

FINAL OFFICIAL STATEMENT DATED JUNE 28, 2022

REFUNDING ISSUE: Book-Entry-Only

**RATINGS: S&P Global Ratings: "AA" (BAM Insured)
S&P Global Ratings: "BBB+" (Underlying)**

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. 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 **\$9,710,000** **General Obligation Refunding Bonds, Issue of 2022**

Dated: Date of Delivery

**Due: August 15,
As shown below:**

| Year | Principal | Coupon | Yield | CUSIP¹ |
|-------------|------------------|---------------|--------------|--------------------------|
| 2032 | \$ 9,710,000 | 5.000% | 3.820% | 406793AU3 |

The Town of Hamden, Connecticut (the "Town") is issuing its General Obligation Refunding Bonds, Issue of 2022 (the "Bonds"). Interest on the Bonds will be payable semiannually on the fifteenth day of February and August of each year until maturity, commencing August 15, 2022. The Bonds will be issued by means of a book-entry-only system and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. Ownership of the Bonds may be in the principal amount of \$5,000 or integral multiples thereof. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only System" herein.

The Bonds are NOT subject to redemption prior to maturity.

The Certifying Agent, Transfer Agent, Registrar, Paying Agent and Escrow Agent for the Bonds will be U.S. Bank Trust Company, National Association, Hartford, Connecticut.

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 are offered for delivery when, as and if issued, subject to the final approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut. Certain legal matters will be passed upon for the Underwriter by Pullman & Comley, LLC, of Hartford, Connecticut. It is expected that the delivery of the Bonds in definitive form will be made on or about July 14, 2022, through the facilities of DTC.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

RAYMOND JAMES®

¹ Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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.

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.

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 for the Bonds 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".

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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 \$9,710,000 General Obligation Refunding Bonds, Issue of 2022 (the “Bonds”) of the Town.

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. 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 this 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 Trust Company, National Association, of Hartford, Connecticut will act as Certifying Agent, Paying Agent, Registrar Agent, Transfer Agent and Escrow Agent for the Bonds.

Clermont & Associates, LLC, the Town’s independent auditor, has not been engaged to perform, and has not performed any procedures on the financial statements addressed in the report, since the date of its report included as Appendix A herein. Clermont & Associates, LLC, also has not performed any procedures relating to this Official Statement.

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SECTION I – SECURITIES OFFERED

Description of the Bonds

The Bonds will be dated as of the date of delivery, and will mature on August 15, 2032 as set forth on the cover page of this Official Statement. Interest on the Bonds will be payable semiannually on February 15 and August 15, in each year until maturity, commencing on August 15, 2022. 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 January and July 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 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 will be payable at the principal office of U.S. Bank Trust Company, National Association. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry-Only System” herein.

Optional Redemption

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.

The proceeds of the Bonds are being used to refund certain outstanding bonds of the Town. See “Plan of Refunding” herein. The refunding is being issued as part of the Town’s Deficit Mitigation and Fund Balance Growth Plan. See “Deficit Mitigation and Fund Balance Growth Plan” herein.

(Remainder of page intentionally left blank)

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>CUSIP</i> |
|---------------|------------------------|--------------------------|--------------------------|-----------------------|----------------------------|-----------------------------|--------------|
| 2012 | 8/23/2012 | 8/15/2022 | 5.000% | \$ 985,000 | n/a | n/a | 4067927N5 |
| | Sub-Total | | | \$ 985,000 | | | |
| 2013 | 5/15/2013 | 8/15/2022 | 5.000% | \$ 3,835,000 | n/a | n/a | 406792W64 |
| | Sub-Total | | | \$ 3,835,000 | | | |
| 2014 Series A | 8/21/2014 | 8/15/2022 | 4.000% | \$ 1,320,000 | n/a | n/a | 406792Z20 |
| | Sub-Total | | | \$ 1,320,000 | | | |
| 2016 | 8/18/2016 | 8/15/2022 | 5.000% | \$ 1,430,000 | n/a | n/a | 4067924P3 |
| | Sub-Total | | | \$ 1,430,000 | | | |
| 2017 Series B | 8/24/2017 | 8/15/2022 | 5.250% | \$ 575,000 | n/a | n/a | 4067925Y3 |
| | Sub-Total | | | \$ 575,000 | | | |
| 2017 Series A | 8/1/2017 | 8/15/2022 | 5.000% | \$ 435,000 | n/a | n/a | 4067925K3 |
| | Sub-Total | | | \$ 435,000 | | | |
| 2018 | 6/27/2018 | 8/15/2022 | 6.000% | \$ 600,000 | n/a | n/a | 4067926S5 |
| | Sub-Total | | | \$ 600,000 | | | |
| 2020 Series A | 8/5/2020 | 8/1/2022 | 5.000% | \$ 585,000 | n/a | n/a | 4067927Z8 |
| | Sub-Total | | | \$ 585,000 | | | |
| 2021 | 8/31/2021 | 8/15/2022 | 3.000% | \$ 305,000 | n/a | n/a | 406793AC3 |
| | Sub-Total | | | \$ 305,000 | | | |
| | Total | | | \$ 10,070,000 | | | |

Upon delivery of the Bonds, a portion of the proceeds will be deposited in an irrevocable trust fund (the "Escrow Deposit Fund") established with U.S. Bank Trust Company, National Association, as escrow agent (the "Escrow Agent") under an Escrow Agreement (the "Escrow Agreement") dated as of the date of delivery of the Bonds between the Escrow Agent and the Town. The Escrow Agent may 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, State and Local Government Series, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation 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 Fund 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 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 at maturity 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

The proceeds of the Bonds are to be applied as follows:

| Sources: | The Bonds |
|--------------------------------------|-------------------------|
| Par Amount..... | \$ 9,710,000.00 |
| Original Issue Premium | 951,288.70 |
| Total Sources | \$ 10,661,288.70 |
| Uses: | |
| Refunding Escrow Deposit | \$ 10,310,138.04 |
| Costs of Issuance ¹ | 280,600.66 |
| Underwriter's Discount | 70,550.00 |
| Total Uses | \$ 10,661,288.70 |

¹ Includes legal fees, financial advisory fees, bond insurance, rating agency and fees for other transaction related expenses.

Global Health Emergency

The COVID-19 Outbreak

The outbreak of COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization. On March 13, 2020, the President of the United States declared a national emergency as a result of the COVID-19 outbreak. The outbreak of the virus has affected travel, commerce and financial markets globally. There can be no assurances that COVID-19 will not continue to materially affect local, state, national, and global activity; increase public health emergency response costs; or adversely impact the financial condition of the Town.

State and Local Efforts to Mitigate the Ongoing Impact of COVID-19

On March 10, 2020, Governor Lamont declared a state of emergency throughout the State of Connecticut (the "State") and took and continues to take steps designed to mitigate the spread and impacts of COVID-19. Public schools began to operate remotely immediately following the outbreak and continued remotely through the 2019-2020 school year. By the 2020-2021 school year, schools were permitted to reopen and school districts were given the discretion to choose in-person learning, virtual learning or a hybrid model.

Connecticut's COVID-19 vaccination plan commenced on December 14, 2020. Vaccinations are available to all individuals aged 5 and over, and booster shots are available to individuals aged 12 and over, in accordance with CDC guidelines.

By agreement with the General Assembly, the declaration of the state of emergency expired February 15, 2022. Currently, all capacity restrictions related to establishments and social/recreational gatherings have been eliminated and the State only requires face-coverings to be worn in pre-K-12 schools, if required by local school board or similar authority, or in private businesses and state and local government offices, with the option to require masks be worn by everyone in their establishments. Effective August 5, 2021, municipal leaders have had the option of requiring that masks be worn in indoor public places within their respective towns and cities. Since March 23, 2022, the Town no longer requires the wearing of masks or cloth coverings in Town-owned buildings, and since March 8, 2022, masking is optional at all Town public schools.

The potential long-term impact of the COVID-19 pandemic on the Town cannot be predicted at this time. The continued efforts to mitigate the spread of the outbreak and any prolonged effects on the national, State and local economy could have a materially adverse effect on the Town's finances.

National Response to COVID-19's Impact on the Economy

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that provided aid to industries and entities throughout the country, including state and local governments. Under the CARES Act, the State received \$1.32 billion and was given the discretion to provide such funds to local governments.

On June 4, 2020, Governor Lamont established the Connecticut Municipal Coronavirus Relief Fund Program (the "Program") which established a process by which Connecticut municipalities can receive funds from the State to offset non-budgeted COVID-19 related expenditures that were incurred between March 1, 2020 and December 30, 2020. In Fiscal Year 2020, the Town received \$719,300 in reimbursement from the Program and FEMA for pandemic-related costs. The Town received \$753,523 in reimbursement from the two programs in Fiscal Year 2021.

On December 27, 2020, President Trump signed into law the Coronavirus Response and Relief Supplemental Appropriations Act of 2021, which extended certain programs and benefits first authorized by the CARES Act. The relief package included, among other items, over \$900 billion in stimulus for various COVID-19 relief programs, \$8.75 billion for vaccine distribution, \$54.3 billion of Elementary and Secondary School Emergency Relief Funds (ESSER I & II), \$4.1 billion for the Governors Emergency Education Relief Fund, and an allocation of \$284 billion of Paycheck Protection Program funds to support eligible small businesses and non-profits. The legislation expanded and modified the program by allowing second draw loans for certain borrowers. The Town has received \$9,565,803 from the ESSER I Grant and \$4,376,981 from the ESSER II Grant.

On March 11, 2021, President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021 (the "Rescue Plan"). The Rescue Plan relief package includes, among other provisions, \$350 billion in state and local government aid. Of the \$350 billion, the State and its local governments are expected to receive approximately \$2.8 billion in State relief and another \$1.6 billion in relief for local governments.

The Rescue Plan relief package also included approximately \$123 billion to allow for a return to full-time, in-person teaching at elementary and high schools, which funds may be used for numerous purposes, including but not limited to expanding testing, modifying classrooms, improving ventilation, and hiring more custodial staff. The State's K-12 schools are expected to receive approximately \$1.1 billion. The Rescue Plan also includes another \$160 billion dedicated to COVID-19 vaccination development and distribution.

Over the next two years, the Town expects to receive \$11.9 million in federal funding as a result of the Rescue Plan. The Town received its first installment of approximately \$5.9 million in funding from this program in June 2021. The Mayor and her administration are developing a plan to spend the second installment of \$5.9 million expected for FY 2022 that will primarily focus on infrastructure improvements that comply with the eligibility criteria of the program.

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The Town faces certain threats due to climate change, including both drought and damaging wind that could become more severe and frequent. The Town cannot predict the timing, extent or severity of climate change and its impact on the Town's operations and finances.

Cybersecurity

The Town, like many other public and private entities, relies on technology to conduct its operations. The Town and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, phishing, and other attacks on computers and other sensitive digital networks and systems. To reduce the risk of a successful cyber security threat, the Town has invested in IT security firewalls, anti-virus software, anti-malware software, and ransomware protection software. All Town computers and computer servers are protected by this security software and firewalls. These security protection systems are evaluated annually for upgrades or replacements. Despite these efforts, the Town was subject to the following cyber incidents:

In October 2019, the Town identified suspicious activity on its network. The Town commenced an investigation and determined the cause was a phishing email. The Town engaged a third-party IT service to restore the network through back-up drives. Only minimal data was lost. The State Police and Federal Bureau of Investigation were notified, and the Town worked to support the larger regional investigation.

With assistance from an outside IT firm, the Town deployed an Endpoint Detection and Response (“EDR”) tool to servers and workstations on its network. The EDR tool provided the Town with the ability to monitor those devices in real time and to contain and remediate the unauthorized activity that was detected. The Town later acquired a dedicated EDR tool to provide continued monitoring of Town’s network. Several security enhancements were also implemented, including increased password complexity and scheduled password rotation, multifactor authentication (“MFA”) on the Town’s backup devices, alert messages for emails originating outside of the organization, and cyber security training for all end-users.

Notwithstanding this added security, on May 26, 2022, the Town identified unusual activity on its network that caused certain devices to become unavailable. The Town investigated the activity and determined that certain devices had been encrypted. The Town disconnected devices from the network and began taking additional measures to contain the incident and to restore operations. The Town also notified U.S. federal law enforcement and the Hamden Police Department and is working to support their investigations.

The Town promptly engaged a third-party IT service provider to work to restore the functionality of the network. The Town also engaged outside legal counsel to provide legal advice regarding the incident, and counsel engaged a third-party cyber forensics firm to collect and analyze data from devices in the Town’s network to assist counsel. That investigation is ongoing and any unforeseen results from the investigation may have potential financial and operational impact on the Town.

Emergency services were not interrupted as a result of the incident, and as of the date hereof, the Town has restored all critical systems and services from backups. The Town is adding access to the network incrementally to ensure security and prevent reinfection.

To mitigate the risk of business operations impact and/or damage from cyber security incidents or cyber-attacks, the Town is investing in disaster recovery systems and a continuity of IT operations plan which leverages regular daily system backups. The Town is working to strengthen its IT department by: hiring a new IT Manager (scheduled to start July 2022), implementing MFA on email accounts, and enhancing existing security measures, including migrating additional functions offsite and increasing long term monitoring devices through additional EDR solutions. As the Town works to complete the investigation of this latest incident, it will look for opportunities to enhance its existing security measures. The Town is also in the process of procuring cyber insurance to mitigate the financial impact of any potential future cyber security incidences.

No assurances can be given, however, that such security and operational control measures will be completely successful to guard against future cyber threats and attacks. The results of any such future attacks could impact business operations and/or damage the Town’s digital networks and systems and the costs of remedying any such damage could be substantial.

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 S&P Global Ratings 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 Securities 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 such 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 such 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' Risks

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 Section 7-374c of the Connecticut General Statutes (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. In May 2018, at the Town's request, the General Assembly adopted revisions to the Pension Statute to allow the Town to contribute 55% of its actuarially recommended contribution, rather than 80% for FY 2018, 70% or an amount \$3,000,000 more than the prior year, whichever is less, for FY 2019, and 85% or an amount \$3,000,000 more than the prior year, whichever is less, for FY 2020, rather than 100% of the actuarially recommended contribution for FY 2019 and 2020. The Town was required to contribute 100% of its actuarially recommended contribution starting in FY 2021. For FY 2021 and 2022, the Town contributed 100% of the actuarially recommended contribution. For FY 2023, the Town budgeted 100% of the actuarially recommended contribution.

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.

The Town is reliant on the receipt of State aid revenue for a significant portion of its budget. In the past, State aid revenue to the Town and other Connecticut municipalities has been reduced and has been uncertain based on State fiscal issues. There is no assurance that State budgets will provide the Town with comparable State aid revenue received in the past. In the event the adopted State budget provides less revenue to the Town than the amounts the Town has budgeted, the Town will be required to amend its budget to account for the actual amount the Town will receive pursuant to the State budget.

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.

Designation as Tier III Municipality: Pursuant to Public Act 17-2, the State General Assembly amended Chapter 117, Municipal Deficit Financing (the "MARB Statute"). The MARB Statute was amended to strengthen the assistance that the State can provide to distressed municipalities and enhanced the State's control over such municipalities. Among other things, the MARB Statute created a Municipal Accountability Review Board, provided a new tiered system for distressed municipalities (Tier I through Tier IV) with specific criteria for each tier, and allows for different levels of assistance depending on the severity of the fiscal distress the municipality is experiencing, including providing credit support for the issuance of debt. Municipalities can request designation for a specific tier, or the Office of Policy and Management ("OPM") can designate a distressed municipality for a specific tier. Designated municipalities qualify for specific types of assistance and the State has certain levels of control over the municipality's finances based on their designation. Currently, the Town has not requested designation for any tier under the MARB Statute.

Beginning July 1, 2018, the Secretary of OPM may designate a municipality as a "Tier III municipality" if: (1) the municipality has one bond rating from a bond rating agency that is below investment grade or (2) if the municipality's highest bond rating is "A", "Baa" or "BBB" and it has either (a) a negative fund balance percentage or (b) an equalized mill rate that is 30.00 or more and it receives 30% or more of its current or prior fiscal year general fund revenues from the State. Under the MARB Statute, the Secretary of OPM shall designate a municipality as Tier III based on reports and findings if the fiscal condition of the municipality warrants such designation. For FY 2020, the Town had an operating deficit totaling \$4,263,644 which resulted in a negative fund balance of \$2,289,040 or negative 0.92% of operating revenues. For FY 2021, the Town had an operating surplus of approximately \$9.6 million, which resulted in a positive

fund balance of approximately \$7.3 million, or 2.65% of operating revenue. Given the Town's current ratings and the Town having an equalized mill rate that is 30.00 or more, the Secretary of OPM could designate the Town as a Tier III municipality in the future. The MARB Statute has been amended effective October 1, 2022. The Town has had several meetings with the Municipal Finance Advisory Commission regarding its financial condition and its Deficit Mitigation and Fund Balance Growth Plan. See "Financial Section – Deficit Mitigation and Fund Balance Growth Plan" herein.

Unfunded Pension and OPEB Liabilities: The Retirement Plan has an approximate \$270.7 million unfunded pension liability as of July 1, 2021. The Town has an approximate \$522.6 million unfunded other postemployment benefits liability ("OPEB") as of July 1, 2019, 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 and the COVID-19 outbreak, which has affected Connecticut 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 these factors.

COVID-19 Outbreak: A description of the effect of the COVID-19 outbreak on the Town and its finances is contained in "SECTION I - Global Health Emergency" in this Official Statement.

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 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 Underwriter is 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.

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 Underwriter’s 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 to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). Except as mentioned below, in the last five years, the Town has not failed to comply, in all material respects, with its previous undertakings in such agreements.

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, 2016, the audited financial statements and operating data of the Town were filed late with the Municipal Securities Rulemaking Board (“MSRB”). 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 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 were finally filed with the MSRB through the EMMA system on July 31, 2017. The Town filed its fiscal year 2017 audited financial statements and operating data on March 1, 2018, one day late. The Town failed to file its fiscal year 2018 audited financial statements and operating data on time and filed a failure to file notice on EMMA on March 5, 2019. The Town’s audited financial statements and operating data for the fiscal year ending June 30, 2018 were filed with the MSRB through the EMMA system on June 19, 2019. The Town filed its audited financial statements and operating data for the fiscal years ending June 30, 2019, June 30, 2020 and June 30, 2021 on time after implementing procedures to ensure the timely filing of audited financial statements and operating data. The Town utilizes the services of its Municipal Advisor and Continuing Disclosure Agent (Phoenix Advisors, LLC) to assist the Town to ensure the timely filings of its continuing disclosure obligations.

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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 and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. 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”). 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, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$466.8 million, \$172.1 million and \$294.7 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 www.buildamerica.com/videos. (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 www.buildamerica.com/credit-profiles. 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.

Ratings

The Town has received an underlying rating of "BBB+" with a stable outlook on the Bonds from S&P Global Ratings ("S&P"). 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 the Bonds. While not applied for, the Town has outstanding ratings of "Baa3" from Moody's Investors Service and "BBB" from Fitch Ratings on its outstanding bonds.

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, 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.

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 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 offering prices relating to the yields set forth on the cover page of this Official Statement are expected to be the initial public offering 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 \$10,590,738.70 (consisting of the principal amount of \$9,710,000.00 plus original issue premium of \$951,288.70, less Underwriter's discount of \$70,550.00).

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 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.

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 5,300 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

| <i>Office</i> | <i>Name</i> | <i>Manner of Selection/Term</i> | <i>Years of Service</i> |
|---------------------------------|----------------------------|--|--------------------------------|
| Mayor | Lauren Garrett | Elected/2 years | < 1 year |
| Chief of Staff | Sean Grace | Appointed/Indefinite | < 1 year |
| Town Clerk..... | Karimah Mickens | Elected/2 years | < 1 year |
| Tax Collector..... | Kathleen Flynn | Appointed/Indefinite | 25 years |
| Assessor..... | Sajida Farooqui | Appointed/Indefinite | < 1 year |
| Superintendent of Schools | Jody Goeler | Appointed/Indefinite | 7 years |
| Finance Director..... | Curtis Eatman ¹ | Appointed/Indefinite | < 1 year |
| Deputy Finance Director..... | Rick Galarza | Appointed/Indefinite | 5 years |

¹ *Curtis Eatman previously served as the Town's Finance Director from February 2020 to January 2021.*

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 90 sworn police officers and 40 non-sworn positions, of which 20 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 90 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 Neighborhood Development: The Economic and Neighborhood 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; streetscape improvements; redevelopment initiatives through the Hamden Economic Development Corporation; a Business Assistance Center; Economic Development Web Page (www.hamden-ct.com); marketing and recruitment; brownfields redevelopment; and workforce readiness initiatives. The office has three staff members paid by the Town. This department interacts with the business community, various community organizations, and Town, state and federal agencies.

The total increase over the last several years in tax base growth resulting directly from construction, expansions and relocations included a total of over \$75,000,000 or over \$2,500,000 annually in net tax revenue from new grand list growth attributed to the Business Incentive Program as well as larger project development investment.

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 and Community 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:

- New retail and other development within the five major shopping centers including but not limited to Ulta Beauty Products, a new CVS, Funz Trampoline Park, Burlington Stores, Sketchers Shoe Store and Porter and Chester Vocational school.
- American Automobile Association (AAA): Built a new 7,000 square foot building. This new building replaced the original building built in 1970. AAA is one of Town's largest employers.
- Eli's Restaurant: completed a 3,500 square foot addition.
- New Mixed Use Building (including Liberty Bank and Moonrocks Cookies): A new 14,000 square foot mixed-use building located next to the Mount Carmel Post Office.
- Hamden Business Incubator: The Hamden Economic Development Corporation (HEDC) has secured \$10 million in funds to renovate a 42,000 square foot former school/community center into a business incubator for up to twenty new businesses.
- 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. Quinnipiac University pays a significant amount of money in taxes under Payment in Lieu of Taxes agreement for their \$100 million portfolio.
- Whitney Center: an assisted living facility, is currently the largest taxpayer in the Town. The \$75 million phase I expansion and \$10 million phase II expansion are completed. Both phases resulted in \$1.5 million in new tax revenue.
- Canal Crossing: A 393 unit housing project has been approved and was completed. Total project cost is \$45 million and new tax revenue will be \$1.7 million annually.

The investment derived from these projects has yielded over \$5 million in new tax revenue for the Town since 2019 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. This department creates new programs and works 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.

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. Under the terms of the contract, for fiscal year 2022, the disposal fee was due to reset subject to negotiation between the towns and Covanta.

However, in April, 2020, Covanta breached its contract with Hamden and the other four towns in the System when its assignee to the contract refused to accept solid waste from those towns based on a claimed COVID outbreak among workers at the transfer station. Faced with this emergency, Hamden was forced to find an alternative disposal location for its solid waste on a temporary basis through FY 2021 at a disposal rate of \$88.00 per ton.

With the other four towns, Hamden demanded compensation from Covanta for damages caused by the breach of the contract by its assignee. Through mediation, in June 2021, the parties reached a settlement of all claims along with the termination of all contracts with Covanta. The terms of the settlement have now been finalized, and the five towns have now disbanded their collaborative arrangement concerning the System.

In May of 2021, Hamden issued a Request for Proposals for the ongoing disposal of its solid waste starting in fiscal year 2022. Through that process, the Town is now contracted with Murphy Road Recycling through fiscal year 2024 for delivery of its solid waste to transfer stations in Waterbury and/or Middletown. The per ton disposal rate is \$95.00 in fiscal year 2022, \$98.80 for fiscal year 2023, and \$102.75 for fiscal year 2024.

Educational System

The Town's school system serves approximately 5,300 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 | 10/1/2021 Enrollment | Rated Capacity |
|------------------------------------|---------------|---|---------------------------------|---------------------------------|---------------------------|
| Alice Peck Elementary | Pre-K | 1954 (1991) | 18 | 149 | 300 |
| Bear Path Elementary | K-6 | 2003 | 25 | 421 | 495 |
| Dunbar Hill Elementary | K-6 | 1950 (1995) | 18 | 285 | 334 |
| Helen Street Elementary | K-6 | 1992 | 20 | 321 | 350 |
| Ridge Hill Elementary | K-6 | 1971 (2011) | 22 | 303 | 560 |
| Shepherd Glen Elementary | K-6 | 1972 | 17 | 297 | 477 |
| Spring Glen Elementary | K-6 | 2003 | 22 | 402 | 450 |
| West Woods Elementary | K-6 | 1973 | 24 | 333 | 510 |
| Church Street Elementary | K-6 | 1991 | 28 | 264 | 438 |
| Hamden Middle | 7-8 | 2006 | 50 | 835 | 1,270 |
| Hamden High | 9-12 | 1935 (1998) | 77 | 1,748 | 1,785 |
| Central Office (Administration)... | N/A | 1915 (2011) | N/A | N/A | N/A |
| Total..... | | | 321 | 5,358 ^{1,2} | 6,969 |

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

² Includes 80 students enrolled in Hamden Community Learning Center.

Source: Town of Hamden, Board of Education

School Enrollments

| Historical | | | | |
|--------------------|-----------------------------|-------------------------|--------------------------|---------------------------|
| School Year | Grades Pre-K - 6 | Grades 7 - 8 | Grades 9 - 12 | Total ¹ |
| 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 |
| 2017-2018 | 3,020 | 880 | 1,532 | 5,432 |
| 2018-2019 | 3,015 | 878 | 1,530 | 5,423 |
| 2019-2020 | 3,021 | 890 | 1,550 | 5,461 |
| 2020-2021 | 3,002 | 836 | 1,576 | 5,414 |
| 2021-2022 | 2,766 | 839 | 1,753 | 5,358 |
| School Year | Projected | | | Total |
| 2022-2023 | 2,541 | 836 | 1,721 | 5,098 |
| 2023-2024 | 2,556 | 838 | 1,741 | 5,135 |

¹ Does not include approximately 238 students from the Town who attend the inter-district K-12 Magnet School

Source: Town of Hamden, Board of Education

Municipal Employees¹

| | 2021-22 | 2020-21 | 2019-20 | 2018-19 | 2017-18 |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| General Government..... | 453 | 429 | 449 | 453 | 451 |
| Board of Education..... | 911 | 867 | 882 | 882 | 886 |
| Total..... | 1,364 | 1,296 | 1,331 | 1,335 | 1,337 |

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 | 100 | 6/30/2024 |
| Firefighters | Local 2687, International Assoc. of Firefighters | 99 | 6/30/2024 |
| Public Works | Local 424, UPSEU Unit #1 | 54 | 6/30/2023 |
| Town Hall / Engineering | Council #4, AFSCME, Local 2863 | 79 | 6/30/2023 |
| Dispatchers | UPSEC, Local 424 Unit #63 | 15 | 6/30/2023 |
| Parks and Recreation..... | Local 424, UPSEU Unit #36 | 16 | 6/30/2023 |
| Library | Local 1303-115, Council #4, AFSCME | 36 | 6/30/2023 |
| Supervisors | Local 424, UPSEU Unit #23 | 26 | 6/30/2023 |
| Non-bargaining | N/A | 28 | N/A |
| Total General Government Employees..... | | 453 | |

| Board of Education | Organization | Positions Covered | Current Contract Expiration Date |
|---|--|--------------------------|---|
| Custodians and Maintenance.... | Local 431, Council #4, AFSCME, AFL-CIO | 54 | 6/30/2022 ¹ |
| Teachers..... | Hamden Education Association, Local 57 | 558 | 6/30/2025 |
| Administrators..... | Association of Hamden Public School Administrators, AHPSA, AFL-CIO | 33 | 6/30/2023 |
| Nurses..... | Hamden School Nurses Association, CILU | 17 | 6/30/2022 ¹ |
| Clerical and Paraprofessionals .. | Local 424, UPSEU Unit #2 | 167 | 6/30/2024 |
| Security Guards..... | Local 1303-373, AFSCME | 14 | 6/30/2022 ¹ |
| Supervisors | UPSEU Local 424 | 10 | 6/30/2021 ¹ |
| Non-bargaining | N/A | - | N/A |
| Total Board of Education Employees..... | | 853 | |
| Total General Government & Board of Education Employees..... | | 1,306 | |

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, in assessing the financial capability of a municipality, there is an irrefutable presumption that 15% of the municipality's budget reserve (a budget reserve of 5% or less for teacher's contracts) 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 |
|-------------|------------------------------|-------------------|-----------------------------|
| 2020 | 61,169 | 0.3% | 1,836.9 |
| 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.

Source: U.S. Department of Commerce, Bureau of Census. 2020

Age Distribution of the Population

| Age | Town of Hamden | | State of Connecticut | |
|--|-----------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Under 5 years | 2,684 | 4.4% | 182,708 | 5.1% |
| 5 to 9 years | 3,365 | 5.5 | 192,321 | 5.4 |
| 10 to 14 years | 3,042 | 5.0 | 221,648 | 6.2 |
| 15 to 19 years | 5,450 | 9.0 | 241,286 | 6.8 |
| 20 to 24 years | 6,326 | 10.4 | 243,381 | 6.8 |
| 25 to 34 years | 8,365 | 13.8 | 443,917 | 12.4 |
| 35 to 44 years | 7,257 | 11.9 | 426,097 | 11.9 |
| 45 to 54 years | 6,463 | 10.6 | 493,186 | 13.8 |
| 55 to 59 years | 4,176 | 6.9 | 267,164 | 7.5 |
| 60 to 64 years | 3,963 | 6.5 | 243,375 | 6.8 |
| 65 to 74 years | 5,092 | 8.4 | 345,407 | 9.7 |
| 75 to 84 years | 2,767 | 4.6 | 175,909 | 4.9 |
| 85 years and over | 1,790 | 2.9 | 94,150 | 2.6 |
| Total..... | 60,740 | 100% | 3,570,549 | 100% |
| Median Age (Years) 2020..... | 36.3 | | 41.1 | |
| Median Age (Years) 2010 ¹ | 37.4 | | 40.0 | |

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

Source: American Community Survey 2016-2020.

Income Distribution

| Income | Town of Hamden | | State of Connecticut | |
|------------------------|-----------------------|----------------|-----------------------------|----------------|
| | Families | Percent | Families | Percent |
| \$0 - \$9,999..... | 276 | 2.0% | 24,418 | 2.7% |
| 10,000 - 14,999..... | 180 | 1.3 | 14,648 | 1.6 |
| 15,000 - 24,999..... | 451 | 3.3 | 38,026 | 4.2 |
| 25,000 - 34,999..... | 757 | 5.6 | 46,409 | 5.1 |
| 35,000 - 49,999..... | 920 | 6.8 | 75,375 | 8.3 |
| 50,000 - 74,999..... | 2,170 | 16.1 | 129,070 | 14.3 |
| 75,000 - 99,999..... | 1,840 | 13.6 | 113,813 | 12.6 |
| 100,000 - 149,999..... | 2,832 | 21.0 | 189,460 | 21.0 |
| 150,000 - 199,999..... | 2,131 | 15.8 | 110,975 | 12.3 |
| 200,000 and over..... | 1,926 | 14.3 | 160,802 | 17.8 |
| Total..... | 13,483 | 100.0% | 902,996 | 100.0% |

Source: American Community Survey 2016-2020.

Comparative Income Measures

| | Town of Hamden | State of Connecticut |
|------------------------------------|-----------------------|-----------------------------|
| Per Capita Income, 2020..... | \$ 38,228 | \$ 45,668 |
| Median Family Income, 2020..... | \$ 101,429 | \$ 102,061 |
| Median Household Income, 2020..... | \$ 78,602 | \$ 79,855 |

Source: American Community Survey 2016-2020.

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

| | Town of Hamden | | State of Connecticut | |
|---|-----------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Less than 9th grade..... | 775 | 1.9% | 99,436 | 4.0% |
| 9th to 12th grade..... | 1,577 | 4.0 | 126,114 | 5.1 |
| High School graduate..... | 10,058 | 25.2 | 655,381 | 26.3 |
| Some college, no degree..... | 6,269 | 15.7 | 419,238 | 16.8 |
| Associate's degree | 2,838 | 7.1 | 193,036 | 7.8 |
| Bachelor's degree..... | 8,622 | 21.6 | 551,459 | 22.2 |
| Graduate or professional degree..... | 9,734 | 24.4 | 444,541 | 17.9 |
| Total..... | 39,873 | 100.0% | 2,489,205 | 100.0% |
| Total high school graduate or higher (%)..... | | 94.1% | | 90.9% |
| Total bachelor's degree or higher (%)..... | | 46.0% | | 40.0% |

Source: American Community Survey 2016-2020.

Labor Force Data

| Period | Town of Hamden | | Percentage Unemployed | | |
|-----------------------|----------------|------------|-----------------------|------------------------|----------------------|
| | Employed | Unemployed | Town of Hamden | New Haven Labor Market | State of Connecticut |
| April 2022 | 34,358 | 1,139 | 3.2 | 3.5 | 3.8 |
| Annual Average | | | | | |
| 2021..... | 32,396 | 1,924 | 5.6 | 6.2 | 6.6 |
| 2020..... | 33,109 | 2,219 | 6.3 | 6.8 | 7.3 |
| 2019..... | 34,611 | 1,211 | 3.4 | 3.6 | 3.7 |
| 2018..... | 34,157 | 1,349 | 3.1 | 4.0 | 4.1 |
| 2017..... | 34,004 | 1,540 | 4.3 | 4.7 | 4.7 |
| 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 |

Source: State of Connecticut, Department of Labor.

Industry Classification

| Sector | Town of Hamden | | State of Connecticut | |
|--|----------------|---------------|----------------------|---------------|
| | Number | Percent | Number | Percent |
| Agriculture, forestry, fishing and hunting, and mining..... | 111 | 0.3% | 7,173 | 0.4% |
| Construction..... | 1,181 | 3.7 | 110,308 | 6.1 |
| Manufacturing..... | 2,774 | 8.7 | 188,968 | 10.5 |
| Wholesale trade..... | 448 | 1.4 | 42,782 | 2.4 |
| Retail trade..... | 2,567 | 8.1 | 190,314 | 10.5 |
| Transportation warehousing, and utilities..... | 1,017 | 3.2 | 78,107 | 4.3 |
| Information..... | 753 | 2.4 | 36,880 | 2.0 |
| Finance, insurance, real estate, and leasing..... | 2,580 | 8.1 | 163,661 | 9.1 |
| Professional, scientific, management, administrative, and waste management..... | 2,865 | 9.0 | 211,665 | 11.7 |
| Education, health and social services..... | 12,253 | 38.6 | 478,318 | 26.5 |
| Arts, entertainment, recreation, accommodation and food services..... | 2,638 | 8.3 | 149,684 | 8.3 |
| Other services (except public admin.)..... | 1,305 | 4.1 | 82,940 | 4.6 |
| Public Administration..... | 1,258 | 4.0 | 66,725 | 3.7 |
| Total Labor Force, Employed..... | 31,750 | 100.0% | 1,807,525 | 100.0% |

Source: American Community Survey 2016-2020.

Major Employers

The following are among the most significant employers in the Town as of April 2022:

| <i>Employer</i> | <i>Nature of Business</i> | <i>Approximate Employees</i> |
|--|----------------------------------|-------------------------------------|
| Town of Hamden/Board of Education..... | Municipality | 1,360 |
| Quinnipiac University..... | Education | 850-900 |
| Arden House | Health Care & Rehabilitation | 300-325 |
| Whitney Center..... | Assisted living | 300-325 |
| CT Transit..... | School Bus Transportation | 250-300 |
| AAA Hamden..... | Automobile club | 250-300 |
| ACES..... | Special education services | 200-250 |
| Home Depot | Home Improvement Store | 150-200 |
| XL Care Agencies of CT..... | Child care agency | 150-200 |
| Stop & Shop..... | Food store | 100-150 |
| Amphenol Spectra..... | Electronic Manufacturer | 100-150 |
| Children's Center of Connecticut | Child care agency | 100-150 |
| Porcelen SPECRAIL..... | Fence manufacturer | 100-150 |
| Hamden Health Care..... | Nursing home | 100-150 |
| Walmart..... | Department Store | 100-150 |
| Amphenol Corporation..... | Electrical Parts Manufacturer | 100-150 |
| Kohls | Department Store | 100-150 |
| Transact Technologies | Electronics & Printers | 100-150 |

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 | 23,164 | 74.2% | 1,355,510 | 76.3% |
| Car pools | 2,888 | 9.3 | 139,227 | 7.8 |
| Used public transportation | 1,523 | 4.9 | 77,433 | 4.4 |
| Walked | 1,038 | 3.3 | 47,218 | 2.7 |
| Used other means | 407 | 1.3 | 22,419 | 1.3 |
| Worked at home | 2,187 | 7.0 | 135,763 | 7.6 |
| Total..... | 31,207 | 100.0% | 1,777,570 | 100.0% |

| | | | | |
|-------------------------------|------|---|----|---|
| Mean travel to work (minutes) | 26.7 | — | 25 | — |
|-------------------------------|------|---|----|---|

Source: American Community Survey 2016-2020.

Number and Value of Building Permits¹

| Fiscal Year Ended 6/30 | Number of Permits | Total Value |
|-----------------------------------|------------------------------|------------------------|
| 2022 ² | 4,239 | \$ 60,809,433 |
| 2021 | 2,796 | 44,545,783 |
| 2020 | 2,255 | 32,855,000 |
| 2019 | 2,287 | 55,432,985 |
| 2018 | 2,314 | 87,947,054 |
| 2017 | 2,865 | 35,045,600 |
| 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 |

¹ Includes residential and commercial construction

² As of 4/1/22.

Age Distribution of Housing

| Year Built | Town of Hamden | | State of Connecticut | |
|---------------------------------|-----------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| 1939 or earlier..... | 4,267 | 17.1% | 327,771 | 21.5% |
| 1940 to 1969..... | 9,924 | 39.9 | 532,459 | 35.0 |
| 1970 to 1979..... | 2,880 | 11.6 | 204,902 | 13.5 |
| 1980 to 1989..... | 3,015 | 12.1 | 188,346 | 12.4 |
| 1990 to 1999..... | 2,589 | 10.4 | 118,768 | 7.8 |
| 2000 or 2009..... | 1,570 | 6.3 | 102,986 | 6.8 |
| 2010 or later..... | 647 | 2.6 | 45,967 | 3.0 |
| Total Housing Units..... | 24,892 | 100.0% | 1,521,199 | 100.0% |

Source: American Community Survey 2016-2020.

Housing Units by Type of Structure

| Housing Units | Town of Hamden | | State of Connecticut | |
|-----------------------------|-----------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| 1-unit, detached | 13,848 | 55.6% | 897,094 | 59.0% |
| 1-unit, attached | 1,105 | 4.4 | 85,585 | 5.6 |
| 2 units | 1,616 | 6.5 | 125,289 | 8.2 |
| 3 or 4 units | 1,643 | 6.6 | 128,352 | 8.4 |
| 5 to 9 units | 1,134 | 4.6 | 80,405 | 5.3 |
| 10 to 19 units | 1,600 | 6.4 | 54,136 | 3.6 |
| 20 or more units | 3,946 | 15.9 | 137,923 | 9.1 |
| Mobile home | - | - | 11,943 | 0.8 |
| Boat, RV, van, etc. | - | - | 472 | 0.0 |
| Total Inventory..... | 24,892 | 100.0% | 1,521,199 | 100.0% |

Source: American Community Survey 2016-2020.

Housing Unit Vacancy Rates

| Housing Units | Town of Hamden | | State of Connecticut | |
|------------------------------|-----------------------|----------------|-----------------------------|----------------|
| | Units | Percent | Units | Percent |
| Occupied housing units | 22,157 | 89.0% | 1,385,437 | 91.1% |
| Vacant housing units | 2,735 | 11.0 | 135,762 | 8.9 |
| Total units | 24,892 | 100.0% | 1,521,199 | 100.0% |
| Homeowner vacancy rate | — | 2.2 | — | 1.5 |
| Rental vacancy rate | — | 5.2 | — | 5.6 |

Source: American Community Survey 2016-2020.

Owner-occupied Housing Units

| Specified Owner-Occupied Units | Town of Hamden | | State of Connecticut | |
|---------------------------------------|-----------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent |
| Less than \$50,000..... | 240 | 1.7% | 17,908 | 2.0% |
| \$50,000 to \$99,000..... | 481 | 3.4 | 26,616 | 2.9 |
| \$100,000 to \$149,999..... | 1,598 | 11.3 | 76,280 | 8.3 |
| \$150,000 to \$199,000..... | 3,155 | 22.4 | 135,429 | 14.8 |
| \$200,000 to \$299,999..... | 5,037 | 35.7 | 249,697 | 27.3 |
| \$300,000 to \$499,999..... | 2,653 | 18.8 | 255,697 | 27.9 |
| \$500,000 or more..... | 828 | 5.9 | 110,850 | 12.1 |
| \$1,000,000 or more..... | 113 | 0.8 | 42,931 | 4.7 |
| Total..... | 14,105 | 100.0% | 915,408 | 100.0% |
| Median Value..... | \$225,500 | | \$279,700 | |

Source: American Community Survey 2016-2020.

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 July 14, 2022

Outstanding Short-term Debt

As of July 14, 2022, the Town does not have any outstanding short-term debt.

Outstanding Bonded Debt As of July 14, 2022

| Dated Date | Purpose | Interest Rate % | Original Issue | Amount Outstanding ¹ | Fiscal Year of Maturity |
|---|---|----------------------------|---------------------------|--|--|
| 08/15/09 | Land Acquisition – Series B..... | 3.50 - 5.50 | \$ 4,000,000 | \$ 795,000 | 2025 |
| 08/23/12 | General Purpose..... | 2.00 - 5.00 | 23,555,000 | 9,749,500 | 2033 |
| 08/23/12 | Schools..... | 2.00 - 5.00 | 1,150,000 | 130,500 | 2033 |
| 05/15/13 | General Purpose Refunding..... | 3.00 - 5.00 | 15,158,600 | 3,610,000 | 2026 |
| 05/15/13 | Schools Refunding..... | 3.00 - 5.00 | 14,256,400 | 5,410,000 | 2026 |
| 08/21/14 | General Purpose..... | 2.00 - 5.00 | 26,405,000 | 13,200,000 | 2035 |
| 03/10/15 | Pension Bonds | 4.00 - 5.20 | 125,000,000 | 108,850,000 | 2045 |
| 06/17/15 | General Purpose Refunding..... | 2.00 - 5.00 | 11,000,000 | 3,820,000 | 2030 |
| 06/17/15 | Schools Refunding..... | 2.00 - 5.00 | 4,545,000 | 750,000 | 2030 |
| 08/20/15 | General Purpose, Series B..... | 3.00 - 6.00 | 11,286,500 | 6,194,000 | 2036 |
| 08/20/15 | Schools, Series B..... | 3.00 - 6.00 | 6,673,500 | 3,666,000 | 2036 |
| 08/18/16 | General Purpose..... | 3.00 - 5.00 | 18,747,000 | 13,095,000 | 2037 |
| 08/18/16 | Schools..... | 3.00 - 5.00 | 9,788,000 | 6,860,000 | 2037 |
| 08/01/17 | General Purpose Refunding..... | 3.00 - 5.00 | 11,887,000 | 10,081,000 | 2028 |
| 08/01/17 | Schools Refunding..... | 3.00 - 5.00 | 1,318,000 | 1,119,000 | 2028 |
| 08/24/17 | General Purpose | 4.00 - 5.25 | 8,300,000 | 6,225,000 | 2038 |
| 08/24/17 | Schools | 4.00 - 5.25 | 3,210,000 | 2,400,000 | 2038 |
| 06/27/18 | General Purpose | 6.00 | 8,540,000 | 7,200,000 | 2039 |
| 06/27/18 | Schools | 6.00 | 2,860,000 | 2,400,000 | 2039 |
| 07/26/18 | Series A - General Purpose Refunding..... | 5.00 | 7,425,000 | 7,425,000 | 2031 |
| 07/26/18 | Series A - Schools Refunding..... | 5.00 | 3,180,000 | 3,180,000 | 2031 |
| 07/26/18 | Series B - GP Refunding - Taxable..... | 3.613 - 5.00 | 23,565,000 | 23,565,000 | 2030 |
| 07/26/18 | Series B - Schools Refunding - Taxable..... | 3.613 - 5.00 | 10,095,000 | 10,095,000 | 2030 |
| 08/05/20 | Series A - General Purpose..... | 4.00 - 5.00 | 5,875,000 | 5,665,000 | 2040 |
| 08/05/20 | Series A - Schools..... | 4.00 - 5.00 | 10,625,000 | 10,250,000 | 2040 |
| 08/05/20 | Series A - General Purpose Refunding..... | 5.00 | 3,730,000 | 3,730,000 | 2033 |
| 08/05/20 | Series A - Schools Refunding..... | 5.00 | 1,060,000 | 1,060,000 | 2033 |
| 08/05/20 | Series B - GP Refunding - Taxable..... | 2.80 | 7,650,000 | 7,650,000 | 2032 |
| 08/05/20 | Series B - Schools Refunding - Taxable..... | 2.80 | 1,495,000 | 1,495,000 | 2032 |
| 08/31/21 | General Purpose | 3.00 - 5.00 | 3,915,000 | 3,715,000 | 2042 |
| 08/31/21 | Schools | 3.00 - 5.00 | 2,125,000 | 2,020,000 | 2042 |
| 08/31/21 | General Purpose Refunding | 3.00 - 5.00 | 11,285,000 | 11,285,000 | 2031 |
| 08/31/21 | Schools Refunding | 3.00 - 5.00 | 1,995,000 | 1,995,000 | 2031 |
| Total Outstanding Bonded Debt..... | | | \$ 401,700,000 | \$ 298,685,000 | |
| This Issue | | | | | |
| 07/14/22 | General Purpose Refunding | 5.00 | \$ 6,160,000 | \$ 6,160,000 | 2033 |
| 07/14/22 | Schools Refunding | 5.00 | 3,550,000 | 3,550,000 | 2033 |
| Total This Issue..... | | | 9,710,000 | 9,710,000 | |
| Grand Total..... | | | \$ 411,410,000 | \$ 308,395,000 | |

¹ Excludes bonds refunded or defeased.

Overlapping/Underlying Debt

The Town does not have overlapping or underlying debt.

Bonded Debt Maturity Schedule ¹ As of July 14, 2022

| Fiscal Year Ended 6/30 | Principal Payments | Interest Payments | Total Debt Service | This Issue: The Bonds | Total Principal | Cumulative Principal Retired % |
|---|-------------------------------|------------------------------|-------------------------------|----------------------------------|----------------------------|---|
| 2023 | \$ 2,895,000 | \$ 14,169,156 | \$ 17,064,156 | \$ - | \$ 2,895,000 | 0.9% |
| 2024 | 16,690,000 | 13,341,938 | 30,031,938 | - | 16,690,000 | 6.4% |
| 2025 | 17,395,000 | 12,595,255 | 29,990,255 | - | 17,395,000 | 12.0% |
| 2026 | 18,260,000 | 11,834,183 | 30,094,183 | - | 18,260,000 | 17.9% |
| 2027 | 19,230,000 | 10,998,219 | 30,228,219 | - | 19,230,000 | 24.1% |
| 2028 | 20,185,000 | 10,108,935 | 30,293,935 | - | 20,185,000 | 30.7% |
| 2029 | 21,190,000 | 9,192,696 | 30,382,696 | - | 21,190,000 | 37.6% |
| 2030 | 22,225,000 | 8,217,449 | 30,442,449 | - | 22,225,000 | 44.8% |
| 2031 | 23,280,000 | 7,144,717 | 30,424,717 | - | 23,280,000 | 52.3% |
| 2032 | 24,325,000 | 6,087,232 | 30,412,232 | - | 24,325,000 | 60.2% |
| 2033 | 12,790,000 | 5,297,949 | 18,087,949 | 9,710,000 | 22,500,000 | 67.5% |
| 2034 | 10,580,000 | 4,744,798 | 15,324,798 | - | 10,580,000 | 70.9% |
| 2035 | 10,860,000 | 4,231,883 | 15,091,883 | - | 10,860,000 | 74.5% |
| 2036 | 9,825,000 | 3,736,879 | 13,561,879 | - | 9,825,000 | 77.6% |
| 2037 | 9,240,000 | 3,276,941 | 12,516,941 | - | 9,240,000 | 80.6% |
| 2038 | 8,135,000 | 2,846,564 | 10,981,564 | - | 8,135,000 | 83.3% |
| 2039 | 7,905,000 | 2,443,060 | 10,348,060 | - | 7,905,000 | 85.8% |
| 2040 | 7,660,000 | 2,055,050 | 9,715,050 | - | 7,660,000 | 88.3% |
| 2041 | 6,665,000 | 1,694,090 | 8,359,090 | - | 6,665,000 | 90.5% |
| 2042 | 7,005,000 | 1,342,270 | 8,347,270 | - | 7,005,000 | 92.8% |
| 2043 | 7,065,000 | 978,250 | 8,043,250 | - | 7,065,000 | 95.0% |
| 2044 | 7,440,000 | 601,120 | 8,041,120 | - | 7,440,000 | 97.5% |
| 2045 | 7,840,000 | 203,840 | 8,043,840 | - | 7,840,000 | 100.0% |
| Total..... | \$ 298,685,000 | \$ 137,142,473 | \$ 435,827,473 | \$ 9,710,000 | \$ 308,395,000 | |

¹ Excludes bonds refunded or defeased.

**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 July 14, 2022

Total Tax Collections (including interest and lien fees)

| | |
|--|-----------------------|
| for the year ended June 30, 2021 | \$ 199,765,785 |
| Reimbursement For Revenue Loss (Tax relief for elderly)..... | - |
| Base for Debt Limitation Computation..... | \$ 199,765,785 |

| | General Purpose | Schools | Sewers | Urban Renewal | Unfunded Pension |
|-----------------------------------|----------------------------|-----------------------|-----------------------|--------------------------|-----------------------------|
| Debt Limitation: | | | | | |
| 2 1/4 times base..... | \$ 449,473,016 | \$ - | \$ - | \$ - | \$ - |
| 4 1/2 times base..... | - | 898,946,033 | - | - | - |
| 3 3/4 times base..... | - | - | 749,121,694 | - | - |
| 3 1/4 times base..... | - | - | - | 649,238,801 | - |
| 3 times base..... | - | - | - | - | 599,297,355 |
| Total Debt Limitation..... | \$ 449,473,016 | \$ 898,946,033 | \$ 749,121,694 | \$ 649,238,801 | \$ 599,297,355 |

Indebtedness:

| | | | | | |
|------------------------------------|-----------------------|----------------------|-------------|-------------|-----------------------|
| Bonds Outstanding | \$ 137,004,500 | \$ 52,830,500 | \$ - | \$ - | \$ 108,850,000 |
| Bonds – This Issue..... | 6,160,000 | 3,550,000 | - | - | - |
| Notes | - | - | - | - | - |
| Overlapping/Underlying Debt..... | - | - | - | - | - |
| Debt Authorized But Unissued..... | 50,290,000 | - | - | - | - |
| Total Net Indebtedness..... | \$ 193,454,500 | \$ 56,380,500 | \$ - | \$ - | \$ 108,850,000 |

DEBT LIMITATION IN EXCESS

| | | | | | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| OF OUTSTANDING INDEBTEDNESS... | \$ 256,018,516 | \$ 842,565,533 | \$ 749,121,694 | \$ 649,238,801 | \$ 490,447,355 |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$1,398,360,495

**Authorized but Unissued Debt
As of July 14, 2022**

| Project | Amount Authorized | Expected Grants | Previously Bonded | This Issue The Bonds | Authorized But Unissued Debt |
|--------------------------|------------------------------|----------------------------|------------------------------|---------------------------------|---|
| Refunding Bonds..... | \$ 60,000,000 | \$ - | \$ - | \$ 9,710,000 | \$ 50,290,000 |
| 3Rs School Projects..... | 29,846,000 | 19,946,000 | 9,900,000 | - | - |
| Roads & Sidewalks..... | 6,450,000 | 2,200,000 | 4,250,000 | - | - |
| Total | \$ 96,296,000 | \$ 22,146,000 | \$ 14,150,000 | \$ 9,710,000 | \$ 50,290,000 |

**Current Debt Statement
As of July 14, 2022**

Long-Term Debt Outstanding:

| | |
|---|-----------------------|
| General Purpose (Includes this issue)..... | \$ 143,164,500 |
| Schools (Includes this issue)..... | 56,380,500 |
| Pension | 108,850,000 |
| Total Long-Term Debt..... | 308,395,000 |
| Short-Term Debt | - |
| Direct Debt..... | 308,395,000 |
| Overlapping/Underlying Debt..... | - |
| Total Overall Debt..... | 308,395,000 |
| Less: School Construction Grants Receivable (as of June 30, 2022) | - |
| Total Overall Net Debt..... | \$ 308,395,000 |

**Current Debt Ratios
As of July 14, 2022**

| | |
|---|-----------------|
| Population (2020) ¹ | 61,169 |
| Net Taxable Grand List (10/1/21) | \$4,264,084,000 |
| Estimated Full Value (70%)..... | \$6,091,548,571 |
| Equalized Grand List (10/1/19) ² | \$5,946,027,117 |
| Money Income per Capita (2020) ¹ | \$38,228 |

| | Total Overall Debt | Total Overall Net Debt |
|--|-------------------------------|-----------------------------------|
| Per Capita..... | \$5,041.69 | \$5,041.69 |
| Ratio to Net Taxable Grand List..... | 7.23% | 7.23% |
| Ratio to Estimated Full Value..... | 5.06% | 5.06% |
| Ratio to Equalized Grand List..... | 5.19% | 5.19% |
| Debt per Capita to Money Income per Capita (2020)..... | 13.19% | 13.19% |

¹ American Community Survey 2016-2020

² Office of Policy and Management, State of Connecticut.

**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 |
|-----------------------------------|-------------------------------|--|---|
| 2021 ² | \$ 16,181,643 | \$ 268,101,030 | 6.04% |
| 2020 ² | 18,278,026 | 256,514,368 | 7.13% |
| 2019 | 16,400,237 | 252,692,826 | 6.49% |
| 2018 | 20,894,837 | 241,766,806 | 8.64% |
| 2017 | 20,325,784 | 238,276,320 | 8.53% |
| 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% |

¹ Includes transfers out.

² Debt service was reduced in accordance with the Deficit Mitigation and Fund Balance Growth Plan.

Source: Town of Hamden Finance Department.

Ratios of Long-Term Debt to Valuation, Population and Income

| Fiscal Year Ended 6/30 | Net Assessed Value (000's) | Estimated Full Value (000's) | Net Long-Term Debt (000's)¹ | Ratio of Net Long-Term Debt to Assessed Value (%) | Ratio of Net Long-Term Debt to Estimated Full Value (%) | Population | Net Long-Term Debt per Capita | Ratio of Net Long-Term Debt per Capita to Per Capita Income² |
|---|---|---|---|--|--|-------------------|--|--|
| 2021 | \$ 3,895,279 | \$ 5,564,684 | \$ 307,975 | 7.91% | 5.53% | 61,169 | \$ 5,034.82 | 13.17% |
| 2020 | 3,885,918 | 5,551,311 | 294,205 | 7.57% | 5.30% | 61,169 | 4,809.71 | 12.58% |
| 2019 | 3,875,829 | 5,536,899 | 298,180 | 7.69% | 5.39% | 61,169 | 4,874.69 | 12.75% |
| 2018 | 3,864,173 | 5,520,247 | 299,190 | 7.74% | 5.42% | 61,169 | 4,891.20 | 12.79% |
| 2017 | 3,864,777 | 5,521,110 | 285,690 | 7.39% | 5.17% | 61,169 | 4,670.50 | 12.22% |

¹ Long-Term debt does not include Water debt, compensated absences, capital lease obligations, or State of Connecticut Clean Water Fund Debt.

² American Community Survey (2016-2020), Money Income Per Capita \$38,228.

Source: Town of Hamden Audited Financial Reports 2016-2021.

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.

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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 |
|------------------------------|------------------------------------|--|----------------------------|------------------------|---|---|---------------------------------------|-----------------------|
| 2021 | 61.61% | 23.11% | 4.88% | 10.14% | \$ 4,332,789 | \$ 68,705 | \$ 4,264,084 | 2.13% |
| 2020 ² | 69.78 | 17.35 | 4.91 | 8.13 | 4,234,661 | 59,521 | 4,175,140 | 7.18% |
| 2019 | 65.35 | 20.21 | 5.94 | 8.50 | 3,955,041 | 59,762 | 3,895,279 | 0.24% |
| 2018 | 65.32 | 20.20 | 5.93 | 8.55 | 3,943,460 | 57,542 | 3,885,918 | 0.26% |
| 2017 | 65.25 | 20.11 | 4.82 | 8.47 | 3,931,878 | 56,049 | 3,875,829 | 0.30% |
| 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% |

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 10/1/21 | Percent of Net Taxable Grand List ¹ |
|---------------------------------------|-----------------|--|---|
| JSIP Town Walk LLC..... | Apartments | \$ 81,947,130 | 1.92% |
| Canal Crossing Phase Three LLC..... | Apartments | 43,388,380 | 1.02 |
| GM Broadmoor Apartments LP..... | Apartments | 42,311,570 | 0.99 |
| The United Illuminating Co..... | Personal Prop | 41,671,790 | 0.98 |
| Southern Conn Gas Co..... | Personal Prop | 40,698,810 | 0.95 |
| Whitney Center Inc..... | Nursing CCRC | 40,420,170 | 0.95 |
| Hamden Developers..... | Apartments | 40,381,530 | 0.95 |
| MC Corp..... | Shopping Center | 35,419,880 | 0.83 |
| Seramonte CT LLC..... | Apartments | 32,667,810 | 0.77 |
| Northington Hamden Investors LLC..... | Shopping Center | 32,312,770 | 0.76 |
| Total..... | | \$ 431,219,840 | 10.11% |

¹ Based on the Net Taxable Grand List of October 1, 2021 of \$4,264,084,000.

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 6/30/2021 |
|-----------------------------------|--|----------------------|---------------------------------|---|---|---|
| 2020 ¹ | 2022 | 52.44 | \$ 217,165,137 | n/a | n/a | n/a |
| 2019 | 2021 | 51.98 | 200,630,854 | 98.2% | 1.8% | 1.80% |
| 2018 | 2020 | 48.86 | 187,094,759 | 98.6 | 1.4 | 0.86 |
| 2017 | 2019 | 47.96 | 183,018,517 | 98.4 | 1.5 | 0.57 |
| 2016 | 2018 | 45.26 | 180,458,992 | 98.5 | 1.5 | 0.43 |
| 2015 ¹ | 2017 | 45.36 | 164,933,109 | 98.7 | 1.3 | 0.16 |
| 2014 | 2016 | 40.87 | 162,702,112 | 98.6 | 1.4 | 0.13 |
| 2013 | 2015 | 39.93 | 161,657,046 | 98.7 | 1.3 | 0.11 |
| 2012 | 2014 | 38.94 | 157,577,658 | 98.6 | 1.4 | 0.09 |
| 2011 | 2013 | 37.14 | 150,149,003 | 98.5 | 1.5 | 0.08 |

¹ Revaluation.

Source: Town of Hamden, Tax Collector

Property Taxes Revenues

The Town's budget for fiscal year 2021–22 derives 82.76% 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 |
|--------------------------------------|--|
| 2021 | 72.67% |
| 2020 | 74.55 |
| 2019 | 73.05 |
| 2018 | 77.13 |
| 2017 | 73.16 |
| 2016 | 76.63 |
| 2015 | 78.65 |
| 2014 | 75.39 |
| 2013 | 74.21 |
| 2012 | 74.34 |

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 year 2021. See Appendix A – “Auditor’s Section” herein.

Comparative Balance Sheets – General Fund

| | Actual 6/30/2021 | Actual 6/30/2020 | Actual 6/30/2019 | Actual 6/30/2018 | Actual 6/30/2017 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Assets: | | | | | |
| Cash and Cash Equivalents | \$ 5,203,368 | \$ 6,314,431 | \$ 1,106,614 | \$ 6,707,932 | \$ 45,986,010 |
| Investments | 542 | 19,998,472 | 140,028 | - | - |
| Prepaid Expenses | - | 646,508 | 2,709,027 | - | - |
| Property Taxes Receivable | - | - | - | - | - |
| Intergovernmental Receivables | - | - | - | - | - |
| Receivables, net | 13,174,931 | 16,913,606 | 14,430,919 | 9,948,494 | 10,268,312 |
| Due from Other Funds | 12,075,180 | 7,574,111 | 9,057,362 | 3,484,016 | 5,458,140 |
| Total Assets | 30,454,021 | 51,447,128 | 27,443,950 | 20,140,442 | 61,712,462 |
| Liabilities: | | | | | |
| Accounts and Other Payables | 10,183,929 | 10,932,354 | 10,124,890 | 6,623,875 | 7,207,715 |
| Unearned Revenues | - | - | - | - | - |
| Deferred Revenue | - | - | - | - | - |
| Due to Other Funds | 1,168,707 | 8,165,795 | 3,345,565 | 2,657,959 | 37,597,235 |
| Bond & Tax Anticipation Notes | - | 20,000,000 | - | - | - |
| Payments In Advance | - | - | - | - | - |
| Total Liabilities | 11,352,636 | 39,098,149 | 13,470,455 | 9,281,834 | 44,804,950 |
| Deferred Inflows: | | | | | |
| Payments In Advance | 581,503 | 153,143 | 404,556 | 1,204,185 | 5,863,853 |
| Unavailable Revenues | 11,233,911 | 14,484,840 | 11,594,299 | 8,186,620 | 8,065,896 |
| Total Deferred Inflows | 11,815,414 | 14,637,983 | 11,998,855 | 9,390,805 | 13,929,749 |
| Fund Balances: | | | | | |
| Unassigned | 6,542,143 | (3,032,831) | 1,974,640 | 1,467,803 | 1,193,169 |
| Assigned | - | - | - | - | - |
| Restricted | - | 743,827 | - | - | 781,560 |
| Committed | 743,828 | - | - | - | 1,003,034 |
| Reserved for Encumbrances | - | - | - | - | - |
| Reserved for Subsequent Year's Budget | - | - | - | - | - |
| Unreserved and Undesignated | - | - | - | - | - |
| Total Fund Balances | 7,285,971 | (2,289,004) | 1,974,640 | 1,467,803 | 2,977,763 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 30,454,021 | \$ 51,447,128 | \$ 27,443,950 | \$ 20,140,442 | \$ 61,712,462 |
| Operating revenues | \$ 251,506,897 | \$ 252,843,159 | \$ 234,248,326 | \$ 235,167,120 | \$ 217,509,730 |
| Fund balance as percent of operating revenues | 2.90% | -0.91% | 0.84% | 0.62% | 1.37% |

(Remainder of page intentionally left blank)

**Adopted Budget for Fiscal 2021-22, Projected Results for Fiscal 2021-22,
and Adopted Budget for Fiscal Year 2022-23**

| | 2021-22 | 2021-22 | 2022-23 |
|--|-----------------------|--------------------------|-----------------------|
| | Adopted Budget | Estimated Results | Adopted Budget |
| Revenues | | | |
| Taxes | \$ 217,167,137 | \$ 216,067,137 | \$ 223,363,663 |
| Intergovernmental | 33,810,690 | 33,810,690 | 42,867,204 |
| Departmental revenues ¹ ... | 11,441,128 | 16,554,670 | 11,982,133 |
| Total revenues | \$ 262,418,955 | \$ 266,432,497 | \$ 278,213,000 |
| Expenditures | | | |
| General government | \$ 18,754,924 | \$ 19,754,924 | \$ 22,322,818 |
| Public safety | 32,633,177 | 32,633,177 | 32,762,282 |
| Public works | 12,281,553 | 12,281,553 | 12,952,066 |
| Culture and recreation | 811,878 | 811,878 | 829,973 |
| Health and welfare | 2,047,670 | 2,047,670 | 1,978,644 |
| Employee benefits | 80,585,984 | 83,585,984 | 89,367,217 |
| Debt service | 23,908,844 | 17,187,197 | 26,000,000 |
| Board of Education | 91,394,925 | 91,394,925 | 92,000,000 |
| Total expenditures | \$ 262,418,955 | \$ 259,697,308 | \$ 278,213,000 |
| Excess of revenues over expenditures..... | \$ - | \$ 6,735,189 | \$ - |

¹ Estimated results 2021-22 includes \$5 million of revenue from the sale of Wintergreen School.
See "Preliminary June 30, 2022 Financial Results" below.

Based on audited results, the fund balance for June 30, 2021 totaled \$7,285,971 and unassigned fund balance totaled \$6,542,143.

| | 6/30/2021 | 6/30/2022 |
|---|------------------|------------------|
| | Actual | Unaudited |
| Total fund balance | \$7,285,971 | \$14,021,160 |
| Total fund balance as percent of operating revenues | 2.78% | 5.26% |
| Unassigned fund balance | \$6,542,143 | \$14,021,160 |
| Unassigned fund balance as % of operating revenues ... | 2.49% | 5.26% |

Audited June 30, 2020 Financial Results

The Town's tax revenues and revenues from fees and services were negatively impacted by the COVID-19 pandemic. In addition, some departmental revenue projections were not realized, including fees for Town services, permits and a voluntary gift from Quinnipiac University and other non-tax, non-state sources. The Town ended FY 2020 with a deficit of \$4,263,644 resulting in a negative fund balance of \$2,289,004. This deficit was caused by a combination of optimistic revenue assumptions and the impact of COVID-19. Actual revenues came in approximately \$7.0 million lower than budgetary estimates, however, expenditures came in lower than budget by approximately \$2.7 million

Audited June 30, 2021 Financial Results

The Town's tax revenues came in under budget by \$923,356, which can mostly be attributed to Motor Vehicle tax. In addition, some departmental revenue projections were not realized, including fees for building permits, a voluntary gift from Quinnipiac University and other non-tax, non-state sources. The Town ended FY 2021 with a surplus of \$9,574,975 resulting in a positive fund balance of \$7,285,971. Actual revenues came in approximately \$173,000 lower than budgetary estimates, however, expenditures came in lower than budget by approximately \$9.3 million. This surplus was the result of debt service savings of \$6.3 million and receipt of \$2.9 million of bond premium as part of the Deficit Mitigation and Fund Balance Growth Plan, and approximately \$350,000 of operating savings.

Preliminary June 30, 2022 Financial Results

The Town is projecting to end Fiscal 2022 with a surplus of approximately \$6.7 million, which will increase the Town's fund balance to approximately \$14.0 million. Property taxes and charges for services are expected to come in under budget by approximately \$2.0 million. General government expenses and employee benefits are projected to exceed budget by approximately \$4.0 million. However, the Town expects to realize approximately \$15.6 million from the sale of the Wintergreen Elementary School to Area Cooperative Educational Services Corporation ("ACES"). ACES is a nonprofit, regional education service center for 25 school districts in south central Connecticut, including the Town, and the State is expected to reimburse ACES for approximately 80% of the purchase price. The sale is subject to certain conditions precedent, including a due diligence period, but ACES previously leased the Wintergreen Elementary School for approximately 20 years and the Town expects the sale to occur prior to or shortly after year end. The Town plans to allocate approximately \$5.0 million from the sale to revenue for Fiscal Year 2022 to offset the reduced revenues and increased expenses, with the remaining \$10.6 million being reserved for future capital expenditures. When combined with debt service savings of \$6.7 million from the August 2020 restructuring and bond premium of \$986,000 from the August 2021 bond issue, Fiscal Year 2022 is expected to result a surplus of \$6.7 million.

Preliminary Budget for Fiscal Year 2023

The Town has adopted a balanced budget of \$278.2 million for Fiscal Year 2023. The FY 2023 budget is a 6.0% increase from the prior 2022 budget, or about \$16 million. The FY 2023 budget includes an increase in mill rate by 3.68 mills or 7.0% to 56.12 mills. The Town budgeted State aid to increase to \$42 million, mostly because of the increase to offset a reduction in the Town's motor vehicle tax. The Town believes the increase in revenues will allow for a "structurally balanced" budget for FY 2023 with no use of ARP COVID-19 aid. The Town has budgeted 100% of its actuarially determined employer pension contribution of \$23.5 million. The Town has fully budgeted its projected pre-refunding debt service requirement of about \$26.0 million for FY 2023. Actual debt service is expected to total \$17.3 million, which is expected to result in an \$8.7 million positive variance in the debt service budget. The potential positive variance is expected to be used to bolster the Town's fund balance.

Deficit Mitigation and Fund Balance Growth Plan

The Town incurred an operating deficit of \$4,263,644 for FY 2020, which reduced its general fund balance to negative \$2,289,004. The Town developed a deficit mitigation and fund balance growth plan in FY 2020. The issuance of the Bonds to achieve debt service savings in Fiscal Year 2023 is part of the Town's Deficit Mitigation and Fund Balance Growth Plan. Over the next several fiscal years, it is the Town's plan to continue to implement the Deficit Mitigation and Fund Balance Growth Plan. The details of the plan are described below.

In August 2020 the Town issued refunding bonds that restructured debt service payments coming due in FY 2021 and FY 2022 into future years where the Town has a significant decline in total debt service. The Town fully budgeted for its projected pre-refunding debt service requirement of \$22.5 million for FY 2021 and \$23.9 million in FY 2022. The issuance of the refunding bonds generated gross savings of approximately \$6.3 million in FY 2021 and \$7.8 million in FY 2022 (net \$6.7 million after accounting for an increase in debt service on new money bonds). As stated above under "Audited June 30, 2021 Financial Results", the Town realized \$9.6 million of operating surplus for the fiscal year ending June 30, 2021 and as a result, the \$6.3 million of debt service savings from the August 2020 restructuring was able to be fully used to bolster fund balance. In addition, the Town recognized an additional \$2.9 million of bond premium from the issuance of \$16.5 million of new money bonds in August 2020 which was also used to bolster fund balance. At the end of FY 2021, the Town had a positive general fund balance of \$7.3 million, eliminating the general fund deficit from FY 2020 completely.

As stated above under "Preliminary June 30, 2022 Financial Results", negative variances for revenues and expenses are expected to be offset by a portion of the proceeds from the sale of the Wintergreen School and from the August 2021 bond premium, resulting in surplus of approximately \$6.7 million for Fiscal Year 2022, which will increase the Town's fund balance to approximately \$14.0 million.

Issuance of the Bonds generated approximately \$10.0 million of debt service saving in FY 2023, of which approximately \$8.65 million is expected to accrue to fund balance. Assuming the operating budget is balanced, fund balance is expected to reach approximately \$22.7 million. The bulk of the increase in debt service from the Bonds is expected to be repaid in FY 2033.

Deficit Mitigation and Fund Balance Growth Plan*

| A | B | C | D | E = B+C+D | F | G = F-E | H | I = G+H | J = J(prior yr)+I |
|--------------|-----------------------|----------------------------|---|------------------------------------|--------------------------------------|---|---|--|----------------------------------|
| Fiscal Year | Existing Debt Service | Phase 3 2022 Restructuring | Phase 4 Planned 2023 Restructuring ⁽¹⁾ | Anticipated Pro-Forma Debt Service | Budgeted Debt Service ⁽²⁾ | Potential Debt Service Savings ⁽³⁾ | Projected "Core" Operating Surpluses ⁽⁴⁾ | Actual or Estimated Operating Surpluses ⁽⁵⁾ | Actual or Projected Fund Balance |
| 2020 | | | | | | | | | (2,289,004) |
| 2021 | \$ 16,181,643 | \$ - | \$ - | \$ 16,181,643 | \$ 22,474,845 | \$ 6,293,202 | 3,281,773 | 9,574,975 | 7,285,971 |
| 2022 | 17,253,610 | - | - | 17,253,610 | 23,908,844 | 6,655,234 | 100,000 | 6,755,234 | 14,041,205 |
| 2023 | 27,384,169 | (10,035,456) | - | 17,348,713 | 26,000,000 | 8,651,287 | | 8,651,287 | 22,692,492 |
| 2024 | 30,031,938 | 485,500 | (5,207,685) | 25,309,753 | 28,000,000 | 2,690,247 | | 2,690,247 | 25,382,740 |
| 2025 | 29,990,255 | 485,500 | 255,000 | 30,730,755 | | | | | |
| 2026 | 30,094,183 | 485,500 | 255,000 | 30,834,683 | | | | | |
| 2027 | 30,228,219 | 485,500 | 255,000 | 30,968,719 | | | | | |
| 2028 | 30,293,935 | 485,500 | 255,000 | 31,034,435 | | | | | |
| 2029 | 30,382,696 | 485,500 | 255,000 | 31,123,196 | | | | | |
| 2030 | 30,442,449 | 485,500 | 255,000 | 31,182,949 | | | | | |
| 2031 | 30,424,717 | 485,500 | 255,000 | 31,165,217 | | | | | |
| 2032 | 30,412,232 | 485,500 | 255,000 | 31,152,732 | | | | | |
| 2033 | 18,087,949 | 9,952,750 | 3,180,000 | 31,220,699 | | | | | |
| 2034 | 15,324,798 | - | 2,152,500 | 17,477,298 | | | | | |
| 2035 | 15,091,883 | - | - | 15,091,883 | | | | | |
| 2036 | 13,561,879 | - | - | 13,561,879 | | | | | |
| 2037 | 12,516,941 | - | - | 12,516,941 | | | | | |
| 2038 | 10,981,564 | - | - | 10,981,564 | | | | | |
| 2039 | 10,348,060 | - | - | 10,348,060 | | | | | |
| 2040 | 9,715,050 | - | - | 9,715,050 | | | | | |
| 2041 | 8,359,090 | - | - | 8,359,090 | | | | | |
| 2042 | 8,347,270 | - | - | 8,347,270 | | | | | |
| 2043 | 8,043,250 | - | - | 8,043,250 | | | | | |
| 2044 | 8,041,120 | - | - | 8,041,120 | | | | | |
| 2045 | 8,043,840 | - | - | 8,043,840 | | | | | |
| Total | \$ 479,582,738 | \$ 4,286,794 | \$ 2,164,815 | \$ 486,034,347 | | | | | |

(1) Anticipated Restructuring in 2023. Preliminary projections subject to change.

(2) The amounts budgeted for FY 2021 and FY 2022 are actual. Budgeted amounts after FY 2022 are projected and subject to change.

(3) Projected fund balance replenishment, preliminary projections, subject to change.

(4) Budgets are projected to be "structurally balanced" with moderate operating surpluses. These exclude the projected debt service savings.

(5) For FY 2022, the estimated surplus includes approximately \$5 million of revenues from the sale of Wintergreen School.

*Preliminary, subject to change

The Town's Deficit Mitigation and Fund Balance Growth Plan includes various projections and assumptions based on current market conditions. The plan is subject to the audited results for FY 2022, including the sale of the Wintergreen Elementary School and the allocation of sufficient proceeds from the sale to revenue for Fiscal Year 2022 to offset the reduced revenues and increased expenses, the realization of projected revenues and expenditures for FY 2023, and future action from the Town to implement the plan. Subject to future market conditions and other factors, the Town should have additional refinancing opportunities within the next five fiscal years to provide additional budgetary flexibility should it be necessary.

In addition, critical to the success of the Deficit Mitigation and Fund Balance Growth Plan is the Town's willingness to continue to increase the amount budgeted for debt service over the next two years until it reaches approximately \$31 million. Also, the Town will need future approval from the Legislative Council for additional debt restructurings in order to generate additional savings to replenish fund balance. The amount of any additional bond issues for new capital projects may reduce the amount of debt service savings to be obtained from the Deficit Mitigation and Fund Balance Growth Plan.

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

| | Proposed Budget ¹ 2022-23 | Adopted Budget ² 2021-22 | Actual ¹ 2020-21 | Actual ¹ 2019-20 | Actual ¹ 2018-19 | Actual ¹ 2017-18 |
|--|---|--|--|--|--|--|
| Revenues: | | | | | | |
| Property Taxes | \$ 223,363,663 | \$ 217,167,137 | \$ 199,707,498 | \$ 187,504,800 | \$ 184,704,367 | \$ 171,784,671 |
| Intergovernmental | 42,867,204 | 33,810,690 | 66,956,305 | 56,055,102 | 58,390,585 | 53,510,556 |
| Charges for Services | 10,082,575 | 7,054,670 | 7,167,498 | 6,051,627 | 6,962,788 | 7,003,112 |
| Investment Income..... | 50,000 | 250,000 | 48,313 | 550,553 | 688,221 | 492,069 |
| Other | 1,849,558 | 4,136,458 | 933,658 | 1,344,815 | 2,097,198 | 1,457,918 |
| Total Revenues | 278,213,000 | 262,418,955 | 274,813,272 | 251,506,897 | 252,843,159 | 234,248,326 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Education..... | 92,000,000 | 91,394,925 | 118,060,357 | 111,773,244 | 114,506,224 | 105,137,150 |
| General Government..... | 21,901,469 | 18,349,673 | 11,433,766 | 11,481,176 | 10,720,466 | 9,379,886 |
| Public Safety..... | 32,762,282 | 32,633,177 | 30,118,199 | 29,757,196 | 29,211,768 | 29,468,771 |
| Public Works..... | 12,952,066 | 12,281,553 | 12,407,473 | 12,188,640 | 10,843,974 | 11,206,088 |
| Health and Welfare..... | 1,978,644 | 2,047,670 | 1,834,511 | 1,646,512 | 1,657,874 | 1,665,283 |
| Culture and Recreation..... | 829,973 | 811,878 | 2,696,864 | 3,153,456 | 3,039,234 | 3,003,027 |
| Employee Benefits | 89,367,217 | 80,585,984 | 75,368,217 | 68,236,118 | 66,313,049 | 61,011,764 |
| Other..... | 421,349 | 405,251 | - | - | - | - |
| Capital Outlay | - | - | - | - | - | - |
| Debt Service..... | 26,000,000 | 23,908,844 | 16,181,643 | 18,278,026 | 16,400,237 | 20,894,837 |
| Total Expenditures | 278,213,000 | 262,418,955 | 268,101,030 | 256,514,368 | 252,692,826 | 241,766,806 |
| Revenues over (under) expenditures | - | - | 6,712,242 | (5,007,471) | 150,333 | (7,518,480) |
| Other Financing Sources Uses: | | | | | | |
| Proceeds from Sale of Bonds..... | - | - | 2,862,733 | - | 178,238 | 2,665,582 |
| Refunding Bond Proceeds..... | - | - | - | - | - | - |
| Bond Premium | - | - | - | - | - | - |
| Payments to Escrow Agent | - | - | - | - | - | - |
| Operating Transfers In | - | - | - | 743,827 | 178,266 | 3,342,938 |
| Operating Transfers (Out) | - | - | - | - | - | - |
| Total other Financing Sources (uses) ... | - | - | 2,862,733 | 743,827 | 356,504 | 6,008,520 |
| Revenues and other financing sources over (under) expenditures and other financing (uses) | \$ - | \$ - | \$ 9,574,975 | \$ (4,263,644) | \$ 506,837 | \$ (1,509,960) |
| Fund Balance, July 1..... | \$ - | \$ - | \$ (2,289,004) | \$ 1,974,640 | \$ 1,467,803 | \$ 2,977,763 |
| Restatement | - | - | - | - | - | - |
| Fund Balance, June 30..... | \$ - | \$ - | \$ 7,285,971 | \$ (2,289,004) | \$ 1,974,640 | \$ 1,467,803 |

¹ GAAP Basis of accounting.

² Budgetary Basis of accounting.

Intergovernmental Revenues as a Percent of General Fund Revenues

| <i>Fiscal Year Ended 6/30</i> | <i>Intergovernmental Revenues</i> | <i>Total Revenues</i> | <i>Percent</i> |
|--|--|----------------------------------|-----------------------|
| 2021 | \$66,956,305 | \$274,813,272 | 24.4% |
| 2020 | 56,055,102 | 251,506,897 | 22.3% |
| 2019 | 58,390,585 | 252,843,159 | 23.1% |
| 2018 | 53,510,556 | 234,248,326 | 22.8% |
| 2017 | 55,444,646 | 235,167,120 | 23.6% |
| 2016 | 44,146,760 | 217,509,730 | 20.3% |
| 2015 | 37,141,207 | 208,809,203 | 17.8% |
| 2014 | 43,373,808 | 208,952,934 | 20.8% |
| 2013 | 45,338,028 | 200,852,851 | 22.6% |
| 2012 | 42,518,172 | 188,285,326 | 22.6% |

Source: Annual Audited Financial Statements.

Capital Improvement Program

With a change in administrations, the Town cancelled the prior Capital Plan and is in the process of preparing a new plan. No major projects are currently planned.

Future Debt Issuance Plans

Beyond the ongoing Deficit Mitigation and Fund Balance Growth Plan discussed above, the Town expects no major capital needs for the next three years. Based on current expectations, the Town will look to fund various necessary near term capital needs using certain proceeds from the sale of the Wintergreen School. The Town currently does not have any remaining authorized but unissued debt, net of expected grants.

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 X 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:

On or About

Action

| | |
|----------------------|---|
| By February 23 | Departments, office, boards, and commissions submit estimates of receipts and expenditures to the Mayor and Director of Finance. |
| By March 18 | 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 17 | 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 physical revaluation on the Grand List of October 1, 2020. A physical revaluation is required every ten years with five-year revaluation updates in between physical revaluations. The Town will complete a statistical revaluation by October 1, 2025.

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 ("Section 12-71e"), allows municipalities to tax motor vehicles at a different rate than other taxable property, but caps the motor vehicle tax rate at 39.00 mills for the assessment year commencing October 1, 2016, and 45.00 mills for the assessment year commencing October 1, 2017, and each assessment year thereafter. Section 12-71e(a) has been amended whereby the mill rate for motor vehicles shall not exceed 45 mills for the assessment years commencing October 1, 2017 to October 1, 2020, inclusive, and for the assessment year commencing October 1, 2021, and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 32.46 mills. 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 Town's motor vehicle tax rates for the current 2020 assessment year (the fiscal year ending June 30, 2022) is 45.00 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 liened 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, exceeds the previous fiscal year by 2.5% or more or the rate of inflation, whichever is greater (the "expenditure cap"). 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 expenditure cap, and if so, the amount by which the expenditure cap was exceeded. For fiscal years ending June 30, 2022 and June 30, 2023, the Town will not receive municipal revenue sharing grant moneys from the State.

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 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 the Connecticut General Statutes, for workers' compensation, general liability, auto and property insurance. The Town was 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 program 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.

The self-insurance programs for medical insurance are being administered by a third-party administrator, Anthem Blue Cross Blue Shield 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 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.

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 as long-term liabilities.

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, 2021, the date of the most recent valuation, 786 retired participants and beneficiaries, 22 vested former participants and 263 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, 2020, CMERS was 75.9% funded. For fiscal year 2021-22, the Town contributed 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, 2023. CMERS does not provide unfunded information for participating employers, but the Town's estimated unfunded liability to CMERS was approximately \$40,921,009 as of June 30, 2021, based on the Town's proportionate share of 5.1%.

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> |
|--------------------------------------|--------------------|---------------------|---------------------|
| 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..... | 14,747,073 | 2,350,000 | 17,097,073 |
| 2018..... | 12,650,000 | 3,052,674 | 15,702,674 |
| 2019..... | 15,925,708 | 3,210,514 | 19,136,222 |
| 2020..... | 19,210,000 | 3,068,152 | 22,278,152 |
| 2021..... | 23,600,000 | 3,922,136 | 27,522,136 |
| 2022 ¹ | 23,505,632 | 5,569,572 | 29,075,204 |
| 2023 ² | 23,500,000 | 6,309,923 | 29,809,923 |

¹ *Unaudited.*

² *Budgeted.*

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, 2021 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 May 25, 2022.

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, 2021 actuarial valuation, there were 263 active participants with an average age of 54.1, average credited service of 20.7 years and average salary of \$82,131. The 294 active participants in the July 1, 2020 actuarial valuation had an average age of 54.0, average service of 19.8 years and average salary of \$78,336. There were 22 participants with a vested right to a deferred or immediate vested benefit as of July 1, 2021, and 21 as of July 1, 2020. In the July 1, 2021 actuarial valuation, there were 655 retired participants and 131 beneficiaries receiving total monthly benefits of \$2,429,122. For comparison, in the July 1, 2020 actuarial valuation, there were 653 retired participants and 127 beneficiaries receiving total monthly benefits of \$2,372,457.

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.

Actuarial valuations are performed as of each 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 2016 to 2021 valuations.

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 | Market Value | | Actuarial Value | |
|---------------------------|----------------------------|---------------------|----------------|------------------------|-----------------|
| | Accrued | Gain/(Loss) | | Gain/(Loss) | |
| | Liability (AAL) | Amount | Percent | Amount | % of AAL |
| 2016 | \$ 441,521,657 | \$ 1,468,812 | 0.93% | \$ 7,711,484 | 4.75% |
| 2017 | 451,720,219 | 17,069,663 | 11.32% | 9,520,541 | 5.91% |
| 2018 | 457,739,253 | 12,778,234 | 7.84% | 10,000,820 | 6.22% |
| 2019 | 464,399,881 | 12,214,384 | 7.41% | 9,535,348 | 5.95% |
| 2020 | 467,164,240 | 9,211,121 | 5.28% | 10,667,622 | 6.60% |
| 2021 | 474,090,549 | 38,334,714 | 22.95% | 11,817,601 | 7.00% |

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, 2013 through June 30, 2022.

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 | Net Investment Return | Administrative Expenses | Benefit Payments | Market Value |
|-------------------------------|-------------------------------|-----------------------------------|--------------------------------------|------------------------------------|-----------------------------|-------------------------|
| 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 ¹ | 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 | 14,747,073 | 2,042,495 | 17,069,663 | 102,711 | 24,860,542 | 163,730,102 |
| 2018 | 12,650,000 | 2,120,410 | 12,778,234 | 389,399 | 26,294,357 | 164,594,990 |
| 2019 | 15,925,708 | 2,048,827 | 12,214,384 | 367,384 | 27,203,572 | 167,101,771 |
| 2020 | 19,210,000 | 2,054,602 | 9,211,121 | 567,493 | 28,019,858 | 168,825,303 |
| 2021 | 23,600,000 | 1,842,951 | 38,332,278 | 226,390 | 28,766,211 | 203,607,931 |
| 2022 ² | 23,505,632 | N/A | N/A | N/A | N/A | N/A |

¹ For FY 2015, the Town contribution includes the deposit of \$122,303,087 from the issuance of the 2015 POBs in March 2015.

² Subject to audit.

Note: 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.

Actuarial Valuation Summary

| As of July 1 | Actuarial Liability (AAL) | Value of Assets | | Unfunded AAL | | Funded Percentage | |
|-------------------------|--|------------------------|------------------|---------------------|------------------|--------------------------|------------------|
| | | Market | Actuarial | Market | Actuarial | Market | Actuarial |
| 2021 | \$ 474,090,549 | \$ 203,607,931 | \$ 183,456,595 | \$ 270,482,618 | \$ 290,633,954 | 42.95% | 38.70% |
| 2020 | 467,164,240 | 168,825,303 | 168,847,084 | 298,338,937 | 298,317,156 | 36.14% | 36.14% |
| 2019 | 464,399,881 | 167,101,771 | 165,099,558 | 297,298,110 | 299,300,323 | 35.98% | 35.55% |
| 2018 | 457,739,253 | 164,594,990 | 164,904,429 | 293,144,263 | 292,834,824 | 35.96% | 36.03% |
| 2017 | 467,164,240 | 163,730,102 | 166,427,556 | 287,990,117 | 285,292,663 | 35.05% | 35.63% |
| 2016 | 474,090,549 | 154,834,124 | 165,080,700 | 286,687,533 | 276,440,957 | 32.66% | 34.82% |

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

The following presents the net pension liability of the Town as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.00%) or 1 percent higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|-----------------------------|------------------------------------|--|------------------------------------|
| Net Pension Liability | \$324,305,673 | \$270,482,618 | \$225,561,169 |

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 and a subsequent ramp up period in May 2018, the Town expects to contribute 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 recommended contribution for the Plan year ending June 30, 2013 through June 30, 2022, and projected actuarially recommended contribution for the Plan year ending June 30, 2023 are shown below.

| Year Ending | Town Contribution* | Actuarially Determined | |
|----------------------------------|-----------------------|-----------------------------------|--------------------------------|
| | | Employer Contribution ("ADEC") | Percent of ADEC Contributed |
| 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..... | 14,747,073 | 21,067,247 | 70.0 |
| June 30, 2018..... | 12,650,000 | 21,974,384 | 57.6 |
| June 30, 2019..... | 15,925,708 | 22,605,704 | 70.4 |
| June 30, 2020..... | 19,210,000 | 23,230,930 | 82.7 |
| June 30, 2021..... | 23,600,000 | 23,427,618 | 100.7 |
| June 30, 2022 ¹ | 23,505,632 | 23,505,632 | 100.0 |
| June 30, 2023 ² | 23,500,000 | 23,500,000 | 100.0 |

¹ Unaudited.

² Budgeted.

**Pursuant to the Pension Statute, which was revised for the Town in May 2018, the Town was required to contribute 55% of the ARC for fiscal 2018, 70% of the ARC or an amount \$3,000,000 more than the prior year, whichever is less, for fiscal 2019, 85% of the ARC or an amount \$3,000,000 more than the prior year, whichever is less, for fiscal 2020, and 100% of the ARC for fiscal 2021 and thereafter. For fiscal 2023, the Town has budgeted for 100% of the ARC in the Town Council approved budget.*

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.

The plan for comprehensive pension reform and full funding of Hamden's Retirement Plan contained recommendations for increased funding of the existing Plan in a fashion that yields long-term tax stability. It supplied options for a new Plan design for future employees that reduced overall retirement costs and managed investment risk between the employer and the employee. It outlined the cost-of-living ("COLA") increases under the current Pension Ordinance and cost-savings that could be achieved through COLA reduction. It also identified administrative/technical changes that could provide enhanced oversight and projections for the fund. The issuance of the Town's 2015 General Obligation Bonds, Issue of 2015 (Federally Taxable) (the "2015 POBs") to increase the corpus of the fund was 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, were part of the comprehensive pension reform package.

The Town formally took action to implement recommended changes designed to solve the pension underfunding issue. In connection with the issuance of the 2015 POBs, 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 allowed the Town to "ramp up" its ARC payments to the Retirement Plan. Pursuant to the Town Pension Act, the Town was permitted to make the following ARC payments pursuant to the Pension Statute: (i) for the fiscal year in which the pension deficit funding bonds were 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. On March 10, 2015, the Town issued \$125,000,000 aggregate principal amount of the 2015 POBs to help fund the Town's unfunded liability.

In May 2018, at the Town's request, the General Assembly adopted Section 2 of Public Act 18-169, which revised the Town Pension Act to reduce the actuarially recommended contribution for fiscal years 2018, 2019 and 2020. The legislation allowed the Town to contribute 55% of its actuarially recommended contribution, rather than 80%, for FY 2018, saving the Town \$5,050,000. For FY 2019, the amendment reduces the actuarially recommended contribution to 70%, or an amount \$3,000,000 more than the prior year, whichever is less, and for FY 2020, the amendment reduces the actuarially recommended contribution to 85%, or an amount \$3,000,000 more than the prior year, whichever is less, rather than 100% of the actuarially recommended contribution for FY 2019 and 2020. The Town's actuarially recommended contribution for FY 2021 and thereafter will be 100%.

To address 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 1.37% for 2016, 2.50% for 2017, 2.07% for 2018, 1.55% for 2019 and 2.49% for 2020. 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 pension bonds, 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 had a funding ratio of approximately 37% after the deposit of the proceeds of the 2015 POBs, 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.

Under the Pension Statute, the municipality is required to provide the Secretary and the Treasurer on an annual basis 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.

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 substantial revenues from the State, which could be intercepted and deposited into the Retirement Plan.

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:

| <i>Asset Class</i> | <i>Current Allocation</i> | <i>Preferred Allocation</i> |
|---------------------------|--------------------------------------|--|
| Large Cap Equity..... | 31.70% | 25% |
| MID Cap Core Equity..... | 6.00% | 5% |
| Small Cap Equity..... | 5.30% | 5% |
| International Equity..... | 10.00% | 10% |
| Real Estate..... | 20.80% | 15% |
| Fixed Income..... | 25.20% | 40% |
| Cash..... | 1.10% | 0% |
| <i>Total.....</i> | 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 6.53%.

| Year Ended 30-Jun | Market Return | Year Ended 30-Jun | Market Return |
|------------------------------|--------------------------|------------------------------|--------------------------|
| 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% |
| 2007 | 15.27% | 2017 | 11.32% |
| 2008 | -4.58% | 2018 | 7.84% |
| 2009 | -14.64% | 2019 | 7.41% |
| 2010 | 15.61% | 2020 | 5.28% |
| 2011 | 20.50% | 2021 | 22.95% |

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, 2017, the Plan had \$163.7 million in assets and \$451.7 million in liabilities, and thus the net pension liability was \$288.0 million. As of June 30, 2018, the Plan had \$164.5 million in assets and \$457.7 million in liabilities, and thus the net pension liability was \$293.2 million. As of June 30, 2019, the Plan had \$167.1 million in assets and \$464.4 million in liabilities, and thus the net pension liability was \$297.3 million. As of June 30, 2020, the Plan had \$168.8 million in assets and \$467.2 million in liabilities, and thus the net pension liability was \$298.3 million. As of June 30, 2021, the Plan had \$203.6 million in assets and \$474.3 million in liabilities, and thus the net pension liability was \$270.7 million. As of June 30, 2021, the fiduciary net position as a percentage of total pension liability was 42.93%.

Also, additional pension information including the Town's July 1, 2021 actuarial pension valuation report and a detailed pension study completed by Segal Consulting were filed on the EMMA website.

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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, 2019 the Town's plan consisted of 1,636 retirees including spouses and 1,110 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 2020–21, the Town's pay-as-you-go contribution is as set forth below.

In the Town's 2021 Audited Financials, the auditor provided a Qualified Opinion on the Government Activities related to the calculation of the net OPEB liability using an actuarial valuation from June 30, 2018. The effect of using current actuarial valuations on the Town's long-term liabilities and net position stated in the Government-wide financial statement could not be determined, because the Town does not have a current Retiree Medical Valuation report (OPEB) due to certain challenges over the past 12-18 months. Gathering all of the participant data and other information needed to complete an OPEB valuation is a significant undertaking, which was unfortunately not a priority for the prior administration and therefore, not provided to the plan's actuary. In addition, during the preliminary review of the data gathered under the current administration, some data inconsistencies were noted. A few data extracts needed to be rerun resulting in further delays in the OPEB valuation. The Town continues to work with the plan's actuaries to provide the necessary information needed and expects to have the OPEB valuation completed by the end of July 2022.

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

| Fiscal Year | Annual OPEB Cost | Actual Contributions | Percentage Contributed |
|--------------------|-----------------------------|---------------------------------|-----------------------------------|
| 2022 ¹ | \$ 46,763,710 | \$ 19,000,000 | 40.6% |
| 2021 | 45,055,272 | 18,291,485 | 40.6% |
| 2020 | 40,511,698 | 16,746,644 | 41.3% |
| 2019 | 38,269,611 | 17,818,722 | 46.6% |
| 2018 | 34,444,433 | 16,050,000 | 46.6% |
| 2017 | 32,492,119 | 14,650,000 | 45.1% |
| 2016 | 35,570,962 | 18,377,480 | 51.7% |
| 2015 | 34,567,833 | 17,338,134 | 50.2% |
| 2014 | 34,884,722 | 17,669,283 | 50.7% |

¹ Projected. Subject to audit. The actual OPEB contribution for FY 2022 is not known until the end of the fiscal year. The Town budgeted \$46,763,710 in FY 2022 for medical costs for active and retirees. The Town budgeted \$52,661,409 for FY 2023 medical costs

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Net OPEB Liability

| | 2021 | 2020 | 2019 |
|---|----------------|----------------|----------------|
| <i>Total OPEB Liability</i> | | | |
| Service Cost..... | \$ 11,890,162 | \$ 8,083,621 | \$ 8,832,669 |
| Interest..... | 13,861,884 | 18,268,650 | 19,768,766 |
| Changes in Benefit Terms..... | - | - | (11,626,527) |
| Differences Between Expected and Actual Experience..... | (3,566,445) | (4,949,136) | 48,022,928 |
| Changes of Assumptions..... | 4,365,670 | 98,974,673 | (34,540,249) |
| Benefit Payments, Including Refunds of Member Contributions..... | (20,057,828) | (17,721,843) | (19,566,412) |
| Net Change in Total OPEB Liability..... | \$ 6,493,443 | \$ 102,655,965 | \$ 10,891,175 |
| Total OPEB Liability - Beginning..... | 625,318,498 | 522,662,533 | 511,771,358 |
| Total OPEB Liability - Ending..... | \$ 631,811,941 | \$ 625,318,498 | \$ 522,662,533 |
| <i>Plan Fiduciary Net Position</i> | | | |
| Contributions - Employer..... | \$ 18,291,485 | \$ 16,496,644 | \$ 17,230,000 |
| Contributions - Employee..... | 1,654,849 | 1,523,448 | 1,588,437 |
| Other..... | - | 8,545 | 588,722 |
| Net Investment Income..... | (144) | - | 12,263 |
| Benefit Payments, Including Refunds of Member Contributions..... | (20,057,828) | (17,721,843) | (19,566,412) |
| Administrative Expenses & Other Costs..... | - | (249) | (249) |
| Net Change in Plan Fiduciary Net Position..... | \$ (111,638) | \$ 306,545 | \$ (147,239) |
| Plan Fiduciary Net Position - Beginning..... | (2,034,013) | (2,340,558) | (2,193,319) |
| Plan Fiduciary Net Position - Ending..... | \$ (2,145,651) | \$ (2,034,013) | \$ (2,340,558) |
| Net OPEB Liability - Ending..... | \$ 633,957,592 | \$ 627,352,511 | \$ 525,003,091 |
| Plan Fiduciary Net Position as % of Total OPEB Liability..... | -0.34% | -0.33% | -0.45% |
| Covered Payroll..... | N/A | N/A | N/A |
| Net OPEB Liability as a % of its Covered Payroll..... | N/A | N/A | N/A |

In fiscal year 2014 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. The Town made a contribution of \$150,000 for the trust fund for FY 2021 and \$250,000 for FY 2022. The Town budgeted a contribution of \$1,000,000 for the trust fund for fiscal 2023.

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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 was obligated to remediate Rochford Field and Mill Rock Park, which it has completed and redeveloped into new parks. No further remediation is required except groundwater monitoring and the filing of an Environmental Land Use Restriction, which allows for the cap as the permanent remedy for each of the parks. The Town had allocated \$8.0 million in its capital plan to pay for the costs associated with the remediation of Rochford Field and Mill Rock Park properties and was 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. 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 Preliminary 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 Preliminary 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 Preliminary Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Robinson & Cole LLP, Bond Counsel, in the form attached as Appendix B to this Official Statement.
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 Trust Company, 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 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 Curtis Eatman, Director of Finance, Town of Hamden, 2750 Dixwell Avenue, Hamden, Connecticut 06518, and telephone number (203) 287-7004 or from the Town's Municipal Advisor, Phoenix Advisors, LLC, Barry Bernabe, Managing Director, (203) 283-1110. This Official Statement has been prepared and delivered by the Town, and executed for and on behalf of the Town by the following officials:

By *Lauren Garrett*

Lauren Garrett, Mayor

By *Curtis M. Eatman*

Curtis Eatman, Director of Finance

Dated as of June 28, 2022

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Appendix A

The following includes the General Purpose Financial Statements of the Town of Hamden, Connecticut for the fiscal year ended June 30, 2021. The supplemental data which was a part of that report has not been reproduced herein. A copy of the complete report is 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.

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CLERMONT

ACCOUNTANTS • ADVISORS

Clermont & Associates, LLC
37 Waterbury Road
Prospect CT 06712

Main: 203-758-6658

Fax: 203-758-6758

clermontaccounting.com

INDEPENDENT AUDITOR'S REPORT

Board of Finance
Town of Hamden, Connecticut
Hamden, CT 06518

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Hamden, Connecticut, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Hamden, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

| <u>Opinion Unit</u> | <u>Type of Opinion</u> |
|--------------------------------------|------------------------|
| Government Activities | Qualified |
| General Fund | Unmodified |
| Capital Projects | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

Basis for Qualified Opinion on Government Activities

Accounting principles generally accepted in the United States of America require the Town calculate the net other post employee benefits liability (net OPEB liability) based on an actuarial valuation that dated within a 24 month period of financial statement date. The June 30, 2021 net OPEB liability was calculated based on the June 30, 2018 actuarial valuation. The amount of which this departure would affect the long-term liabilities and net position stated in the Government-wide financial statements could not be determined.

Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on the General Fund” the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of the Town of Hamden, Connecticut as of June 30, 2021, and the respective changes in the financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3a through 3f and the required supplemental information on pages 65-74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2022 on our consideration of the Town of Hamden, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Hamden, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Hamden, Connecticut's internal control over financial reporting and compliance.

CLERMONT & ASSOCIATES, LLC



February 25, 2022

TOWN OF HAMDEN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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, 2021. 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, 2021, of (\$948,906,884). The decrease \$46.5 million in deficit from FY2020 concerns primarily assets and liabilities associated with pension and other post-employment benefits.
- On a government-wide basis, during the year, the Town's net position increased by \$46.5 compared to a \$106.8 decrease in 2020.
- At the close of the year, the Town of Hamden's combined governmental funds, on a current financial resources basis, had a fund balance of \$18,020 million, an increase of \$22.2 million from the prior fiscal year fund balance of \$(4.3) million. The increase was due to \$30 million of bonding during the fiscal year, of which \$16.5 million was used to fund capital projects and the remainder was used to reorganize the general obligation bonds.
- At the end of the 2021 fiscal year, the total fund balance for the General Fund alone was \$7.3 million, an increase of \$9.5 million from the prior fiscal year. The total General Fund balance at year-end represents 3.8% of the total General Fund budget appropriations for the fiscal year ending June 30, 2021 (\$248 million).
- The Town of Hamden's total long-term bonded indebtedness increased by \$13.8 million during the current fiscal year to \$308 million however, the Town's net pension obligations were reduced by \$27.7 million.

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 position presents information on all of the Town's assets and liabilities, with the difference reported as net position. The Town's net position – the difference between assets and liabilities – is one way to measure the Town's financial health. Over time, increases or decreases in net position may serve as an indicator of whether the financial health 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, 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 position 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 position 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 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 one 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 position 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. The Town of Hamden's governmental activities liabilities exceeded assets by \$948,906,884 on June 30, 2021. The growth in the deficit from FY2020 to FY2021 concerns primarily assets and liabilities associated with pension and other post-employment benefits.

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

| | June 30, 2021 | June 30, 2020 |
|--|-------------------------|----------------------|
| Current and other assets | \$ 40,585,126 | 62,013,889 |
| Deferred outflows on resources | 101,497,073 | 58,642,748 |
| Capital assets | 259,267,079 | 264,326,323 |
| Total assets and deferred outflows on resources | \$ 401,349,278 | 384,982,960 |
| Other liabilities | \$ 27,691,726 | 84,319,884 |
| Deferred inflows on resources | 52,965,582 | 41,255,636 |
| Long-term liabilities | 1,269,598,854 | 1,254,846,635 |
| Total liabilities and deferred inflows on resources | \$ 1,350,256,162 | 1,380,422,155 |
| Net position (deficit): | | |
| Investment in capital assets - net of related debt | \$ 62,667,079 | 71,810,228 |
| Restricted | 10,500 | 754,327 |
| Unrestricted (deficit) | (1,011,584,463) | (1,068,003,750) |
| Total net position (deficit) | \$ (948,906,884) | (995,439,195) |

By far the largest portion of the Town of Hamden's net position (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 as well as the liabilities associated with retirement benefits.

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

| | June 30, 2021 | June 30, 2020 |
|--|-----------------------|----------------------|
| Operating revenues: | | |
| Charges for services | \$ 7,692,406 | 6,170,907 |
| Operating grants and contributions | 71,628,361 | 62,388,048 |
| Capital grants and contributions | 661,945 | 3,517,355 |
| General revenues: | | |
| Property taxes | 196,486,568 | 190,395,341 |
| Grants not restricted to specific purposes | 15,730,164 | 8,030,645 |
| Unrestricted investment earnings | 48,702 | 550,941 |
| Miscellaneous | 1,042,734 | 1,500,189 |
| Total revenues | \$ 293,290,880 | 272,553,426 |
| Expenses: | | |
| General government | \$ 14,486,466 | 36,459,660 |
| Public safety | 35,707,134 | 46,467,820 |
| Public works | 19,090,693 | 92,454,745 |
| Health and welfare | 2,125,086 | 3,057,031 |
| Culture and recreation | 4,110,753 | 9,560,991 |
| Education | 158,679,985 | 177,118,258 |
| Interest on long-term debt | 12,558,451 | 14,303,026 |
| Total expenses | \$ 246,758,568 | 379,421,531 |
| Changes in net position (deficit) | \$ 46,532,312 | (106,868,105) |
| Net position (deficit), beginning | (995,439,195) | (888,571,090) |
| Net position (deficit), ending | \$ (948,906,884) | (995,439,195) |

The Town's net deficit decreased by \$46,532,312. This reduction in the deficit is principally due to the changes in the net pension liability.

Governmental Activities

For governmental activities, approximately 67% of the revenues was derived from property taxes, followed by approximately 30% from intergovernmental revenues.

Major revenue factors included:

- Grant revenue increased by \$7.7 million
- Charges for services increased by \$9.2
- Property tax revenue increased by \$6.0 million.

For governmental activities, approximately 64% of the Town's expenses relate to education, 6% relate to general government, 8% relate to public works operations, 14% to public safety, 5% to interest on debt, and the remaining 3% relate to health and welfare, community development, culture, and recreation.

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 \$7.3 million.

As stated earlier, the fund balances of the Town of Hamden's General Fund increased by \$9.6 million during the current fiscal year. This increase was primarily due to the restructuring of debt and high than expected revenues.

The **Capital Project Fund** had an increase in fund balance of \$15 million which included a bond issuance of \$16.5 million and capital expenditures of \$1.6 million.

Proprietary funds: The deficit of the Internal Service Funds at the end of the year was \$11.7 million, with a minimal change from the prior year. Included in this deficit is long-term claims of \$8.8 million.

General Fund Budgetary Highlights

During the year, actual revenues and other financing sources were \$248,998 million, which were Lower than budgetary estimates by \$173 thousand.

Actual expenditures and transfers out on a budgetary basis totaled \$239 million or \$9.2 million lower than budgeted. Major contributions to this saving were the restructuring of debt and the receipt of a bond premium.

Capital Assets and Debt Administration

Capital Assets: The Town of Hamden's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$487 million on a gross basis and \$259 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, 2021 | June 30, 2020 |
|---|-----------------------|--------------------|
| Governmental funds capital assets: | | |
| Land | \$ 19,046,157 | 18,368,697 |
| Land improvements | 16,856,603 | 18,647,071 |
| Buildings and improvements | 154,374,444 | 159,351,403 |
| Machinery and equipment | 5,026,477 | 7,211,689 |
| Infrastructure | 24,704,988 | 26,170,919 |
| Construction in progress | 39,258,410 | 34,576,544 |
| Total | \$ 259,267,079 | 264,326,323 |

The major capital asset events during the current fiscal year included equipment and vehicle purchases. In addition, the completion of significant construction in progress resulted in an increase building and infrastructure 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 \$307 million, compared to \$294 million at the beginning of the year. 100% of this debt is backed by the full faith and credit of the Town government

The Town has been active in reducing the long-term liabilities derived from other post-employment obligations by increasing its contributions to the fund. The Town set up and began to fund an irrevocable trust for future OPEB obligations.

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

FY 2021/2022

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) restructure general obligation debt and 4) 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.

STATEMENT OF NET POSITION (DEFICIT)
June 30, 2021

| | Primary Government Governmental Activities |
|---|---|
| Assets: | |
| Cash and cash equivalents | \$ 8,200,146 |
| Investments | 15,862,500 |
| Receivables, net | 13,886,773 |
| Inventory | 21,207 |
| Prepaid expenses | 1,119,149 |
| External balances | 1,495,351 |
| Capital assets: | |
| Capital assets, not being depreciated | 58,304,567 |
| Capital assets, being depreciated, net | 200,962,512 |
| Total assets | \$ 299,852,205 |
| Deferred outflows of resources: | |
| Pension and other post retirement | \$ 101,497,073 |
| Liabilities: | |
| Accounts payable and accrued expenses | \$ 11,374,789 |
| Accrued interest | 6,329,776 |
| Payments in advance | 1,159,598 |
| Incurred but not reported | 8,827,563 |
| Bond and tax anticipation notes | |
| Noncurrent liabilities: | |
| Due within one year | 2,820,000 |
| Due in more than one year | 1,266,778,854 |
| Total liabilities | \$ 1,297,290,580 |
| Deferred inflows of resources: | |
| Pension and other post retirement | \$ 52,384,079 |
| Advance tax collections | 581,503 |
| Total deferred inflows of resources | \$ 52,965,582 |
| Net position: | |
| Invested in capital assets, net of related debt | \$ 62,667,079 |
| Restricted | 10,500 |
| Unrestricted | (1,011,584,463) |
| Total net position (deficit) | \$ (948,906,884) |

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

| Functions/programs | Expenses | Program Revenues Charges for Services | Program Revenues | | Net (Expenses) Revenue and Changes in Net Assets |
|--------------------------------------|-----------------------|--|--|--|---|
| | | | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Governmental Activities Total |
| | | | | | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 14,486,466 | 3,709,643 | 311,007 | | (10,465,816) |
| Public safety | 35,707,134 | 2,960,277 | 420,470 | | (32,326,387) |
| Public works | 19,090,693 | 98,925 | 262,352 | 661,945 | (18,067,471) |
| Health and welfare | 2,125,086 | 51,585 | 764,444 | | (1,309,057) |
| Culture and recreation | 4,110,753 | 681,684 | | | (3,429,069) |
| Education | 158,679,985 | 190,291 | 69,870,088 | | (88,619,606) |
| Interest on long-term debt | 12,558,451 | | | | (12,558,451) |
| Total governmental activities | \$ 246,758,568 | 7,692,405 | 71,628,361 | 661,945 | (166,775,857) |
| Total primary government | \$ 246,758,568 | 7,692,405 | 71,628,361 | 661,945 | (166,775,857) |

General revenues:

| | |
|--|----------------|
| Property taxes | \$ 196,486,568 |
| Grants and contributions not restricted for specific programs | 15,730,164 |
| Investment income | 48,702 |
| Other unrestricted income | 1,042,734 |

Total general revenues and transfers \$ 213,308,168

Change in net position \$ 46,532,311

Net position, beginning (995,439,195)

Net position, ending \$ (948,906,884)

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

| | Major Funds | | Nonmajor | Total |
|---|----------------------|----------------------------|-----------------------|-----------------------|
| | General | Capital Project Fund | Governmental Funds | Governmental Funds |
| Assets: | | | | |
| Cash and cash equivalents | \$ 5,203,368 | 261,718 | 2,594,606 | 8,059,692 |
| Investments | 542 | 15,861,958 | | 15,862,500 |
| Receivables, net | 13,174,931 | 524,572 | 187,270 | 13,886,773 |
| Due from other funds | 12,075,180 | | 1,641,714 | 13,716,894 |
| Inventories | | | 21,207 | 21,207 |
| Total assets | \$ 30,454,021 | 16,648,248 | 4,444,797 | 51,547,066 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts and other payables | \$ 10,183,929 | 80,179 | 988,189 | 11,252,297 |
| Payments in advance | | | 1,159,598 | 1,159,598 |
| Due to other funds | 1,168,707 | 2,897,399 | 5,233,234 | 9,299,340 |
| Total liabilities | \$ 11,352,636 | 2,977,578 | 7,381,021 | 21,711,235 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues | \$ 11,233,911 | | | 11,233,911 |
| Advance tax payments | 581,503 | | | 581,503 |
| Total deferred inflows of resources | \$ 11,815,414 | - | - | 11,815,414 |
| Fund balances: | | | | |
| Nonspendable | \$ | | 21,207 | 21,207 |
| Restricted for: | | | | |
| Donor's intentions | | | 10,500 | 10,500 |
| Committed for: | | | | |
| Other | 743,828 | 1,042,258 | 737 | 1,786,823 |
| Assigned | | 12,628,412 | 1,237,645 | 13,866,057 |
| Unassigned | 6,542,143 | | (4,206,313) | 2,335,830 |
| Total fund balances | \$ 7,285,971 | 13,670,670 | (2,936,224) | 18,020,417 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 30,454,021 | 16,648,248 | 4,444,797 | |

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

| | |
|--|-------------------------|
| Capital assets used in the governmental activities are not financial resources, and therefore, are not reported in the funds. | 259,267,079 |
| Other long-term assets and deferred inflows/outflows of resources are not available to pay for current period expenditures, and therefore, are deferred in the funds. | 60,346,905 |
| Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities column in the statement of net assets. | (11,731,804) |
| Long-term liabilities , including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds. | (1,274,809,481) |
| Net position (deficit) of governmental activities (Exhibit A) | <u>\$ (948,906,884)</u> |

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

| | Major Funds | | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-----------------------|---------------------|-----------------------------------|--------------------------------|
| | General | Capital Projects | | |
| Revenues: | | | | |
| Property taxes and assessments | \$ 199,707,498 | | | 199,707,498 |
| Intergovernmental | 66,956,305 | 363,385 | 20,625,815 | 87,945,505 |
| Charges for services | 7,167,498 | | 524,907 | 7,692,405 |
| Investment income | 48,313 | | 389 | 48,702 |
| Miscellaneous | 933,658 | | 184,041 | 1,117,699 |
| Total revenues | \$ 274,813,272 | 363,385 | 21,335,152 | 296,511,809 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | \$ 11,433,766 | | | 11,433,766 |
| Public safety | 30,118,199 | | 435,746 | 30,553,945 |
| Public works | 12,407,473 | | 333,378 | 12,740,851 |
| Public health | 1,834,511 | | | 1,834,511 |
| Culture and recreation | 2,696,864 | | 596,196 | 3,293,060 |
| Education | 118,060,357 | | 19,927,613 | 137,987,970 |
| Other | 75,368,217 | | 157,728 | 75,525,945 |
| Capital outlay | | 4,032,688 | | 4,032,688 |
| Debt service | 16,181,643 | | | 16,181,643 |
| Total expenditures | \$ 268,101,030 | 4,032,688 | 21,450,661 | 293,584,379 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 6,712,242 | (3,669,303) | (115,509) | 2,927,430 |
| Other financing sources (uses): | | | | |
| Transfer from other funds | \$ | | | - |
| Transfer to other funds | | | | - |
| Proceeds from sale of bonds | 2,862,733 | 16,500,000 | | 19,362,733 |
| Total other financing sources (uses) | \$ 2,862,733 | 16,500,000 | - | 19,362,733 |
| Net changes in fund balances | \$ 9,574,975 | 12,830,697 | (115,509) | 22,290,163 |
| Fund balances (deficits) - beginning | (2,289,004) | 839,973 | (2,820,715) | (4,269,746) |
| Fund balances (deficits) - ended | \$ 7,285,971 | 13,670,670 | (2,936,224) | 18,020,417 |

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021**

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

| | |
|---|-----------------------------|
| Net change in fund balances - total governmental funds (Exhibit D) | \$ 22,290,163 |
| 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. | (5,059,244) |
| Deferred inflows and outflows of resources previously recognized in the statement of activities that provided current financial resources in the current year. | 27,906,306 |
| 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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 1,389,829 |
| The net expense of certain activities of internal service funds is reported with governmental activities. | <u>5,257</u> |
| Change in net position of governmental activities (Exhibit B) | <u><u>\$ 46,532,311</u></u> |

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

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

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance With Final Budget Positive/ (Negative) |
|--|-----------------------|--------------------|---|--|
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 200,630,854 | 200,630,854 | 199,707,498 | (923,356) |
| Intergovernmental | 38,129,820 | 38,129,819 | 38,287,870 | 158,051 |
| Charges for services | 3,027,270 | 3,028,770 | 3,058,116 | 29,346 |
| Investment income | 560,000 | 560,000 | 48,313 | (511,687) |
| Licenses, permits and fees | 3,973,325 | 4,223,325 | 4,109,382 | (113,943) |
| Other revenues | 2,607,410 | 2,607,409 | 933,658 | (1,673,751) |
| Total revenues | <u>\$ 248,928,679</u> | <u>249,180,177</u> | <u>246,144,837</u> | <u>(3,035,340)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | \$ 12,203,884 | 12,413,665 | 11,433,766 | (979,899) |
| Public safety | 31,013,533 | 30,663,987 | 30,118,199 | (545,788) |
| Public works | 12,362,269 | 12,994,440 | 12,407,473 | (586,967) |
| Health and welfare | 2,034,928 | 2,034,928 | 1,834,511 | (200,417) |
| Culture and recreation | 2,926,795 | 2,926,795 | 2,696,864 | (229,931) |
| Education | 89,644,925 | 89,644,925 | 89,391,922 | (253,003) |
| Employee benefits | 76,267,500 | 75,572,884 | 75,368,217 | (204,667) |
| Debt service: | | | | |
| Principal retirements | 8,360,000 | 8,360,000 | 2,690,000 | (5,670,000) |
| Interest and other charges | 14,114,845 | 14,114,845 | 13,491,643 | (623,202) |
| Total expenditures | <u>\$ 248,928,679</u> | <u>248,726,469</u> | <u>239,432,595</u> | <u>(9,293,874)</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>453,708</u> | <u>6,712,242</u> | <u>6,258,534</u> |
| Other financing sources (uses): | | | | |
| Proceeds from sale of bonds | \$ - | - | 2,862,733 | 2,862,733 |
| Total other financing sources (uses) | <u>\$ -</u> | <u>-</u> | <u>2,862,733</u> | <u>2,862,733</u> |
| Revenues over expenditures and other financing sources (uses) | <u>\$ -</u> | <u>453,708</u> | <u>9,574,975</u> | <u>6,258,534</u> |
| Net change in unassigned fund balance | | | 9,574,975 | |
| Unassigned fund balance, July 1, 2020 | | | (3,032,832) | |
| Unassigned fund balance, June 30, 2021 | | | <u>\$ 6,542,143</u> | |

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

STATEMENT OF NET POSITION (DEFICIT)
PROPRIETARY FUNDS
June 30, 2021

| | Governmental Activities Internal Service Funds |
|--|--|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 140,454 |
| Total assets | \$ 140,454 |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable and accrued liabilities | \$ 122,492 |
| Due to other funds | 2,922,203 |
| Total current liabilities | \$ 3,044,695 |
| Noncurrent liabilities: | |
| Incurred, but not reported claims | \$ 8,827,563 |
| Total noncurrent liabilities | \$ 8,827,563 |
| Total liabilities | \$ 11,872,258 |
| Net position (deficit): | |
| Unrestricted | \$ (11,731,804) |
| Total net position (deficit) | \$ (11,731,804) |

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

| | Governmental Activities <u>Internal Service Funds</u> |
|--|---|
| Operating revenues: | |
| Charges for services | \$ 23,110,437 |
| Employer's contribution | <u>3,565,263</u> |
| Total operating revenues | \$ <u>26,675,700</u> |
| Operating expenses: | |
| Claims | \$ <u>26,670,443</u> |
| Total operating expenses | \$ <u>26,670,443</u> |
| Operating income (loss) | \$ <u>5,257</u> |
| Change in net fund position | \$ 5,257 |
| Net position (deficit), beginning | <u>(11,737,061)</u> |
| Net position (deficit), ended | \$ <u>(11,731,804)</u> |

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2021

| | Governmental Activities <u>Internal Service Funds</u> |
|--|---|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 26,675,700 |
| Payments for benefits | (26,357,189) |
| Internal activity-payments from (to) other funds | <u>(428,624)</u> |
| Net cash flows from operating activities | \$ <u>(110,113)</u> |
| Net increase (decrease) in cash and cash equivalents | \$ (110,113) |
| Cash and cash equivalents, beginning | <u>250,567</u> |
| Cash and cash equivalents, ended | \$ <u><u>140,454</u></u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | |
| Operating income (loss) | \$ 5,257 |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities: | |
| Changes in assets and liabilities: | |
| Decrease (increase) in due from other funds | (428,624) |
| Increase (decrease) in accounts payable | (346,977) |
| Increase (decrease) in claims payable | <u>660,231</u> |
| Net cash flows from operating activities | \$ <u><u>(110,113)</u></u> |

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

STATEMENT OF FIDUCIARY NET POSITION (DEFICIT)
FIDUCIARY FUNDS
June 30, 2021

| | Pension Trust Fund | Other Post Employment Benefit Fund | Private Purpose Trust Fund | Agency |
|---|-----------------------|---|-------------------------------------|------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$ 4,965,013 | 850,334 | 453,459 | 1,187,965 |
| Investments, fair value | 198,840,598 | | | |
| Accounts receivable | 52,320 | | | |
| External balances | | 250,000 | 244,760 | 87,598 |
| Prepaid expenses | | | | |
| Total assets | \$ 203,857,931 | 1,100,334 | 698,219 | 1,275,563 |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ | | 29,991 | |
| External balances | 250,000 | 1,827,709 | | |
| Other liabilities | | 918,276 | | |
| Held for deposit for others | | | | 1,275,563 |
| Total liabilities | \$ 250,000 | 2,745,985 | 29,991 | 1,275,563 |
| Fiduciary net position: | | | | |
| Net position - restricted for pension | \$ 203,607,931 | | | |
| Net position - restricted for other purposes | | | 668,228 | |
| Net position (deficit) | | (1,645,651) | | |
| Total fiduciary net position (deficit) | \$ 203,607,931 | (1,645,651) | 668,228 | - |

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (DEFICIT)

FIDUCIARY FUNDS

For the Year Ended June 30, 2021

| | Pension Trust Funds | Other Post Employment Benefit Fund | Private Purpose Trust Funds |
|---|------------------------|---|-----------------------------------|
| Additions: | | | |
| Contributions: | | | |
| Town of Hamden | \$ 23,600,000 | 17,428,000 | |
| Employees | 1,842,951 | 1,654,849 | |
| Other | | 863,485 | 276,496 |
| Total contributions | <u>\$ 25,442,951</u> | <u>19,946,334</u> | <u>276,496</u> |
| Investment earnings: | | | |
| Net increase in fair value of investments | \$ 37,340,209 | 106 | |
| Interest and dividends | 1,593,825 | | 1,806 |
| Less: investment expenses | (599,320) | (250) | |
| Total investment earnings | <u>\$ 38,334,714</u> | <u>(144)</u> | <u>1,806</u> |
| Total additions | <u>\$ 63,777,665</u> | <u>19,946,190</u> | <u>278,302</u> |
| Deductions: | | | |
| Benefits paid to participants | \$ 28,766,211 | 20,057,828 | |
| Administrative expenses | 226,389 | | |
| Other deductions | | | 298,165 |
| Total deductions | <u>\$ 28,992,600</u> | <u>20,057,828</u> | <u>298,165</u> |
| Change in net position | <u>\$ 34,785,065</u> | <u>(111,638)</u> | <u>(19,863)</u> |
| Net position (deficit), beginning | <u>168,822,866</u> | <u>(1,534,013)</u> | <u>688,091</u> |
| Net position (deficit), ended | <u>\$ 203,607,931</u> | <u>(1,645,651)</u> | <u>668,228</u> |

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

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Note 1 - Summary of 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 and 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.

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Fund financial statements

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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.

Additionally, the Town reports the following fund types:

The ***internal service funds*** 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*** and ***other post employment benefit funds*** are 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 and administering the employee benefits. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, liabilities and net assets or equity

Cash and cash equivalents

The Town considers cash on hand, deposits and short-term investments, with an original maturity of three months or less, to be cash and cash equivalents.

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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.

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.

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.

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and will be included as pension expense in a systematic and rational manner.

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

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

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Net pension liability

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

Net OPEB liability

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

Long-term obligations

In the government-wide financial statements 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.

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.

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

The ***nonspendable 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 above 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.

Fair value of financial instruments

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

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

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

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

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

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

Investments are carried at fair value based on quoted market prices and net asset value and are presented in Note 4 and Note 9.

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.
- 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.

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

| | <u>Revenues</u> | <u>Expenditures and Encumbrances</u> |
|--|-----------------------|--|
| Balance, budgetary basis | \$ 246,144,837 | 239,432,595 |
| State Teachers' Retirement "on-behalf" payment, not recognized for budgetary purposes | 29,522,266 | 29,522,266 |
| Reclassify Board Education reimbursements to Town for indirect costs | <u>(853,831)</u> | <u>(853,831)</u> |
| Balance, GAAP basis | \$ <u>274,813,272</u> | <u>268,101,030</u> |

Special Revenue Funds

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

Capital Projects Funds

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

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

Explanation of certain differences between the government fund balance sheet and the government-wide statement of net position

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

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

| | |
|---|-----------------------|
| Land | \$ 19,046,157 |
| Construction in progress | 39,258,410 |
| Net capital assets being depreciated | <u>200,962,512</u> |
| Net adjustment to increase fund balance to arrive at net assets of government activities | \$ <u>259,267,079</u> |

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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 | \$ (307,975,000) |
| Deferred cost on debt refunding | 1,119,149 |
| Net obligations on retirement plans | (945,035,482) |
| Compensated absences | (6,962,384) |
| Heart and hypertension | (665,979) |
| Claims and judgments | (90,000) |
| Accrued interest on debt | (6,329,776) |
| Deferred Bond Premium | (8,870,009) |
| Net adjustment to reduce fund balance to arrive at net assets of government activities | \$ <u>(1,274,809,481)</u> |

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

| | |
|---|----------------------|
| Delinquent property tax and interest | \$ 11,233,911 |
| Deferred inflows/outflows related to pension and OPEB | <u>49,112,994</u> |
| Net adjustment to increase fund balance to arrive at net assets of government activities | \$ <u>60,346,905</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 | \$ 5,855,080 |
| Depreciation | <u>(10,914,324)</u> |
| Net adjustment to increase net changes in fund balances to arrive at changes in net assets of governmental activities | \$ <u>(5,059,244)</u> |

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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:

| | |
|---|---------------------|
| Payments of debt | \$ 2,730,000 |
| New Issuance | (16,500,000) |
| Bond premiums and savings, net of amortization | (1,536,936) |
| Net change in net obligation on retirement plans and OPEB | 16,911,903 |
| Net change in other long-term liabilities | 217,467 |
| Accrued interest on debt | (432,605) |
| Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities | <u>\$ 1,389,829</u> |

Note 4 - Deposits and Investments

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

| | <u>Deposit</u> | <u>Investments</u> | <u>Total</u> |
|---------------------------------------|----------------------|--------------------|--------------------|
| Cash and cash equivalents: | | | |
| Governmental funds | \$ 8,059,692 | | 8,059,692 |
| Internal service funds | 140,454 | | 140,454 |
| Fiduciary funds | 7,456,777 | | 7,456,777 |
| Investments: | | | |
| Government funds | 15,861,958 | 542 | 15,862,500 |
| Fiduciary funds (pension) | | 198,840,598 | 198,840,598 |
| Total deposits and investments | <u>\$ 31,518,881</u> | <u>198,841,140</u> | <u>230,360,021</u> |

Deposits

The carrying amounts of the Town's deposits at June 30, 2021, consist of the following:

| | |
|-----------------------|----------------------|
| Bank deposit accounts | \$ 31,518,431 |
| Cash on hand | <u>450</u> |
| Total deposits | <u>\$ 31,518,881</u> |

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Custodial credit risk

As of June 30, 2021, the carrying amount of the Town's deposits had bank balances of approximately \$34,684,509. The amount of the bank balance covered under federal depository insurance was approximately \$766,000. The remaining deposits were uninsured; however, provisions of the Connecticut General Statutes provide for protection against loss in excess of deposit insurance by requiring all qualified public depositories to maintain segregated collateral for public deposits. As of June 30, 2021, approximately \$3,468,000 of uninsured deposits were collateralized under the provision.

Investments

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

| Investment Type | Fund | Fair Value | Fair Value Hierarchy Level | Weighted Average to Maturity (years) |
|------------------------|--------------|-----------------------|-----------------------------------|---|
| State investment fund | General fund | \$ 464 | 1 | .02 |
| Equity real estate | Trust funds | 25,175,228 | 1 | n/a |
| Common stock | Trust funds | 50,982,088 | 1 | n/a |
| Mutual funds | Trust funds | 122,683,360 | 1 | n/a |
| Total Investments | | \$ <u>198,841,140</u> | | |

Interest rate risk

Interest rate risk is the risk that changes in the market interest rates which will adversely affect the fair value of an investment. The Town has 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.

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 Connecticut's General Statutes.

Investments related to pension are discussed further in Note 9 of the notes to the financial statements.

TOWN OF HAMDEN, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS****June 30, 2021****Note 5 - Receivables, Payables, and Unearned or Unavailable Funds**

The receivables as of June 30, 2021 for the Town's individual major funds and non-major, internal service and fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

| | General Fund | Capital Fund | Non-major Funds | Total |
|------------------------------|----------------------|-----------------|--------------------|-------------------|
| Property taxes | \$ 8,158,687 | | | 8,158,687 |
| Interest on delinquent taxes | 4,063,041 | | | 4,063,041 |
| Intergovernmental | 116,442 | 524,572 | 187,270 | 828,284 |
| Accounts | 836,761 | | | 836,761 |
| Net total receivables | \$ 13,174,931 | 524,572 | 187,270 | 13,886,773 |

Deferred payments and unavailable receipts

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 | \$ 6,972,095 | | 6,972,095 |
| Interest on delinquent taxes | 3,809,382 | | 3,809,382 |
| Overpayment on property taxes | | 173,691 | 173,691 |
| Delinquent accounts | 452,434 | | 452,434 |
| Advance payments on taxes | | 407,812 | 407,812 |
| Non-major Funds: | | | |
| Advanced payments on grants | | 1,159,598 | 1,159,598 |
| Total | \$ 11,233,911 | 1,741,101 | 12,975,012 |

Payables

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

| | Vendors | Payroll | Total |
|--------------------------------------|---------------------|------------------|-------------------|
| General fund | \$ 5,520,099 | 4,663,830 | 10,183,929 |
| Capital projects fund | 80,179 | | 80,179 |
| Non-major funds | 988,189 | | 988,189 |
| Internal Service funds | 122,492 | | 122,492 |
| Total governmental activities | \$ 6,798,557 | 4,663,830 | 11,374,789 |

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Temporary notes payables

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:

| | <u>Beginning Balance</u> | <u>Borrowings</u> | <u>Repayments</u> | <u>Ending Balance</u> |
|--------------------------|------------------------------|-------------------|-------------------|---------------------------|
| August 2019 BAN | <u>18,500,000</u> | <u>-</u> | <u>18,500,000</u> | <u>-</u> |
| Total governmental funds | <u>\$ 18,500,000</u> | <u>-</u> | <u>18,500,000</u> | <u>-</u> |

Tax anticipation notes

The Town has entered into a Tax Anticipation Note (TAN) on June 25, 2020 with Webster Bank to provide the Town with \$20,000,000 working capital reserve due to the implementation of the deferment program and the low interest rate program under the State of Connecticut's Executive order No. 7S. The note was fully paid during the June 30, 2021 fiscal year.

| | <u>Beginning Balance</u> | <u>Borrowings</u> | <u>Repayments</u> | <u>Ending Balance</u> |
|--------------------------|------------------------------|-------------------|-------------------|---------------------------|
| June 2020 TAN | <u>\$ 20,000,000</u> | <u>-</u> | <u>20,000,000</u> | <u>-</u> |
| Total governmental funds | <u>\$ 20,000,000</u> | <u>-</u> | <u>20,000,000</u> | <u>-</u> |

Note 6 - Inter-fund Receivables, Payables and Transfers

Inter-funds receivables and payables

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

| <u>Fund</u> | <u>Receivable</u> | <u>Payable</u> |
|--------------------------------------|----------------------|-------------------|
| Governmental Funds: | | |
| General fund | \$ 12,075,180 | 1,168,707 |
| Capital projects | | 2,897,399 |
| Nonmajor | 1,641,714 | 5,233,234 |
| Internal services | | 2,922,203 |
| Total governmental activities | \$ 13,716,894 | 12,221,543 |
| Other post employee benefits | | 1,827,709 |
| Private purpose trusts | 244,760 | |
| Agency | 87,598 | |
| | <u>\$ 14,049,255</u> | <u>14,049,252</u> |

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Note 7 - Capital Assets

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

| | Beginning Balance | Additions | Disposals | Ending Balance |
|--|-----------------------|---------------------|-----------|--------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 18,368,697 | 677,460 | | 19,046,157 |
| Construction in progress | 34,576,544 | 4,681,866 | | 39,258,410 |
| Total capital assets, not being deprec. | \$ 52,945,241 | 5,359,326 | - | 58,304,567 |
| Capital assets being depreciated: | | | | |
| Land improvements | \$ 35,947,568 | | | 35,947,568 |
| Buildings and improvements | 248,229,905 | | | 248,229,905 |
| Machinery and equipment | 27,430,013 | 495,754 | | 27,925,767 |
| Infrastructure | 116,920,714 | | | 116,920,714 |
| Total capital assets being depreciated | \$ 428,528,200 | 495,754 | - | 429,023,954 |
| Less: accumulated depreciation: | | | | |
| Land improvements | \$ 17,300,497 | 1,790,468 | | 19,090,965 |
| Buildings and improvements | 88,878,502 | 4,976,959 | | 93,855,461 |
| Machinery and equipment | 20,218,324 | 2,680,966 | | 22,899,290 |
| Infrastructure | 90,749,795 | 1,465,931 | | 92,215,726 |
| Total accumulated depreciation | \$ 217,147,118 | 10,914,324 | - | 228,061,442 |
| Net capital assets, being depreciated | \$ 211,381,082 | (10,418,570) | | 200,962,512 |
| Total capital assets, governmental | \$ 264,326,323 | (5,059,244) | - | 259,267,079 |

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

| | |
|------------------------------------|----------------------|
| Governmental activities: | |
| General government | \$ 1,477,060 |
| Education | 3,498,852 |
| Public safety | 942,675 |
| Public works | 4,594,078 |
| Health and welfare | 37,769 |
| Community services | 363,890 |
| Total depreciation expense- | |
| governmental activities | \$ 10,914,324 |

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Note 8 - Long-Term Liabilities

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

| | Beginning Balance | Additions | Reductions | Balance | Due In One Year |
|---|----------------------|------------|------------|---------------|--------------------|
| Governmental activities: | | | | | |
| Long-term debt: | | | | | |
| G.O. bonds | \$ 222,405,000 | 16,500,000 | 7,585,000 | 231,320,000 | 2,790,000 |
| G.O. refunding bonds | 71,800,000 | 13,935,000 | 9,080,000 | 76,655,000 | - |
| Total long-term debt | \$ 294,205,000 | 30,435,000 | 16,665,000 | 307,975,000 | 2,790,000 |
| Deferred amount on: bond premium | 5,798,420 | 4,031,571 | 959,982 | 8,870,009 | - |
| Net long-term debt | \$ 300,003,420 | 34,466,571 | 17,624,982 | 316,845,009 | 2,790,000 |
| Other long-term liabilities | | | | | |
| Net pension liability | 298,338,937 | | 27,682,056 | 270,656,881 | |
| Net pension liability - CMERS | 36,502,937 | 4,418,072 | | 40,921,009 | |
| Net OPEB liability | 627,105,511 | 6,352,081 | | 633,457,592 | |
| Compensated absences | 6,874,951 | 87,433 | | 6,962,384 | |
| Claims payable | 120,000 | | 30,000 | 90,000 | 30,000 |
| Heart and hypertension | 940,879 | | 274,900 | 665,979 | |
| Total governmental activities long-term liabilities | \$ 1,269,886,635 | 45,324,157 | 45,611,938 | 1,269,598,854 | 2,820,000 |

General obligation bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and the funding of the pension. General obligation bonds have been issued and are direct obligations and pledge the good faith and credit of the government. As of June 30, 2021, the outstanding general obligation bonded indebtedness of the Town was as follows:

| | General | Refunding |
|---|--------------|------------|
| \$4,000,000 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 | \$ 1,060,000 | |
| \$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 | 15,750,000 | |
| \$24,705,000 G.O.B. taxable 2012 , issue of 8/15/2012, due 8/15/2032, interest at 2.0% to 5.0%, annual principal payments of \$1,235,000 | 10,865,000 | |
| \$29,415,000 G.O.B. refunding 2013 , issue of 5/2/2013, due 8/25/2025, interest at 5.0%, annual principal payments of \$1,320,000 to \$13,250,000 | | 12,855,000 |

(continued)

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

| | <u>General</u> | <u>Refunding</u> |
|--|-----------------------|--------------------|
| | | (Continued) |
| \$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 | 14,520,000 | |
| \$15,545,000 G.O.B. 2015 refunding , issue of 5/2/2013, due 8/25/2029, interest at 2% to 5.0%, annual principal payments of \$600,000 to \$2,295,000 | | 4,570,000 |
| \$125,000,000 G.O.B. pension funding bond 2015 , issue of 3/10/2015, due 8/15/2044, interest at 4.0% to 5.2%, annual principal payments of \$1,320,000 to \$1,325,000 | 111,375,000 | |
| \$15,545,000 G.O.B. 2015 , issue of 6/03/15, due 8/15/2029, interest at 2.0% to 5.0%, annual principal payments of \$495,000 to \$2,945,000 | 9,860,000 | |
| \$28,535,000 G.O.B. 2016 , issue of 8/15/2016, due 8/25/2036, interest at 3.0-5.0%, annual principal payments of \$1,425,000 to \$1,430,000 | 21,385,000 | |
| \$13,205,000 G.O.B. 2017A refunding , issue of 7/19/2017, due 8/15/2027, interest at 3.00% to 5.0%, annual principal payments of \$370,000 to \$4,835,000 | | 11,635,000 |
| \$11,510,000 G.O.B. 2017B , issue of 8/10/2017, due 8/15/2037, interest at 4.0% to 5.25%, annual principal payments of \$575,000 to \$580,000 | 9,200,000 | |
| \$10,605,000 G.O.B. 2018A , issue of 7/17/18, due 8/15/2029, interest at 5.00%, full payment due end of term | 10,605,000 | |
| \$33,660,000 G.O.B. refunding 2018B , issue of 7/17/2018, due 8/15/2037, interest at 3.61% to 4.08%, annual principal payments of \$1,040,000 to \$8,265,000 | | 33,660,000 |
| \$11,400,000 G.O.B. 2018 , issue of 6/19/2018, due 8/15/2038, interest at 6.0%, annual principal payments of \$600,000 and term bond payments due 2033 and 2038 for \$3,000,000 | 10,200,000 | |
| \$21,290,000 G.O.B. 2020 , issue of 7/22/2020, due 8/1/2039, interest at 5.0%, annual principal payments of \$585,000 to \$2,280,000 and term bond payment due 2032, 2035 and 2039 for \$5,255,000, \$3,190,000 and \$4,965,000, respectively | 16,500,000 | 4,790,000 |
| \$9,145,000 G.O.B refunding 2020 , issue of 7/22/2020, due 8/1/2031, interest at 2.8%, full payment due at end of term | | 9,145,000 |
| Total general obligation bonds | <u>\$ 231,320,000</u> | <u>76,655,000</u> |

TOWN OF HAMDEN, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS****June 30, 2021**

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

| Year Ended, June 30 | Governmental Activity | |
|------------------------|-----------------------|--------------------|
| | Principal | Interest |
| 2022 | \$ 2,790,000 | 14,765,485 |
| 2023 | 14,410,000 | 13,756,191 |
| 2024 | 16,850,000 | 13,051,951 |
| 2025 | 17,145,000 | 12,318,005 |
| 2026 | 18,000,000 | 11,575,883 |
| 2027-2031 | 104,735,000 | 44,613,192 |
| 2032-2036 | 66,890,000 | 23,576,429 |
| 2037-2041 | 38,105,000 | 12,105,705 |
| 2042-2046 | 29,050,000 | 3,119,480 |
| Total | \$ 307,975,000 | 148,882,321 |

Bonds authorized but unissued

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

The Town has authorized but unissued bonds relating to capital projects at June 30, 2021, as follows:

| | |
|-----------------|-----------------------------|
| General purpose | \$ 15,405,000 |
| Schools | <u>3,915,000</u> |
| Total | <u>\$ 19,320,000</u> |

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:

| Category | Debt Limit | Indebtedness | Balance |
|-------------------|----------------|--------------|-------------|
| General | \$ 427,498,780 | 141,884,500 | 285,614,280 |
| Schools | 898,946,033 | 54,715,500 | 844,230,533 |
| Sewers | 749,121,694 | - | 749,121,694 |
| Urban Development | 649,238,801 | - | 649,238,801 |
| Pension | 599,297,355 | 111,375,000 | 487,922,355 |

The total overall statutory debt limit for the Town is equal to 7 times annual receipts from taxation, or \$1,398,360,495

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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.

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.

Note 9 - Employee Retirement Systems

Town Retirement Plan

The Town of Hamden is the administrator of a single employer, contributory public employee retirement system (PERS) established and administered by a Board of Trustees 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.

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.

Members 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.

Guardian employees (members of the police and fire departments) hired after July 1, 2006 participate in the Connecticut Municipal Employees' 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.

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,

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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.

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.

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, subject to applicable general laws and special acts of the State of Connecticut provided that no such discontinuance or amendment shall adversely affect the right of members or their beneficiaries which had become fully vested at the date of discontinuance or amendment.

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

| | |
|---|--------------|
| Retirees and beneficiaries currently receiving benefits | 780 |
| Terminated plan members entitled to, but not yet receiving benefits | 21 |
| Active plan members | 294 |
| Total | <u>1,095</u> |

Summary of significant accounting policies

Basis of accounting

The Plan's financial statements are prepared using the accrual basis of accounting for the defined benefit pension plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date.

Method used to value investments

Investments are stated at current market values, based on quoted market prices, as represented by Wells Fargo Institutional Retirement and Trust (Wells Fargo Bank, N.A.), the investment custodian. Shares of mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year end. Sentinel Real Estate Fund and U.S. Real Estate Investment Fund, LLC engage independent appraisers to value 100% of

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

the real estate owned for at least 12 months, at various times throughout the year. Securities traded on a national exchange are valued at the last reported sales price.

Administrative expenses

The Town, as Plan sponsor, pays additional significant costs of Plan administration and office expenses.

Funding policy

The Town of Hamden makes contributions to the Plan, at the discretion of the Town's Legislative Council. Contributions are made in accordance with Public Act 18-169. The 2018 update to Connecticut's Pension Statute allowed Hamden to contribute less than 100% of the actuarially recommended contribution through 2020. The Town will be required to contribute 100% of the actuarially recommended contribution annually beginning with the fiscal year ending June 30, 2021.

Plan provisions include mandatory employee contributions by service employees and guardian employees. All employee contributions are made on a pre-tax basis. These contributions are negotiated as part of the collective bargaining agreements.

Service employees contribute 8.00% of their annual compensation increasing to 8.50% effective July 1, 2018. Guardian employees contribute 8.50% of compensation. Board of Education employees contribute 8.00% of their annual compensation increasing to 8.50% effective September 1, 2018. Covered salary includes regular payroll, vacation, holiday, personal, longevity and sick time payroll.

Investments

Investment policy

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

Based on the recommendations of 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.

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

| <u>Asset Class</u> | <u>Minimum</u> | <u>Maximum</u> | <u>Preferred</u> |
|-------------------------------|----------------|----------------|------------------|
| Equities: | | | |
| Large cap | 10% | 35% | 25% |
| Small cap | 0% | 10% | 5% |
| Mid cap | 0% | 10% | 5% |
| International | 5% | 15% | 10% |
| Fixed income | 30% | 50% | 40% |
| Real estate investment trusts | 10% | 20% | 15% |
| Cash and equivalents | | minimal | |

Foreign currency risk

Exposure to foreign currency risk results from investments in foreign currency-denominated securities. The Plan has invested in two international equity funds. Under normal circumstances, the funds' policy is to invest at least 80% of the value of its net assets, plus borrowings for investment purposes, in equity securities issued by companies that are located in, or that derive the highest concentration of their earnings or revenues from, a number of countries other than the United States. At June 30, 2021, investments in these funds totaled \$22,909,557.

Rate of return

For the year ended June 30, 2021, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 22.95%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair value measurement

As required by GASB, certain investments that are measured at net asset value "NAV" have not been classified in the fair value hierarchy. The fair value amount of \$25,174,208, presented in the investment table in Note 4 for the Pension Trust Fund, is measured at net asset value per share practical expedient, including related unfunded commitments and redemption restrictions. The portion of the Plan's investments measured at net asset value at June 30, 2021 is comprised of the following:

| <u>Investment</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|---------------------------------------|-------------------|-----------------------------|-----------------------------|---------------------------------|
| Sentinel Estate Fund | \$ 13,184,206 | n/a | quarterly | 30 days |
| U.S. Real Estate Investment Fund, LLC | 11,990,002 | n/a | quarterly | 30 days |
| Total investments measured at NAV | \$ 25,174,208 | | | |

The Plan's other investments, as stated in Note 4, are measured at fair value using the last quoted sales price or current exchange rates (Level 1).

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Net pension liability of the Town

The Town's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020.

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

| | |
|--|-----------------------|
| Total pension liability | \$ 474,264,812 |
| Plan fiduciary net position | <u>(203,607,931)</u> |
| Net pension liability | <u>\$ 270,656,881</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 42.93% |

Actuarial assumptions

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

| | |
|----------------------------|---|
| Inflation | 2.25% |
| Salary increase | 2.50% |
| Investment rate of return | 7.00%, net of plan investment expense, including inflation |
| Cost-of-living adjustments | 2.25% (1.75% for active Service Employees, Town retirees with dates of retirement on or after July 1, 2018, and Board of Education retirees with dates of retirement on or after September 1, 2018) |

Healthy mortality rates were based on the sex-distinct RP-2000 Combined Healthy Mortality Table, projected 24 years with Scale BB. Disabled mortality rates were based on the sex-distinct RP-2000 Disabled Retiree Mortality Table, projected 24 years with Scale BB.

The actuarial assumptions used in the July 1, 2020 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. A full experience study has not been completed.

Long-term rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target asset allocation and projected arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|------------------------------|---|
| Domestic equities | 37.5% | 6.55% |
| International equity | 10.0% | 7.30% |
| Fixed income | 32.5% | 0.40% |
| Real estate | 20.0% | 3.65% |
| | <u>100.00%</u> | |

Discount rate

The blended discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that plan member contributions will be made at the current contribution rate and that Town contributions are assumed to be \$23,600,000 for the fiscal year ending June 30, 2021, 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, 2020 (24 years remaining). Amortization payments are expected to grow by 2% annually. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability

| | <u>Increase (Decrease)</u> | | |
|---|--|--|--|
| | <u>Total Pension Liability (a)</u> | <u>Plan Fiduciary Net Position (b)</u> | <u>Net Pension Liability (a)-(b)</u> |
| Balances as of June 30, 2020 | \$ 467,164,240 | 168,825,303 | 298,338,937 |
| Changes for the year: | | | |
| Service cost | 3,899,162 | | 3,899,162 |
| Interest on total pension liability | 31,967,621 | | 31,967,621 |
| Employer contributions | | 23,600,000 | (23,600,000) |
| Employee contributions | | 1,842,951 | (1,842,951) |
| Net investment income | | 38,332,278 | (38,332,278) |
| Benefit payments, including refund of employee contributions | (28,766,211) | (28,766,211) | - |
| Administrative expenses | | (226,390) | 226,390 |
| Net changes | \$ 7,100,572 | 34,782,628 | (27,682,056) |
| Balances as of June 30, 2021 | \$ 474,264,812 | 203,607,931 | 270,656,881 |

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percent point lower or 1 percent higher than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability | \$ 324,305,673 | 270,656,881 | 225,561,169 |

Pension trust funds

The Town maintains a pension trust fund to account for its fiduciary responsibility. The following schedules present the net position held in trust for pension benefits at June 30, 2021 and the changes in net position for the year then ended.

Schedule of net position

| | |
|---|----------------|
| Assets: | |
| Cash and cash equivalents | \$ 4,965,013 |
| Receivables | 52,320 |
| Investments | 198,840,598 |
| Total assets | \$ 203,857,931 |
| Liabilities: | |
| Accounts payable and accrued expenses | \$ 250,000 |
| Total liabilities | \$ 250,000 |
| Net assets held in trust for pension benefits | \$ 203,607,931 |

Schedule of changes in net position

| | |
|-----------------------------------|----------------|
| Additions: | |
| Contributions: | |
| Employer | \$ 23,600,000 |
| Employee | 1,842,951 |
| Total | \$ 25,442,951 |
| Investment income: | |
| Net investment income | \$ 38,334,714 |
| Total additions | \$ 63,777,665 |
| Deductions: | |
| Benefits | \$ 28,766,211 |
| Administrative expenses | 226,389 |
| Total deductions | \$ 28,992,600 |
| Net increase | \$ 34,785,065 |
| Net position at beginning of year | 168,822,866 |
| Net position at end of year | \$ 203,607,931 |

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2021 the Town recognized pension expense of \$23,041,605.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ 21,783 | 20,151,336 |
| Changes in assumptions | 39,214 | |
| Differences between expected and actual experience | 2,445,149 | |
| Total | \$ 2,506,146 | 20,151,336 |

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

| Year ended June 30, | |
|---------------------|-----------------|
| 2021 | \$ 1,346,486 |
| 2022 | (4,996,561) |
| 2023 | (4,464,135) |
| 2024 | (4,203,231) |
| 2025 | (5,327,749) |
| Thereafter | - |
| Total | \$ (17,645,190) |

Connecticut Municipal Employees' Retirement System – Defined Benefit Plan

Plan description

The Town's full-time employees participate in Connecticut's Municipal Employees' Retirement System (CMERS), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement, disability, and death benefits to the employees and beneficiaries of participating municipalities. Title 7, Chapter 113 of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions.

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

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Summary of significant accounting policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and expense information about CMERS net position and additions to/deductions from CMERS net position have been determined on the same basis they are reported by CMERS. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefit provisions

General Employees: Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service. Employees under the age of 55 are eligible to retire with 25 years of service.

Police Officers and Firefighters: Compulsory retirement age for police and fire members is age 65.

Normal Retirement: Members not covered by social security receive a benefit of 2% of average final compensation times years of service. Members covered by social security receive a benefit of 1.5% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

Early Retirement: Employees are eligible after 5 years of active continuous service or 15 years of active aggregate service. The benefit is calculated based on average final compensation and service to date of termination. Deferred to normal retirement age or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement: Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of police officers and firefighters, who began employment prior to July 1, 1996, is presumed to have been suffered in the line of duty. Benefits are calculated based on compensation and service to the date of the disability with a minimum benefit of 50% of compensation at the time of disability. Non-service related disability benefits are provided to employees with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

Pre-Retirement Death Benefit: The Plan also offers a lump-sum return of contributions with interest or if vested and married, the surviving spouse will receive a lifetime benefit.

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Contribution requirements

Employer

The Town, as a participating municipality, makes 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 CMERS not met by member contributions. There is also an annual administrative fee per active and retired members.

The current rate is 11.74% and 17.13% of annual covered payroll for service employees, and police, respectively. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The Town's contributions to CMERS for the years ended June 30, 2020, 2019 and 2018 were \$3,210,514, \$3,052,674, and \$2,388,233 respectively, equal to the required contributions for each year.

Employee

Plan members not covered by social security are required to contribute 5% of compensation. Employees covered by social security are required to contribute 2.25% of compensation up to the Social Security taxable wage base plus 5% of compensation, if any, in excess of such base.

Pension liabilities (assets), pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2021, the Town reported a liability for its proportionate share of the net pension liability in the government-wide statement of net position. The amount recognized by the Town for its proportionate share of the net pension liability was \$40,921,009 based on the Town's proportionate share of 5.186786% for service employees and 5.087421% for police.

The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The changes in assumptions that affected the measurement of the total pension liability since the prior measurement date, were updating rates of inflation, real investment return mortality, withdrawal, disability, retirement and salary increase to more closely reflect actual and anticipated experience.

The Town recognized its proportionate share of the collective pension expense in the government-wide statement of activities in the amount of \$9,615,859 for the year ended June 30, 2021.

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to CMERS pension benefits as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Net difference between projected and actual earnings on plan investments | \$ 4,091,441 | |
| Changes of assumptions | 6,296,997 | |
| Change in proportional share | 2,484,595 | 304,015 |
| Net difference between employer expected and actual experience | 2,562,272 | 4,211,754 |
| Total | \$ 15,435,305 | 4,515,769 |

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Net deferred outflows and inflows of resources for pensions is amortized and recognized as an increase/decrease to the net pension expense/liability each year as follows:

| Year Ended June 30, | |
|------------------------|----------------------|
| 2021 | \$ 4,560,606 |
| 2022 | 5,135,595 |
| 2023 | 685,616 |
| 2024 | 537,719 |
| 2025 | - |
| Thereafter | - |
| | \$ <u>10,919,536</u> |

Actuarial assumptions

The total pension liability is based upon the July 1, 2020 actuarial valuation. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017. The key actuarial assumptions used in the valuation were as follows:

| | |
|-------------------------------------|--|
| Inflation | 2.5% |
| Salary increase | 3.50-10.00%, including inflation |
| Long-term investment rate of Return | 7.00%, net of pension plan investment expense, including inflation |

For the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used. The static projection produces sufficient margin in the mortality rates to reflect future improvement in our judgment.

Future Cost of Living adjustments (COLA) for members who retire on or after January 1, 2002, are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%, and the maximum is 6%.

Long-term rate of return

The long-term expected rate of return on pension plan investments was determined using statistical 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 most recent best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------|----------------------|--|
| Domestic equity | 20.0% | 5.3% |
| Developed market international | 11.0% | 5.1% |
| Emerging market international | 9.0% | 7.4% |
| Core fixed income | 16.0% | 1.6% |
| Inflation linked bond fund | 5.0% | 1.3% |
| Emerging market debt | 5.0% | 2.9% |
| High yield bonds | 6.0% | 3.4% |
| Real estate | 10.0% | 4.7% |
| Private equity | 10.0% | 7.3% |
| Alternative investments | 7.0% | 3.2% |
| Liquidity fund | 1.0% | 0.9% |
| Total | 100.0% | |

Discount rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarial determined rates in 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 net pension liability of the Town calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|---------------------------|--|---------------------------|
| Proportionate share of the net pension liability | \$ 31,684,462 | 22,623,077 | 14,985,514 |

Teachers' retirement

All Town of Hamden Board of Education certified employees participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut.

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Plan description

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

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

Benefit provisions

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

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

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

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

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

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary.

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

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

Contributions

State of Connecticut

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

Employer (school districts)

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

Employees

Effective July 1, 1992, participants are required to contribute 6.00% of their pensionable salary to the pension System as required by CGS Section 10-183b (7). Effective January 1, 2018, the required contribution increased to 7.00% of pensionable salary. For the year ended June 30, 2021, \$3,247,388 mandatory contributions were deducted from the salaries of teachers who were participants in the System. The estimated covered payroll for the Town was \$46,456,198.

Administrative expenses

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

The State has a statutory requirement to pay 100% of the required Plan contribution, therefore as of June 30, 2020; the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability associated with the Town were as follows:

| | | |
|---|----|--------------------|
| Town's proportionate share of the net pension liability | \$ | - |
| State's proportionate share of the net pension liability associated with the Town | | 206,095,940 |
| Total net pension liability | \$ | <u>206,095,940</u> |

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2017.

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

For the year ended June 30, 2021 the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$23,993,532 as payments made by the State of Connecticut on behalf of the Town.

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.50% |
| Salary increase | 3.50-10.00%, including inflation |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |
| Administrative expenses | \$0 assumption as expenses are paid for by the State of CT General Assembly |

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

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

Long-term rate of return

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

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------|-------------------|--|
| Large cap U.S. equities | 20.0% | 8.1% |
| Developed non-U.S. equities | 11.0% | 8.5% |
| Emerging markets - non-U.S. | 9.0% | 10.4% |
| Core fixed income | 16.0% | 4.6% |
| Inflation linked bonds | 5.0% | 3.6% |
| Emerging market bond | 5.0% | 5.2% |
| High yield bonds | 6.0% | 6.0% |
| Real estate | 10.0% | 7.0% |
| Private equity | 10.0% | 9.8% |
| Alternative investment - R.E. | 4.0% | 8.2% |
| Alternative investment - Hedge | 3.0% | 5.4% |
| Cash | 1.0% | 2.9% |
| Total | 100.0% | |

Discount rate

The discount rate used to measure the total pension liability was 6.9%. 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 rates in 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. Any change in the discount rate would only have an effect on the amount recorded by the State of Connecticut.

Note 10 - Other Post-Employment Benefits Plan

Plan description

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. The Plan is administered and managed by the Town. An annual actuarial valuation is made to determine whether the Plan assets and contributions are sufficient to meet the Plan liabilities. The latest actuarial valuation was made July 1, 2019. The post-employment plan does not issue stand-alone financial reports.

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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. 75 as of July 1, 2017 the Town is required to report a liability on the face of the financial statements for the OPEB it provides.

Membership in the Plan consisted of the following at July 1, 2019, the date of the last actuarial valuation:

| | |
|---|---------------------|
| Retirees and beneficiaries receiving benefits | 1,636 |
| Active plan members | <u>1,110</u> |
| Total | <u><u>2,746</u></u> |

Funding policy

The contribution requirements of Plan members and the Town are established and may be amended by the Town. For fiscal year 2020, the Town contributions to the Plan were \$18,520,092 and total benefits provided on a pay-as-you go basis were \$17,721,843.

Effective July 1, 2016 the Town's required contributions are actuarially determined on an annual basis using the entry age normal actuarial cost method, level percent of pay. Prior to July 1, 2016, a projected unit credit cost method was used.

Benefits

The Plan provides certain Town and Board of Education retirees with medical, prescription drug, and life insurance benefits, in accordance with policies for non-bargaining employees and various bargaining employees' union contracts. Provisions of the benefits are as follows:

| Employee Type | Eligibility | | (1) Retiree Contribution | Retiree Benefits | | |
|---------------------------------|-------------|-------------------------|-----------------------------|------------------|-------------------|--------------------|
| | Age | (1) Years of Service | | Spouse Coverage | Survivor Coverage | Life Insurance |
| Service employee bargaining | 55 | 10-20 | (4) 0%-10.0% | (5) Yes | (5) Yes | (1) \$0-\$5,000 |
| Service employee non-bargaining | 55 | (2) 10-15 | (2) 0%-14% | Yes | Yes | BOE – (6) |
| Police & Fire bargaining | 48 | 15 | (4) 0%-17% | Yes | Yes | \$5,000 |

(1) – varies depending on applicable union contract

(2) – varies by employee of Town or Board of Education and hire date

(3) – varies by hire and retire date

(4) – varies by plan selected and retire date

(5) – with the exception of one bargaining unit

(6) – available for grandfathered retirees

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Investments

Investment policy

The Plan does not have a formal investment policy. Plan assets are in cash and cash equivalents as of June 30, 2021.

Rate of return

For the year ended June 30, 2021, the annual money-weighted rate of return on the plan investments, net of plan investment expense, was 0.618%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB liability

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

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

| | |
|---|-----------------------|
| Total OPEB liability | \$ 631,811,941 |
| Plan fiduciary net position | <u>(1,645,651)</u> |
| Net OPEB liability | <u>\$ 633,457,592</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | (0.26%) |

The Town's net OPEB liability is required to be recorded in the government-wide financial statement of net position as of June 30, 2021.

Actuarial assumptions

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

| | |
|------------------------------|--|
| Payroll growth rate | 3.50% |
| Discount rate | 2.21% as of June 30, 2020; 3.50% as of June 30, 2019 |
| Investment rate of return | 3.50% |
| Healthcare cost trend rates: | |
| Medical (non-Medicare) | 7.0% graded to 4.5% over 10 years |
| Medical (Medicare) | 5.5% graded to 4.5% over 4 years |
| Prescription drug | 8.0% graded to 4.5% over 14 years |
| Dental | 3.5% |
| Administrative expenses | 3.0% |
| ACA excise tax threshold | 3.0% in 2018; 2.5% thereafter |

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Teachers and administrators

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

Disabled mortality rates were based on RPH-2014 Disabled Morality Table projected to 2017 with Scale BB.

The rates for Teachers and Administrators were developed by the Connecticut State Teachers' Retirement System Experience Study for the five-year period ending June 20, 2015 dated October 29, 2015.

All other employees

Healthy mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected 24 years with Scale BB.

Disabled mortality rates were based on the RP-2000 Disabled Retiree Table projected 24 years with Scale BB.

The actuarial assumptions used in the July 1, 2018 valuation were based on detailed census data provided by the employer, premium data and/or claim experience, and summary plan descriptions for OPEB were provided by the employer and by Anthem. A full experience study has not been completed.

Long-term rate of return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns 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 and subtracting expected investment expenses and a risk margin. The target asset allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2019 are summarized below:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return * |
|--------------------|------------------------------|---|
| Short term/cash | 100.00% | (.20%) |
| | <u>100.00%</u> | |

*Net of inflation of 2.00%.

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Discount rate

The discount rate used to measure the total OPEB liability was a blend of the long-term expected rate of return on OPEB trust assets and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher (3.50% as of June 30, 2019). The blending is based on the sufficiency of projected assets to make projected benefit payments. Since assets do not cover even one year of benefit payments, the discount rate is the bond rate.

Changes in the net OPEB liability

| | Increase (Decrease) | | |
|---|--------------------------------|--|----------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) |
| Balances as of June 30, 2020 | \$ 625,318,498 | (1,534,013) | 626,852,511 |
| Changes for the year: | | | |
| Service cost | \$ 11,890,162 | | 11,890,162 |
| Interest | 13,861,884 | | 13,861,884 |
| Change of benefit terms | | | |
| Difference between expected and actual experience | (3,566,445) | | (3,566,445) |
| Changes in assumptions | 4,365,670 | | 4,365,670 |
| Employer contributions | | 18,291,485 | (18,291,485) |
| Employee contributions | | 1,654,849 | (1,654,849) |
| Other | | | |
| Net investment income | | (144) | 144 |
| Benefit payments, including refund of employee contributions | (20,057,828) | (20,057,828) | |
| Net changes | \$ (6,493,443) | (111,638) | 6,605,081 |
| Balances as of June 30, 2021 | \$ 631,811,941 | (1,645,651) | 633,457,592 |

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Town, calculated using the discount rate of 3.50%, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1 percent point lower (1.21%) or 1 percent higher (3.21%) than the current rate:

| | 1% Decrease (1.16%) | Current Discount Rate (2.16%) | 1% Increase (3.16%) |
|--------------------|------------------------|--|------------------------|
| Net OPEB liability | \$ 731,317,556 | 633,457,592 | 554,787,411 |

TOWN OF HAMDEN, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS****June 30, 2021****Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates**

The following presents the net OPEB liability of the Town, calculated using the healthcare trend rates per type as stated in the section of actuarial assumptions as well as what the Town's net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percent point lower or 1 percent higher than the current healthcare trend rates:

| | | 1% Decrease | Current Healthcare Trend Rate | 1% Increase |
|--------------------|----|-------------|-------------------------------------|-------------|
| Net OPEB liability | \$ | 535,270,934 | 633,457,592 | 758,251,386 |

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

Schedule of Net Position

| | | OPEB Trust Fund |
|---------------------------------------|----|--------------------|
| Assets: | | |
| Cash and cash equivalents | \$ | 850,334 |
| Accounts receivable | | 250,000 |
| Total assets | \$ | 1,100,334 |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ | 1,827,709 |
| Other liabilities | | 918,276 |
| Total liabilities | \$ | 2,745,985 |
| Net position (deficit) | \$ | (1,645,651) |

Schedule of Changes in Net Position

| | | |
|--|----|------------|
| Additions: | | |
| Contributions: | | |
| Employer | \$ | 17,428,000 |
| Employee | | 1,654,849 |
| Other | | 863,485 |
| Total | \$ | 19,946,334 |
| Investment income: | | |
| Net appreciation (depreciation) in fair value of investments | \$ | - |
| Interest and dividends | | 106 |
| Total investment income | \$ | 106 |
| Total additions | \$ | 19,946,440 |
| Deductions: | | |
| Benefits | | 20,058,078 |
| Net increase (decrease) | \$ | 111,638 |
| Net position at beginning of year | | 1,534,013 |
| Net position at end of year | \$ | 1,645,651 |

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2021, the Town recognized OPEB expense of \$40,983,820. As of June 30, 2021, deferred outflows and inflows of resources related to OPEB are reported as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual Experience | \$ 20,840,138 | 6,662,828 |
| Changes in assumptions | 65,167,698 | 21,054,146 |
| Net difference between projected and actual earnings on OPEB plan investments | 53,932 | |
| Total | \$ 86,061,768 | 27,716,974 |

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

| Year Ended June 30, | |
|---------------------|---------------|
| 2022 | \$ 16,338,965 |
| 2023 | 17,816,194 |
| 2024 | 18,664,850 |
| 2025 | 5,479,545 |
| 2026 | 45,240 |
| Thereafter | - |
| Total | \$ 58,344,794 |

Teachers' Retirement OPEB Plan

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

Plan description

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

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NOTES TO THE FINANCIAL STATEMENTS

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

Benefit provisions

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

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

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

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

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

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

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

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

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

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

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

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

Contributions

State of Connecticut

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

Employer (school districts)

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

Employees

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

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

For the year ended June 30, 2021, \$404,160 mandatory contributions were deducted from the salaries of active teachers who were participants in the System. The estimated covered payroll for the Town was \$46,391,000.

Administrative expenses

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

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

The State has a statutory requirement to pay 100% of the required Plan contribution; therefore, as of June 30, 2021 the Town reports no amounts for its proportionate share of the net OPEB liability and related deferred outflows and inflows. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability associated with the Town were as follows:

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

| | | |
|--|----|-------------------|
| Town's proportionate share of the net OPEB liability | \$ | - |
| State's proportionate share of the net OPEB liability associated with the Town | | 30,739,217 |
| Total net OPEB liability | \$ | <u>30,739,217</u> |

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For the year ended June 30, 2021, the Town has recognized, in the General Fund, intergovernmental revenue and education expenditures related to OPEB in the amount of \$2,229,506 as payments made by the State of Connecticut on behalf of the Town teachers' OPEB.

Actuarial assumptions

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

| | |
|---|---|
| Inflation | 2.50% |
| Salary increase | 3.00-6.50%, including inflation |
| Long-term investment rate of return | 3.00%, net of pension plan investment expense, including inflation |
| Real wage growth | .50% (Previously 0.75%) |
| Wage inflation | 3.00% (Previously 3.25%) |
| Municipal bond index rate | 2.21%, (3.50% at prior measurement date) |
| Single equivalent interest rate | 2.21%, net of OPEB plan investment expense, including inflation (3.50% at prior measurement date) |
| Healthcare cost trend rates | 5.125% for 2020 decreasing to an ultimate rate of 4.50% by 2023 |
| Administrative expenses | \$0 assumption as expenses are paid for by the State of CT General Assembly |
| Year fund net position will be depleted | 2019 |

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

TOWN OF HAMDEN, CONNECTICUT

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Long-term rate of return

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------------|------------------------------|---|
| U.S. Treasuries (cash equivalents) | 100.0% | 2.00% |
| Total | <u>100.0%</u> | |

Discount rate

The discount rate used to measure the total OPEB was 3.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to have been made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2021 and, as a result, the Municipal Bond Index Rate was used in the determination.

Sensitivity of the net OPEB liability to changes in the discount rate

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

Note 11 - Commitments and Contingencies

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

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

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Pension obligation bond

In accordance with the State of Connecticut pension statute, as revised in 2018, the Town was required to contribute 55% of the actuarial required contribution (ARC) for the fiscal year 2018, 70% for the fiscal 2019, 85% for 2020 and 100% for the 2021 fiscal year and moving forward.

Lawsuits

There were several personal injuries, negligence and personnel related lawsuits pending against the Town. The outcome and eventual liability of the Town, if any in these cases, is not known at this time. 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

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 were responsible for the remediation of certain properties located in the Newhall section of the Town which contain waste materials and other pollutants. The Town's remediation work has been completed at the two park properties and they have been redeveloped. The Town currently has approximately \$37,762 in its capital plan to pay for the costs associated long term ground water monitoring.

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 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.

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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 31st 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. There were no additional reserve fees added per ton for the year ended June 30, 2021.

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.

State of Connecticut Waive of Audit Deficiencies

On June 30, 2021, the State of Connecticut passed Public Act No. 21-111, which waives all audit deficiencies for the Town of Hamden related to costs associated with (1) the new construction project at Spring Glenn School, provided that costs do not exceed \$1,792,894, (2) the interdistrict magnet facility project at Wintergreen Interdistrict Magnet School, provided cost do not exceed \$1,250,012, and the new construction project at Hamden Middle School, provided that total costs do not exceed \$2,940,200. The revenue and related liabilities were not recognized in the financial statements.

Construction contracts

The Town has several construction contracts in progress at June 30, 2021.

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 program 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 THE FINANCIAL STATEMENTS

June 30, 2021

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 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.

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 workers' 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 |
|---|--------------------------------|---------------------------------------|----------------|-----------------------------|
| Workers' compensation and medical insurance: | | | | |
| 2020 | \$ 9,908,247 | 23,215,774 | 24,956,689 | 8,167,332 |
| 2021 | 8,167,332 | 26,808,618 | 26,148,387 | 8,827,563 |
| Heart and hypertension: | | | | |
| 2020 | 2,923,094 | - | 1,982,215 | 940,879 |
| 2021 | 940,879 | - | 71,054 | 869,825 |
| Total: | | | | |
| 2020 | 12,831,341 | 23,215,774 | 26,938,904 | 9,108,211 |
| 2021 | 9,108,211 | 26,808,618 | 26,219,441 | 9,697,388 |

Note 12 - Fund Deficits Committed fund balances

Fund deficits

The Town has the following fund deficits at June 30, 2021, and expects to eliminate the deficits in the future as follows:

| Fund | Deficit | Plan For Elimination |
|--------------------------------|-----------|--|
| Human services | \$ 45,428 | Future charges for services |
| Public works | 353,805 | Future receipt of grant |
| Community development | 53,230 | Future receipt of Grants |
| Ice rink | 1,071,890 | Future charges for services |
| Wintergreen Magnet School | 1,117,574 | Future receipt of grant |
| Other capital projects | 60,362 | Future bonding and receipt of grants |
| Public emergency account | 1,504,024 | Future receipt of grant and appropriations |
| Workers' compensation | 8,593,107 | Future charges for services |
| Medical insurance | 3,138,697 | Future charges for services |
| Other post employment benefits | 1,645,651 | Future charges for services |

TOWN OF HAMDEN, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Committed and restricted fund balances

The general funds committed fund balance totaled \$743,828, which is required to be expended on preserving the Town's clerk historic documents in accordance with the State Statutes.

The capital projects funds committed fund balance totaled \$12,628,412, which is required to be expended in accordance the related bond ordinances.

Note 13 – Subsequent Events

On August 12, 2021, the Town issued \$19,320,000 of general obligation bonds and \$9,145,000 general obligation refunding bonds. The Town received \$4,043,059 in premium payments as part of the sale. The bond will refinance \$13,280,000 of existing debt and provide \$6,040,000 to the Town's capital project fund. Payments will be over 15 years with annual interest rate of 3%-5%.

Management has evaluated events subsequent to the date of the financial statements through February 11, 2022, the date the financial statements were available to be issued. No other events have occurred subsequent to the Statement of Net Position date through February 11, 2022, that would require readjustment to the financial statements.

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

Last Eight Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------|----------|----------|----------|----------|----------|----------|----------|
| Total pension liability: | | | | | | | | |
| Service cost | \$ 3,899 | 4,222 | 4,508 | 5,113 | 5,225 | 5,888 | 6,210 | 6,239 |
| Interest | 31,968 | 31,823 | 31,405 | 30,704 | 30,036 | 30,955 | 30,824 | 31,149 |
| Changes in benefit terms | - | (10,230) | - | (2,873) | - | - | - | - |
| Differences between expected and actual experience | - | 4,890 | (2,049) | (748) | (202) | 1,347 | (10,769) | 5,303 |
| Changes of assumptions | - | 78 | - | - | - | (26,672) | - | - |
| Benefit payments, including refunds of member contributions | (28,766) | (28,020) | (27,204) | (26,177) | (24,861) | (24,437) | (24,325) | (23,582) |
| Net change in total pension liability | \$ 7,101 | 2,764 | 6,661 | 6,019 | 10,199 | (12,918) | 1,939 | 19,108 |
| Total pension liability - beginning | 467,164 | 464,400 | 457,739 | 451,720 | 441,522 | 454,440 | 452,501 | 433,393 |
| Total pension liability - ending | \$ 474,265 | 467,164 | 464,400 | 457,739 | 451,720 | 441,522 | 454,440 | 452,501 |
| Plan fiduciary net position: | | | | | | | | |
| Contributions - employer | \$ 23,600 | 19,210 | 15,926 | 12,650 | 14,747 | 12,100 | 137,071 | 12,500 |
| Contributions - employee | 1,843 | 2,055 | 2,049 | 2,120 | 2,042 | 2,195 | 2,232 | 2,182 |
| Net investment income | 38,332 | 8,644 | 11,847 | 12,389 | 17,070 | 1,469 | (1,356) | 6,997 |
| Benefit payments, including refunds of member contributions | (28,766) | (28,020) | (27,204) | (26,177) | (24,861) | (24,437) | (24,325) | (23,582) |
| Administrative expenses | (226) | (165) | (111) | (118) | (103) | (119) | (109) | (76) |
| Net change in plan fiduciary net position | \$ 34,783 | 1,724 | 2,507 | 865 | 8,896 | (8,792) | 113,513 | (1,980) |
| Plan fiduciary net position - beginning | 168,825 | 167,102 | 164,595 | 163,730 | 154,834 | 163,626 | 50,113 | 52,093 |
| Plan fiduciary net position - ending | \$ 203,608 | 168,825 | 167,102 | 164,595 | 163,730 | 154,834 | 163,626 | 50,113 |
| Net pension liability - ending | \$ 270,657 | 298,339 | 297,298 | 293,144 | 287,990 | 286,688 | 290,814 | 402,388 |
| Plan fiduciary net position as a percentage of total pension liability | 42.93% | 36.14% | 35.98% | 35.96% | 36.25% | 35.07% | 36.01% | 11.07% |
| Covered payroll | \$ 23,607 | 23,031 | 24,957 | 26,088 | 26,805 | 28,397 | 28,992 | 29,347 |
| Net pension liability as a percentage of its covered payroll | 1146.53% | 1295.39% | 1191.23% | 1123.67% | 1074.39% | 1009.57% | 1003.08% | 1371.13% |

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

Numbers shown in thousands.

Notes To Schedule

Changes in benefit terms Effective July 1, 2018 for active Town employees and September 1, 2018 for Active Board of Education employees, the inflationary cost-of-living adjustments on benefits after retirement is limited to 1.75% per year. The contribution rate for Town employees increased from 8.00% of annual compensation to 8.50% effective July 1, 2018, and to 9.00% effective July 1, 2019. The contribution rate for Board of Education employees increased from 8.00% of annual compensation to 8.50% effective September 1, 2018, and to 9.00% effective July 1, 2019.

Changes in assumptions None in last two years

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age
Amortization method Level percent with 2% annual increases, closed period
Remaining amortization period 24 years remaining as of July 1, 2020
Asset valuation method Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the actuarial value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Inflation 2.25%
Salary increase 2.50%
Investment rate of return 7.00%, net of pension plan investment expense, including inflation

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - OPEB

Last Five Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|----------------|--------------|--------------|--------------|--------------|
| Total OPEB liability: | | | | | |
| Service cost | \$ 11,890,162 | 8,083,621 | 8,832,669 | 9,293,258 | 10,981,900 |
| Interest | 13,861,884 | 18,268,650 | 19,768,766 | 18,746,907 | 16,413,807 |
| Change of benefit terms | - | - | (11,626,527) | - | - |
| Differences between expected and actual experience | (3,566,445) | (4,949,136) | 48,022,928 | (2,365,223) | - |
| Changes of assumptions | 4,365,670 | 98,974,673 | (34,540,249) | (20,857,617) | (58,924,795) |
| Benefit payments | (20,057,828) | (17,721,843) | (19,566,412) | (17,183,899) | (18,548,270) |
| Net change in total OPEB liability | \$ 6,493,443 | 102,655,965 | 10,891,175 | (12,366,574) | (50,077,358) |
| Total OPEB liability - beginning | 625,318,498 | 522,662,533 | 511,771,358 | 524,137,932 | 574,215,290 |
| Total OPEB liability - ending | \$ 631,811,941 | 625,318,498 | 522,662,533 | 511,771,358 | 524,137,932 |
| Plan fiduciary net position: | | | | | |
| Contributions - employer | \$ 18,291,485 | 16,496,644 | 17,230,000 | 16,050,000 | 14,350,000 |
| Contributions - employee | 1,654,849 | 1,523,448 | 1,588,437 | 1,453,221 | 1,366,075 |
| Other | - | - | 588,722 | - | - |
| Net investment income | (144) | 8,545 | 12,263 | 5,705 | - |
| Benefit payments, including refunds of member contributions | (20,057,828) | (17,721,843) | (19,566,412) | (17,183,899) | (17,528,220) |
| Administrative and other costs | - | (249) | (249) | (250) | - |
| Net change in plan fiduciary net position | \$ (111,638) | 306,545 | (147,239) | 324,777 | (1,812,145) |
| Plan fiduciary net position - beginning | (2,034,013) | (2,340,558) | (2,193,319) | (2,518,096) | (705,951) |
| Plan fiduciary net position - ending | \$ (2,145,651) | (2,034,013) | (2,340,558) | (2,193,319) | (2,518,096) |
| Net OPEB liability - ending | \$ 633,957,592 | 627,352,511 | 525,003,091 | 513,964,677 | 526,656,028 |
| Plan fiduciary net position as a percentage of total OPEB liability | 0.34% | 0.33% | 0.45% | 0.43% | 0.48% |
| Covered-employee payroll | N/A | N/A | N/A | N/A | N/A |
| Net OPEB liability as a percentage of its covered-employee payroll | N/A | N/A | N/A | N/A | N/A |

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

Notes to Schedule

| | |
|-------------------------|--|
| Change in benefit terms | Various retiree contribution premium % increases, various changes in eligibility based on hire and retire date |
| Changes in assumptions | The discount rate was lowered from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021. |

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLAN

Last Ten Fiscal Years

| | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a Percentage of Covered Payroll |
|------|---|------------------------|--|--------------------|--|
| 2021 | \$ 23,427,618 | 23,600,000 | (172,382) | 23,606,564 | 99.97% |
| 2020 | 23,230,930 | 19,210,000 | 4,020,930 | 23,030,794 | 83.41% |
| 2019 | 22,605,704 | 15,925,708 | 6,679,996 | 24,957,309 | 63.81% |
| 2018 | 21,974,384 | 12,650,000 | 9,324,384 | 26,088,216 | 48.49% |
| 2017 | 21,067,247 | 14,747,073 | 6,320,174 | 26,805,022 | 55.02% |
| 2016 | 21,998,113 | 12,100,000 | 9,898,113 | 28,397,008 | 42.61% |
| 2015 | 29,536,050 | 14,768,025 | 14,768,025 | 28,992,189 | 50.94% |
| 2014 | 27,688,031 | 12,500,000 | 15,188,031 | 29,347,110 | 42.59% |
| 2013 | 27,145,128 | 9,340,000 | 17,805,128 | - | N/A |
| 2012 | 19,850,851 | 3,040,000 | 16,810,851 | 31,241,635 | 9.73% |

Notes to Schedule

Valuation date July 1, 2020
Measurement date June 30, 2021

Changes in benefit terms Unchanged from valuation date July 1, 2019, measurement date June 30, 2018 but with current year applicability: Effective July 1, 2018 for active Town employees and September 1, 2018 for Active Board of Education employees, the inflationary cost-of-living adjustments on benefits after retirement is limited to 1.75% per year. The contribution rate for Town employees increased from 8.00% of annual compensation to 8.50% effective July 1, 2018, and to 9.00% effective July 1, 2019. The contribution rate for Board of Education employees increased from 8.00% of annual compensation to 8.50% effective September 1, 2018, and to 9.00% effective July 1, 2019.

Changes in assumptions None

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 24 years remaining as of July 1, 2020
Asset valuation method Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the actuarial value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.

Inflation 2.25%
Salary increases 2.50%
Investment rate of return 7.00%, net of pension plan investment expense, including inflation
Cost-of-living adjustments 2.25% (1.75% for active Service Employees, Town retirees with dates of retirement on or after July 1, 2018, and Board of Education retirees with dates of retirement on or after September 1, 2018)

Actuarially determined contribution is calculated using a July valuation date as of the beginning of the fiscal year in which contributions are reported.

**SCHEDULE OF TOWN CONTRIBUTIONS
CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Last Seven Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 3,922,136 | 3,068,152 | 3,210,514 | 3,052,674 | 2,388,233 | 2,157,149 | 1,850,559 |
| Contributions in relation to the contractually required contribution | <u>3,922,136</u> | <u>3,068,152</u> | <u>3,210,514</u> | <u>3,052,674</u> | <u>2,388,233</u> | <u>2,157,149</u> | <u>1,850,559</u> |
| Contribution deficiency (excess) | \$ <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Town's covered payroll | \$ 24,061,009 | 22,708,495 | 24,107,491 | 22,407,613 | 18,861,408 | 17,007,020 | 13,794,049 |
| Contributions as a percentage of covered payroll | 16.30% | 13.51% | 13.32% | 13.62% | 12.66% | 12.68% | 13.42% |

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

Notes to Schedule

Valuation date June 30, 2020
Measurement date June 30, 2020
Reporting date June 30, 2021

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date.

Changes in benefit terms None

Changes in assumptions In 2018, rates of inflation, investment return, withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the five year period ended July 30, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age
Amortization method Level dollar, closed
Single equivalent amortization period 19 years
Asset valuation method 5-year smoothed market (20% write up)
Inflation 2.5%
Salary increase 3.50-10.00%, including inflation
Investment rate of return 7.00%, net of investment related expense

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

Last Ten Fiscal Years

| | | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered - Employee Payroll | Contribution as a Percentage of Covered - Employee Payroll |
|------|----|---|------------------------|--|----------------------------------|--|
| 2021 | \$ | 45,055,272 | 18,291,485 | 26,763,787 | N/A | N/A |
| 2020 | | 40,511,698 | 16,746,644 | 23,765,054 | N/A | N/A |
| 2019 | | 38,269,611 | 17,818,722 | 20,450,889 | N/A | N/A |
| 2018 | | 34,444,433 | 16,050,000 | 18,394,433 | N/A | N/A |
| 2017 | | 32,492,119 | 14,650,000 | 17,842,119 | N/A | N/A |
| 2016 | | N/A | N/A | N/A | N/A | N/A |
| 2015 | | N/A | N/A | N/A | N/A | N/A |
| 2014 | | N/A | N/A | N/A | N/A | N/A |
| 2013 | | N/A | N/A | N/A | N/A | N/A |
| 2012 | | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule

Valuation date July 1, 2018
Measurement date June 30, 2021

Changes in benefits Various retiree contribution premium % increases, various changes in eligibility based on hire and retire date

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal, level percent of pay
Amortization method Payments increasing at 3.50%, closed, 30 years
Remaining amortization period 18 years as of July 1, 2020
Asset valuation method Market value
Inflation 2.10%
Investment rate of return 3.00%
Healthcare cost trends:
Non-Medicare 7.0% graded to 4.5% over 10 years
Medicare medical 5.5% graded to 4.5% over 4 years
Drug cost 8.0% graded to 4.5% over 14 years
Dental 3.5%
Administrative expenses 3.0%
ACA excise tax threshold 3.0% in 2018; 2.0% thereafter
Healthy mortality rates Varies by group
Disabled mortality rates Varies by group

SCHEDULE OF INVESTMENT RETURNS - PENSION PLAN

Last Eight Fiscal Years

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 22.95% | 5.28% | 7.21% | 7.73% | 11.27% | 0.94% | -1.76% | 14.44% |

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

SCHEDULE OF INVESTMENT RETURNS - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Last Eight Fiscal Years

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | -0.007% | 0.722% | 0.618% | 0.551% | 0.264% | N/A | N/A | N/A |

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

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Last Seven Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|------------|------------|------------|------------|------------|------------|
| Town's proportion of the net pension liability - general employees | 6.01% | 5.62% | 5.37% | 4.65% | 4.65% | 3.97% | 3.97% |
| Town's proportion of the net pension liability - police | 5.10% | 4.84% | 15.86% | 13.44% | 13.44% | 9.91% | 9.91% |
| Town's proportionate share of the net pension liability (asset) | \$ 40,921,009 | 36,502,937 | 31,324,752 | 13,060,976 | 15,411,097 | 7,642,956 | 5,510,908 |
| Town's covered payroll | 24,061,009 | 22,708,495 | 24,107,491 | 17,294,489 | 17,294,489 | 11,446,209 | 11,446,209 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 170.07% | 160.75% | 129.94% | 75.52% | 89.11% | 66.77% | 48.15% |
| Plan fiduciary net position as a percentage of total pension liability | 71.18% | 72.69% | 73.60% | 91.68% | 88.29% | 92.72% | 90.48% |

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

Notes to Schedule

Changes in benefit terms None

Changes in assumptions In 2018, rates of inflation, investment return, withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the five year period ended June 30, 2017.

Methods and assumptions used to determine contribution rates:

| | |
|---------------------------------------|---------------------------------------|
| Actuarial cost method | Entry age |
| Amortization method | Level dollar, closed |
| Single equivalent amortization period | 23 years |
| Asset valuation method | 5-year smoothed market (20% write up) |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Town's proportionate of the net pension liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Town's proportionate share of the net pension liability | \$ - | - | - | - | - | - | - |
| State's proportionate share of the net pension liability associated with the Town | 206,095,940 | 195,359,950 | 150,633,871 | 151,886,550 | 160,241,474 | 122,756,960 | 113,464,208 |
| Total | \$ 206,095,940 | 195,359,950 | 150,633,871 | 151,886,550 | 160,241,474 | 122,756,960 | 113,464,208 |
| Town's covered payroll | \$ 46,456,198 | 46,652,789 | 46,391,257 | 46,685,753 | 46,106,650 | 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% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of total pension liability | 49.24% | 52.00% | 57.69% | 55.93% | 52.26% | 59.50% | 61.51% |

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

Notes to Schedule

Changes in benefit terms Beginning January 1, 2018, member contributions increased from 6% to 7% of salary.

Changes in assumptions In 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2015.

Methods and assumptions used to determine contribution rates:

| | |
|---------------------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percent of pay, closed |
| Single equivalent amortization period | 17.6 years |
| Asset valuation method | 4-year smoothed market |
| Inflation | 2.50% |
| Salary increase | 3.00-6.50%, including inflation |
| Investment rate of return | 6.90%, net of investment related expense, including inflation |

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

Last Four Fiscal Years

| | 2021 | 2020 | 2019 | 2018 |
|---|---------------|------------|------------|------------|
| Town's proportionate of the net OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% |
| Town's proportionate share of the net OPEB liability | \$ - | - | - | - |
| State's proportionate share of the net OPEB liability associated with the Town | 30,739,217 | 30,467,485 | 30,112,677 | 39,093,867 |
| Total | \$ 30,739,217 | 30,467,485 | 30,112,677 | 39,093,867 |
| Town's covered payroll | \$ 46,456,198 | 46,652,789 | 46,391,257 | 46,685,753 |
| Town's proportionate share of the net OPEB liability as a percentage of its covered payroll | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of total OPEB liability | 2.50% | 2.08% | 1.49% | 1.79% |

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

Notes to Schedule

| | |
|--------------------------|--|
| Changes in benefit terms | The Plan was amended by the State Board, effective July 1, 2018. The amendment added the Anthem Medicare Advantage Plan to the available options under the Plan, changed the "base plan" to the Medicare Advantage Plan for purposes of determining retiree subsidies and/or cost sharing amount(s), and introduced a two year waiting period for re-enrollment in a System-sponsored health care plan for those who cancel coverage or choose not to enroll in a health care coverage option on or after the effective date. |
| Changes in assumptions | <ul style="list-style-type: none"> - The single equivalent interest rate was increased from 3.56% to 3.87% in 2019 and decreased in 2020 to 3.50% to reflect the change in the Municipal Bond Index Rate. - The expected rate of return on assets increased from 2.75% to 3.00% in 2019 - Changes were made to the assumed per capita claims costs, age related percentage increases, long-term health care cost trend rates, percentage of retired members expected to elect coverage in the future, percentage of retirees expected to enroll in Medicare, the post-disablement mortality table, which was updated to extend the projected mortality from 2017 to 2020, and the percentage of |

Methods and assumptions used to determine contribution deferred vested members who will become ineligible for future benefits.

| | |
|---------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percent of payroll |
| Amortization period | 30 years, open |
| Asset valuation method | Market value of assets |
| Inflation | 2.75% |
| Salary increase | 3.25-6.50%, including inflation |
| Investment rate of return | 3.00%, net of investment related expense, including inflation |

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Appendix B

Form of Opinion of Bond Counsel

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[FORM OF OPINION OF BOND COUNSEL]

July 14, 2022

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 July 14, 2022 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$9,710,000 Town of Hamden, Connecticut General Obligation Refunding Bonds, Issue of 2022, dated July 14, 2022 (the “Bonds”), maturing on August 15, 2032, in the principal amount and bearing interest payable on August 15, 2022 and semiannually thereafter on February 15 and August 15 in each year until maturity, at the rate per annum as follows:

| <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate Per Annum</u> |
|-----------------------------|-----------------------------|------------------------------------|
| 2032 | \$ 9,710,000 | 5.000% |

with principal payable at the principal office of U.S. Bank Trust Company, 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 January and July 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. 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.

Respectfully,

Appendix C

Form of Continuing Disclosure Agreement for the Bonds

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[FORM OF CONTINUING DISCLOSURE AGREEMENT]

CONTINUING DISCLOSURE AGREEMENT

Town of Hamden, Connecticut
\$9,710,000 General Obligation Refunding Bonds, Issue of 2022
dated July 14, 2022

July 14, 2022

WHEREAS, the Town of Hamden, Connecticut (the “Town”) has heretofore authorized the issuance of \$9,710,000 in aggregate principal amount of its General Obligation Refunding Bonds, Issue of 2022, dated July 14, 2022 (the “Bonds”), maturing on the dates and in the amounts set forth in the Town’s Official Statement dated June 28, 2022 describing the Bonds (the “Official Statement”); and

WHEREAS, the Bonds have been sold by a negotiated sale pursuant to a Bond Purchase Agreement, dated June 28, 2022 (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.

“Financial Obligation” shall mean any (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). Municipal securities as to which a final official statement has been filed with the Repository, consistent with the Rule, shall not be considered a Financial Obligation.

“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 (EMMA) 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;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if any, if material;
- (xv) incurrence of a Financial Obligation by any obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of any obligated person, any of which affect Bondholders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of any obligated person, any of which reflect financial difficulties.

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: _____
Name: Lauren Garrett
Title: Mayor

By: _____
Name: Curtis Eatman
Title: Director of Finance

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Appendix D

Specimen Municipal Bond Insurance Policy

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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:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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