year ending June 30, 2016 the fees range from \$26.24 and \$50.42 per hour, and \$3.94 and \$4.01 per mile. If transportation needs materially increase or decrease during the contract period, the parties shall negotiate in good faith to adjust rates at which services are provided to cover the cost structure of such changes. For the fiscal year ending June 30, 2016, the amount paid on the service contract was approximately \$5,900,000.

In addition to service fees, the Board of Education pays an annual charge to the service company for the provision of a performance bond, or comparable approved security, and the company's cost of a GPS system. The amounts due under the performance bond provision are \$28,420 and \$28,000 for the years ending June 30, 2016 and 2015, respectively. Amounts due for the GPS systems are \$425 per vehicle for each year of the contract.

Construction contracts: The Town has various construction projects in progress at June 30, 2016.

Risk management and self-insurance:

The Town and the Board of Education are self-insured for employee medical, worker's compensation and heart and hypertension benefits. The Town carries commercial insurance for its other insurable risks. Coverage has not been materially reduced, nor has settled claims exceeded commercial coverage in any of the past three years.

The Town was a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of Connecticut General Statutes, for workers' compensation, general liability, auto and property insurance. The Town is subject to a \$300,000 per claim deductible for workers' compensation claims from July 1, 1999 to June 30, 2009. The Board of Education was covered by CIRMA on a fully-insured basis for the same time period.

As of July 1, 2009, the Town and Board of Education became self-insured for workers' compensation coverage. Since July 1, 2010 the reinsurance for workers' compensation self-insurance programs is provided through Safety National. The Town retains the first \$500,000 of each loss. PMA of Connecticut serves as the Claims Administrator for the program.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 10. Commitments and Contingencies (Continued)

The self-insurance programs for medical insurance are being administered by a third-party administrator, Anthem Blue Cross Blue Shield (the administrator) and are reported as an internal service fund. Medical insurance premiums are based upon estimates by the number of employees and types of coverage (single or family), trends in insurance claims, and estimates for administration. The claims liability reported is based upon the requirements of GASB Statement Nos. 10 and 30, which require that a liability for estimated claims incurred but reported, be recorded. The Town maintains stop loss coverage of \$250,000 for individual medical claims.

Payments related to heart and hypertension are administered by the Town and accounted for in the General Fund as liabilities are incurred. The Town records an estimate for claims incurred but not reported in the long-term liabilities.

Changes in the balance of claims liabilities for the worker's compensation, medical insurance and heart and hypertension were as follows:

| Fiscal Year Ended June 30: | Claims Payable Beginning | Claims and Changes in Estimates | Claims Paid | Claims Payable Ending |
|--|--------------------------|---------------------------------|---------------|-----------------------|
| Worker's compensation and medical insurance: | | | | |
| 2015 | \$ 7,821,777 | \$ 20,342,687 | \$ 20,717,412 | \$ 7,447,052 |
| 2016 | 7,447,052 | 24,585,429 | 24,715,539 | \$ 7,316,942 |
| Heart and hypertension: | | | | |
| 2015 | \$ 5,011,369 | \$ 232,025 | \$ 522,811 | \$ 4,720,583 |
| 2016 | 4,720,583 | (997,368) | 256,986 | \$ 3,466,229 |
| Total | | | | |
| 2015 | \$ 12,833,146 | \$ 20,574,712 | \$ 21,240,223 | \$ 12,167,635 |
| 2016 | 12,167,635 | 23,588,061 | 24,972,525 | \$ 10,783,171 |

Note 11. Fund Deficits and Adjustments to Net Assets and Net Position

Fund deficits: The Town has the following fund deficits at June 30, 2016 and expects to eliminate the deficits in the future as follows:

| Fund | Deficit | Plan for Elimination |
|--------------------------------|--------------|-----------------------------|
| Capital projects | \$ 2,867,109 | Bond temporary note |
| Human services | 24,835 | Future receipt of grant |
| Community development | 58,266 | Future receipt of grant |
| Public works | 44,073 | Future receipt of grant |
| Other capital projects | 235,984 | Future bonding |
| Wintergreen interdistrict | 1,117,574 | Future receipt of grant |
| Other post-employment benefits | 1,895,111 | Future charges for services |
| Worker's compensation | 5,260,848 | Future charges for services |
| Medical insurance | 4,069,799 | Future charges for services |

Notes to Financial Statements

Note 12. Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements, except for GASB 75, which will most likely have a material impact, though the amount has not yet been determined:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans that administer benefits on behalf of governments. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:
 - Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.
 - Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.
 - Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

Statement 75 carries forward from Statement 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017.

Note 12. Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 77, *Tax Abatement Disclosures*. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:
 - Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
 - The gross dollar amount of taxes abated during the period
 - Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This standard narrows the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting specific criteria; establishes new guidance for these employers, including separate requirements for recognition and measurement of pension expense or expenditures and liabilities, note disclosures and required supplementary information (RSI). The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

Note 12. Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.
- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Town of Hamden, Connecticut

Notes to Financial Statements

Note 13. Restatements

The Town's financial statements have been restated as of June 30, 2015. The restatement was to properly report the Connecticut Municipal Employees' Retirement System (MERS) net pension liability and related deferred inflows/outflows, the Town pension plan's deferred inflows/outflows, bond premiums, debt issuance costs, and deferred charges on refunding. Governmental Activities will show a restatement of net position for the beginning of the year as follows:

| | |
|---|--------------------------------|
| Net position, June 30, 2015, as previously reported | \$ (484,305,050) |
| MERS net pension liability | (5,510,908) |
| Deferred inflows/outflows- MERS | 2,484,096 |
| Deferred inflows/outflows- town pension plan | (1,442,070) |
| Bond premium | 5,734,990 |
| Debt issuance costs | (544,293) |
| Deferred charges on refunding | 4,626,835 |
| Net position, June 30, 2015, as restated | <u><u>\$ (478,956,400)</u></u> |

The Town's financial statements have been restated as of June 30, 2015. The restatement was to properly report the bond premium as an other financing source. The General Fund will show a restatement of fund balance for the beginning of the year as follows:

| | |
|---|----------------------------|
| Fund balance, June 30, 2015, as previously reported | \$ 3,043,752 |
| Bond premium | 2,400,000 |
| Fund balance, June 30, 2015, as restated | <u><u>\$ 5,443,752</u></u> |

This page intentionally left blank.

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

**Required Supplementary
Information**

Required Supplementary Information - Unaudited
Schedule of Changes in Net Pension Liability and Related Ratios and Investment Returns - Pension Plan
Last Three Fiscal Years*

| Retirement Pension Trust | 2016 | 2015 | 2014 |
|---|-----------------------|-----------------------|-----------------------|
| Changes in Net Pension Liability | | | |
| Total pension liability: | | | |
| Service cost | \$ 5,888,328 | \$ 6,209,591 | \$ 6,238,891 |
| Interest | 30,955,497 | 30,823,699 | 31,148,927 |
| Differences between expected and actual experience | 1,347,205 | (10,769,246) | 5,302,529 |
| Changes of assumptions | (26,672,204) | - | - |
| Benefit payments, including refunds of member contributions | (24,437,110) | (24,325,333) | (23,582,140) |
| Net change in total pension liability | (12,918,284) | 1,938,711 | 19,108,207 |
| Total pension liability, beginning | 454,439,941 | 452,501,230 | 433,393,023 |
| Total pension liability, ending (a) | 441,521,657 | 454,439,941 | 452,501,230 |
| Plan fiduciary net position: | | | |
| Contributions, employer | 12,100,000 | 137,071,112 | 12,500,000 |
| Contributions, employee | 2,195,488 | 2,232,086 | 2,181,831 |
| Net investment income | 1,468,812 | (1,355,734) | 6,996,801 |
| Benefit payments, including refunds of member contributions | (24,437,110) | (24,325,333) | (23,582,140) |
| Administrative expense | (118,719) | (109,273) | (76,352) |
| Other | - | - | - |
| Net change in plan fiduciary net position | (8,791,529) | 113,512,858 | (1,979,860) |
| Fiduciary net position, beginning | 163,625,653 | 50,112,795 | 52,092,655 |
| Fiduciary net position, ending (b) | 154,834,124 | 163,625,653 | 50,112,795 |
| Net pension liability, ending = (a) - (b) | \$ 286,687,533 | \$ 290,814,288 | \$ 402,388,435 |
| Fiduciary net position as a % of total pension liability | 35.07% | 36.01% | 11.07% |
| Covered payroll | \$ 28,397,008 | \$ 28,992,189 | \$ 29,347,110 |
| Net pension liability as a % of covered payroll | 1009.57% | 1003.08% | 1371.13% |

Notes to schedule:

Benefit changes: There have been no changes in benefit provisions since GASB 67 implementation.

Changes of assumptions: There have been assumption changes since GASB67 implementation as outlined below:

- The assumed Cost of Living increases were lowered from 3.00% per year to 2.25% per year.
- The static projection of Scale BB was lengthened by 5 years, from 19 years to 24 years, on the RP-2000 mortality table.
- Assumed administrative expenses were increased from \$100,000 per year to \$115,000 per year.

* Note: This schedule is intended to show ten years of information. Additional information will be added as it becomes available.

Required Supplementary Information - Unaudited

Schedule of Changes in Net Pension Liability and Related Ratios and Investment Returns - Pension Plan (Continued)

Last Three Fiscal Years*

| Retirement Pension Trust | 2016 | 2015 | 2014 |
|---|------|------|-------|
| Annual money-weighted rate of return, net of investment expense | 1.3% | 1.0% | 15.1% |

PRELIMINARY DRAFT
 for Review and Discussion
 --Subject to Change--
 Not to be Reproduced

**Required Supplementary Information - Unaudited
Schedules of Employer Contributions - Pension Plan
Last Ten Fiscal Years (In Thousands)
June 30, 2016**

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 21,998,113 | \$ 29,536,050 | \$ 27,688,031 | \$ 27,145,128 | \$ 19,850,851 | \$ 19,088,623 | \$ 18,911,433 | \$ 18,292,235 | \$ 16,754,259 | \$ 15,956,437 |
| Contributions in relation to the actuarially determined contribution | 12,100,000 | 14,768,025 | 12,500,000 | 9,340,000 | 3,040,000 | 6,550,000 | 12,500,000 | 12,500,000 | 12,000,000 | 9,000,000 |
| Contribution (excess) deficiency | \$ 9,898,113 | \$ 14,768,025 | \$ 15,188,031 | \$ 17,805,128 | \$ 16,810,851 | \$ 12,538,623 | \$ 6,411,433 | \$ 5,792,235 | \$ 4,754,259 | \$ 6,956,437 |
| Covered employee payroll | \$ 28,397,008 | \$ 28,992,189 | \$ 29,347,110 | \$ - | \$ 31,241,635 | \$ - | \$ 33,051,700 | \$ - | \$ 33,976,398 | \$ - |
| Contributions as a percentage of covered-employee payroll | 42.61% | 50.94% | 42.59% | 0.00% | 9.73% | 0.00% | 37.82% | 0.00% | 35.32% | 0.00% |

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method:

Entry age normal

Amortization method:

Level percent with 2% annual increases: closed period

Remaining amortization period:

30 years remaining as of July 1, 2015

Asset valuation method:

Market value of assets less unrecognized returns in each of the last 5 years

Actuarial assumptions:

Investment rate of return:

7.00%

Inflation rate:

3.00%

Projected salary increases:

2.50%

Cost-of-living adjustments:

2.25%

Administrative expenses:

\$115,000

Retirement rates:

Service:

Age 55-61, 5.0% retirement probability; 62-64, 15%; 65, 75.0%; 66-69, 60.0%; 70, 100.0%

Guardian:

Age 60-64, 25.0% retirement probability; 65, 100.0%

Mortality rates:

Healthy:

RP-2000 Combined Healthy Mortality Table, projected 24 years with Scale BB

Disabled:

RP-2000 Disabled Retiree Table, projected 24 years with Scale BB

Required Supplementary Information
Schedule of Funding Progress - Pension Plan
June 30, 2016

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Valuation of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded/ (Overfunded) AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|-------------------------------------|--|---|-----------------|--------------------|--|
| 07/01/08 | \$ 85,832,527 | \$ 303,003,978 | \$ 217,171,451 | 28.33% | \$ 33,976,398 | 639.18% |
| 07/01/09 | N/A | N/A | N/A | N/A | N/A | N/A |
| 07/01/10 | 81,352,519 | 323,748,595 | 242,396,076 | 25.13% | 33,051,700 | 733.38% |
| 07/01/11 | N/A | N/A | N/A | N/A | N/A | N/A |
| 07/01/12 | 58,842,127 | 419,266,994 | 360,424,867 | 14.03% | 31,241,635 | 1153.67% |
| 07/01/13 | N/A | N/A | N/A | N/A | N/A | N/A |
| 07/01/14 | 46,762,549 | 452,501,230 | 405,738,681 | 10.33% | 29,347,110 | 1382.55% |
| 07/01/15 | 167,629,557 | 454,439,941 | 286,810,384 | 36.89% | 28,992,189 | 989.27% |
| 07/01/16 | 165,080,700 | 441,521,657 | 276,440,957 | 37.39% | 28,397,008 | 973.49% |

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
June 30, 2016

Schedule of Funding Progress - OPEB

| Actuarial Valuation Date | Actuarial Valuation of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|---------------------------------|--------------------------|---------------------------|---|
| 07/01/09 | \$ - | \$ 344,724,721 | \$ 344,724,721 | 0.0% | N/A | N/A |
| 07/01/12 | - | 439,980,586 | 439,980,586 | 0.0% | N/A | N/A |
| 07/01/14 | - | 451,966,876 | 451,966,876 | 0.0% | N/A | N/A |

Schedule of Employer Contributions - OPEB

| Year Ended June 30, | Annual Required Contribution | Percentage Contributed |
|---------------------------|------------------------------------|---------------------------|
| 2016 | \$ 39,778,717 | 46.2% |
| 2015 | 38,069,376 | 45.5% |
| 2014 | 37,757,368 | 46.8% |
| 2013 | 36,186,117 | 40.6% |
| 2012 | 34,822,130 | 45.5% |
| 2011 | 32,076,366 | 38.4% |
| 2010 | 30,951,154 | 35.7% |
| 2009 | 30,659,975 | 34.6% |

Required Supplementary Information - Unaudited
Schedule of the Town's Proportionate Share of Net Pension Liability
Municipal Employees' Retirement System
Last Two Fiscal Years*

| | 2016 | 2015 |
|--|----------------------|----------------------|
| Town's proportion of the net pension liability | 13.28% | 13.28% |
| Town's proportionate share of the net pension liability | <u>\$ 7,642,956</u> | <u>\$ 5,510,908</u> |
| Town's covered-employee payroll | <u>\$ 11,446,209</u> | <u>\$ 11,446,209</u> |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | <u>66.77%</u> | <u>48.15%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>92.72%</u> | <u>90.48%</u> |

* Note: This schedule is intended to show ten years of information. Additional information will be added as it becomes available.

Notes to Schedule

Changes in benefit terms: None

Changes of assumptions: During 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2012.

Actuarial cost method: Entry age

Amortization method: Level dollar, closed

Remaining amortization period: 27 years

Asset valuation method: 5-year smoothed market

**Required Supplementary Information - Unaudited
Schedule of the Town's Proportionate Share of Net Pension Liability -
Teachers' Retirement Plan
Last Two Fiscal Years***

| | 2016 | 2015 |
|--|----------------|----------------|
| Town's proportion of the net pension liability | 0.00% | 0.00% |
| Town's proportionate share of the net pension liability | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the Town | \$ 122,756,960 | \$ 113,464,208 |
| Total | \$ 122,756,960 | \$ 113,464,208 |
| Town's covered-employee payroll | \$ 45,629,422 | \$ 44,529,870 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 59.50% | 61.51% |

* Note: This schedule is intended to show ten years of information. Additional information will be added as it becomes available.

Notes to Schedule

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

This page intentionally left blank.

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

**Supplemental and Combining Nonmajor
Fund Statements and Schedules**

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

General Fund

**Schedule of General Fund Revenues and Other Financing Sources - Budgetary Basis -
Budget and Actual
For the Year Ended June 30, 2016**

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|-------------------------------------|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Property taxes | | | | |
| Current taxes | \$ 163,362,504 | \$ 163,362,504 | \$ 162,846,658 | \$ (515,846) |
| Delinquent taxes | 1,700,000 | 1,700,000 | 1,313,361 | (386,639) |
| Supplemental taxes | 1,500,000 | 1,500,000 | 1,638,543 | 138,543 |
| Property tax interest | 950,000 | 950,000 | 839,601 | (110,399) |
| Property tax liens | 10,000 | 10,000 | 12,700 | 2,700 |
| Suspense collections | 65,000 | 65,000 | 26,866 | (38,134) |
| Total property taxes | 167,587,504 | 167,587,504 | 166,677,729 | (909,775) |
| Intergovernmental | | | | |
| PILOT - State owned property | 965,642 | 965,642 | 715,955 | (249,687) |
| Elderly exemption freeze | - | - | 666 | 666 |
| Elderly exemption - circuit breaker | 399,619 | 399,619 | 397,950 | (1,669) |
| Disability exemption | 9,286 | 9,286 | 8,877 | (409) |
| PILOT - colleges and hospitals | 2,870,469 | 2,870,469 | 2,870,139 | (330) |
| MRSA municipal projects | - | - | - | - |
| Telecommunication access | 145,114 | 145,114 | 114,977 | (30,137) |
| PILOT - veterans exemption | 143,885 | 143,885 | 141,622 | (2,263) |
| Town road aid | 688,305 | 688,305 | 673,660 | (14,645) |
| Distressed municipalities | 32,433 | 32,433 | 31,087 | (1,346) |
| Mashantucket Pequot fund | 947,962 | 947,962 | 951,150 | 3,188 |
| Adult education | 287,784 | 287,784 | 288,614 | 830 |
| Magnet schools | 23,400 | 23,400 | 22,100 | (1,300) |
| School construction | 1,352,210 | 1,352,210 | 1,141,555 | (210,655) |
| Public school transportation | 615,708 | 615,708 | 549,282 | (66,426) |
| State bond interest subsidies | 61,184 | 61,184 | 56,230 | (4,954) |
| Nonpublic school transportation | 173,826 | 173,826 | 166,129 | (7,697) |
| Nonpublic school health | 154,189 | 154,189 | 123,224 | (30,965) |
| Education cost sharing grant | 23,030,761 | 23,030,761 | 23,050,763 | 20,002 |
| PILOT - Gr. New Haven WPCA | 73,300 | 73,300 | 73,300 | - |
| PILOT - Water Authority | 1,048,000 | 1,048,000 | 968,549 | (79,451) |
| Special ed excess cost | 200,000 | 200,000 | 606,237 | 406,237 |
| Miscellaneous grants | 286,689 | 286,689 | 286,689 | - |
| Total intergovernmental | 33,509,766 | 33,509,766 | 33,238,755 | (271,011) |
| Charges for services | | | | |
| Other rents | 7,000 | 7,000 | 3,528 | (3,472) |
| Police extra duty | 2,687,500 | 2,687,500 | 2,157,248 | (530,252) |
| Police extra duty vehicle | 115,000 | 115,000 | 120,300 | 5,300 |
| Assessor fees | 62,800 | 62,800 | 3,089 | (59,711) |
| Elderly services charges | 3,400 | 3,400 | 3,458 | 58 |
| Code Enforcement | 10,000 | 10,000 | 14,564 | 4,564 |
| QU EMT | 43,200 | 43,200 | 33,786 | (9,414) |

(Continued)

**Schedule of General Fund Revenues and Other Financing Sources - Budgetary Basis -
Budget and Actual (Continued)
For the Year Ended June 30, 2016**

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|---|
| | Original | Final | | |
| Charges for services (continued) | | | | |
| Youth services charges | 10,480 | 10,480 | 7,555 | (2,925) |
| Public works charges | 192,000 | 192,000 | 49,138 | (142,862) |
| Library charges | 26,677 | 26,677 | 37,565 | 10,888 |
| Arts & recreation | 380,000 | 380,000 | 216,658 | (163,342) |
| Planning and zoning | 283,850 | 283,850 | 133,369 | (150,481) |
| Total charges for services | 3,821,907 | 3,821,907 | 2,780,258 | (1,041,649) |
| Investment earnings | 90,000 | 90,000 | 156,928 | 66,928 |
| Licenses, Permits and Fees | | | | |
| Town clerk | 1,958,000 | 1,958,000 | 1,687,978 | (270,022) |
| Police department | 207,300 | 207,300 | 143,560 | (63,740) |
| Fire department | 145,000 | 145,000 | 105,708 | (39,292) |
| Building | 824,950 | 824,950 | 700,188 | (124,762) |
| Engineering | 54,912 | 54,912 | 38,520 | (16,392) |
| Personnel | 5,000 | 5,000 | 2,860 | (2,140) |
| Total licenses, permits and fees | 3,195,162 | 3,195,162 | 2,678,814 | (516,348) |
| Miscellaneous revenues | | | | |
| BOE medical | 136,000 | 136,000 | 57,062 | (78,938) |
| Workers' Comp | 70,000 | 70,000 | 104,574 | 34,574 |
| Term life revenue | 30,000 | 30,000 | 23,175 | (6,825) |
| Miscellaneous | 3,500 | 3,500 | 712 | (2,788) |
| School bus enforcement | 20,000 | 20,000 | 36,858 | 16,858 |
| Quinnipiac University | 100,000 | 100,000 | - | (100,000) |
| Sale of surplus assets | 40,000 | 40,000 | 3,840 | (36,160) |
| Town Center Park | 7,500 | 7,500 | - | (7,500) |
| Town project | 1,271,500 | 1,271,500 | 240,920 | (1,030,580) |
| Extra duty interest | - | - | 534 | 534 |
| Relocation reimbursement | 1,100 | 1,100 | - | (1,100) |
| Animal control | 2,000 | 2,000 | 1,310 | (690) |
| Miscellaneous - finance office | 1,650,000 | 1,650,000 | 600,261 | (1,049,739) |
| Total miscellaneous revenues | 3,331,600 | 3,331,600 | 1,069,246 | (2,262,354) |
| Other financing sources | | | | |
| Transfers in | - | - | 563,254 | 563,254 |
| Bond premium | - | - | 2,195,000 | 2,195,000 |
| Total financing sources | - | - | 2,758,254 | 2,758,254 |
| Total revenues and other financing sources | \$ 211,535,939 | \$ 211,535,939 | \$ 209,359,984 | \$ (2,175,955) |

**Schedule of General Fund Expenditures and Other Financing Uses - Budgetary Basis -
Budget and Actual
For the Year Ended June 30, 2016**

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|---------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| General government | | | | |
| Legislative council | \$ 628,344 | \$ 711,165 | \$ 693,193 | \$ 17,972 |
| Emergency and contingency fund | 1,298,000 | 3,469 | - | 3,469 |
| Mayor | 468,190 | 569,425 | 563,557 | 5,868 |
| Elections and registrar | 209,288 | 190,888 | 188,023 | 2,865 |
| Finance | 2,758,034 | 2,262,640 | 2,254,895 | 7,745 |
| Tax assessor | 313,753 | 312,914 | 312,518 | 396 |
| Review of assessments | 3,600 | 5,400 | 5,400 | - |
| Tax collector | 340,852 | 267,517 | 266,068 | 1,449 |
| Town attorney | 461,035 | 581,025 | 508,830 | 72,195 |
| Town clerk | 1,017,794 | 952,858 | 929,121 | 23,737 |
| Planning and zoning | 505,896 | 477,543 | 477,525 | 18 |
| Personnel | 332,057 | 322,057 | 317,469 | 4,588 |
| Economic development | 109,088 | 156,509 | 156,509 | - |
| Purchasing | 1,682,505 | 1,471,072 | 1,454,870 | 16,202 |
| Probate court | 5,750 | 5,750 | 5,496 | 254 |
| Information and technology | 318,435 | 293,330 | 291,575 | 1,755 |
| Board of ethics | 5,000 | - | - | - |
| Total general government | 10,457,621 | 8,583,562 | 8,425,049 | 158,513 |
| Public safety | | | | |
| Animal control | 159,922 | 156,991 | 142,006 | 14,985 |
| Police department | 15,025,233 | 15,131,451 | 15,032,525 | 98,926 |
| Fire department | 12,014,621 | 12,328,401 | 12,311,112 | 17,289 |
| Total public safety | 27,199,776 | 27,616,843 | 27,485,643 | 131,200 |
| Public works | | | | |
| Building administration | 394,929 | 394,728 | 394,008 | 720 |
| Public works department | 10,522,228 | 11,154,136 | 10,744,653 | 409,483 |
| Engineering | 506,899 | 461,567 | 459,686 | 1,881 |
| Traffic/transportation | 196,697 | 231,401 | 221,091 | 10,310 |
| Total public works | 11,620,753 | 12,241,832 | 11,819,438 | 422,394 |
| Health and welfare | | | | |
| Elderly services | 488,444 | 497,306 | 488,398 | 8,908 |
| Community services | 319,648 | 308,196 | 298,412 | 9,784 |
| Youth services | 371,764 | 350,752 | 342,084 | 8,668 |
| Mental health | 190,934 | 169,934 | 169,080 | 854 |
| Quinnipiac Valley health | 338,839 | 338,839 | 338,839 | - |
| Visiting nurses association | 68,871 | 68,871 | 43,656 | 25,215 |
| Total health and welfare | 1,778,500 | 1,733,898 | 1,680,469 | 53,429 |
| Board of education | 83,120,625 | 83,120,625 | 83,538,338 | (417,713) |

(Continued)

**Schedule of General Fund Expenditures and Other Financing Uses - Budgetary Basis -
Budget and Actual (Continued)
For the Year Ended June 30, 2016**

| | Budgeted Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--|-----------------------|-----------------------|-----------------------|---|
| | Original | Final | | |
| Culture and recreation | | | | |
| Library | \$ 2,080,732 | \$ 2,002,102 | \$ 1,992,709 | \$ 9,393 |
| Arts programs | 870,517 | 870,517 | 844,767 | 25,750 |
| Total culture and recreation | 2,951,249 | 2,872,619 | 2,837,476 | 35,143 |
| Employee benefits | | | | |
| Medical insurance | 34,906,553 | 34,950,460 | 34,950,460 | - |
| Pension | 16,000,000 | 16,219,517 | 14,319,517 | 1,900,000 |
| Fringes | 3,757,000 | 4,452,721 | 4,446,856 | 5,865 |
| Total employee benefits | 54,663,553 | 55,622,698 | 53,716,833 | 1,905,865 |
| Debt service | | | | |
| Principal | 9,940,000 | 9,940,000 | 11,345,000 | (1,405,000) |
| Interest | 9,803,862 | 9,803,862 | 10,794,790 | (990,928) |
| Total debt service | 19,743,862 | 19,743,862 | 22,139,790 | (2,395,928) |
| Total expenditures and other financing uses | \$ 211,535,939 | \$ 211,535,939 | \$ 211,643,036 | \$ (107,097) |

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

Nonmajor Governmental Funds

This page intentionally left blank.

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

Town of Hamden, Connecticut

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2016

| | Special Revenue | | | | |
|---|-------------------|---------------------------|-------------------|-------------------|--------------------------|
| | Human Services | Culture and Recreation | Public Safety | Public Works | Community Development |
| Assets | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 265 | \$ 103,747 | \$ 499 |
| Receivables, net | 4,779 | - | - | - | - |
| Due from other funds | 46,618 | 21,779 | 225,983 | 79,034 | - |
| Inventory | - | - | - | - | - |
| Total assets | \$ 51,397 | \$ 21,779 | \$ 226,248 | \$ 182,781 | \$ 499 |
| Liabilities and Fund Balances (Deficits) | | | | | |
| Liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 11,803 | \$ 4,256 | \$ 98,650 | \$ 380 | \$ 33,328 |
| Deferred revenue | - | - | - | - | - |
| Due to other funds | 64,429 | 8,971 | 9,788 | 226,474 | 25,437 |
| BANS payable | - | - | - | - | - |
| Total liabilities | 76,232 | 13,227 | 108,438 | 226,854 | 58,765 |
| Fund balance (deficit): | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for: | | | | | |
| Donor's intentions | - | - | - | - | - |
| Grants | - | - | 117,810 | - | - |
| Committed | - | 8,552 | - | - | - |
| Unassigned | (24,835) | - | - | (44,073) | (58,266) |
| Total fund balance (deficit) | (24,835) | 8,552 | 117,810 | (44,073) | (58,266) |
| Total liabilities and fund balances (deficits) | \$ 51,397 | \$ 21,779 | \$ 226,248 | \$ 182,781 | \$ 499 |

Schedule 3

| Special Revenue | | | Capital Projects | | | |
|------------------------------------|-----------------------|-----------------------------|---------------------|------------------------------------|--|--|
| Town Revitalization Projects | Board of Education | Total Special Revenue | Farmington Canal | Hamden Middle School Fund | Brooksville Park Renovation and Acquisition Grant | Wintergreen Interdistrict Magnet School |
| 225,716 | \$ 1,719,190 | \$ 2,049,417 | \$ - | \$ - | \$ - | \$ 11,984 |
| - | 1,078,074 | 1,082,853 | - | - | - | - |
| 430,493 | - | 803,907 | 310,060 | 287,748 | 63,888 | - |
| - | 21,207 | 21,207 | - | - | - | - |
| <u>\$ 656,209</u> | <u>\$ 2,818,471</u> | <u>3,957,384</u> | <u>\$ 310,060</u> | <u>\$ 287,748</u> | <u>\$ 63,888</u> | <u>\$ 11,984</u> |
| | | | | | | |
| \$ 6,032 | \$ 1,621,970 | 1,776,419 | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | 189,920 | 525,019 | - | - | - | 1,129,558 |
| - | - | - | - | - | - | - |
| <u>6,032</u> | <u>1,811,890</u> | <u>2,301,438</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,129,558</u> |
| | | | | | | |
| - | 21,207 | 21,207 | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 985,374 | 1,103,184 | 310,060 | - | 63,888 | - |
| 650,177 | - | 658,729 | - | 287,748 | - | - |
| - | - | (127,174) | - | - | - | (1,117,574) |
| <u>650,177</u> | <u>1,006,581</u> | <u>1,655,946</u> | <u>310,060</u> | <u>287,748</u> | <u>63,888</u> | <u>(1,117,574)</u> |
| | | | | | | |
| <u>\$ 656,209</u> | <u>\$ 2,818,471</u> | <u>\$ 3,957,384</u> | <u>\$ 310,060</u> | <u>\$ 287,748</u> | <u>\$ 63,888</u> | <u>\$ 11,984</u> |

(Continued)

Town of Hamden, Connecticut

Combining Balance Sheet - Nonmajor Governmental Funds (Continued)
June 30, 2016

| | Capital Projects | | | |
|---|--|--------------------------|------------------------------|------------------------------|
| | Construction of Spring Glen School | Memorial Town Hall | Other Capital Projects | Total Capital Projects |
| Assets | | | | |
| Cash and cash equivalents | \$ - | \$ (15,044) | \$ 36,306 | \$ 33,246 |
| Receivables, net | - | - | - | - |
| Due from other funds | 378,868 | 15,642 | 339,277 | 1,395,483 |
| Inventory | - | - | - | - |
| Total assets | \$ 378,868 | \$ 598 | \$ 375,583 | 1,428,729 |
| Liabilities and Fund Balances (Deficits) | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 2,363 | \$ - | \$ 10,554 | 12,917 |
| Deferred revenue | - | - | - | - |
| Due to other funds | - | - | 601,013 | 1,730,571 |
| BANS payable | - | - | - | - |
| Total liabilities | 2,363 | - | 611,567 | 1,743,488 |
| Fund balance (deficit): | | | | |
| Nonspendable | - | - | - | - |
| Restricted for: | | | | |
| Donor's intentions | - | - | - | - |
| Grants | - | 598 | - | 374,546 |
| Committed | 376,505 | - | - | 664,253 |
| Unassigned | - | - | (235,984) | (1,353,558) |
| Total fund balance (deficit) | 376,505 | 598 | (235,984) | (314,759) |
| Total liabilities and fund balances (deficits) | \$ 378,868 | \$ 598 | \$ 375,583 | \$ 1,428,729 |

Schedule 3

| Public Emergency Account | Permanent Fund | Total Nonmajor Governmental Funds |
|--------------------------------|-------------------|--|
| \$ - | \$ 11,043 | \$ 2,093,706 |
| - | - | 1,082,853 |
| 399,753 | - | 2,599,143 |
| - | - | 21,207 |
| <u>\$ 399,753</u> | <u>\$ 11,043</u> | <u>\$ 5,796,909</u> |

| | | |
|---------------|------------|------------------|
| \$ 14,669 | \$ - | \$ 1,804,005 |
| - | - | - |
| - | 100 | 2,255,690 |
| - | - | - |
| <u>14,669</u> | <u>100</u> | <u>4,059,695</u> |

| | | |
|-------------------|------------------|---------------------|
| - | - | 21,207 |
| - | 10,943 | 10,943 |
| - | - | 1,477,730 |
| 385,084 | - | 1,708,066 |
| - | - | (1,480,732) |
| <u>385,084</u> | <u>10,943</u> | <u>1,737,214</u> |
| <u>\$ 399,753</u> | <u>\$ 11,043</u> | <u>\$ 5,796,909</u> |

Town of Hamden, Connecticut

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) -
Nonmajor Governmental Funds
For the Year Ended June 30, 2016**

| | Special Revenue | | | | |
|--|-------------------|---------------------------|------------------|-----------------|--------------------------|
| | Human Services | Culture and Recreation | Public Safety | Public Works | Community Development |
| Revenues: | | | | | |
| Intergovernmental | \$ 530,757 | \$ 8,880 | \$ 244,710 | \$ 389,340 | \$ 343,718 |
| Charges for services | 36,366 | 25,814 | (28,492) | - | - |
| Investment income | - | - | - | - | - |
| Other | - | - | - | 2,403 | - |
| Total revenues | 567,123 | 34,694 | 216,218 | 391,743 | 343,718 |
| Expenditures: | | | | | |
| Public safety | \$ - | \$ - | \$ 358,959 | \$ - | \$ - |
| Public works | - | - | - | - | - |
| Health and human services | 548,194 | - | - | - | - |
| Culture and recreation | - | 12,975 | - | - | - |
| Education | - | - | - | - | - |
| Other | - | - | - | 417,350 | 359,287 |
| Total expenditures | 548,194 | 12,975 | 358,959 | 417,350 | 359,287 |
| Revenues over (under) expenditures | 18,929 | 21,719 | (142,741) | (25,607) | (15,569) |
| Other financing sources: | | | | | |
| Bond proceeds | - | - | - | - | - |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources | - | - | - | - | - |
| Changes in fund balances (deficits) | 18,929 | 21,719 | (142,741) | (25,607) | (15,569) |
| Fund balances (deficits), beginning | (43,764) | (13,167) | 260,551 | (18,466) | (42,697) |
| Fund balances (deficits), ending | \$ (24,835) | \$ 8,552 | \$ 117,810 | \$ (44,073) | \$ (58,266) |

Schedule 4

| Special Revenue | | | Capital Projects | | | |
|------------------------------------|-----------------------|-----------------------------|---------------------|------------------------------------|--|--|
| Town Revitalization Projects | Board of Education | Total Special Revenue | Farmington Canal | Hamden Middle School Fund | Brooksville Park Renovation and Acquisition Grant | Wintergreen Interdistrict Magnet School |
| 9,711 | \$ 10,799,570 | \$ 12,326,686 | \$ 4,290 | \$ - | \$ - | \$ - |
| 88,028 | 1,429,491 | 1,551,207 | - | - | - | - |
| 77 | - | 77 | - | - | - | - |
| - | - | 2,403 | - | - | - | - |
| 97,816 | 12,229,061 | 13,880,373 | 4,290 | - | - | - |
| | | | | | | |
| \$ - | \$ - | 358,959 | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | 548,194 | - | - | - | - |
| - | - | 12,975 | - | - | - | - |
| - | 11,724,782 | 11,724,782 | - | - | - | - |
| 62,469 | 626,012 | 1,465,118 | - | - | - | 612,704 |
| 62,469 | 12,350,794 | 14,110,028 | - | - | - | 612,704 |
| | | | | | | |
| 35,347 | (121,733) | (229,655) | 4,290 | - | - | (612,704) |
| | | | | | | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| | | | | | | |
| 35,347 | (121,733) | (229,655) | 4,290 | - | - | (612,704) |
| 614,830 | 1,128,314 | 1,885,601 | 305,770 | 287,748 | 63,888 | (504,870) |
| \$ 650,177 | \$ 1,006,581 | \$ 1,655,946 | \$ 310,060 | \$ 287,748 | \$ 63,888 | \$ (1,117,574) |

(Continued)

Town of Hamden, Connecticut

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) -
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2016**

| | Capital Projects | | | |
|--|--|--------------------------|------------------------------|------------------------------|
| | Construction of Spring Glen School | Memorial Town Hall | Other Capital Projects | Total Capital Projects |
| Revenues: | | | | |
| Intergovernmental | \$ - | \$ - | \$ 349 | \$ 4,639 |
| Charges for services | - | - | 8,100 | 8,100 |
| Investment income | - | - | - | - |
| Other | - | - | - | - |
| Total revenues | - | - | 8,449 | 12,739 |
| Expenditures: | | | | |
| Public safety | \$ - | \$ - | \$ - | - |
| Public works | - | - | 21,063 | 21,063 |
| Health and human services | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Education | - | - | - | - |
| Other | - | - | 122,149 | 734,853 |
| Total expenditures | - | - | 143,212 | 755,916 |
| Revenues over (under) expenditures | - | - | (134,763) | (743,177) |
| Other financing sources: | | | | |
| Bond proceeds | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources | - | - | - | - |
| Changes in fund balances (deficits) | - | - | (134,763) | (743,177) |
| Fund balances (deficits), beginning | 376,505 | 598 | (101,221) | 428,418 |
| Fund balances (deficits), ending | \$ 376,505 | \$ 598 | \$ (235,984) | \$ (314,759) |

Schedule 4

| Public Emergency Account | Permanent Fund | Total Nonmajor Governmental Funds |
|--------------------------------|-------------------|--|
| \$ - | \$ - | \$ 12,331,325 |
| 135,649 | - | 1,694,956 |
| - | - | 77 |
| - | - | 2,403 |
| 135,649 | - | 14,028,761 |
| \$ - | \$ - | 358,959 |
| - | - | 21,063 |
| - | - | 548,194 |
| - | - | 12,975 |
| - | - | 11,724,782 |
| 87,551 | - | 2,287,522 |
| 87,551 | - | 14,953,495 |
| 48,098 | - | (924,734) |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 48,098 | - | (924,734) |
| 336,986 | 10,943 | 2,661,948 |
| \$ 385,084 | \$ 10,943 | \$ 1,737,214 |

This page intentionally left blank.

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

Internal Service Funds

Combining Statement of Net Fund Position
Internal Service Funds
June 30, 2016

| | Workers' Compensation Fund | Medical Insurance Fund | Totals |
|--|----------------------------------|------------------------------|------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 377,421 | \$ - | \$ 377,421 |
| Due from other funds | 5,299 | - | 5,299 |
| Total assets | 382,720 | - | 382,720 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 110,366 | 97,009 | 207,375 |
| Due to other funds | - | 2,189,050 | 2,189,050 |
| Total current liabilities | 110,366 | 2,286,059 | 2,396,425 |
| Noncurrent liabilities: | | | |
| Claims incurred but not reported | 5,533,202 | 1,783,740 | 7,316,942 |
| Total liabilities | 5,643,568 | 4,069,799 | 9,713,367 |
| Net position: | | | |
| Unrestricted | \$ (5,260,848) | \$ (4,069,799) | \$ (9,330,647) |

Combining Statement of Revenues, Expenses and Changes in Net Fund Position
Internal Service Funds
For the Year Ended June 30, 2016

| | Workers' Compensation Fund | Medical Insurance Fund | Totals |
|------------------------------------|----------------------------------|------------------------------|-----------------------|
| Operating revenues: | | | |
| Employer contribution | \$ 2,250,000 | \$ 20,100,000 | \$ 22,350,000 |
| Employee contribution | - | 4,335,113 | 4,335,113 |
| Total operating revenues | <u>2,250,000</u> | <u>24,435,113</u> | <u>26,685,113</u> |
| Operating expenses: | | | |
| Salaries, benefits and claims | 2,823,917 | 28,256,211 | 31,080,128 |
| Total operating expenses | <u>2,823,917</u> | <u>28,256,211</u> | <u>31,080,128</u> |
| Change in fund net position | (573,917) | (3,821,098) | (4,395,015) |
| Fund net position, beginning | <u>(4,686,931)</u> | <u>(248,701)</u> | <u>(4,935,632)</u> |
| Fund net position, ending | <u>\$ (5,260,848)</u> | <u>\$ (4,069,799)</u> | <u>\$ (9,330,647)</u> |

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016

| | Workers' Compensation Fund | Medical Insurance Fund | Total |
|--|----------------------------------|------------------------------|---------------------|
| Cash flows from operating activities: | | | |
| Receipts from customers and users | \$ 2,250,000 | \$ 24,651,381 | \$ 26,901,381 |
| Payments for benefits | (2,191,844) | (25,662,086) | (27,853,930) |
| Net cash (used in) provided by operating activities | 58,156 | (1,010,705) | (952,549) |
| Net increase (decrease) in cash and cash equivalents | 58,156 | (1,010,705) | (952,549) |
| Cash and cash equivalents, beginning | 319,265 | 1,010,705 | 1,329,970 |
| Cash and cash equivalents, ending | <u>\$ 377,421</u> | <u>\$ -</u> | <u>\$ 377,421</u> |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | |
| Change in net fund position | \$ (573,917) | \$ (3,821,098) | \$ (4,395,015) |
| Adjustment to reconcile operating income to net cash provided by (used in) operating activities: | | | |
| Changes in assets and liabilities: | | | |
| Increase (decrease) in other receivables | - | 216,268 | 216,268 |
| Decrease (increase) in due to other funds | - | 2,189,050 | 2,189,050 |
| Decrease (increase) in accounts payable and accrued expenses | 1,658 | 97,009 | 98,667 |
| (Decrease) increase in claims payable | 630,415 | 308,066 | 938,481 |
| Net cash provided by (used in) operating activities | \$ 58,156 | \$ (1,010,705) | \$ (952,549) |

This page intentionally left blank.

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

Private Purpose Trust Funds

Combining Statement of Net Position
Private Purpose Trust Funds
June 30, 2016

| | Private Purpose Trust Funds | | | |
|-------------------------------------|-----------------------------|------------------------------|--|----------------|
| | Library Gift Fund | Hamden Arts Commission | Other Private Purpose Trust Funds | Total |
| Assets | | | | |
| Cash and cash equivalents | \$ 224,866 | \$ 128,903 | \$ 35,534 | \$ 389,303 |
| External balances | 3,952 | - | 167,030 | 170,982 |
| Total assets | 228,818 | 128,903 | 202,564 | 560,285 |
| Liabilities | | | | |
| Accounts payable | - | - | 6,000 | 6,000 |
| External balances | - | - | 12,857 | 12,857 |
| Total liabilities | - | - | 18,857 | 18,857 |
| Net position: | | | | |
| Held in trust for specific purposes | \$ 228,818 | \$ 128,903 | \$ 183,707 | \$ 541,428 |

Combining Statement of Changes in Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2015

| | Private Purpose Trust Funds | | | |
|---------------------------------|-----------------------------|------------------------------|--|-----------------|
| | Library Gift Fund | Hamden Arts Commission | Other Private Purpose Trust Funds | Total |
| Additions: | | | | |
| Other | \$ 57,950 | \$ 38,670 | \$ 143,971 | \$ 240,591 |
| Total additions | 57,950 | 38,670 | 143,971 | 240,591 |
| Investment income: | | | | |
| Interest and dividends | 1,819 | - | 115 | 1,934 |
| Net investment income | 1,819 | - | 115 | 1,934 |
| Total additions | 59,769 | 38,670 | 144,086 | 242,525 |
| Deductions: | | | | |
| Other | 83,661 | 54,983 | 127,653 | 266,297 |
| Total deductions | 83,661 | 54,983 | 127,653 | 266,297 |
| Net change in net assets | (23,892) | (16,313) | 16,433 | (23,772) |
| Net position, beginning | 252,710 | 145,216 | 167,274 | 565,200 |
| Net position, ending | \$ 228,818 | \$ 128,903 | \$ 183,707 | \$ 541,428 |

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

Agency Funds

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2016

| | School Activity Fund | Adult Activity Funds | Performance Bonds | Total |
|------------------------------|----------------------------|----------------------------|----------------------|----------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 312,113 | \$ 17,260 | \$ 570,649 | \$ 900,022 |
| External balances | - | - | 77,450 | 77,450 |
| Total assets | 312,113 | 17,260 | 648,099 | 977,472 |
| Liabilities: | | | | |
| Held for deposits for others | 312,113 | 17,260 | 648,099 | 977,472 |
| Total liabilities | 312,113 | 17,260 | 648,099 | 977,472 |
| Net position | \$ - | \$ - | \$ - | \$ - |

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

**Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2016**

| | Balance July 1, 2016 | Additions | Deductions | Balance June 30, 2016 |
|-----------------------------|-------------------------|--------------|--------------|--------------------------|
| School Activity Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 363,489 | \$ 926,526 | \$ 977,902 | \$ 312,113 |
| Liability: | | | | |
| Deposits held for others | \$ 363,489 | \$ 926,526 | \$ 977,902 | \$ 312,113 |
| Adult Activity Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 36,422 | \$ 135,206 | \$ 154,368 | \$ 17,260 |
| Liability: | | | | |
| Deposits held for others | \$ 36,422 | \$ 135,206 | \$ 154,368 | \$ 17,260 |
| Performance Bonds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 462,159 | \$ 108,490 | \$ - | \$ 570,649 |
| Due from other funds | 77,450 | - | - | 77,450 |
| Total assets | \$ 539,609 | \$ 108,490 | \$ - | \$ 648,099 |
| Liability: | | | | |
| Deposits held for others | \$ 539,609 | \$ 108,490 | \$ - | \$ 648,099 |
| Total Agency Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 939,520 | \$ 1,170,222 | \$ 1,132,270 | \$ 977,472 |
| Liabilities: | | | | |
| Deposits held for others | \$ 939,520 | \$ 1,170,222 | \$ 1,132,270 | \$ 977,472 |

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

Other Schedules

This page intentionally left blank.

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

Town of Hamden, Connecticut

**Schedule of Property Taxes Levied, Collected and Outstanding
For the Year Ended June 30, 2016**

| Grand List Year | Balance Uncollected July 1, 2015 | Current Levy | Lawful Corrections | | Transfers to (Recoveries From) Suspense | Balance to be Collected |
|--------------------|--|-----------------|--------------------|------------|---|-------------------------------|
| | | | Increases | Decreases | | |
| 2000 | \$ 59,520 | \$ - | \$ - | \$ - | \$ - | \$ 59,520 |
| 2001 | 47,521 | - | - | - | - | 47,521 |
| 2002 | 45,379 | - | - | - | - | 45,379 |
| 2003 | 49,382 | - | - | - | - | 49,382 |
| 2004 | 54,928 | - | - | 117 | - | 54,811 |
| 2005 | 72,146 | - | - | - | - | 72,146 |
| 2006 | 84,819 | - | - | - | - | 84,819 |
| 2007 | 84,924 | - | - | - | - | 84,924 |
| 2008 | 165,007 | - | - | - | - | 165,007 |
| 2009 | 132,130 | - | - | - | - | 132,130 |
| 2010 | 299,491 | - | 481 | 4,434 | - | 295,538 |
| 2011 | 459,080 | - | 1,263 | 6,510 | - | 453,833 |
| 2012 | 808,029 | - | 87,201 | 11,973 | - | 883,257 |
| 2013 | 2,234,643 | - | 89,385 | 62,392 | - | 2,261,636 |
| Total | 4,596,999 | - | 178,330 | 85,426 | - | 4,689,903 |
| 2014 | - | 166,851,701 | 314,445 | 851,476 | - | 166,314,670 |
| Total | \$ 4,596,999 | \$ 166,851,701 | \$ 492,775 | \$ 936,902 | \$ - | \$ 171,004,573 |

PRELIMINARY DRAFT
for Review and Discussion
--Subject to Change--
Not to be Reproduced

Schedule 12

| Collections | | | | | Taxes | |
|-------------|-------------|----------|-----------|-------|---------------|--------------|
| Taxes | | Interest | Lien Fees | Total | Receivable | |
| | | | | | June 30, 2016 | |
| \$ | - | \$ | - | \$ | - | \$ 59,520 |
| | - | | - | | - | 47,521 |
| | 154 | | 330 | | 48 | 45,225 |
| | 223 | | 444 | | 48 | 49,159 |
| | 236 | | 437 | | 48 | 54,575 |
| | 360 | | 602 | | 48 | 71,786 |
| | 375 | | 559 | | 48 | 84,444 |
| | 379 | | 497 | | 48 | 84,545 |
| | 883 | | 429 | | 48 | 164,124 |
| | 401 | | 414 | | 48 | 131,729 |
| | 18,521 | | 13,761 | | 73 | 277,017 |
| | 44,324 | | 24,947 | | 354 | 409,509 |
| | 303,676 | | 75,257 | | 1,008 | 579,581 |
| | 1,381,219 | | 255,202 | | 5,769 | 880,417 |
| | 1,750,751 | | 372,879 | | 7,588 | 2,939,152 |
| | 164,088,676 | | 466,722 | | 5,112 | 2,225,994 |
| \$ | 165,839,427 | \$ | 839,601 | \$ | 12,700 | \$ 5,165,146 |

Town of Hamden, Connecticut

Schedule 13

**Schedule of Debt Limitation
For the Year Ended June 30, 2016**

Total tax collections (including interest and lien fees) for the year ended
June 30, 2016

\$ 166,691,728

Reimbursement for revenue loss on:
Elderly tax relief - freeze

397,951

Base

\$ 167,089,679

| | General Purpose | Schools | Sewers | Urban Renewal | Pension Bonding | Total Debt |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| Debt limitation: | | | | | | |
| 2 1/4 times base | \$ 375,951,778 | \$ - | \$ - | \$ - | \$ - | \$ 375,951,778 |
| 4 1/2 times base | - | 751,903,556 | - | - | - | 751,903,556 |
| 3 3/4 times base | - | - | 626,586,296 | - | - | 626,586,296 |
| 3 1/4 times base | - | - | - | 543,041,457 | - | 543,041,457 |
| 3 times base | - | - | - | - | 501,269,037 | 501,269,037 |
| 7 times base | - | - | - | - | - | - |
| Total debt limitation | 375,951,778 | 751,903,556 | 626,586,296 | 543,041,457 | 501,269,037 | 2,798,752,123 |
| Indebtedness: | | | | | | |
| Bonds payable | 114,156,340 | 32,133,660 | - | - | 122,595,000 | 268,885,000 |
| Bonds authorized and unissued | 13,548,000 | 9,787,000 | - | - | - | 23,335,000 |
| Total indebtedness | 127,704,340 | 41,920,660 | - | - | 122,595,000 | 292,220,000 |
| Less: school construction grants receivable | - | - | - | - | - | - |
| Total indebtedness of the Town | 127,704,340 | 41,920,660 | - | - | 122,595,000 | 292,220,000 |
| Debt limitation in excess of outstanding and authorized debt | \$ 248,247,438 | \$ 709,982,896 | \$ 626,586,296 | \$ 543,041,457 | \$ 378,674,037 | \$2,506,532,123 |

Appendix B

Form of Opinion of Bond Counsel

(This page intentionally left blank)

FORM OF OPINION OF BOND COUNSEL

August 1, 2017

Town of Hamden,
Hamden, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Town of Hamden, Connecticut (the “Town”), a Tax Regulatory Agreement of the Town, dated August 1, 2017 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$13,205,000 Town of Hamden, Connecticut General Obligation Refunding Bonds, Issue of 2017, dated August 1, 2017 (the “Bonds”), maturing on August 15 in each of the years, in the principal amounts and bearing interest payable on February 15, 2018 and semiannually thereafter on August 15 and February 15 in each year until maturity, at the rates per annum as follows:

| <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate Per Annum</u> | <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate Per Annum</u> |
|-----------------------------|-----------------------------|------------------------------------|-----------------------------|-----------------------------|------------------------------------|
| 2018 | \$370,000 | 3.000% | 2023 | \$460,000 | 5.000% |
| 2019 | 385,000 | 4.000 | 2024 | 485,000 | 5.000 |
| 2020 | 400,000 | 4.000 | 2025 | 2,725,000 | 5.000 |
| 2021 | 415,000 | 4.000 | 2026 | 4,835,000 | 5.000 |
| 2022 | 435,000 | 5.000 | 2027 | 2,695,000 | 5.000 |

with principal payable at the principal office of U.S. Bank National Association, in Hartford, Connecticut, and with interest payable to the registered owner as of the close of business on the last business day of July and January in each year, by check mailed to such registered owner at his address as shown on the registration books of the Town kept for such purpose. The Bonds are not subject to redemption prior to maturity.

The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), to effect a book-entry system for the ownership and transfer of the Bonds. So long as DTC or its nominee is the registered owner, principal and interest payments on the Bonds will be made to DTC.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the Official Statement.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Bonds under authority of the Constitution and General Statutes of Connecticut and that the Bonds are a valid general obligation of the Town the principal of and interest on which is payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain

excluded from gross income for federal income tax purposes. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the Town with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Bonds.

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Bonds, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Bonds or adversely affect the market price of the Bonds.

These opinions are rendered as of the date hereof and are based on existing law, which is subject to change. We assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may come to our attention, or to reflect any changes in law that may hereafter occur or become effective.

The rights of owners of the Bonds and the enforceability of the Bonds and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

Very truly yours,

ROBINSON & COLE LLP

Appendix C

Form of Continuing Disclosure Agreement

(This page intentionally left blank)

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

Town of Hamden, Connecticut
\$13,205,000 General Obligation Refunding Bonds, Issue of 2017
dated August 1, 2017

August 1, 2017

WHEREAS, the Town of Hamden, Connecticut (the “Town”) has heretofore authorized the issuance of \$13,205,000 in aggregate principal amount of its General Obligation Refunding Bonds, Issue of 2017, dated August 1, 2017 (the “Bonds”), and to mature on the dates and in the amounts as set forth in the Town’s Official Statement dated July 19, 2017 describing the Bonds (the “Official Statement”); and

WHEREAS, the Bonds have been sold by a negotiated sale pursuant to a Bond Purchase Agreement, dated July 19, 2017 (the “Bond Purchase Agreement”); and

WHEREAS, in the Bond Purchase Agreement, the Town has heretofore acknowledged that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the Town has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5), as amended from time to time (the “Rule”), and the Town desires to assist the underwriter of the Bonds in complying with the Rule; and

WHEREAS, the Town is authorized pursuant to Section 3-20e of the General Statutes of Connecticut to make such representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Bonds in complying with the Rule, this Continuing Disclosure Agreement (this “Agreement”) is to be made, executed and delivered by the Town in connection with the issuance of the Bonds and to be described in the Official Statement, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, the Town hereby represents, covenants and agrees as follows:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

“Annual Report” shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 2 and 3 of this Agreement.

“Fiscal Year End” shall mean the last day of the Town’s fiscal year, currently June 30.

“Listed Events” shall mean any of the events listed in Section 4 of this Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Repository” shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 57577 for purposes of the Rule, the MSRB or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for purposes of the Rule.

“SEC” shall mean the Securities and Exchange Commission of the United States or any successor thereto.

Section 2. Annual Reports.

(a) The Town shall provide or cause to be provided to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, the following annual financial information and operating data regarding the Town:

(i) Audited financial statements as of and for the year ending on its Fiscal Year End prepared in accordance with accounting principles generally accepted in the United States, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and

(ii) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in (i) above:

(A) the amounts of the gross and net taxable grand list;

(B) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;

(C) the percentage and amount of the annual property tax levy collected and uncollected;

(D) a schedule of the annual debt service on outstanding long-term bonded indebtedness;

(E) a calculation of the net direct debt, total direct debt, and total overall net debt (reflecting overlapping and underlying debt);

(F) the total direct debt, total net direct debt and total overall net debt of the Town per capita;

(G) the ratios of total direct debt and total overall net debt of the Town to the Town's net taxable grand list;

(H) a statement of statutory debt limitations and debt margins; and

(I) the funding status of the Town's pension benefit obligations.

(b) The above-referenced information is expected to be provided by the filing of and cross reference to the Town's audited financial statements. The information may be provided in whole or in part by cross-reference to other documents previously provided to the Repository, including official statements of the Town which will be available from the MSRB.

(c) Subject to the requirements of Section 8 hereof, the Town reserves the right to modify from time to time the type of financial information and operating data provided or the format of the presentation of such financial information and operating data, to the extent necessary or appropriate; provided that the Town agrees that any such modification will be done in a manner consistent with the Rule. The Town also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Town shall provide the financial information and operating data referenced in Section 2(a) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the Bonds, provided, however, that if such financial information and operating data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Town shall provide such financial information and operating data no later than eight months

after the close of such preceding Fiscal Year End. The Town agrees that if audited financial statements are not available eight months after the close of any Fiscal Year End, it shall submit unaudited financial statements by such time and will submit audited financial statements information when and if available.

Section 4. Event Notices. The Town agrees to provide, or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, of the occurrence of any of the following events:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership, or similar event of any obligated person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving any obligated person or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake any such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if any, if material.

Section 5. Notice of Failure. The Town agrees to provide, or cause to be provided, in a timely manner to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of any failure by the Town to provide the annual financial information described in Section 2(a) of this Agreement on or before the date described in Section 3 of this Agreement.

Section 6. Termination of Reporting Obligation. The Town's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Agent. The Town may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Town may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Town, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) this Agreement, as so amended, would have complied with the requirements of the Rule as of the date of this Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the Repository in electronic format. The Annual Report provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information or operating data provided.

Section 9. Additional Information. Nothing in this Agreement shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or providing notice of the occurrence of any other event, in addition to that which is required by this Agreement. If the Town chooses to include any other information in any Annual Report or provide notice of the occurrence of any other event in addition to that which is specifically required by this Agreement, the Town shall have no obligation under this Agreement to update such information or include or provide such information or notice of the occurrence of such event in the future.

Section 10. Indemnification. The Town agrees, pursuant to applicable law, to indemnify and save its officials, officers and employees harmless against any loss, expense or liability which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability hereunder, but excluding any loss, expense or liability due to any such person's malicious, wanton, or willful act. The obligations of the Town under this Section shall survive termination of this Agreement.

Section 11. Enforceability. The Town agrees that its undertaking pursuant to the Rule set forth in this Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Bonds. In the event the Town shall fail to perform its duties hereunder, the Town shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Town does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific performance of the Town's obligations hereunder. No monetary damages shall arise or be payable hereunder, nor shall any failure to comply with this Agreement constitute a default of the Town with respect to the Bonds.

IN WITNESS WHEREOF, the Town has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

TOWN OF HAMDEN, CONNECTICUT

By: _____
Curt Balzano Leng
Mayor

By: _____
Michael Belden
Acting Director of Finance

Appendix D

Specimen Municipal Bond Insurance Policy

(This page intentionally left blank)



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



**CONNECTICUT
ENDORSEMENT TO**

**MUNICIPAL BOND
INSURANCE POLICY**

NO.

Claims arising under this Policy are not covered by the Connecticut Insurance Guaranty Association (Connecticut Insurance Code, Title 38a, Chapter 704a, Part I.)

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this endorsement to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer