

Official Statement Dated November 21, 2017

**NEW ISSUE-BOOK ENTRY ONLY**

**MOODY'S RATING: Baa3**  
**S&P GLOBAL RATING: BBB**  
(See "Ratings" herein)

*In the opinion of Bond Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the City of West Haven with certain representations and covenants relating to the applicable requirements of the Code, under existing law, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. In the opinion of Bond Counsel, 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. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. (See "Tax Exemption" herein).*



**CITY OF WEST HAVEN, CONNECTICUT**

**\$16,135,000 GENERAL OBLIGATION BONDS, ISSUE OF 2017, SERIES A**  
**\$9,635,000 GENERAL OBLIGATION BONDS, ISSUE OF 2017, SERIES B**

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**\$16,135,000 GENERAL OBLIGATION BONDS, ISSUE OF 2017, SERIES A**

**Dated: Date of Delivery**

**Due: November 1, as shown herein**

The \$16,135,000 General Obligation Bonds, Issue of 2017, Series A (the "Series A Bonds") will be general obligations of the City of West Haven (the "City") and the City will pledge its full faith and credit to pay the principal of and interest on the Series A Bonds when due. Payment in respect of the Series A Bonds will also be supported by a property tax intercept fund established under a Trust Indenture, dated as of November 1, 2017 (the "Trust Indenture"), between the City and U.S. Bank National Association, as trustee (the "Trustee") (see "SECTION II- SECURITIES OFFERED - Security and Remedies" herein). Interest on the Series A Bonds will be payable semiannually on May 1 and November 1 in each year until maturity, commencing May 1, 2018. **The Series A Bonds are NOT subject to redemption prior to maturity.**

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**\$9,635,000 GENERAL OBLIGATION BONDS, ISSUE OF 2017, SERIES B**

**Dated: Date of Delivery**

**Due: November 1, as shown herein**

The \$9,635,000 General Obligation Bonds, Issue of 2017, Series B (the "Series B Bonds") will be general obligations of the City of West Haven (the "City") and the City will pledge its full faith and credit to pay the principal of and interest on the Series B Bonds when due. Payment in respect of the Series B Bonds will also be supported by a property tax intercept fund established under the Trust Indenture (see "SECTION II- SECURITIES OFFERED - Security and Remedies" herein). Interest on the Series B Bonds will be payable semiannually on May 1 and November 1 in each year until maturity, commencing May 1, 2018. **The Series B Bonds ARE subject to redemption prior to maturity.** (See "SECTION II- SECURITIES OFFERED -Redemption Provisions Series B Bonds" herein).

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The Series A Bonds and the Series B Bonds (collectively the "Bonds") will be issuable only as fully-registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for each series of Bonds. Purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000. Purchasers will not receive certificates representing their ownership in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. (See "SECTION II - SECURITIES OFFERED - Book-Entry Transfer System" herein).

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

**PiperJaffray**

The Bonds are offered for delivery when, as and if issued and accepted by the Underwriter, subject to the final approving opinions of Pullman & Comley LLC, Bond Counsel, of Bridgeport and Hartford, Connecticut. Certain matters will be passed upon for the Underwriter by Day Pitney LLP, Underwriter's Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in book-entry-only form will be made on or about November 29, 2017.

# CITY OF WEST HAVEN, CONNECTICUT

## \$16,135,000 GENERAL OBLIGATION BONDS, ISSUE OF 2017, SERIES A

Dated: Date of Delivery

Due: November 1, as shown below

### MATURITY SCHEDULE AND AMOUNTS

<u>Maturity</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP<sup>1</sup></u>	<u>Maturity</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP<sup>1</sup></u>
2018	\$1,615,000	3.000 %	2.510 %	953140P61	2023	\$1,615,000	5.000 %	3.350 %	953140Q37
2019	1,615,000	3.000	2.740	953140P79	2024	1,615,000	5.000	3.440	953140Q45
2020	1,615,000	4.000	2.920	953140P87	2025	1,610,000	5.000	3.530	953140Q52
2021	1,615,000	4.000	3.100	953140P95	2026	1,610,000	5.000	3.620	953140Q60
2022	1,615,000	5.000	3.260	953140Q29	2027	1,610,000	5.000	3.710	953140Q78

## \$9,635,000 GENERAL OBLIGATION BONDS, ISSUE OF 2017, SERIES B

Dated: Date of Delivery

Due: November 1, as shown below

### MATURITY SCHEDULE AND AMOUNTS

#### SERIAL BONDS

<u>Maturity</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP<sup>1</sup></u>	<u>Maturity</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP<sup>1</sup></u>
2019	\$ 810,000	3.000 %	2.740 %	953140Q86	2024	\$ 645,000	5.000 %	3.440 %	953140R51
2020	810,000	4.000	2.920	953140Q94	2025	640,000	5.000	3.530	953140R69
2021	810,000	4.000	3.100	953140R28	2026	640,000	5.000	3.620	953140R77
2022	790,000	5.000	3.260	953140R36	2027	635,000	5.000	3.710	953140R85
2023	655,000	5.000	3.350	953140R44					

#### TERM BONDS

<u>Maturity</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP<sup>1</sup></u>
2032 †	\$1,600,000	5.000 %	4.050 % *	953140R93
2037 †	1,600,000	5.000	4.280 *	953140S27

† Subject to mandatory sinking fund redemption as set forth herein.

\* Priced assuming redemption on November 1, 2027; however any such redemption is at the option of the City. See "Redemption Provisions Series B Bonds" herein.

<sup>1</sup> 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 City and are included solely for the convenience of the holders of the Bonds. The City 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, salesman or other person has been authorized by the City or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering made hereby, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. 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 is not to be construed as a contract with purchasers or registered owners of the Bonds.

The information set forth herein has been obtained by the City from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. Certain information in this Official Statement has been obtained by the City from other sources. Neither the City, nor the Municipal Advisor guarantee the accuracy or completeness of such information, however, and such information is not to be construed as a representation of any of the foregoing.

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 herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date of this Official Statement.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

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, however, and such information is not to be construed as a representation of any of the foregoing.

Other than as to matters expressly set forth in "Appendix A – Audited Financial Statements" herein, the independent auditors for the City are not passing on and do not assume any responsibility for the accuracy or adequacy of the financial information presented in this Official Statement and make no representation that they have independently verified the same. The independent auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The independent auditor also has not performed any procedures relating to this Official Statement.

Other than as to matters expressly set forth as their opinions in Appendix B herein, Bond Counsel is not passing on and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that it has 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 City 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 City 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 City will agree to provide or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain events within ten business days of the occurrence of such events, and (iii) timely notice of a failure by the City to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreements to be executed in substantially the forms attached as Appendices C-1, C-2 and C-3 to this Official Statement. See "Availability of Continuing Disclosure Information" herein.

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 THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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## SECTION I – INTRODUCTION

### Introduction

This Official Statement, including the cover page, inside cover and appendices, is provided for the purpose of presenting certain information relating to the City of West Haven, Connecticut (the "City") in connection with the issuance and sale of the City's \$16,135,000 General Obligation Bonds, Issue of 2017, Series A (the "Series A Bonds") and \$9,635,000 General Obligation Bonds, Issue of 2017, Series B (the "Series B Bonds" and together with the Series A Bonds, the "Bonds") of the City.

The presentation of information in this Official Statement is intended to show recent historic trends and is not intended to indicate future or continuing trends in financial or other positions of the City. 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. 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 City since the date of the Official Statement.

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the City contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the records of such proceedings. The information set forth herein has been obtained by the City from sources which are believed to be reliable, but it is not guaranteed as to sufficiency, accuracy or completeness.

The Series A Bonds are issued pursuant to Chapter 117 of the Connecticut General Statutes to finance a cumulative negative general fund balance of \$16.7 million as of June 30, 2016. See "SECTION I - INTRODUCTION – City Finances" herein. The Series B Bonds are issued to finance and refinance various capital projects of the City. See "SECTION II – SECURITIES OFFERED – Description of the Series B Bonds – Authorization and Purpose" herein. The Series A Bonds and the Series B Bonds will be issued pursuant to a Trust Indenture dated as of November 1, 2017 (the "Trust Indenture") between the City and U.S. Bank National Association (the "Trustee"), and, along with additional long-term debt of the City, will be supported by a property tax intercept fund that requires the City to deposit into such fund an amount at least equal to the aggregate amount of principal, sinking fund installments, if any, and interest during the then current fiscal year as the same become due and payable on all outstanding general obligations of the municipality that are supported by the property tax intercept fund. See "SECTION II – SECURITIES OFFERED-Description of the Series A Bonds" and "SECTION II – SECURITIES OFFERED – Description of the Series B Bonds". The Trust Indenture requires that upon issuance of the Series A Bonds and the Series B Bonds, the City deposit into the Debt Service Account held under the Trust Indenture the amount of debt service coming due on all Supported General Obligations (as defined in the Trust Indenture) through January 31, 2018. Thereafter, commencing January 1, 2018, the City is obligated to deposit into the Debt Service Account on or prior to the first business day of each month an amount equal to the principal, sinking fund installments, if any, and interest coming due during the ensuing month. See "SECTION II – SECURITIES OFFERED – Description of the Series A Bonds" and "SECTION II – SECURITIES OFFERED-Description of the Series B Bonds".

### City Finances

The City has experienced financial difficulties which have resulted in an estimated cumulative negative general fund balance of \$16.8 million as of June 30, 2017. The City's current financial situation is primarily due to a combination of (i) prior financial practices which caused the City to restate its fiscal year ending June 30, 2005 financial statements; (ii) a slowdown in economic activity nationally and within the State since 2008 which has had a negative effect on City revenue, especially real property tax collections; and (iii) rising costs for special education and adverse employee health care claims experience. The June 30, 2005 financial statements restatement centered around the practice of reporting State of Connecticut school construction grants as general fund revenues instead of as revenues of capital project funds established for school building projects. As reflected in the City's June 30, 2016 audited financial statements the cumulative general fund deficit was \$16.7 million. For the fiscal year ending June 30, 2017, the City estimates it will have ended the fiscal year with a \$105,000 deficit which will increase the cumulative general fund deficit to approximately \$16.8 million.

The City's approach to eliminating the cumulative general fund deficit is, in part, to issue the Series A Bonds in accordance with Connecticut General Statutes, Revision of 1958, as amended ("CGS" or the "Connecticut General Statutes") Sections 7-560 to 759, as amended to fund the audited cumulative general fund deficit through June 30, 2016. CGS Section 7-560, as amended, restricts a municipality to only funding the undesignated fund balance as reflected in the most recent audited financial statements, which for the City was the fiscal year ending June 30, 2016. For the general fund deficit relating to the fiscal year ending June 30, 2017, the City will take the steps set forth in the Balanced Budget Ordinance adopted by the City in July of 2016. See "SECTION VI – FINANCIAL DATA – Approach to Eliminating Accumulated General Fund Deficit" herein.

## SECTION II - SECURITIES OFFERED

### Description of the Series A Bonds

The Series A Bonds will be dated the date of delivery and will mature in annual installments on June 1 in each of the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series A Bonds will be payable semiannually on May 1 and November 1 in each year until maturity, commencing on May 1, 2018. Interest on the Series A Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable to the registered owners of the Bonds as of the fifteenth day in April and October of each year, or the preceding business day if the fifteenth day is not a business day. **The Series A Bonds are NOT subject to redemption prior to maturity.**

The Series A Bonds will be general obligations of the City and the City will pledge its full faith and credit to pay the principal of and the interest on the Series A Bonds when due. The Series A Bonds will be issued pursuant a Trust Indenture, dated as of October 1, 2017 (the "Trust Indenture"), between the City and U.S. Bank National Association, as trustee (the "Trustee"), which establishes a property tax intercept fund and a debt service account as authorized by Chapter 117 of the Connecticut General Statutes. Chapter 117 requires the City to assure that the property taxes deposited with the Trustee for credit to the debt service account will be in amounts at least equal to, and deposited by such dates so as to satisfy, the City's debt service requirements on an ongoing basis for those obligations supported by the Trust Indenture. The Trust Indenture requires that upon issuance of the Series A Bonds, the City deposit into the Debt Service Account held under the Trust Indenture the amount of debt service coming due on all Supported General Obligations (as defined in the Trust Indenture) through January 31, 2018. Thereafter, commencing January 1, 2018, the City is obligated to deposit into the Debt Service Account on or prior to the first business day of each month an amount equal to the principal, sinking fund installments, if any, and interest coming due during the ensuing month. (See "SECTION II – SECURITIES OFFERED – Securities and Remedies – Trust Indenture" and "Appendix D – Summary of the Indenture" herein.)

The Registrar, Certifying Agent, Transfer Agent and Paying Agent for the Series A Bonds will be U.S. Bank National Association, of Hartford, Connecticut. The legal opinion on the Series A Bonds will be rendered by Pullman & Comley, LLC of Bridgeport and Hartford, Connecticut. (See Appendix B-1 – "Form of Opinion of Bond Counsel – Series A Bonds" herein).

A book-entry system will be employed evidencing ownership of the Series A Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein).

### Description of the Series B Bonds

The Series B Bonds will be dated the date of delivery and will mature in annual installments on November 1 in each of the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series B Bonds will be payable semiannually on May 1 and November 1 in each year until maturity, commencing on May 1, 2018. Interest on the Series B Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable to the registered owners of the Bonds as of the fifteenth day in April and October of each year, or the preceding business day if the fifteenth day is not a business day. **The Series B Bonds ARE subject to optional and mandatory redemption as described herein** (see "Redemption Provisions – Series B Bonds" herein).

The Series B Bonds will be general obligations of the City and the City will pledge its full faith and credit to pay the principal of and the interest on the Series B Bonds when due. The Series B Bonds will be issued pursuant to the Trust Indenture which establishes a property tax intercept fund and a debt service account as authorized by Chapter 117 of the Connecticut General Statutes. Chapter 117 requires the City to assure that the property taxes deposited with the Trustee for credit to the debt service account will be in amounts at least equal to, and deposited by such dates so as to satisfy, the City's debt service requirements on an ongoing basis for those obligations supported by the Trust Indenture. The Trust Indenture requires that upon issuance of the Series B Bonds, the City deposit into the Debt Service Account held under the Trust Indenture the amount of debt service coming due on all Supported General Obligations (as defined in the Trust Indenture) through January 31, 2018. Thereafter, commencing January 1, 2018, the City is obligated to deposit into the Debt Service Account on or prior to the first business day of each month an amount equal to the principal, sinking fund installments, if any, and interest coming due during the ensuing month. (See "SECTION II – SECURITIES OFFERED – Securities and Remedies – Trust Indenture" and "Appendix D – Summary of the Indenture" herein.)



The Registrar, Certifying Agent, Transfer Agent and Paying Agent for the Series B Bonds will be U.S. Bank National Association, of Hartford, Connecticut. The legal opinion on the Series B Bonds will be rendered by Pullman & Comley, LLC of Bridgeport and Hartford, Connecticut. (See "Appendix B-2 –Form of Opinion of Bond Counsel – The Series B Bonds" herein).

A book-entry system will be employed evidencing ownership of the Series B Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein).

**Redemption Provisions – Series B Bonds**

***Optional Redemption – Series B Bonds***

The Series B Bonds maturing on or before November 1, 2027 are not subject to redemption prior to maturity. The Series B Bonds maturing on or after November 1, 2028 are subject to redemption prior to maturity, at the option of the City, on or after November 1, 2027, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the City may determine at the redemption prices (expressed as a percentage of principal amount of Series B Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date:

<b><u>Redemption Date</u></b>	<b><u>Redemption Price</u></b>
November 1, 2027 and thereafter	100%

***Mandatory Sinking Fund Redemption – Series B Bonds***

The Series B Bonds maturing on November 1, 2032 and November 1, 2037 (the "Term Bonds") are subject to mandatory redemption in part by lot at a redemption price equal to one hundred percent (100%) of the principal amount of the Series B Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption, on November 1 in each of the years set forth in the following table, in the principal amounts specified in each of such years:

**Term Bond due November 1, 2032**

<u>Maturity</u>	<u>Amount</u>	<u>Maturity</u>	<u>Amount</u>
2028	\$320,000	2031	\$320,000
2029	320,000	2032	320,000 †
2030	320,000		

**Term Bond due November 1, 2037**

<u>Maturity</u>	<u>Amount</u>	<u>Maturity</u>	<u>Amount</u>
2033	\$320,000	2036	\$320,000
2034	320,000	2037	320,000 †
2035	320,000		

† Final maturity

**Notice of Redemption – Series B Bonds**

Notice of redemption shall be mailed not less than thirty (30) nor more than forty-five (45) days prior to the redemption date to the registered owner of such Series B Bonds at the address as it appears on the registration books for the Series B Bonds kept for such purpose. So long as a book-entry system is used for the Series B Bonds, the City will send any notice of redemption only to DTC (or a successor securities depository) or its nominee.

## Authorization and Purpose

The Bonds are authorized and are being issued pursuant to Title 7 of the Connecticut General Statutes, as amended, and ordinances and resolutions adopted by the City Council (the "Resolutions") and the Trust Indenture, and when taken together, determine the form and details of the issuance of the Bonds, directing their sale and providing for the rights of the holders thereof.

<b>Project</b>	<b>Total Amount of Authorization</b>	<b>Notes Maturing 10/2/2018</b>	<b>The Series A Bonds (This Issue)</b>	<b>The Series B Bonds (This Issue)</b>
Deficit Financing Bonds	\$ 17,350,000	\$ -	\$16,135,000	\$ -
Public Works:				
Snow Plow Fleet Replacement	2,100,000	2,100,000	-	2,100,000
Beach Street Reconstruction Phase II	575,000	575,000	-	575,000
Front Avenue Culvert	871,400	871,000	-	871,000
Cove River Flood Mitigation	219,267	219,000	-	219,000
Street Paving	800,000	800,000	-	800,000
Veteran's Field Turf Replacement	450,000	450,000	-	450,000
Seawall Repair	200,000	200,000	-	200,000
Water Pollution Control Authority:				
Pump Upgrades – Water Pollution	1,400,000	1,400,000	-	1,400,000
Incinerator Upgrades	400,000	400,000	-	400,000
Sewer Pump Stations	432,000	432,000	-	432,000
Consent Decree	124,000	124,000	-	124,000
Upgrade of Dewatering Facility	864,000	864,000	-	864,000
Public Safety:				
Zetron Fire Alarm System	116,243	116,000	-	116,000
Police Vehicles	484,125	484,000	-	484,000
Board of Education:				
Improvements at Carrigan School	600,000	600,000	-	600,000
West Haven High School	133,250,000	-	-	-
<b>Total</b>	<b>\$160,236,035</b>	<b>\$9,635,000</b>	<b>\$16,135,000</b>	<b>\$ 9,635,000</b>

## Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

	<b>The Series A Bonds</b>	<b>The Series B Bonds</b>	<b>Total</b>
<b>Sources:</b>			
Par Amount	\$16,135,000.00	\$ 9,635,000.00	\$25,770,000.00
Net Original Issue Premium	1,040,796.25	650,200.80	1,690,997.05
<b>Total Sources</b>	<b>\$17,175,796.25</b>	<b>\$10,285,200.80</b>	<b>\$27,460,997.05</b>
<b>Uses:</b>			
Deposit to General Fund	\$16,888,415.00	\$ -	\$16,888,415.00
BAN Repayment (Principal & Interest)	-	9,661,288.56	9,661,288.56
Capitalized Interest	-	515,091.20	515,091.20
Costs of Issuance	211,109.44	59,592.00	270,701.44
Underwriter's Discount	76,271.81	49,229.04	125,500.85
<b>Total Uses</b>	<b>\$17,175,796.25</b>	<b>\$10,285,200.80</b>	<b>\$27,460,997.05</b>

## **Ratings**

The Bonds have been rated "Baa3" with a negative outlook by Moody's Investors Service, Inc. ("Moody's") and "BBB" by S&P Global Ratings ("S&P"). The underlying ratings on the City's outstanding bonds have been affirmed as "BBB" by S&P and have been lowered to "Baa3" with a negative outlook by Moody's. The City can give no assurance as to any future rating action that Moody's or S&P may take. Such ratings reflect only the views of such rating agencies and any explanation of the significance of such ratings may be obtained from Moody's and S&P at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; S&P Global Ratings, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of the ratings on the City's outstanding bonds may have an effect on the market price for and the marketability of the Bonds.

## **Tax Exemption**

### ***Federal Taxes***

In the opinion of Pullman & Comley, LLC, Bond Counsel, under existing law, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax.

Bond Counsel's opinions with respect to the Bonds will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the City with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Code and regulations promulgated thereunder establish certain requirements which must be satisfied at and subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds irrespective of the date on which such noncompliance occurs. In the Tax Compliance Agreement, which will be delivered concurrently with the issuance of the Bonds, the City will covenant to comply with certain provisions of the Code and will make certain representations designed to assure compliance with such requirements of the Code including, but not limited to, investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Bond proceeds and certain other matters. The opinions of Bond Counsel delivered on the date of issuance of the Bonds are conditioned upon compliance by the City with such requirements.

No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Bonds.

### ***Original Issue Discount***

The initial public offering prices of the Bonds of certain maturities may be less than the stated principal amount. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the Bonds will constitute original issue discount. The offering prices relating to the yields set forth on the cover page of this Official Statement for such Bonds is expected to be the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Bonds are sold. Under existing law, original issue discount on the Bonds accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if interest on the Bonds is excludable from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in a Bond or Note purchased at an original issue discount, original issue discount is treated as having accrued while the owner holds such Bond or Note and will be added to the owner's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of such a Bond or Note. For certain corporations (as defined for federal income tax purposes), a portion of the original issue discount that accrues in each year to such Bond or Note will be included in the calculation of the corporation's federal alternative minimum tax liability. As a result, ownership of such a Bond or Note by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of Bonds at an original issue discount should consult their own tax advisors as to the calculation of accrued original issue discount, the accrual of original issue discount in the case of Bondowners purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such Bonds.

### ***Original Issue Premium***

The initial public offering prices of certain maturities of the Bonds may be more than their stated principal amounts. An owner who purchases a Bond or Note at a premium to its principal amount must amortize the original issue premium as provided in the applicable Treasury Regulations, and amortized premium reduces the owner's basis in the Bond or Note for federal income tax purposes. Prospective purchasers of the Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

### ***Other Federal Tax Matters***

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, recipients of Social Security or Railroad Retirement benefits, certain S corporations, foreign corporations subject to the branch profits tax, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

### ***State Taxes***

In the opinion of Bond Counsel, 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 for individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on a Bond is also 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.

Owners of Bonds should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such Bonds and Notes.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof.

### ***Proposed Legislation and Other Matters***

Tax legislation and administrative actions taken by tax authorities (whether currently proposed, proposed in the future, or enacted) and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation, actions or decisions could affect the market price for, or the marketability of, the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

### ***General***

The opinions of Bond Counsel are rendered as of their dates, and Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the date of their opinions. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

The discussion above does not purport to deal with all aspects of federal or state or local taxation that may be relevant to a particular owner of the Bonds. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal, state and local tax consequences of owning and disposing of the Bonds.

### **Security and Remedies**

The Bonds will be general obligations of the City and the City 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 ad valorem taxes which may be levied on all taxable property in the City without limit as to rate or amount, except as to certain 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. There was, however, no such certified forest land on the last completed grand list of the City, and, under existing statutes, the State of Connecticut is obligated to pay, subject to appropriation, the amount of tax revenue which the City would have received except for the limitation upon its power to tax such dwelling houses of qualified elderly persons of low income.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the City 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 City. Other than as provided by Chapter 117 of the Connecticut General Statutes (as hereafter defined), 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 City is subject to suit on its general obligation bonds and notes and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the City. Courts of competent jurisdiction have the power in appropriate proceedings to order payment of a judgment on such bonds and notes from funds lawfully available therefore, or, in the absence thereof, to order the City to take all lawful action to obtain the same, including the raising of the required amount in the next tax levy. In exercising their discretion as to whether to enter such an order, courts may take into account all relevant factors including the current operating needs of the City and the availability and adequacy of other remedies.

### **THE CITY OF WEST HAVEN, CONNECTICUT HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.**

### ***Trust Indenture***

The Series A Bonds and the Series B Bonds will be issued pursuant to the Trust Indenture which establishes a property tax intercept fund and debt service account (the "Debt Service Account") as authorized by Chapter 117 of the Connecticut General Statutes, Sections 7-560 to 7-569 ("Chapter 117"). Chapter 117 requires the City to assure that the property taxes deposited with the Trustee for credit to the Debt Service Account will be in amounts at least equal to, and deposited by such dates so as to satisfy, the City's debt service requirements on an ongoing basis. Pursuant to the terms of the Trust Indenture, all Supported General Obligations, (as defined in the Trust Indenture), including the Bonds, all outstanding long-term general obligation debt of the City, any future long-term debt of the City, and any other general obligation debt of the City which the City determines shall be supported by the pledge of property taxes and the Debt Service Account under the Trust Indenture. The covenants and agreements to be performed by or on behalf of the City under the Trust Indenture shall be for the equal and ratable benefit, protection and security of all owners of any and all of the Supported General Obligations, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Supported General Obligations over any other Supported General Obligations or series of Supported General Obligations except as expressly provided for in the Trust Indenture. See "Appendix D – Summary of the Indenture". A copy of the Trust Indenture is on file at the office of the Director of Finance, 355 Main Street, 3<sup>rd</sup> Floor, West Haven Connecticut, 06516.

### ***Bankruptcy***

In the event that the City were to file a petition for protection under Chapter 9 of the Federal Bankruptcy Code, enforcement of a claim for payment of principal of or interest on the Bonds would be subject to the applicable provisions of federal bankruptcy laws and to provisions of other statutes, if any, hereafter enacted by the Congress extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. In the event of a restructuring of the City's debt under Chapter 9 of the Federal Bankruptcy Code, the rights of the owners of the Bonds to receive interest, principal payments and redemption premiums, if any, from the City could be adversely affected. No assurance can be given that any priority of holders of City securities (including the Bonds) to payment from monies in the Debt Service Account or from other resources of the City would be recognized if a petition were filed by or on behalf of the City under the

Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might under such circumstances, be paid to satisfy the claims of all City creditors generally. Judicial enforcement of the City's obligation to make payment of property taxes to the Trustee for deposit in the Debt Service Account, of the Trustee's obligation to retain certain monies in the Debt Service Account and of the obligations of the City under its covenants in the Trust Indenture may, under certain circumstances, be within the discretion of a court. Under Section 7-566 of the Connecticut General Statutes, no Connecticut municipality can file for bankruptcy protection under Chapter 9 of the Federal Bankruptcy Code without the express written consent of the Governor. Under the Federal Bankruptcy Code, an involuntary petition cannot be filed against the City.

### **Bondowners' Risk**

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

### ***Risks Related to City Operations***

The ability of the City to meet its payment obligations under the Bonds will depend upon the continued availability to the City of revenues from a variety of sources sufficient to meet obligations such as the City's operating expenses, debt service on the Bonds and other debt of the City and extraordinary costs or expenses which may occur from time to time. Revenues and expenses of the City will be affected by future events and conditions which will include the City's ability to control expenses, the City's ability to maintain or increase property tax rates and other sources of revenue, and the City's access to other sources of revenue, including without limitation, the receipt of revenues from the State. No assurances can be given that these or other sources of revenues will be adequate to meet the expenses of the City.

The City adopted its budget for the fiscal year ending June 30, 2018 based upon the Governor's February 2017 proposed budget, which, at the time, included \$63.87 million in State aid to the City. For the fiscal year ending June 30, 2018, the City budgeted \$62.01 million in State aid. The bi-annual State budget adopted on October 31, 2017 included only \$55.36 million in State aid to the City. On November 17, 2017 the Governor announced additional reductions in State aid to Connecticut municipalities. The City's allocation of such reduced aid was \$250,000, decreasing the overall state aid to the City to \$55.11 million. For the fiscal year ending June 30, 2018, approximately \$2.6 million of the shortfall in State aid will be addressed through budgeted debt service savings created by the delay in issuance of the Bonds. The remainder of the shortfall is expected to be addressed through the receipt of funding from the Municipal Restructuring Fund authorized under Section 370 of Public Act 17-2 of the June Special Session (the "State Budget Act"). The State has allocated \$28 million to the Fund in each of fiscal years 2018 and 2019. The City expects to make an application to the State for assistance from the Municipal Restructuring Fund in an amount up to \$8.0 million. The amount of such assistance to be received by the City, if any, is unknown. If the City receives funding from the Municipal Restructuring Fund in an amount less than any remaining general fund shortfall, the City anticipates using a combination of revenue enhancements and expenditure reductions, including permitted increases to the motor vehicle mill rate, the continuation of a hiring freeze, and the reduction of overtime in public safety and public works departments, to address such shortfall. There is no guaranty that such actions will offset completely the reduced level of State aid. See "SECTION VI – FINANCIAL DATA – Motor Vehicle Property Tax Rate" and "SECTION VI – FINANCIAL DATA – Municipal Accounting Review Board and Designated Tier Legislation" of this Official Statement for more information.

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

### ***General Economic Factors***

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

### ***Marketability***

No assurance can be given that a secondary market for the Bonds will develop or continue following the completion of the offering of the Bonds. Consequently, prospective purchasers should be prepared to hold their Bonds to maturity or prior redemption. 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 in the Bonds.

### ***The Bonds are Not Suitable Investments for All Investors***

The Bonds are complex investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the prepayment, reinvestment, default and market risk, the tax consequences of such an investment, and the interaction of these factors.

### ***Legal Matters and Future Changes in Law***

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 City or the taxing authority of the City, which could materially adversely affect the City's ability to repay the Bonds and the market value of the Bonds.

### ***Repayment of the Bonds and Potential Effects of Bankruptcy***

The Bonds will be general obligations of the City, and the City 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 City. Other than as provided in Chapter 117, 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, receivership, 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 City 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.

The Bonds are being issued subject to the Trust Indenture which establishes a property tax intercept fund and a Debt Service Account as authorized by Chapter 117 of the Connecticut General Statutes. Chapter 117 requires the City to assure that the property taxes deposited with the Trustee for credit to the Debt Service Account will be in amounts at least equal to, and deposited by such dates so as to satisfy, the City's debt service requirements on an ongoing basis for those obligations supported by the Trust Indenture. See "Appendix D – Summary of the Indenture".

### ***Limitations on Enforcement of Remedies***

The remedies available to the Registered Owners of the Bonds upon the City's failure to pay principal of and interest on the Bonds when due 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, effective remedies 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.

### ***Tax-Exempt Status***

The exclusion from federal gross income of interest on the Bonds is based on the continued compliance of the City with certain covenants relating generally to certain restrictions on the use of bond and note proceeds, arbitrage limitations and rebate of certain excess investment earnings to the federal government. Failure to comply with such covenants could cause interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance of the Bonds. See "Tax Exemption" herein.

### ***Change in Tax Treatment***

Legislation affecting the tax treatment of municipal debt is regularly under consideration by the United States Congress. For example, the President of the United States has submitted proposals to Congress that would, among other things, limit the value of tax-exempt interest for higher-income taxpayers. Such proposals, or other proposals, could affect the tax exemption of interest on, or the market price for or the marketability of tax-exempt debt, such as the Bonds. No assurance can be given that federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status or market value of the Bonds or will not change the effect of other federal tax law consequences of owning and disposing of the Bonds. No assurance can be given that future legislation, or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates.

### ***Forward-Looking Statements***

This Official Statement, including the Appendices, contains certain statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate", "intend", "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized 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; those differences could be material.

### **Qualification for Financial Institutions**

The Bonds shall NOT be designated 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 for interest expense allocable to the Bonds.

### **Book-Entry Transfer System**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds 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 Bond and Note certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such issue, 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 bond 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 an 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](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond and Note ("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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds 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 City 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 City, 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 City 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 Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, bond and note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond and note 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 City believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

### **Replacement Bonds**

The determination of the City authorizing the Bonds provides for issuance of fully registered security certificates directly to Beneficial Owners of the Bonds or their nominees in the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the City fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the City determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

## **DTC Practices**

The City can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will 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.

## **Underwriting**

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series A Bonds from the City at the net aggregate purchase price of \$17,099,524.44, (consisting of the principal amount of \$16,135,000.00, plus net original issue premium of \$1,040,796.25, less underwriter's discount of \$76,271.81).

The Underwriter has agreed, subject to certain conditions, to purchase the Series B Bonds from the City at the net aggregate purchase price of \$10,235,971.76, (consisting of the principal amount of \$9,635,000.00, plus net original issue premium of \$650,200.80, less underwriter's discount of \$49,229.04).

The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios and other dealers depositing the Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has entered into a distribution agreement (the "CS & Co. Distribution Agreement") with Charles Schwab & Co., Inc. ("CS & Co. ") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the CS & Co. Distribution Agreement, CS & Co. will purchase the Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS & Co. sells.

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### **SECTION III -THE ISSUER**

Following is a brief description of the City of West Haven together with certain information concerning its economy, governmental organization, indebtedness, current major revenue sources, and general and specific funds.

#### **Description of the City**

West Haven was first settled in the mid 1640's as part of the New Haven Colony. In 1719, West Haven became the separate parish of West Haven, and remained as such until 1822, when it joined North Milford to form the Town of Orange. In 1921 it was incorporated as a separate town. In 1961 it was incorporated as a city under a charter establishing the Mayor/Council form of government. The City covers an area of 10.6 square miles. It is located in New Haven County approximately 58 miles east of New York City, and 40 miles south of Hartford, Connecticut. It is bounded on the north and east by the City of New Haven and the New Haven Harbor, on the south by Long Island Sound, and on the west by the Town of Orange and the City of Milford.

West Haven is an established, suburban residential community with an extensive retail, commercial and industrial base. According to the 2015 American Community Survey, as compiled by the U.S. Census Bureau, the City's population was 55,189.

The City supports and encourages a balance of industrial, commercial and residential properties and the City's Economic Development Commission and Planning and Zoning Commission have worked together to reach this objective.

The City is traversed by Interstate 95 and State Routes 1 (the Boston Post Road), 34, 122, and 162. The central area of the City is easily accessible to Interstate 95 which is close to the Merritt Parkway and Interstate 91 junctions. Air transportation is available in New Haven or Bridgeport, as is rail transportation, via Amtrak and Metro North Service; bus passenger transportation is provided by the Connecticut Department of Transportation through the Greater New Haven Transit District. Freight service is furnished by various motor common carriers.

West Haven has a diversified tax base which incorporates a variety of industries. The Veterans Administration of Connecticut and Health Care System employs approximately 2,000 people and the University of New Haven employs approximately 850 people. The City employs a full-time Commissioner of Planning and Development who pursues new industry for location in West Haven. The City has had building regulations since 1931 and zoning regulations since March 1, 1967, with updates from time to time.

#### **Form of Government**

The City operates under a Mayor/Council form of government. The Mayor, who acts as the Chief Executive Officer, is directly responsible to the City Council for planning, organizing and directing all routine municipal activities. The Mayor is responsible for all appointments to boards and commissions with the exception of those board members or officers who are elected to office. Appointments are supported by a policy which ensures minority party representation on all non-elected boards and commissions. The Mayor manages department heads, sees that law and ordinances governing the City are enforced, makes recommendations and reports to the City Council, prepares the annual budget, prepares the annual report, keeps the City Council advised on the City's financial condition and performs other duties prescribed by Charter, ordinance or City Council resolution.

General City elections are held on the first Tuesday after the first Monday in November of each odd numbered year to elect the Mayor, City Treasurer, City Clerk, City Tax Collector and City Council. Their terms of office are for two years and commence at twelve noon on the first Sunday of December following their election.

The 13-member City Council is made up of three members elected at large and one member elected from each of the ten voting districts. The members of the Council choose one of its members to be Chairman of the Council to preside over all its meetings.

The legislative power of the City is vested exclusively in the City Council, except as otherwise provided for by the Charter. The City Council has the power to enact, amend, or repeal ordinances not inconsistent with the Charter or the General Statutes of the State and to provide for the preservation of good order, peace, health, and safety of the City and its inhabitants. At least one public hearing shall be held before any ordinance shall be passed. The electors have the power to approve or reject an ordinance by referendum, as provided in the Charter. The City Council adopts the budget and levies the tax rate in mills. If the City Council has not adopted the budget by the first Thursday in May, the Mayor's recommended budget is deemed to have been adopted by the City Council and the Mayor fixes the tax rate.

## Municipal Officials

<u>Office</u>	<u>Name</u>	<u>Manner of Selection &amp; Term</u>	<u>Years of Service</u>
Mayor	Edward M. O'Brien (1)	Elected - 2 years	3
City Council:			
Councilman at Large	David Forsyth	Elected - 2 years	3
Councilman at Large	David Riccio (2)	Elected - 2 years	3
Councilman at Large	Ronald Quagliani	Elected - 2 years	3
Councilman - 1st District	Russell Aldrich, Jr. (2)	Elected - 2 years	3
Councilman - 2nd District	Nicholas Ruickholdt	Elected - 2 years	3
Councilman - 3rd District	Lisa Eberle (2)	Elected - 2 years	3
Councilman - 4th District	Stacy Riccio (2)	Elected - 2 years	3
Councilman - 5th District	Robbin Hamilton	Elected - 2 years	Less than 1
Councilchair - 6th District	James P. O'Brien (2)	Elected - 2 years	18
Councilman - 7th District	David Russell (2)	Elected - 2 years	3
Councilman - 8th District	Tracy Morrissey	Elected - 2 years	10
Councilman - 9th District	Sean Ronan	Elected - 2 years	7
Councilman - 10th District	Louise Martone	Elected - 2 years	3
Town and City Clerk	Deborah Collins	Elected - 2 years	22
Tax Collector	Eric Murillo	Elected - 2 years	1
Treasurer	Debra Grady (3)	Elected - 2 years	1
Corporation Counsel	Vincent N. Amendola, Jr.	Appointed - Indefinite	3
Director of Finance	Kevin McNabola	Appointed - Indefinite	2.5
Director of Public Works	Dominic Perrotti	Appointed - Indefinite	1
Chief of Police	John Karajanis	Appointed - Indefinite	7
Superintendent of Schools	Neil C. Cavallaro	Appointed - Indefinite	9
Assessor	Ann Marie Gradoia	Appointed - Indefinite	10

(1) On November 7, 2017, Nancy Rossi was elected mayor for a term commencing December 3, 2017.

(2) Will be replaced by a new council member effective December 3, 2017.

(3) On November 7, 2017, Michael Last was elected as treasurer for a term commencing December 3, 2017.

Source: City Officials

## Municipal Employees

The following is a breakdown by category of General Fund supported City and Board of Education employees as of July 1, 2017:

<u>Department</u>	<u>Employees</u>
General Government	
Full-Time	354
Total General Government	354
Board of Education	
Administration	27
Instructional	527
Other	299
Total Board of Education	853
Total City Employees	1,207

The following table reflects full time General Fund supported employees for the current and past four fiscal years:

<u>Fiscal Year</u>	<u>General Government</u>	<u>Board of Education</u>	<u>Total</u>
2018	354	853	1,207
2017	354	853	1,207
2016	354	853	1,207
2015	284	871	1,155
2014	284	871	1,155

Source: City Officials

### Summary of Municipal Services

**Police:** The Police Department provides full-time police protection, complete with the latest crime prevention computer systems and a state-of-the-art computerized radio communications center to serve all emergency agencies. The Police Department is manned by a staff of 136 professionals, including a Chief of Police, one Deputy Chief and a supporting staff of 2 captains, 5 lieutenants, 3 detective sergeants, 18 sergeants, 14 detectives, 77 patrolmen, 11 civilians and 4 humane officers. The City has an emergency "911" system that was installed in 1971 and upgraded in 1994. The City has a revolving vehicle replacement program within its capital improvement program. The traffic section maintains traffic signs and signals. In addition, there is a staff of 40 part-time crossing guards for school safety. The Police Department also includes a Tactical Unit and a S.W.A.T. team.

**Fire:** Fire protection is provided by three fire districts in the City, two of which are bodies politic and political subdivisions of the State of Connecticut and are authorized to levy their own taxes to support operations. The two subdivision districts, the First Fire Taxation and West Shore Fire Districts, are staffed by full-time and volunteer fire fighters who are employees of the respective districts. The City is not liable to pay the district's debt nor its pension liabilities. The City estimates that the two subdivision fire districts have a combined net pension liability of approximately \$117.7 million as of June 30, 2016. The defined benefit pension plans for both the First Fire Taxation and West Shore Fire Districts have been closed to new hires and both districts now participate in the State of Connecticut Municipal Employees Retirement Fund plan. In fiscal year 2011-12 the City assumed responsibility for the third fire district, the Allingtown Fire District, and has since operated it as a department of the City. (See "Allingtown Fire District" below).

#### Allingtown Fire Department

On April 30, 2012, the City Council approved the takeover of and the future management of the Allingtown Fire District as a City department. As a result of the takeover, the City is now responsible for the obligations of the new Allingtown Fire Department, including its operating deficit and pension and OPEB liabilities as described herein. Subsequently, on May 2, 2012, the City Council approved the fiscal year 2012-13 operating budget for the new Allingtown Fire Department.

Beginning in fiscal year 2012-13, operations of the Allingtown Fire Department are supported by a separate mill rate and tax levy on the taxable property within the former district's boundaries and are accounted for in an enterprise fund, outside of the City's general fund.

As of July 1, 2015, the Allingtown Fire Department reported an unfunded actuarial accrued pension liability of \$21.9 million despite contributions in excess of the actuarial required pension contribution during seven of the last nine years. The Allingtown Fire Department also reported an unfunded actuarial accrued OPEB liability of \$19.2 million as of the July 1, 2013 valuation.

For the fiscal year ending June 30, 2016, on a GAAP basis, the Allingtown Fire Department had a \$275,000 operating deficit before transfers, but a \$1.1 million operating surplus after certain liabilities owed by the Department to the City's General Fund were deemed to be uncollectable. As a result of the operating surplus, the cumulative fund balance deficit decreased from \$1.7 million to \$668,000 as of June 30, 2016.

For the fiscal year ending June 30, 2017, City officials estimate that the Allingtown Fire Department will have a \$33,000 operating surplus due to positive revenue variances from property taxes and positive expenditure variances in department administration. The City anticipates that the cumulative fund balance deficit will decrease to approximately \$655,000 as of June 30, 2017.

The fiscal year 2017-18 operating budget for the Allingtown Fire Department includes a 1.46 mill increase, \$150,000 for deficit reduction and \$50,000 for unallocated contingency as part of a multi-year plan to eliminate its cumulative operating deficit. Included in the fiscal year 2017-18 budget is \$1.9 million in contributions to the pension fund which equates to 93% of the actuarial required contribution.

**Public Works:** The Public Works Department provides the City with professional, technical service-oriented activities which are necessary to operate and service the community. The Public Works Department operates the highway division, central garage, park maintenance, building maintenance, solid waste collection and disposal together with a bureau of engineering. Major public improvements of an ongoing nature are provided by the Public Works Department. Recent improvements include major renovations to City Hall, improvements to Veterans Memorial Complex, Veterans Walk of Honor, Pavilions at Painter Park and the installation of lights at the West Haven Little League Complex. A paving and road repair program is ongoing. For further information regarding the City's Capital Improvement Plan, see "Five Year Capital Plan" herein.

**Water Pollution Control:** The Water Pollution Control Commission was created for the purpose of overseeing the operations of the water pollution control facilities and establishing a user charge system for sewer services. The user charge system took effect on July 1, 1994. The Commission is comprised of the City Engineer, City Attorney, Director of Finance, Director of Public Works (ex officio), a City Council representative (ex officio) and five at-large members appointed by the Mayor. The at-large members serve for a term of two years concurrent with the Mayor's term. Major sewer projects completed since 1993 include: the upgrade of all 13 Pump Stations; over 400 dig and grout repairs on the collection system; the upgrade of approximately 10 miles of the 140 miles of sewer lines using trench-less technology; and an upgrade of the Water Pollution Control Facility and Main Pump Station to achieve low levels of Total Suspended Solids (TSS), Biological Oxygen Demand (BOD) and Biological Nitrogen Removal (BNR). The City appropriated and authorized bonds in the amount of \$44,000,000 for renovations to the City's Water Pollution Control Facility and various pumping stations which will be funded through the State of Connecticut Clean Water Fund Program. For more information regarding the Water Pollution Control Facility Improvements, see "Clean Water Fund Program" herein. For further information regarding the City's Capital Improvement Plan, see "Five Year Capital Plan" herein.

**Parks and Recreation:** The West Haven Parks and Recreation Department provides and maintains numerous parks, playgrounds, waterfront, and field and court facilities for its residents. It sponsors special events, provides programs for special interest groups of all ages, assists community groups in planning recreational activities, conducts workshops, clinics, special playgrounds and camps during the summer, and provides lifeguards and beach constables for the waterfront facilities. It also offers a wide variety of programs such as softball, tennis, aerobics fitness, indoor and outdoor volleyball, basketball, skiing and after-school programs for youth in the City.

**Solid Waste:** The City disposes its solid waste at the Bridgeport Resource Recovery Plant operated by Waste Management Company, which operates the Bridgeport plant located in Bridgeport, Connecticut. The City has an annual contract at the facility and paid a Consumer Price Indexed price of \$66.77 a ton for the fiscal year ending June 30, 2017. For the fiscal year 2017-18, the City expects to pay \$67.62 per ton based on the Consumer Price Index as of July 1, 2017.

**Library:** West Haven's three library branches and book van offer over 140,000 items for the public including books for both children and adult, magazines, DVDs, e-books, e-magazines, along with digital video and music and a variety of educational databases. There are 30 staff members, consisting of 17 full-time and 13 part-time members. In addition to material lending the library offers access to computers, Wi-Fi and a host of programming including story times, author talks, and instructional classes ranging from karate classes to technology help. The library is a part of the LION consortium along with 29 other libraries sharing a catalog system and services such as Overdrive and Zinio.

**Planning and Zoning Commission:** The City has a combined Planning and Zoning Commission, working with the City Director of Public Works and the City Engineer, whose duties are to guide, control, and approve all design work and site development to conform with City and State codes.

**Water:** The South Central Connecticut Regional Water Authority was created by Special Act 78-24 of the Connecticut General Assembly. The Authority acquired the New Haven Water Company and provides water services to the City of West Haven and the New Haven region. Under the legislation creating the Authority, the Authority is required to pay the City an annual payment in lieu of taxes for water authority property within the City boundaries.

**Electric:** The City is served by the United Illuminating Company, a privately owned utility.

**Financial Institutions:** Major financial institutions in the City include Wells Fargo Bank, National Association, Key Bank, Greater West Haven Federal Credit Union, USAlliance Federal Credit Union, Bank of America, N.A., People's United Bank and Webster Bank.

**Education:** The City of West Haven public school system provides comprehensive educational programs to students in grades kindergarten through twelve. A complete program of basic skills is offered to all students. The public schools also offer comprehensive special education courses in addition to a wide variety of extracurricular activities including interscholastic sports programs. The system also provides a wide range of adult education courses to numerous and varied segments of the community. The public school system is governed by a nine-member Board of Education.

The City's school system consists of six schools for pupils in grades Pre-K through 4, one school for pupils in grades 5 through 6, one school for pupils in grades 7 through 8 and one high school for pupils in grades 9 through 12. In June 2017, the City Council approved a \$133.2 million renovation to the City's high school. See "School Construction Projects" herein.

**Educational Facilities**

<u>School</u>	<u>Grades</u>	<u>Date of Construction (Additions, Remodeling)</u>	<u>No. of Classrooms</u>	<u>10/01/17 Enrollment</u>	<u>Capacity</u>
Forest	PK-4	1971(2004)	26	423	700
Haley	PK-4	1952 (1954, 2005)	20	379	530
Mackrille	PK-4	1954 (1988, 2004)	16	320	440
Pagels	PK-4	1954 (1958, 2001)	21	335	555
Savin Rock	PK-4	1976	28	483	750
Washington	PK-4	1909 (1966,1988)	22	445	630
Carrigan	5-6	1969	40	930	1,200
Bailey	7-8	1957 (2002)	28	919	910
Senior High	9-12	1963	97	1,528	2,170
Totals			<u>298</u>	<u>5,762</u>	<u>7,885</u>

Source: Business Administrator - Board of Education

**School Enrollment**

<u>Actual</u>						
<u>As of October 1</u>	<u>PK-4</u>	<u>5-6</u>	<u>7-8</u>	<u>9 - 12</u>	<u>Total</u>	
2011-12	2,689	923	961	1,524	6,097	
2012-13	2,656	887	885	1,557	5,985	
2013-14	2,652	868	866	1,565	5,951	
2014-15	2,428	858	869	1,525	5,680	
2015-16	2,473	919	846	1,533	5,771	
2016-17	2,421	970	806	1,492	5,689	
<u>Projections</u>						
2018-19	2,080	821	908	1,371	5,180	
2019-20	2,020	765	860	1,393	5,038	
2020-21	1,997	740	808	1,399	4,944	
2021-22	1,971	731	751	1,377	4,830	
2022-23	1,966	705	729	1,344	4,744	

Note: Special education included in grade totals.

Source: School Business Administrator - Board of Education

## Municipal Employee Bargaining Organizations

<u>Employees</u>	<u>Organization</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
<b><u>General Government</u></b>			
Management	Communication Workers of America, Local #1103	57	6/30/2017 (1)
Dispatchers, ERS	UE Local 222, CILU/CIPU CILU #77	15	6/30/2017 (1)
Municipal	AFSCME, AFL-CIO, Council #4, Local #681	107	6/30/2017 (1)
Police Department	AFSCME, AFL-CIO, Council #4, Local #895	125	6/30/2018
Fire Department (2)	ALF-CIO, West Haven Professional Firefighters, Local # 1198	25	6/30/2017 (1)
Water Pollution Control (2)	AFSCME, Local # 1303-345	25	6/30/2017 (1)
Total General Government		<u>354</u>	
<b><u>Board of Education</u></b>			
Certified Administrators	West Haven School Administrators Association	27	8/31/2020
Teachers	West Haven Federation of Teachers, Local #1547, AFT	527	8/31/2018
Paraprofessionals	West Haven Federation of Paraprofessionals, Local #2262, AFT	142	8/31/2020
Non-certified Administrators	Communication Workers of America, Local #1103	10	6/30/2019
Non-Certified	Non-Certified School Employees, AFSCME Council #4, Local #2706	103	6/30/2019
Nurses	West Haven Federation of Nurses	16	8/31/2020
Cafeteria Workers	United Public Service Employees, Local #424, Unit # 100	28	6/30/2019
Total Board of Education		<u>853</u>	
<b>Total City Employees</b>		<u><u>1,207</u></u>	

(1) In negotiation.

(2) Enterprise fund employees not supported by the General Fund.

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



## **Economic Development**

The largest redevelopment project currently underway in the City is The Haven project on New Haven Harbor. The Haven is a two phase, \$200 million, 250,000 square foot luxury fashion outlet center which is expected to include a 200-seat amphitheater, seven restaurants and a waterfront promenade in the 24-acre Water Street project area. Phase I of the project is valued at approximately \$85 million and is expected to be completed in the fall of calendar year 2019. Currently, all but three properties in the Phase I project area have been acquired by the developer, The Haven Group LLC. Demolition of acquired buildings on the site began on October 19, 2017. The project is poised to create approximately 800 full- and part-time jobs, as well as approximately 600 construction jobs. Upon the completion of the tax abatement period discussed below, Phase I is expected to generate approximately \$2.1 million in annual real property tax revenue for the City and additional personal property revenue.

The City has entered into a Development Agreement and an Agreement for Fixing Assessment of Improvements (the "Development Agreement") with The Haven Group, LLC for Phase I of the project. Under the Development Agreement, the City, upon the satisfaction by the Developer of certain conditions, has agreed to provide a partial 7-year real estate property tax abatement to The Haven Group, LLC. Based on the currently expected real property tax assessment value of the project, the expected benefit to the Developer of the tax abatement is \$7 million over the 7 year abatement period; provided, however, the amount of the benefit could decrease depending upon the level of economic development incentives, if any, that the Developer receives from the State of Connecticut to support the project.

The \$135 million Metro-North Railroad commuter station in West Haven was completed in the fall of 2013. The 3,000-square-foot station is located between Railroad Avenue and Hood Terrace near Sawmill Road and Exit 42 off Interstate 95. The new station includes a surface parking lot with 650 spaces and two train platforms with a pedestrian overpass. To coincide with the project the City has undertaken streetscape improvements to link the train station with downtown along Main Street. The City recently adopted market-friendly transit-oriented design regulations. A team of urban design professionals worked with the community to develop a plan and strategy to take advantage of the benefits provided by the new station. The TOD Master Plan incorporates a "New Urbanism" theme, which includes elements such as walkways, bike paths, community gathering areas and market-rate housing for people who want to live and work near major transportation hubs. The City is optimistic that the new station and TOD Master Plan will create opportunities for the redevelopment of the former Armstrong Rubber Co. factory, which is across the street from the station. The multistory, 550,000-square-foot building is being studied for potential use as a mixed-use development that features market-rate housing and commercial opportunities. The building's owner, Ahold USA Inc. of Quincy, Massachusetts, is working with the City and is committed to the removal of asbestos as part of the site's environmental remediation, which will place the property in a more marketable position.

The City benefits from its proximity to Yale University and Yale New Haven Health. The Yale School of Nursing, now with more than 400 students and 100 employees, has completed its move to the university's West Campus on Morgan Lane in West Haven. In addition, Yale continues to make a significant investment in the City by expanding its research capacity into the facilities on the West Campus. More than 700 Yale employees currently live in West Haven. The City, with help from federal funding, is in the final design phase of a bike and walkway from the train station to the West Campus. The infrastructure investment will enhance the connectivity of the station and campus and will provide more transportation options to campus students, faculty and visitors alike. Additionally, in August 2017, Yale New Haven Health system finalized the purchase of 117 acres of land on Derby Avenue. Yale New Haven Health system has announced its intention to build a Regional Operations Center ("ROC") on the site. The ROC will be a strategic operations center and distribution facility for medical supplies that serves the entire Yale New Haven Health network. The ROC will consist of a one-story, 140,000 square foot facility which is expected to be staffed by approximately 95 employees.

The Acorn Group of New Haven has recently completed the first of three mixed-use, off-campus developments in the center of Allingtown, just steps from the University of New Haven campus on Route 1 in West Haven. The first of three developments, The Atwood, is a four-story, 90,000-square-foot building which includes 67 market-rate residential units and 15,000 square feet of retail space on the ground floor. The residential units were 100% leased and the commercial space was 50% leased as of the end of August 2017. Following the completion of The Atwood, Acorn intends to develop the Forest Theatre and Park Place projects, which flank opposite sides of the Allingtown Green, across the street from The Atwood. Each development will mirror The Atwood and combined will offer 50,000 square feet of retail space and 180 residential units that are designed to attract young professionals who work at the University of New Haven and the nearby Veterans Affairs Hospital on Campbell Avenue. The City estimates that the three developments will produce a combined \$1 million in property taxes after the end of a seven year tax-abatement.

**SECTION IV - ECONOMIC AND DEMOGRAPHIC DATA**

**Population Trends**

<u>Year</u>	<u>City of West Haven</u>	<u>New Haven County</u>	<u>State of Connecticut</u>
1980	53,184	761,337	3,107,576
1990	54,021	804,219	3,287,116
2000	52,360	824,008	3,405,565
2010	55,564	862,477	3,574,097
2015	55,189	862,224	3,593,222

Source: U.S. Census Bureau.

**Age Characteristics of Population**

<u>Age</u>	<u>City of West Haven</u>		<u>New Haven County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5	3,120	5.7	46,057	5.3	191,445	5.3
5 - 9	3,363	6.1	48,872	5.7	214,983	6.0
10 - 14	3,520	6.4	54,549	6.3	231,075	6.4
15 - 19	4,070	7.4	61,653	7.2	255,286	7.1
20 - 24	5,131	9.3	60,005	7.0	237,578	6.6
25 - 34	7,525	13.6	112,218	13.0	436,678	12.2
35 - 44	6,480	11.7	106,172	12.3	448,840	12.5
45 - 54	8,123	14.7	128,365	14.9	556,454	15.5
55 - 59	3,619	6.6	59,500	6.9	259,565	7.2
60 - 64	3,029	5.5	53,371	6.2	219,040	6.1
65 - 74	4,456	8.1	70,037	8.1	291,955	8.1
75 - 84	1,925	3.5	38,284	4.4	162,332	4.5
85 and over	828	1.5	23,141	2.7	87,991	2.4
<b>Total</b>	<b>55,189</b>	<b>100.0</b>	<b>862,224</b>	<b>100.0</b>	<b>3,593,222</b>	<b>100.0</b>

Source: U.S. Census Bureau, American Community Survey, 2011-15.

**Selected Wealth and Income Indicators**

	<u>Median Family Income</u>		<u>Per Capita Income</u>	
	<u>(2000)</u>	<u>(2015)</u>	<u>(2000)</u>	<u>(2015)</u>
City of West Haven	\$ 51,631	\$ 64,358	\$ 21,121	\$ 26,143
New Haven County	60,549	80,739	24,439	32,852
Connecticut	65,521	89,031	28,766	38,803
United States	49,600	66,011	21,690	28,930

Source: U.S. Census Bureau.

**Income Distribution**

	<u>City of West Haven</u>		<u>New Haven County</u>		<u>State of Connecticut</u>	
	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>	<u>Families</u>	<u>Percent</u>
\$ -0- to 9,999	427	3.5	8,876	4.3	30,926	3.5
10,000 to 14,999	536	4.4	5,604	2.7	18,063	2.0
15,000 to 24,999	915	7.5	12,315	5.9	46,085	5.1
25,000 to 34,999	1,051	8.6	14,179	6.8	55,715	6.2
35,000 to 49,999	1,607	13.1	21,089	10.2	83,173	9.3
50,000 to 74,999	2,403	19.6	34,303	16.5	139,724	15.6
75,000 to 99,999	1,739	14.2	29,262	14.1	126,557	14.1
100,000 to 149,999	2,324	19.0	41,759	20.1	183,030	20.4
150,000 to 199,999	723	5.9	20,805	10.0	94,575	10.6
200,000 or more	506	4.1	19,103	9.2	117,791	13.2
	<b>12,231</b>	<b>100.0</b>	<b>207,295</b>	<b>100.0</b>	<b>895,639</b>	<b>100.0</b>

Source: U.S. Census Bureau, American Community Survey, 2011-15.

**Educational Attainment**  
**Years of School Completed, Age 25 & Over**

<b>Educational Attainment Group</b>	<b>City of West Haven</b>		<b>New Haven County</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than 9th grade	1,930	5.4	26,688	4.5	105,725	4.3
9th to 12th grade	2,915	8.1	37,598	6.4	144,132	5.9
High School graduate	12,623	35.1	178,585	30.2	673,973	27.4
Some college, no degree	7,921	22.0	104,209	17.6	430,129	17.5
Associates degree	2,309	6.4	43,022	7.3	183,289	7.4
Bachelor's degree	4,994	13.9	108,647	18.4	516,001	21.0
Graduate or professional degree	3,293	9.2	92,339	15.6	409,606	16.6
<b>Total</b>	<b>35,985</b>	<b>100.0</b>	<b>591,088</b>	<b>100.0</b>	<b>2,462,855</b>	<b>100.0</b>
Percent of High School Graduates		86.5%		89.1%		89.9%
Percent of College Graduates		23.0%		34.0%		37.6%

Source: U.S. Census Bureau, American Community Survey, 2011-15.

**Employment by Industry**

<b>Employment Sector</b>	<b>City of West Haven</b>		<b>New Haven County</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Agriculture, Forestry, Fishing, Hunting & Mining	2,915	9.8	1,235	0.3	7,214	0.4
Construction	1,318	4.4	21,280	5.1	100,593	5.6
Manufacturing	2,915	9.8	48,820	11.6	191,286	10.7
Wholesale Trade	921	3.1	12,038	2.9	44,581	2.5
Retail Trade	3,589	12.0	46,877	11.2	193,799	10.9
Transportation, Warehousing & Utilities	1,262	4.2	16,588	4.0	66,850	3.8
Information	425	1.4	9,492	2.3	41,486	2.3
Finance, Insurance & Real Estate	1,447	4.9	26,776	6.4	163,822	9.2
Professional, Scientific & Management	1,799	6.0	38,744	9.2	199,942	11.2
Educational Services & Health Care	8,593	28.8	130,983	31.2	471,587	26.5
Arts, Entertainment, Recreation & Food Services	2,462	8.3	32,385	7.7	153,516	8.6
Service (including nonprofit)	1,128	3.8	18,532	4.4	79,998	4.5
Public Administration	1,029	3.5	16,151	3.8	66,743	3.7
<b>Total</b>	<b>29,803</b>	<b>100.0</b>	<b>419,901</b>	<b>100.0</b>	<b>1,781,417</b>	<b>100.0</b>

Source: U.S. Census Bureau, American Community Survey, 2011-15.

## Major Employers

<u>Name of Employer</u>	<u>Nature of Entity</u>	<u>Estimated Number of Employees</u>
Veterans' Administration Hospital	Healthcare	2,000
City of West Haven	Municipality	1,207
University of New Haven	Education	850
Yale University	Education & Research Facility	386
Walmart	Retail	300
City Line Distributors	Distribution	200
Schick	Manufacturing	200
Metro Taxi	Taxi Service	200
Star Distributors	Liquor Distributer	150
KX Technologies	Water Filtration	150
Enthone	Manufacturing	110
Sabatino Tartufi	Truffle Importer	25
<b>Total</b>		<b><u>5,778</u></b>

Source: Department of Finance and Mayor's Office, City of West Haven.

## Unemployment Rate Statistics

<u>Yearly Average</u>	<u>City of West Haven</u>	<u>New Haven Labor Market</u>	<u>State of Connecticut</u>	<u>United States</u>
2007	5.2%	4.8%	4.6%	4.6%
2008	6.3%	5.8%	5.6%	5.8%
2009	9.1%	8.3%	8.3%	9.3%
2010	10.7%	9.3%	9.1%	9.6%
2011	10.8%	9.1%	8.8%	9.0%
2012	10.3%	8.5%	8.3%	8.1%
2013	9.5%	7.9%	7.8%	7.4%
2014	8.1%	6.8%	6.6%	6.2%
2015	6.8%	5.7%	5.6%	5.3%
2016	6.0%	5.1%	5.1%	4.9%
<b><u>2017 Monthly</u></b>				
January	6.1%	5.4%	5.4%	5.1%
February	6.2%	5.4%	5.5%	4.9%
March	6.0%	5.1%	5.1%	4.6%
April	5.4%	4.6%	4.7%	4.1%
May	5.6%	4.9%	4.8%	4.1%
June	6.1%	5.2%	5.1%	4.5%
July	6.1%	5.1%	5.0%	4.6%
August	5.5%	4.6%	4.6%	4.5%
September	4.8%	4.1%	4.0%	4.1%

Source: State of Connecticut, Department of Labor; United States Department of Labor, Bureau of Labor Statistics.

## Number and Value of Building Permits

Calendar Year Ending 12/31	Residential		Commercial		Permits	
	No.	Value	No.	Value	Number	Value
2017 (1)	952	\$10,932,542	248	\$22,565,723	2,699	\$33,498,265
2016	2086	23,619,785	613	50,824,471	2,699	74,444,256
2015	2,038	20,064,561	504	185,579,151	2,542	205,643,712
2014	497	5,453,626	150	8,546,401	647	14,000,027
2013	1,642	29,361,638	489	22,639,126	2,131	52,000,764
2012	1,548	10,483,702	563	28,738,205	2,111	39,221,907
2011	1,576	10,634,695	486	17,618,972	2,062	28,253,667
2010	1,427	12,545,889	465	18,132,689	1,892	30,678,578
2009	1,293	8,098,813	583	38,174,086	1,876	46,272,899
2008	1,454	10,911,379	496	45,621,104	1,950	56,532,483

(1) As of July 31, 2017.

Source: Building Department, City of West Haven.

## Number of Dwelling Units

2015	2010	2000	1990	% Increase 2010-2015	% Increase 1990-2015
22,290	22,446	22,336	23,007	-0.7%	-3.1%

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

## Housing Inventory

Type	Units	Percent
1-unit detached	10,516	47.2
1-unit attached	989	4.4
2 to 4 units	5,157	23.1
5 to 9 units	1,088	4.9
10 or more units	4,409	19.8
Mobile home, trailer, other	131	0.6
<b>Total Inventory</b>	<b>22,290</b>	<b>100.0</b>

Source: U.S. Census Bureau, American Community Survey, 2011-15.

## Characteristics of Housing Units

Value of Owner Occupied Units	City of West Haven		New Haven County		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
\$ 0 to \$ 50,000	318	2.9	6,070	3.0	24,620	2.7
50,000 to 99,999	571	5.1	9,231	4.5	28,771	3.2
100,000 to 149,999	1,361	12.3	21,988	10.7	78,066	8.6
150,000 to 199,999	3,257	29.3	35,624	17.4	140,544	15.5
200,000 to 299,999	4,378	39.4	61,078	29.8	251,106	27.7
300,000 to 499,999	1,064	9.6	52,360	25.6	235,670	26.0
500,000 to 999,999	95	0.9	15,871	7.7	106,965	11.8
1,000,000 and over	66	0.6	2,664	1.3	40,485	4.5
<b>Total</b>	<b>11,110</b>	<b>100.0</b>	<b>204,886</b>	<b>100.0</b>	<b>906,227</b>	<b>100.0</b>

**Median Value**                      \$200,800                      \$245,200                      \$270,500

Source: U.S. Census Bureau, American Community Survey, 2011-15.

## Age Distribution of Housing

<u>Year Structure Built</u>	<u>City of West Haven</u>		<u>New Haven County</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
1939 or earlier	6,512	29.2	95,220	26.3	331,829	22.2
1940 to 1949	1,610	7.2	25,150	6.9	105,253	7.1
1950 to 1959	4,121	18.5	54,689	15.1	230,868	15.5
1960 to 1969	3,270	14.7	45,377	12.5	200,380	13.4
1970 to 1979	2,792	12.5	46,826	12.9	199,447	13.4
1980 to 1989	2,777	12.5	45,415	12.5	193,595	13.0
1990 to 1999	753	3.4	27,273	7.5	115,076	7.7
2000 to 2009	437	2.0	20,073	5.5	103,911	7.0
2010 or 2013	18	0.1	2,209	0.6	10,815	0.7
2014 or later	0	0.0	119	0.0	615	0.0
Total housing units	<u>22,290</u>	<u>100.0</u>	<u>362,351</u>	<u>100.0</u>	<u>1,491,789</u>	<u>100.0</u>

Source: U.S. Census Bureau, American Community Survey, 2011-15.

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**SECTION V - INDEBTEDNESS**

**Computation of Statutory Debt Limit**

As of November 29, 2017 (Pro Forma)

Total fiscal year 2017 tax collections (including interest and lien fees)(unaudited estimate)

City of West Haven	\$ 93,674,283
West Haven Fire Districts	24,220,172
State Reimbursement for Revenue Loss on:	
Tax Relief for the Elderly	<u>10,000</u>
Base for Establishing Debt Limit	<u>\$ 117,904,455</u>

Debt Limit (1)	General	Schools	Sewers	Urban Renewal	Unfunded	Total
	Purpose				Pension Obligation	
(2.25 times base)	\$ 265,285,024					
(4.50 times base)		\$ 530,570,048				
(3.75 times base)			\$ 442,141,706			
(3.25 times base)				\$ 383,189,479		
(3.00 times base)					\$ 353,713,365	
(7.00 times base)						\$ 825,331,185
<b>Indebtedness (Including this issue)</b>						
Bonds Payable	\$ 29,557,919	\$ 16,060,081	\$ 482,000	\$ -	\$ 26,270,000	\$ 72,370,000
The Series A Bonds	16,135,000	-	-	-	-	16,135,000
The Series B Bonds	5,815,000	600,000	3,220,000	-	-	9,635,000
Notes Outstanding (2)	-	9,000,000	-	-	-	9,000,000
State of Connecticut Clean Water Fund PLO (3)	-	-	25,222,454	-	-	25,222,454
Authorized but Unissued Debt	<u>17,431,910</u>	<u>136,102,999</u>	<u>2,589,102</u>	-	-	<u>156,124,010</u>
Total Indebtedness	<u>68,939,829</u>	<u>161,763,080</u>	<u>31,513,556</u>	-	<u>26,270,000</u>	<u>288,486,464</u>
School construction grants receivable (4)	-	(90,782,083)	-	-	-	(90,782,083)
Intergovernmental receivable (5)	-	-	(107,000)	-	-	(107,000)
Total Net Indebtedness	<u>68,939,829</u>	<u>70,980,997</u>	<u>31,406,556</u>	-	<u>26,270,000</u>	<u>197,597,382</u>
Excess of Limit Over Outstanding and Authorized Debt	<u>\$ 196,345,195</u>	<u>\$ 459,589,050</u>	<u>\$ 410,735,150</u>	<u>\$ 383,189,479</u>	<u>\$ 327,443,365</u>	<u>\$ 627,733,803</u>

- (1) Under Chapter 109 of the Connecticut General Statutes the total of all indebtedness shall not exceed seven times the base or \$825,331,185.
- (2) The City currently has \$18,635,000 in outstanding bond anticipation notes. The proceeds from the Series B Bonds will be used to retire a portion of the outstanding notes on November 29, 2017.
- (3) Under the State of Connecticut's Clean Water Fund Program, the City has issued Project Loan Obligations ("PLO") totaling \$46,914,366 of which \$25,560,470 is currently outstanding. (See "Clean Water Fund Program herein.")
- (4) The City approved a \$133,250,000 "like new" renovation to its high school. The City expects to receive school construction progress payment grants from the State of Connecticut of approximately \$95,673,000 or 75.31% of eligible costs. The grants will reduce the authorized but unissued debt by a similar amount. To date, the City has received progress payments in the amount of \$4,890,604 for this project. See "School Construction Projects" herein.
- (5) Represents an arbitrator's stipulated judgment dated April 21, 2003 between the Town of Orange (the "Town") and the City. The judgment, in the amount of \$2,079,348, represents a 17 year amortization of the Town's prorated share of costs for improvements to the City's sanitary sewer and treatment system. The City intends to use the revenues received under this judgment to offset debt service for State of Connecticut Clean Water Fund Obligations used to finance the improvements. To date the Town has paid \$1,972,348 to the City.

Source: City Officials

## Calculation of Net Direct Debt

As of November 29, 2017 (Pro Forma)

<b>Long-Term Indebtedness</b> (1)	
The Series A Bonds ( <i>This Issue</i> )	\$ 16,135,000
The Series B Bonds ( <i>This Issue</i> )	9,635,000
General Purpose	29,557,919
Schools	16,060,081
Sewers	482,000
Pension Bonds	26,270,000
State of Connecticut PLO	<u>25,222,454</u>
<b>Total Long-Term Debt</b>	<u>123,362,454</u>
<b>Short-Term Indebtedness</b> (2)	<u>9,000,000</u>
<b>Total Short-Term Debt</b>	<u>9,000,000</u>
<b>Gross Direct Debt</b>	<u>132,362,454</u>
<b>Exclusions:</b>	
Intergovernmental Receivable (3)	<u>(107,000)</u>
<b>Total Net Direct Debt</b>	<u>\$132,255,454</u>

(1) Does not include authorized but unissued debt of \$156,734,010.

(2) The City currently has \$18,635,000 in outstanding bond anticipation notes. The proceeds from the Series B Bonds will be used to retire a portion of the outstanding notes on November 29, 2017.

(3) Represents an arbitrator's stipulated judgment dated April 21, 2003 between the Town of Orange (the "Town") and the City. The judgment, in the amount of \$2,079,348, represents a 17 year amortization of the Town's prorated share of costs for improvements to the City's sanitary sewer and treatment system. The City intends to use the revenues received under this judgment to offset debt service for State of Connecticut Clean Water Fund Obligations used to finance the improvements. To date the Town has paid \$1,972,348 to the City.

## Debt Authorized but Unissued

<u>Department</u>	<u>Total Authorization</u>	<u>Prior Debt &amp; Grants</u>	<u>The Series A Bonds (<i>This Issue</i>)</u>	<u>The Series B Bonds (<i>This Issue</i>)</u>	<u>Authorized But Unissued</u>
Board of Education (1)	\$174,865,048	\$ 38,162,049	\$ -	\$ 600,000	\$ 136,102,999
General Government	23,911,343	5,923,960	16,135,000	-	1,852,383
Parks and Recreation	5,542,325	2,623,760	-	-	2,918,565
Economic Development	8,465,282	5,105,470	-	-	3,359,812
Police Department	849,368	178,909	-	600,000	70,459
Public Works	41,270,221	27,900,190	-	5,215,000	8,155,031
Sewers	<u>82,950,000</u>	<u>77,140,898</u>	<u>-</u>	<u>3,220,000</u>	<u>2,589,102</u>
<b>Total</b>	<u>\$340,998,047</u>	<u>\$159,104,037</u>	<u>\$ 16,135,000</u>	<u>\$ 9,635,000</u>	<u>\$ 156,124,010</u> (2)

(1) The City has undertaken a \$133,250,000 "like new" renovation to its high school. The City expects to receive school construction progress payment grants from the State of Connecticut of approximately of \$95,673,000 or 75.31% of eligible costs. The grants will reduce the authorized but unissued debt by a similar amount. To date, the City has received progress payments in the amount of \$4,890,604 for this project. See "School Construction Projects" herein

(2) Includes outstanding authorizations for older projects which have been completed. The City does not expect to issue future debt against approximately \$35,549,000 of the outstanding authorizations. The City will be seeking to de-authorize those projects in the near future.



## Current Debt Ratios

As of November 29, 2017 (Pro Forma)

Gross Direct Debt	\$132,362,454
Net Direct Debt	\$132,255,454
Net Direct and Underlying Debt	\$132,255,454
Population (1)	55,189
Net Taxable Grand List (10/1/16)	\$2,648,488,238
Estimated Full Value	\$3,783,554,626
Equalized Net Taxable Grand List (2014) (2)	\$3,964,415,227
Per Capita Income (2015) (1)	\$26,143
<b>Total Direct Indebtedness:</b>	
Per Capita	\$2,398
To Net Taxable Grand List	5.00%
To Estimated Full Value	3.50%
To Equalized Net Taxable Grand List	3.34%
Per Capita to Per Capita Income	9.17%
<b>Net Direct Indebtedness:</b>	
Per Capita	\$2,396
To Net Taxable Grand List	4.99%
To Estimated Full Value	3.50%
To Equalized Net Taxable Grand List	3.34%
Per Capita to Per Capita Income	9.17%

(1) U.S. Census Bureau, American Community Survey, 2011-15.

(2) Office of Policy and Management, State of Connecticut

## Historical Debt Statement

	<u>2016-17 (1)</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
Population (2)	55,189	55,189	55,189	55,290	55,349
Net taxable grand list	2,630,506,783	\$2,853,950,725	\$2,819,190,324	\$2,819,748,736	\$2,824,351,604
Estimated full value	\$3,757,866,833	\$4,077,072,464	\$4,027,414,749	\$4,028,212,480	\$4,034,788,006
Equalized net taxable grand list (3)	\$3,964,415,227	\$3,964,415,227	\$3,840,876,745	\$3,920,079,059	\$3,861,225,600
Per capita income (2)	\$26,143	\$26,143	\$26,143	\$25,718	\$26,602
Short-term debt	\$9,635,000	\$0	\$0	\$9,692,799	\$10,892,799
Long-term debt	\$105,632,840	\$119,915,612	\$132,923,196	\$140,902,242	\$149,093,403
Total Direct debt	\$115,267,840	\$119,915,612	\$132,923,196	\$150,595,041	\$159,986,202
Net Direct debt	\$115,267,840	\$119,915,612	\$132,923,196	\$150,595,041	\$159,986,202

(1) Unaudited estimate.

(2) U.S. Census Bureau, American Community Survey.

(3) Office of Policy and Management, State of Connecticut

**Historical Debt Ratios**

	<u>2016-17 (1)</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
<b>Total Direct debt:</b>					
Per capita	\$2,088.60	\$2,172.82	\$2,408.51	\$2,723.73	\$2,890.50
To net taxable grand list	4.38%	4.20%	4.71%	5.34%	5.66%
To estimated full value	3.07%	2.94%	3.30%	3.74%	3.97%
To equalized net taxable grand list	2.91%	3.02%	3.46%	3.84%	4.14%
Debt per capita to per capita income	7.99%	8.31%	9.21%	10.59%	10.87%
<b>Net direct debt:</b>					
Per capita	\$2,088.60	\$2,172.82	\$2,408.51	\$2,723.73	\$2,890.50
To net taxable grand list	4.38%	4.20%	4.71%	5.34%	5.66%
To estimated full value	3.07%	2.94%	3.30%	3.74%	3.97%
To equalized net taxable grand list	2.91%	3.02%	3.46%	3.84%	4.14%
Debt per capita to per capita income	7.99%	8.31%	9.21%	10.59%	10.87%

(1) Unaudited estimate.

**Clean Water Fund Program**

The City of West Haven is a participant in the State of Connecticut Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan.)

Loans to each municipality are made pursuant to Project Grant and Project Loan Agreements ("Loan Agreements"). Each municipality is obligated to repay only that loan amount which it draws down for the payment of project costs. Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality, and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the scheduled completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are made (1) in equal monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the scheduled completion date specified in the Loan Agreement repayable thereafter in monthly installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty.

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The City has the following Clean Water Fund loans ("PLO's") outstanding:

<u>Project</u>	<u>Date of Issue</u>	<u>Original Loan Amount</u>	<u>Amount Outstanding as of 11/29/2017</u>
CWF PLO 167-C	10/30/1998	\$ 4,858,956	\$ -
CWF PLO 347-C	05/31/2000	1,618,947	190,734
CWF PLO 444-C	03/31/2001	1,603,000	265,341
CWF PLO 348-C	11/24/1998	4,407,222	791,929
CWF PLO 348-C1	12/31/2003	1,728,831	502,159
CWF PLO 346-C	12/31/2003	801,945	232,934
CWF PLO 348-CD1	09/29/2006	1,418,763	145,783
CWF PLO 348-CD2	5/31/2007	801,055	261,307
CWF PLO 549-C	12/28/2012	28,250,103	21,581,073
CWF PLO 549-CD2	6/30/2015	1,425,544	1,251,194
		<u>\$ 46,914,366</u>	<u>\$ 25,222,454</u>

### **Outstanding Short-Term Indebtedness**

The City currently has \$18,635,000 in Bond Anticipation Notes (the "BANs") which mature on October 2, 2018. The proceeds of the Series B Bonds will be used to retire a portion of the outstanding BANs prior to maturity.

### **Capital Leases**

The City has entered into a capital lease agreement for the purchase of various pieces of equipment. The amount of future lease payments as of June 30, 2017 was \$242,828. These payments are not included in outstanding bonded debt.

### **Underlying Indebtedness**

Other political subdivisions within the geographic boundary of the City of West Haven which have the power to issue debt or cause taxes to be levied on taxable property in the City include the First Fire Taxation District and the West Shore Fire District. The City is not liable to pay the fire districts' debt, however, the debt of the fire districts constitutes underlying debt of the City. Currently none of the political subdivisions have any outstanding debt that constitutes underlying indebtedness.

### **School Construction Projects**

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut provides proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. State grants are paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for the net share of project costs (hereafter the "new program").

Debt service reimbursement will continue under the prior reimbursement program for all projects approved before July 1, 1996. Under the prior program, a municipality issued bonds for the entire amount of the school construction project and the State of Connecticut reimburses the municipality for principal and interest costs for eligible school construction expenses over the life of outstanding school bonds (the "prior program").

Under the new program, the State of Connecticut will make proportional progress payments for eligible construction costs during the construction of the following projects at the estimated reimbursement rates shown below:

<u>Project</u>	<u>Estimated Eligible Cost</u>	<u>Estimated Reimbursement Rate (%)</u>	<u>Total Estimated Grant</u> <sup>(1)</sup>
West Haven High School	\$ 133,250,000	75.36	\$ 95,672,687

(1) Estimated grants receivable are based upon eligibility of project costs. Eligible costs are to be determined at completion of a post-project audit. To date, the City has received \$4,890,604 in grants for the above projects.

Included in the City's fiscal year 2016-17 capital budget was \$133.3 million for a "like new" renovation of the City's high school. The City is expected to receive approximately \$95.6 million in State of Connecticut school construction progress payment grants assuming a 75.4% state reimbursement for eligible project costs. The City's estimated share of project costs is estimated to be \$37.6 million. Project construction is expected to begin in December 2017 with project completion expected in September 2021.

**Debt Authorization**

Under Chapter IV, Section 7 of the City Charter, bonds are authorized by ordinance adopted by the City Council. An ordinance, introduced by any Council member, Council committee member, or the Mayor is read and a public hearing date is set, notice of which must be published. The Council must approve the bond ordinance and the Mayor must sign it, whereon it becomes effective on the date as set forth in the ordinance. A vote of nine council members is required to override the Mayor's disapproval of an ordinance. The electorate may overturn approval of an ordinance by referendum upon presentation of a petition signed by not less than 10% of the registered voters of the City.

In the case of refunding bonds, the City, in accordance with Section 7-370c of the Connecticut General Statutes, which supersedes the City Charter, authorizes the issuance of refunding bonds by the passage of a resolution by the City Council.

The Bonds and all Supported General Obligations will be issued in accordance with the terms of the Trust Indenture for the issuance of Additional Bonds (as defined in the Trust Indenture). (See "Appendix D – Summary of the Indenture").

**Temporary Financing**

The Connecticut General Statutes ("CGS") provide that 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 1/20<sup>th</sup> (1/30<sup>th</sup> for sewer projects and certain school building 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 1/15<sup>th</sup> 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).

## Five Year Capital Plan

The City Council annually adopts a five year capital plan. The objectives of the capital plan are to stabilize the City's debt service requirements by prioritizing projects based on fiscal and civic necessity, while reducing total indebtedness over a five-year period. The current fiscal year is the only year of the five year capital plan that is funded. The remaining years are comprised of proposed projects for which bonds have not been authorized. The current City administration intends to carefully review all projects included in the current year and where possible, reduce capital bond authorizations.

<b>Project Expenditures</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2020-21</b>	<b>Total</b>
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Government	50,000	50,000	50,000	-	-	150,000
Public Works	4,225,000	2,350,000	2,100,000	2,100,000	2,100,000	12,875,000
Water Pollution Control Authority	9,204,000	1,587,000	7,491,000	9,598,500	13,274,000	41,154,500
Planning & Economic Development	-	-	-	-	-	-
Board of Education (1)	25,639,002	40,236,187	35,115,520	28,456,157	3,306,309	132,753,175
<b>Total</b>	<b>\$39,118,002</b>	<b>\$44,223,187</b>	<b>\$44,756,520</b>	<b>\$40,154,657</b>	<b>\$18,680,309</b>	<b>\$186,932,675</b>

  

<b>Project Revenues</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2020-21</b>	<b>Total</b>
State & Federal Grants (1)	\$19,519,596	\$31,005,404	\$27,552,358	\$22,907,129	\$ 4,639,630	\$105,624,117
Capital Non-Recurring	238,326	238,326	238,326	238,326	238,326	1,191,630
Clean Water Fund Loans	7,363,200	1,269,600	5,992,800	7,678,800	10,619,200	32,923,600
Bonded Debt (1)	11,996,880	11,709,857	10,973,036	9,330,402	3,183,153	47,193,328
<b>Total Costs</b>	<b>\$39,118,002</b>	<b>\$44,223,187</b>	<b>\$44,756,520</b>	<b>\$40,154,657</b>	<b>\$18,680,309</b>	<b>\$186,932,675</b>

(1) Includes renovations to West Haven High School.

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**Combined Schedule of Long-Term Debt through Maturity**

As of November 29, 2017 (Pro Forma)

<b>Fiscal Year</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Debt Service</b>	<b>The Series A Bonds Principal</b>	<b>The Series B Bonds Principal</b>	<b>Principal All Issues</b>
2017-18 (1)	\$ 14,625,393	\$ 3,698,115	\$ 18,323,508	\$ -	\$ -	\$ 14,625,393
2018-19	14,762,993	3,211,627	17,974,620	1,615,000	-	16,377,993
2019-20	14,081,310	2,716,129	16,797,439	1,615,000	810,000	16,506,310
2020-21	12,877,635	2,207,994	15,085,629	1,615,000	810,000	15,302,635
2021-22	12,994,671	1,678,144	14,672,815	1,615,000	810,000	15,419,671
2022-23	4,984,910	1,183,557	6,168,467	1,615,000	790,000	7,389,910
2023-24	6,443,492	943,834	7,387,326	1,615,000	655,000	8,713,492
2024-25	6,524,041	664,708	7,188,749	1,615,000	645,000	8,784,041
2025-26	4,270,206	431,187	4,701,393	1,610,000	640,000	6,520,206
2026-27	2,332,001	318,999	2,651,000	1,610,000	640,000	4,582,001
2027-28	2,034,437	267,125	2,301,562	1,610,000	635,000	4,279,437
2028-29	2,067,528	220,949	2,288,477	-	320,000	2,387,528
2029-30	2,101,287	173,612	2,274,899	-	320,000	2,421,287
2030-31	2,120,727	124,660	2,245,387	-	320,000	2,440,727
2031-32	2,155,862	74,324	2,230,186	-	320,000	2,475,862
2032-33	521,348	37,236	558,584	-	320,000	841,348
2033-34	380,000	21,800	401,800	-	320,000	700,000
2034-35	355,000	7,100	362,100	-	320,000	675,000
2035-36	-	-	-	-	320,000	320,000
2036-37	-	-	-	-	320,000	320,000
2037-38	-	-	-	-	320,000	320,000
<b>Total</b>	<b>\$105,632,841</b>	<b>\$17,981,100</b>	<b>\$123,613,941</b>	<b>\$16,135,000</b>	<b>\$ 9,635,000</b>	<b>\$131,402,841</b>

(1) Includes \$8,040,386 in principal payments and \$1,895,687 in interest payments paid as of November 29, 2017.

Source: City annual audit reports, City finance office.

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**Schedule of Bonded Debt through Maturity**  
As of November 29, 2017 (Pro Forma)

<b>Fiscal Year</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total Debt Service</b>	<i>The Series A</i> <b>Bonds</b> <b>Principal</b>	<i>The Series B</i> <b>Bonds</b> <b>Principal</b>	<b>Principal All Issues</b>
2017-18 (1)	\$ 12,515,000	\$ 3,195,385	\$ 15,710,385	\$ -	\$ -	\$ 12,515,000
2018-19	12,710,000	2,749,933	15,459,933	1,615,000	-	14,325,000
2019-20	12,045,000	2,295,577	14,340,577	1,615,000	810,000	14,470,000
2020-21	11,100,000	1,826,514	12,926,514	1,615,000	810,000	13,525,000
2021-22	11,340,000	1,330,149	12,670,149	1,615,000	810,000	13,765,000
2022-23	3,400,000	868,526	4,268,526	1,615,000	790,000	5,805,000
2023-24	4,930,000	659,339	5,589,339	1,615,000	655,000	7,200,000
2024-25	4,980,000	410,761	5,390,761	1,615,000	645,000	7,240,000
2025-26	2,695,000	208,406	2,903,406	1,610,000	640,000	4,945,000
2026-27	725,000	128,013	853,013	1,610,000	640,000	2,975,000
2027-28	395,000	108,575	503,575	1,610,000	635,000	2,640,000
2028-29	395,000	95,491	490,491	-	320,000	715,000
2029-30	395,000	81,913	476,913	-	320,000	715,000
2030-31	380,000	67,400	447,400	-	320,000	700,000
2031-32	380,000	52,200	432,200	-	320,000	700,000
2032-33	380,000	37,000	417,000	-	320,000	700,000
2033-34	380,000	21,800	401,800	-	320,000	700,000
2034-35	355,000	7,100	362,100	-	320,000	675,000
2035-36	-	-	-	-	320,000	320,000
2036-37	-	-	-	-	320,000	320,000
2037-38	-	-	-	-	320,000	320,000
<b>Total</b>	<b>\$ 79,500,000</b>	<b>\$ 14,144,082</b>	<b>\$ 93,644,082</b>	<b>\$ 16,135,000</b>	<b>\$ 9,635,000</b>	<b>\$105,270,000</b>

(1) Includes \$7,130,000 in principal payments and \$1,668,813 in interest payments paid as of November 29, 2017.

Source: City annual audit reports, City finance office.

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**Schedule of State of Connecticut Clean Water Loans**

As of November 29, 2017 (Pro Forma)

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Debt Service</u>
2017-18 <sup>(1)</sup>	\$ 2,110,393	\$ 502,730	\$ 2,613,123
2018-19	2,052,993	461,694	2,514,687
2019-20	2,036,310	420,552	2,456,862
2020-21	1,777,635	381,479	2,159,114
2021-22	1,654,671	347,995	2,002,666
2022-23	1,584,910	315,031	1,899,941
2023-24	1,513,492	284,495	1,797,987
2024-25	1,544,041	253,946	1,797,987
2025-26	1,575,206	222,781	1,797,987
2026-27	1,607,001	190,986	1,797,987
2027-28	1,639,437	158,550	1,797,987
2028-29	1,672,528	125,459	1,797,987
2029-30	1,706,287	91,700	1,797,987
2030-31	1,740,727	57,260	1,797,987
2031-32	1,775,862	22,124	1,797,986
2032-33	141,348	236	141,584
Total	<u>\$26,132,841</u>	<u>\$3,837,018</u>	<u>\$29,969,859</u>

(1) Includes \$910,386 in principal payments and \$226,874 in interest payments paid as of November 29, 2017.

Source: City annual audit reports, City finance office.

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## SECTION VI - FINANCIAL DATA

### Accounting Policies

The City's accounting policies are summarized in Note 1 "Summary of Significant Account Policies" in the "Notes to General Purpose Financial Statements".

### Basis of Accounting

See Note 1 of "Notes to General Purpose Financial Statements".

### Audit

Pursuant to the provisions of the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes) and the City of West Haven Charter, the City is obligated to undergo an annual examination by an independent certified public accountant. The auditors, RSM U.S. LLP were appointed by the City Council, and are required to conduct their examination under the guidelines issued by the State of Connecticut, Office of Policy & Management, which receives a copy of said Audit Report when completed. The City's most recent audited financial statements are for the fiscal year ending June 30, 2016, a portion of which are included in Appendix A herein. The independent auditor has not performed any procedures relating to this Official Statement.

### Budgetary Procedures

The West Haven City Charter, adopted June 27, 1961, as amended, defines the City's budgetary policy. The following is the budgetary sequence and time schedule followed by the City:

Not later than the first Thursday of February, the Director of Finance and heads of each department, office or agency, including the Chairman of the Board of Education, file estimates of expenditures and non-tax revenues for the ensuing year with the Mayor. The Mayor may grant extensions of up to 30 days.

Not later than the third Thursday of March, the Mayor presents to the City Council: (a) a budget message outlining the financial policy of the City; (b) revenue estimates; and (c) expenditure estimates. The Chairman of the Board of Education follows the same procedures as any other City department head.

Not later than the first Thursday of April, the City Council holds one or more public hearings which must be advertised at least five days in advance of said public hearing.

Not later than the first Thursday in May, the budget must be adopted by a majority of the City Council. Any increase or decrease to the Mayor's budget requires a minimum of two-thirds approval by the City Council. At the time the budget is approved, the City Council also sets the tax rate in mills for the coming year.

Should the City Council fail to adopt a budget by the first Thursday in May, the budget as transmitted by the Mayor to the Council shall be deemed to have been adopted by the Council. The Mayor sets the tax rate based on his proposed budget.

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

### City Financial Operations

The City, through its elected and appointed officials, has taken and continues to take steps to review, redefine and in some cases, restructure various approaches in policy and management in order to effectively manage critical issues facing the City. The following are some of the fiscal issues the City has faced in the recent past.

#### Fiscal Year Ending June 30, 2016

On a budgetary basis of accounting, the City ended the fiscal year ending June 30, 2016 with a \$2.5 million operating deficit in the general fund. Revenues and other financing sources had a net negative revenue variance of \$1.8 million due in part to a \$1.8 million negative variance in intergovernmental revenues, and a \$1.2 million negative variance in charges for services related to permit activity. The negative revenue variances were partially offset by a positive variance in tax collections of

\$720,000. City expenditures were over budget for the year by a net \$261,000 largely due to a negative expenditure variance for insurance and benefits of \$2.1 million and a positive variance of \$1.5 million from unallocated contingency.

On a GAAP basis of accounting the City ended fiscal year ending June 30, 2016 with a \$6.5 million operating deficit which increased the cumulative General Fund Balance Deficit from \$10.2 million to \$16.7 million. In preparing the fiscal year ending June 30, 2016 Financial Statements, the City eliminated certain previous inter-fund advances which were determined to be uncollectable. The liquidation of the inter-fund advances were recorded as transfers out of the General Fund (\$4.6 million), and produced an off-setting reduction in advances to other funds (asset), and non-spendable fund balance (equity). See footnote 2 on page 37 of the fiscal year ending June 30, 2016 Financial Statements attached as Appendix A for more information.

#### Fiscal Year 2016-17 Unaudited estimate

On a budgetary basis of accounting, the City estimates that operations for the fiscal year ending June 30, 2017 lead to an approximate \$105,000 operating deficit in the General Fund. Revenues and other financing sources had a net negative revenue variance of \$2.5 million due in part to a \$2.3 million negative variance in intergovernmental revenues related to mid-year state budget cuts and a \$1.1 million negative variance in licenses, permits and fines related to permit activity. The negative revenue variances were partially offset by a positive variances in charges for services of \$675,000, property taxes of \$290,000 and transfers of \$199,000. City expenditures were under budget for the year by a net \$2.2 million largely due to positive variances in Education of \$2.2 million, positive variances in Public Safety of \$765,000 and positive variances in General Government of \$157,000. Those positive variances were offset by a \$882,000 negative variance for insurance and benefits.

#### Fiscal Year 2017-18 Adopted Budget

The City's fiscal year 2017-18 Adopted Budget was \$162,769,840 and included a \$5.2 million or 3.3% increase in spending. The mill rates for real estate and personal property and motor vehicles were left unchanged from the prior year at 35.26 mills and 37.00 mills, respectively. However, based on the requirements of Connecticut General Statutes Section 12-71e which created a cap on the local motor vehicle property tax mill rate of 32 mills for fiscal year 2017-18, the first installment of tax bills were sent out reflecting a 32 mill rate for motor vehicles. Under the recently enacted State Budget Act, the City has the authority to amend its fiscal year 2017-18 adopted budget to increase the mill rate for motor vehicles to 39 mills. In order to implement such an increase in the motor vehicle mill rate, the State Budget Act requires that the City's legislative body revise the motor vehicle mill rate by not later than the statutory deadline of December 15, 2017. If the City Budget is amended to reflect the new motor vehicle mill rate, the City would expect to issue supplemental tax bills reflecting the revised motor vehicle mill rate.

The City's adopted budget includes approximately \$62.01 million in State aid. However, when the State adopted its bi-annual budget on October 31, 2017, it included only \$55.36 million in aid to the City for the current fiscal year. On November 17, 2017 the Governor announced additional reductions in State aid to Connecticut municipalities. The City's allocation of such reduced aid was \$250,000, decreasing the overall state aid to the City to \$55.11 million. For the fiscal year ending June 30, 2018, approximately \$2.6 million of the shortfall in State aid will be addressed through budgeted debt service savings created by the delay in issuance of the Bonds. The remainder of the shortfall is expected to be addressed through the receipt of funding from the Municipal Restructuring Fund authorized under Section 370 of Public Act 17-2 of the June Special Session (the "State Budget Act"). The State has allocated \$28 million to the Fund in each of fiscal years 2018 and 2019. The City expects to make an application to the State for assistance from the Municipal Restructuring Fund in an amount up to \$8.0 million. The amount of such assistance to be received by the City, if any, is unknown. If the City receives funding from the Municipal Restructuring Fund in an amount less than any remaining general fund shortfall, the City anticipates using a combination of revenue enhancements and expenditure reductions, including permitted increases to the motor vehicle mill rate, the continuation of a hiring freeze, and the reduction of overtime in public safety and public works departments, to address such shortfall. There is no guaranty that such actions will offset completely the reduced level of State aid. See "SECTION VI – FINANCIAL DATA – Motor Vehicle Property Tax Rate" and "SECTION VI – FINANCIAL DATA – Municipal Accounting Review Board and Designated Tier Legislation" of this Official Statement for more information.

#### **City's Approach to Eliminating Accumulated General Fund Deficit**

The City Council approved a Deficit Financing Ordinance on July 25, 2016 and an amended Deficit Financing Ordinance on June 26, 2017 authorizing the issuance of up to \$17,350,000 in deficit financing bonds to eliminate the cumulative General Fund unassigned operating deficit as of June 30, 2016. Additionally, on July 25, 2016 the City Council adopted a Balanced Budget Ordinance which includes a mechanism to fund any future operating deficit following the issuance of the deficit financing bonds. The City expects to fund the estimated deficit for fiscal year ending June 30, 2017 from a grant from the Municipal Restructuring Fund established under the State Budget Act as describe above. If funding from the Municipal Restructuring Fund is unavailable or is less than the amount of the estimated fiscal year ending June 30, 2017 deficit, the City

will fund the remaining deficit in the manner described in the Balanced Budget Ordinance. See SECTION VI – FINANCIAL DATA – Municipal Accounting Review Board and Designated Tier Legislation" and "SECTION VI – FINANCIAL DATA – Balanced Budget Ordinance" herein for more information.

### ***Balanced Budget Ordinance***

On July 25, 2016 the City Council approved an ordinance (the "Balanced Budget Ordinance") establishing policies and procedures to help ensure that the City end future fiscal years with balanced operations or an operating surplus and eventually grow the General Fund unassigned balance to 5% of expenditures. The ordinance requires the Director of Finance to provide quarterly to the City Council reports of the actual revenues and expenditures year-to-date as compared to the adopted budget as well as a full year projection for the City's General Fund. If a budget report projects a deficit for the fiscal year, then the Mayor and Finance Director shall report specific line item expenditure reductions or revenue enhancements in order to eliminate the projected deficit. The City Council would then vote to approve or reject the budget adjustments as presented. Additionally, if at the time the Mayor submits the City's General Fund budget to the City Council there exists a projected General Fund deficit for the then current fiscal year, the Mayor shall include in the General Fund budget for the succeeding fiscal year an appropriation sufficient to eliminate the current year deficit. The City Council shall then adopt a budget with such appropriation for elimination of the projected deficit and a tax rate with the appropriate portion of the mill rate specifically allocated to eliminate the projected deficit; provided, however, that if such projected deficit exceeds \$250,000, the Mayor may submit a request to the City Council that such deficit be eliminated over a period of up to three (3) fiscal years. If such request is approved by the City Council, the Mayor shall include sufficient appropriations to eliminate such deficit in the adopted budgets for the number of fiscal years approved by the City Council. The City Council shall adopt such budgets with such appropriations to eliminate the projected deficit and the tax rates necessary to eliminate the projected deficit.

At the time the Mayor submitted the fiscal year 2017-18 General Fund budget to the City Council, the City was estimating balanced operations for the fiscal year ending June 30, 2017. Further, when the Director of Finance presented the third quarter budget report to the City Council, the City was still projecting balanced operations. However, due to a combination of the timing of unrealized permit fees, lower than anticipated tax collections in the fourth quarter, and a negative expenditure variance related to employee health care, the City is now projecting a year-end deficit. As a result and due to this timing, the City did not include monies in the fiscal year 2017-18 General Fund budget to eliminate the prior year's operating deficit as required by the Balanced Budget Ordinance. However, the City intends to fund the estimated deficit of \$105,000 for the fiscal year ending June 30, 2017 in future budgets in accordance with the requirements of the Balanced Budget Ordinance.

The Balanced Budget Ordinance also established a target unassigned fund balance level of five percent (5%) of total annual expenditures; and requires the Mayor to include in the General Fund budget the following: (i) for the 2017-2018 fiscal year, an appropriation of at least \$250,000 for fund balance restoration, (ii) for the 2018-2019 fiscal year an appropriation of at least \$500,000 for fund balance restoration, and (iii) starting in the 2019-2020 fiscal year and for each fiscal year thereafter, an appropriation of at least \$750,000 for fund balance restoration, until the undesignated fund balance is at least five percent (5%) of the total annual General Fund appropriations.

The policies and procedures in the Balance Budget Ordinance may only be amended or repealed by at least a two-thirds vote of the entire City Council.

### **Municipal Accountability Review Board and Designated Tiers Legislation**

Connecticut General Statutes Chapter 117, Sections 7-560 to 579 as amended by the State Budget Act, provides a process through which municipalities can access additional state aid and issue certain types of bonds in return for submitting to state fiscal oversight and control. The State Budget Act's process allows a municipality to request that the Secretary of the Office of Policy and Management (the "Secretary") classify it as a designated tier I, II, III, or IV municipality based on certain criteria, with each tier subjecting the municipality to a differing degree of state fiscal oversight and control. The criteria include the municipality's bond rating, along with several budgetary measures, such as fund balance, state aid as a percentage of total revenue, and equalized mill rates. The new requirements, processes and designation of tiers to municipalities would be administered by the Municipal Accountability Review Board (the "Review Board") created under the legislation.

Under the State Budget Act, following the issuance of deficit financing bonds the City will be automatically designated a tier III municipality and will be subject to certain oversight by the Review Board. Under the State Budget Act, the powers of the Review Board with respect to a designated tier III municipality include: 1) the ability to require the City to prepare and present for the Review Board's review and approval a three-year financial plan and to submit monthly financial reports to the Review Board; 2) the ability to review and comment on the City's annual budget prior to adoption by the City Council; 3) the ability to approve the state revenue and property tax revenue assumptions used by the City in preparing and adopting the annual budget; 4) the ability to approve municipal bonds supported by a State of Connecticut special capital reserve fund as defined

under the statute; 5) the ability to review and comment on other debt obligations proposed by the City; 6) the ability to approve or disapprove any City contract over \$50,000; 7) the ability to review and reject, on not more than two occasions, any City employee collective bargaining agreement; 8) the ability to review and reject, on not more than two occasions, any arbitration award; 9) the ability to monitor compliance with the City's three-year financial plan and annual budget and recommend that the City make any changes necessary to ensure budgetary balance; 10) the ability to recommend steps, as it deems appropriate, that the City can take related to the efficiency and productivity of the City's operations and management to reduce costs and improve services; 11) the ability to obtain information on the financial condition and needs of the City; and 12) the ability to, in consultation with the City, retain staff and hire consultants experienced in municipal finance and law, government operation and administration, or governmental accounting, as it deems necessary or desirable to accomplish the Review Board's purposes. The State Budget Act authorizes the Attorney General to apply for a writ of mandamus on the Review Board's behalf requiring a municipal official or agent to implement the Review Board's orders and authorizes the Hartford judicial district, upon application, to enforce the Review Boards' statutory powers. Under the State Budget Act, the City must retain its tier III designation until the following conditions have been satisfied: 1) there are no annual operating budgetary deficits in the City's general fund for three consecutive fiscal years; 2) the City's bond rating has either improved or remained unchanged since its most current designation, provided the City has no bond rating that is below investment grade; 3) the City has presented and the Review Board has approved a financial plan that projects a positive unreserved fund balance for the three succeeding fiscal years covered by the financial plan; and 4) the audits for three consecutive fiscal years have been completed and contain no general fund deficits.

Under the State Budget Act, any designated tier II, III or IV municipality is eligible to receive funding from a newly established Municipal Restructuring Fund. The State has allocated \$28 million in each of fiscal year 2018 and 2019 for the Municipal Restructuring Fund. A designated tier II, III or IV municipality seeking funds must provide the Secretary a plan detailing its overall restructuring plan, including local actions and the proposed use of the funds. The distribution of such assistance shall be at the discretion of the Secretary based on the relative fiscal needs of the requesting municipalities. Any municipality receiving such funds will be subject to the requirements of the Review Board including the approval of annual operating budgets. The City expects to make an application to the Secretary for assistance from the Municipal Restructuring Fund in an amount up to \$8.0 million.

### **Risk Management**

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Generally, the City obtains commercial insurance for these risks, but has chosen to retain limited risks for workers compensation claims, general liability claims and employee medical and prescriptions claims. The City contracts with outside organizations to pay claims and provide administrative services. Additionally, stop-loss insurance coverage has been obtained to limit the City's liability for workers compensation, general liability, heart and hypertension and medical claims.

The City purchases commercial insurance coverage for all City buildings, errors and omissions, a general liability umbrella policy with a retention limit of \$250,000 per incident, and law enforcement liability insurance with a retention limit of \$100,000 and a per claim limit of \$1,000,000. Additionally, the City has obtained a workers compensation excess policy with a retention limit of \$500,000 per incident and employee group medical claims stop loss policy for individual claims in excess of \$250,000 per incident.

As of June 30, 2016 the maximum loss potential of the City, including the Board of Education and Allingtown Fire Department, is approximately \$24,159,705, including accruals for claims incurred but not reported and estimates of the costs of future settlements. At this time, the City has no accumulated assets to offset those liabilities. See Notes to the Financial Statements, Note 2 in Appendix A, for more information regarding Risk Management.

### **Employee Pension Systems**

The City has three pension plans covering substantially all City employees and administrative employees of the Board of Education except certified educational employees, who participate in a contributory plan administered by the Connecticut State Teachers Retirement Board. The first plan is a single-employer Public Employee Retirement System (PERS) established and administered by the City to provide pension benefits for officers and members of the West Haven Police Department hired prior to November 2009. In September 2002, the City issued \$67,305,000 in Taxable General Obligation Pension Bonds to fully fund the unfunded actuarial liability in the Police retirement system. Beginning in November 2009, all new Police Department employees participate in a defined contribution plan. The second plan is a single-employer PERS established and administered by the City to provide pension benefits for members of the former Allingtown Fire District, now the Allingtown Fire Department, hired prior to June 30, 2013. The third plan is a contributory, defined contribution pension plan which covers

all full-time employees of the City, Allingtown Fire Department and the Board of Education, except certified educational employees.

The City has implemented Government Accounting Standards Board's ("GASB") Statement No. 67. Per GASB Statement No. 67, the Plan's net position is based on fair market value as of the end of the fiscal year and the Total Pension Liability is based on the actuarial assumptions as of the prior valuation date updated to the end of the fiscal year. The components of the net pension liability of the City's Pension Plans as of June 30, 2016 were as follows:

	<b>Police Pension Plan</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total pension liability	\$ 137,450,796	\$ 133,092,587	\$ 129,964,841
Plan fiduciary net position	108,975,135	116,222,913	119,075,529
Net pension liability	<u>\$ 28,475,661</u>	<u>\$ 16,869,674</u>	<u>\$ 10,889,312</u>
Plan fiduciary net position as a % of total pension liability	79.3%	87.3%	91.6%

  

	<b>Allingtown Fire Pension Plan</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total pension liability	\$ 28,283,670	\$ 25,659,225	\$ 24,724,569
Plan fiduciary net position	5,735,212	5,329,960	5,052,707
Net pension liability	<u>\$ 22,548,458</u>	<u>\$ 20,329,265</u>	<u>\$ 19,671,862</u>
Plan fiduciary net position as a % of total pension liability	20.3%	20.8%	20.4%

The following represents the net pension liabilities of the City's Plans, calculated using the discount rate of each plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<b>Police Pension Plan</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
Police Pension Plan	<b>6.375%</b>	<b>Rate 7.375%</b>	<b>8.375%</b>
Net Pension Liability	\$ 46,089,219	\$ 28,474,661	\$ 13,933,187

  

	<b>Allingtown Fire Pension Plan</b>		
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
Allingtown Fire Pension Plan	<b>5.750%</b>	<b>Rate 6.75%</b>	<b>7.750%</b>
Net Pension Liability	\$ 26,298,253	\$ 22,548,458	\$ 19,462,489

**Police Pension Plan**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Over/(Under) Funded AAL (UAAL) (a) - (b)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage Covered Payroll [(b) - (a)/(c)]</b>
1/1/2016	\$ 117,864,576	\$128,519,161	\$(10,654,585)	91.7 %	\$ 6,588,354	(161.7) %
1/1/2014	113,076,769	123,147,731	(10,070,962)	91.8 %	7,160,460	(140.6) %
1/1/2013	108,818,183	119,605,999	(10,787,816)	91.0 %	7,191,938	(150.0) %
1/1/2011	110,509,793	120,389,438	(9,879,645)	91.8 %	7,008,211	(141.0) %
1/1/2010	103,217,463	116,990,872	(13,773,409)	88.2 %	7,074,123	(194.7) %

For the January 1, 2016 actuarial valuation of the City's Police PERS, the projected unit credit cost method was used. The actuarial assumptions include a 7.375% investment rate of return and a payroll growth rate of 3.5% as well as a cost of living increase of 3% for employees hired before July 1, 1993 and 1.75% for employees hired after June 30, 1993.

Under the version of Connecticut General Statutes Section 7-374c which was in effect when the City issued its \$67.3 million Pension Obligation Bonds in September 2002, any municipality that issues pension deficit funding bonds is required to appropriate funds sufficient to meet the recommended Actuarial Determined Contribution ("ADC") for each year the pension deficit funding bonds are outstanding and maintain the Plan's funding ratio at substantially the same level as immediately succeeding the issuance of deficit funding bonds. When the City issued its Pension Obligation Bonds in September 2002, the deposit of pension bond proceeds in the pension fund established the funding ratio at 100%. As demonstrated in the table above, the funding ratio in the pension fund has been below 92% for at least the last 6 years.

Based upon the actuary's interpretation of the language in the statute that was in place when the City issued its Pension Bonds, the actuary had previously amortized the required amount necessary to restore the pension plan's funding level to substantially 100% over a five year period. However, the current version of Connecticut General Statutes Section 7-374c allows for an amortization period to be fixed with a term not longer than the longer of ten years or thirty years from the date of the issuance of the pension deficit bonds. For the January 1, 2016 valuation, the City's actuary increased the amortization period to a fixed 20 years ending in January 2031 because the City had requested the approval of the Secretary of the Office of Policy and Management ("OPM") and the State Treasurer (the "Treasurer") to allow the City to apply the amortization period permitted under the current version of the statute. The City ultimately withdrew its request to the Secretary of the OPM and the Treasurer and intends to seek special legislation to allow the City to apply the amortization term permitted in the current version of the statute. The City makes no guarantee that any legislation allowing the City to use the longer amortization term will be successful or that it will not be required to use the shorter amortization term in the future.

The following table shows the City's contribution to the Police PERS defined benefit plan for the last three years and the estimated contributions for fiscal year 2016-17 and budgeted contribution for fiscal year 2017-18:

**Schedule of Employer Contributions**

<b>Fiscal Year</b>	<b>Actuarial Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contributed</b>
2018 (1)	\$ 2,091,000 (2)	\$ 2,091,000	100.0%
2017 (3)	1,861,931 (2)	1,861,931	100.0%
2016	1,848,528 (2)	1,850,000	100.1%
2015	2,342,798 (4)	1,274,950	54.4%
2014	3,312,178 (4)	1,157,000	34.9%

- (1) Adopted Budget.
- (2) Based on a closed 17 year amortization period until January 1, 2031.
- (3) Unaudited estimate.
- (4) Based on a five year amortization period.

Please see "Appendix A – Audited Financial Statements" for more information regarding the City's pension plans.

**Allingtown Fire Pension Plan**

The following table represents the actuarial value of assets and actuarial accrued liabilities for the Allingtown Fire Department defined benefit plan, based upon a July 1, 2015 actuarial valuation which is the City's most recent actuarial valuation:

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) (b)</b>	<b>Over/(Under) Funded AAL (UAAL) (a) - (b)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage Covered Payroll [(b) - (a)/(c)]</b>
7/1/2015	\$ 5,329,960	\$ 27,321,401	\$(21,991,441)	19.5 %	\$ 1,678,136	(1,310.5) %
7/1/2013	4,379,827	22,738,356	(18,358,529)	19.3 %	1,678,136	(1,094.0) %
7/1/2011	3,550,545	21,313,549	(17,763,004)	16.7 %	1,645,791	(1,079.3) %
7/1/2008	2,902,414	18,846,154	(15,943,740)	15.4 %	1,341,760	(1,188.3) %
7/1/2005	1,758,630	18,193,790	(16,435,160)	9.7 %	1,238,339	(1,327.2) %

For the July 1, 2015 actuarial valuation of the Allingtown Fire Department's Plan, the Entry Age Normal method was used. The actuarial assumptions include a 6.75% investment rate of return and a payroll growth rate of 3.50% as well as a cost of living increase of 1.75% to 2.75% depending on the hiring date of the employee. The UAAL is being amortized over a closed 30 year period on a level percent of payroll basis, beginning July 1, 2003. The actuarial value of assets is equal to the market value of assets.

The following table shows the Allingtown Fire Department's contribution to the Allingtown Fire Department PERS defined benefit plan for the last three years and the estimated contributions for fiscal year 2016-17 and budgeted contribution for fiscal year 2017-18:

**Schedule of Employer Contributions**

<b>Fiscal Year</b>	<b>Actuarial Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contributed</b>
2018 (1)	\$ 2,009,923	\$ 1,871,443	93.1%
2017 (2)	2,009,923	1,649,295	82.1%
2016	1,597,526	1,559,866	97.6%
2015	1,536,083	1,571,325	102.3%
2014	1,519,425	1,495,339	98.4%

- (1) Adopted budget.
- (2) Unaudited estimate

**Other Post-Employment Benefits**

The City provides other post-employment benefits ("OPEB") for retired employees. Substantially all of the City's employees are eligible for these benefits when they become eligible for retirement. The City and the Allingtown Fire Department currently finance the cost of these benefits on a pay-as-you-go basis, and have not established any fund or trust for the accumulation of assets with which to pay such benefits in future years.

Based upon a July 1, 2013 valuation, the City's most recent actuarial valuation, the actuarial value of the liabilities of the City plan were as follows:

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Over/(Under) Funded AAL (UAAL) (a) - (b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
July 1, 2013	\$ -	\$ 188,688,960	\$(188,688,960)	0.0%	N/A	N/A
July 1, 2011	-	136,899,137	(136,899,137)	0.0%	N/A	N/A
July 1, 2009	-	127,963,458	(127,963,458)	0.0%	N/A	N/A
July 1, 2007	-	114,359,910	(114,359,910)	0.0%	N/A	N/A

The following table shows the City's contribution for OPEB for the last five fiscal years:

**Schedule of Employer Contributions**

<b>Fiscal</b>	<b>Actuarial Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contributed</b>
2016	\$13,677,829	\$8,392,644	61.4%
2015	12,948,251	7,418,078	57.3%
2014	12,816,573	7,693,470	60.0%
2013	9,588,218	6,906,130	72.0%
2012	9,464,246	6,068,744	64.1%

In the July 1, 2013 actuarial valuation of the City's OPEB Plan, the projected unit credit cost method was used. The actuarial assumptions include a 4.0% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual health care cost trend rate is 8.5% initially, reduced incrementally to an ultimate rate of 5.0% after eight years. The projected salary increase assumption was 3%. The UAAL is being amortized as an open 30 year amortization.

Based upon a July 1, 2013 valuation, the actuarial value of the liabilities of the Allingtown Fire Department's OPEB plan were as follows:

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Over/(Under) Funded AAL (UAAL) (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll ((b-a)/c)</b>
July 1, 2013	\$ -	\$ 19,201,569	\$(19,201,569)	0.0%	N/A	N/A
June 30, 2010	-	16,717,000	(16,717,000)	0.0%	N/A	N/A



The following table shows the Allingtown Fire Department's contribution for OPEB for the last five years:

**Schedule of Employer Contributions**

<u>Fiscal</u>	<u>Actuarial Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2016	\$ 1,533,359	\$ 691,753	45.1%
2015	1,434,038	639,429	44.6%
2014	1,342,307	585,466	43.6%
2013	1,367,000	635,000	46.5%
2012	1,282,000	570,000	44.5%

In the July 1, 2013 actuarial valuation of the Allingtown Fire Department's OPEB Plan, the projected unit credit cost method was used. The actuarial assumptions include a 4.0% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual health care cost trend rate is 4.3% initially, reduced incrementally to an ultimate rate of 0.88% over an eighty-seven year period. The projected salary increase assumption was 4.7%. The UAAL is being amortized as an open 25 year amortization.

**Investment Policies and Procedures**

Under Chapter VI, Section 2 of the City Charter and under Connecticut General Statutes Section 7-400 and 7-402, the City may invest in certificate of deposits, 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 City's investment practices have been to invest in certificates of deposit, repurchase agreements, U.S. Treasury bonds, bills and notes, demand accounts and the State of Connecticut Short Term Investment Fund (STIF).

The City maintains a formal Investment Policy that restricts the types of investments that the City can invest in, defines investment maturity guidelines and the percentage investment mix of the investment portfolio. A copy of the Investment Policy is available upon request from the Director of Finance.

**Assessment Practices**

The City of West Haven last revalued its real property on October 1, 2015 which was effective for fiscal year 2016-17. Section 12-62 of the Connecticut General Statutes establishes the revaluation cycle for Connecticut municipalities. Generally, Section 12-62, as amended in 2006, requires a revaluation every five years and requires the assessor to fully inspect each parcel, including measuring or verifying the exterior dimensions of a building and entering and examining the interior of the building, once every ten years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may choose to phase-in real property assessment increases resulting from a revaluation, but such phase-in must be implemented in less than five assessment years. The maintenance of an equitable tax base by locating and appraising all real and personal property within the City for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed value for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the City on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last 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.

**Tax Collection Procedure**

Taxes for the fiscal year are paid on the grand list of the prior October 1, and are due and payable in two installments, July 1 and January 1. Payments not received one month after the due date become delinquent, with interest charged at a rate of 1.5% per month from the due date of the tax. Real estate is liened for delinquent taxes within one year after the tax due date. Legal demands and alias tax warrants are 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 receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State Statutes.

### Motor Vehicle Property Tax Rate

Connecticut General Statutes Section 12-71e, as amended, created a cap on the local property tax mill rate for motor vehicles for the assessment year commencing October 1, 2015, and each assessment year thereafter. Originally, Connecticut General Statutes Section 12-71e required a motor vehicle mill rate cap of 37 mills for the assessment year commencing October 1, 2015 and a cap of 32 mills for the assessment year commencing October 1, 2016 and thereafter. Connecticut General Statutes Section 12-71e was amended in October 2017 such that for the assessment year commencing October 1, 2016, the mill rate for motor vehicles was capped at 39 mills and for the assessment year commencing October 1, 2017, and each assessment year thereafter, the mill rate for motor vehicles was capped at 45 mills. Any municipality or special tax district is permitted to establish a mill rate for motor vehicles that is different from its mill rate for real property. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the municipality in which such district or borough is located would result in a combined motor vehicle mill rate (1) above 39 mills for the assessment year commencing October 1, 2016, or (2) above 45 mills for the assessment year commencing October 1, 2017, and each assessment year thereafter. The City's adopted budget for fiscal year 2017-18 assumed a mill rate of 37 mills for motor vehicles. However, based on the requirements of Connecticut General Statute Section 12-71e in effect at the time, the City elected to send out tax bills based on a mill rate of 32 mills for motor vehicles. Under the recently enacted State Budget Act, the City has the authority to amend its fiscal year 2017-18 adopted budget to increase the mill rate for motor vehicles to 39 mills. In order to implement such an increase in the motor vehicle mill rate, the State Budget Act requires that the City's legislative body revise the motor vehicle mill rate by not later than the statutory deadline of December 15, 2017. If the City Budget is amended to reflect the new motor vehicle mill rate, the City would expect to issue supplemental tax bills reflecting the revised motor vehicle mill rate. See "SECTION VI – FINANCIAL DATA – City Financial Operations" herein.

### Property Tax Lien Sales

In April 2017, the City sold approximately \$2.7 million of tax liens on the then current fiscal year's delinquent taxes. As a result of the lien sale, including premium, the City received approximately \$2.8 million in revenue. It is the City's practice to budget for tax lien sales annually and to record the receipts of the sale in the fiscal year in which the sale occurred.

### Property Tax Levies and Collections

<b>FY Ending 6/30</b>	<b>Net Taxable Grand List</b>	<b>Tax Rate (In Mills)</b>	<b>Total Adjusted Tax Levy</b>	<b>% Collected End of Each FY</b>	<b>Uncollected End of Each FY</b>	<b>Uncollected As of 6/30/2016</b>
2018 (1)	\$2,648,488,238	35.26	\$93,269,000	In process	In process	In process
2017 (2,3)	2,630,506,783	35.26	92,553,329	98.1 % (2)	In process	In process
2016	2,853,950,725	31.25	88,394,444	98.5	1,326,104	1,326,104
2015	2,819,190,324	31.25	88,651,979	98.5	1,453,764	766,491
2014	2,819,748,736	31.25	88,395,137	98.3	1,671,618	144,687
2013	2,824,694,120	31.25	88,111,713	98.1	1,701,259	123,131
2012 (3)	2,806,207,190	27.96	87,970,800	97.9	1,885,159	113,527
2011	3,007,053,582	27.96	84,116,342	98.6	1,223,876	133,942
2010	3,002,897,601	27.96	84,226,337	98.4	1,364,111	116,518
2009	3,016,619,868	27.96	84,118,886	98.3	2,132,177	75,020

(1) Adopted budget.

(2) Unaudited estimate.

(3) Revaluation.

Source: Tax Collector, City of West Haven.

## Taxable Grand List

Grand List Dated	Residential Real Property	Industrial & Commercial Real Property	Vacant Land	Motor Vehicle	Personal Property	Gross Taxable Grand List	Exemptions	Net Taxable Grand List
10/01/16	66.7 %	17.1 %	0.8 %	10.0 %	5.4 %	\$2,698,997,289	\$50,509,051	\$2,648,488,238
10/01/15 (1)	67.2	17.0	0.7	10.0	5.1	2,679,692,404	49,185,621	2,630,506,783
10/01/14	69.0	16.8	0.7	8.9	4.6	2,901,586,624	47,635,899	2,853,950,725
10/01/13	70.8	16.5	0.8	8.7	3.2	2,867,663,457	48,473,133	2,819,190,324
10/01/12	69.6	17.2	0.7	8.8	3.7	2,869,910,894	50,162,158	2,819,748,736
10/01/11	70.6	17.9	0.8	8.8	3.6	2,872,334,581	47,640,461	2,824,694,120
10/01/10 (1)	71.1	18.1	0.8	8.3	3.5	2,854,842,966	48,635,776	2,806,207,190
10/01/09	73.1	15.6	0.6	7.4	3.3	3,052,372,704	45,319,122	3,007,053,582
10/01/08	72.9	15.6	0.6	7.4	3.5	3,048,826,595	45,928,994	3,002,897,601
10/01/07	72.5	15.8	0.7	7.7	3.4	3,063,488,907	46,869,039	3,016,619,868

(1) Revaluation.

Source: Assessor's Office, City of West Haven.

## Largest Taxpayers

The following table sets forth the ten largest taxpayers in the City per the Grand List dated October 1, 2016:

Name of Taxpayer	Nature of Property	Grand List Amount	Estimated Taxes
United Illuminating Company	Utility	\$ 32,818,000	\$1,157,163
Southern Connecticut Gas Company	Utility	23,269,750	820,491
Wal-Mart Real Estate Business Trust	Retail Shopping Center	10,477,600	369,440
West Haven Property Development LLC	Retail Shopping Center	8,627,360	304,201
Nissan Infiniti LT	Personal Property	8,210,193	289,491
Haven Group LLC	Real Estate	7,903,840	278,689
Green Olive Properties	Apartments	6,934,900	244,525
Marlake Company LLC	Apartments	6,726,440	237,174
Meadown Landing Limited	Apartments	6,586,580	232,243
McDermid Ethone	Manufacturing	6,425,280	226,555
<b>Total</b>		<b>\$117,979,943 (1)</b>	<b>\$4,159,973 (2)</b>

(1) Represents 4.5% of the October 1, 2016 net taxable grand list of \$2,648,488,238.

(2) Represents 4.6% of the proposed tax levy of \$93,269,000 for fiscal year 2016-2017.

Source: Assessor's Office, City of West Haven.

## Revenues

The City derives its revenues from a direct tax levy on property, State and federal aid, various fees and charges, and other miscellaneous sources. City revenues are summarized for fiscal years ended 2011-2016 in Section VI – Financial Data "Statements of Revenues, Expenditures and Changes in Fund Balance - General Fund" herein.

## Property Tax Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues &amp; Transfers In</u>	<u>Tax Revenues</u>	<u>Tax Revenues as % Total Revenues</u>
2018 (1)	\$ 162,769,840	\$ 91,963,234	56.5%
2017 (2)	155,293,271	93,730,732	60.4%
2016	170,488,849	90,455,343	53.1%
2015	161,916,456	89,293,315	55.1%
2014	160,827,986	89,495,114	55.6%
2013	156,659,939	88,645,476	56.6%
2012	152,969,630	88,103,965	57.6%
2011	151,111,941	84,939,766	56.2%
2010	146,731,333	84,739,371	57.8%
2009	147,733,635	85,343,581	57.8%

(1) Adopted budget. Excludes pass through for Teachers' Retirement Fund.

(2) Unaudited estimate.

Source: Annual audited financial statements; fiscal year 2016-17 unaudited estimate and 2017-18 adopted budget.

## Intergovernmental Revenues

<u>Fiscal Year</u>	<u>General Fund Revenues &amp; Transfers In</u>	<u>Federal/ State Aid</u>	<u>Aid As a % of General Fund Revenue</u>
2018 (1)	\$162,769,840	\$ 62,008,951	38.1%
2017 (2)	155,293,271	54,855,662	35.3%
2016	170,488,849	74,083,784	43.5%
2015	161,916,456	66,698,261	41.2%
2014	160,827,986	89,495,114	55.6%
2013	156,659,939	62,176,447	39.7%
2012	152,969,630	58,881,010	38.5%
2011	151,111,941	57,689,619	38.2%
2010	146,731,333	56,437,139	38.5%
2009	147,733,635	55,836,087	37.8%

(1) Adopted budget. Excludes pass through for Teachers' Retirement Fund.

(2) Unaudited estimate. Excludes pass through for Teachers' Retirement Fund.

Source: Annual audited financial statements; fiscal year 2016-17 unaudited estimate and 2017-18 adopted budget.

## Expenditures

<u>Fiscal Year</u>	<u>Education</u>	<u>Debt Service</u>	<u>Benefits &amp; Insurance</u>	<u>Public Safety</u>	<u>Public Works</u>
2018 (1)	55.06 %	12.15 %	9.70 %	10.10 %	6.67 %
2017 (2)	56.23	10.77	10.48	9.71	6.89
2016	61.49	9.15	9.52	8.47	6.09
2015	58.96	10.55	9.71	8.98	6.22
2014	59.25	10.95	8.47	8.83	6.69
2013	58.21	11.09	8.13	9.26	7.04
2012	58.29	11.64	8.75	9.06	6.27
2011	57.69	12.30	8.62	8.73	6.75
2010	57.87	11.80	8.99	8.41	6.89
2009	57.41	11.68	8.72	8.97	7.09

(1) Adopted budget. Excludes pass through for Teachers' Retirement Fund.

(2) Unaudited estimate.

Source: Annual audited financial statements; fiscal year 2016-17 unaudited estimate and 2017-18 adopted budget.

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**Comparative General Fund Operating Statement – FY 2015-16**  
 Budget and Actual (Budgetary Basis)

	<b>Fiscal Year 2015-16 (Audited)</b>		
	<b>Amended Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Property taxes	\$89,734,948	\$90,455,343	\$ 720,395
Intergovernmental	57,214,880	55,457,785	(1,757,095)
Investment income	5,000	3,946	(1,054)
Charges for services	4,807,612	3,589,044	(1,218,568)
Other local revenue	611,127	1,043,783	432,656
<b>TOTAL REVENUES</b>	<b>152,373,567</b>	<b>150,549,901</b>	<b>(1,823,666)</b>
<b>EXPENDITURES</b>			
Current:			
General government	7,142,365	5,613,257	1,529,108
Public safety	14,898,884	14,648,759	250,125
Public works	10,438,685	10,530,433	(91,748)
Health and welfare	1,137,299	1,113,962	23,337
Parks and recreation	877,768	844,947	32,821
Education	87,769,908	87,666,926	102,982
Operating Charges	14,312,761	16,420,785	(2,108,024)
Library	1,596,000	1,596,000	-
Debt service	15,817,910	15,817,910	-
<b>TOTAL EXPENDITURES</b>	<b>153,991,580</b>	<b>154,252,979</b>	<b>(261,399)</b>
Excess (deficiency) of revenues over expenditures	<u>(1,618,013)</u>	<u>(3,703,078)</u>	<u>(2,085,065)</u>
Other financing sources (uses):			
Operating transfers in:	1,618,013	1,655,234	37,221
Operating transfers out:	<u>-</u>	<u>(438,291)</u>	<u>(438,291)</u>
Total other financing sources:	<u>1,618,013</u>	<u>1,216,943</u>	<u>(401,070)</u>
Excess (deficiency) of revenues other financing sources over expenditures and other financing sources	<u>\$ -</u>	<u>\$ (2,486,135)</u>	<u>\$ (2,486,135)</u>

Source: Fiscal Year 2015-16 financial statements.

**Comparative General Fund Operating Statement**  
**FY 2016-17 Unaudited Estimate and FY 2017-18 Adopted Budget**  
 Budget and Actual (Budgetary Basis)

	<b>Fiscal Year 2016-17 (Unaudited Estimate)</b>			<b>Fiscal Year</b>
	<b>Amended Budget</b>	<b>Estimate</b>	<b>Favorable (Unfavorable)</b>	<b>2017-18 Adopted Budget</b>
<b>REVENUES</b>				
Property taxes	\$93,441,029	\$93,730,732	\$ 289,703	\$ 94,406,149
Intergovernmental	57,154,480	54,855,662	(2,298,818)	62,008,951 (1)
Investment income	30,010	23,384	(6,626)	30,000
Licenses, Permits & Fines	2,460,076	1,314,518	(1,145,558)	2,848,604
Charges for services	2,897,534	3,572,110	674,576	2,104,720
<b>TOTAL REVENUES</b>	<u>155,983,129</u>	<u>153,496,406</u>	<u>(2,486,723)</u>	<u>\$ 161,398,424</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,730,604	5,573,278	157,326	5,917,224
Public safety	15,857,267	15,092,617	764,650	16,445,698
Public works	10,612,358	10,714,387	(102,029)	10,853,839
Health and welfare	1,177,487	1,161,270	16,217	1,504,801
Parks and recreation	936,210	869,742	66,468	636,204
Education	89,627,581	87,373,456	2,254,125	89,626,581
Operating Charges	15,404,748	16,287,036	(882,288)	16,420,082
Library	1,596,000	1,596,000	-	1,596,000
Debt service	16,638,887	16,731,011	(92,124)	19,769,411
<b>TOTAL EXPENDITURES</b>	<u>157,581,142</u>	<u>155,398,797</u>	<u>2,182,345</u>	<u>162,769,840</u>
Excess (deficiency) of revenues over expenditures	<u>(1,598,013)</u>	<u>(1,902,391)</u>	<u>(304,378)</u>	<u>(1,371,416)</u>
Other financing sources (uses):				
Operating transfers in:	1,598,013	1,796,865	198,852	1,371,416
Operating transfers out:	-	-	-	-
Total other financing sources:	<u>1,598,013</u>	<u>1,796,865</u>	<u>198,852</u>	<u>1,371,416</u>
Excess (deficiency) of revenues other financing sources over expenditures and other financing sources	<u>\$ -</u>	<u>\$ (105,526)</u>	<u>\$ (105,526)</u>	<u>\$ -</u>

(1) The City based its fiscal year 2017-18 General Fund operating budget on the Governor's proposed budget from February 2017, which called for the City receiving \$63.87 million in state aid, net of \$4.5 million in payments by the City to the teachers' retirement fund. Ultimately, the City budgeted \$62.01 million in State aid, including \$8.5 million in Special Education funding. The City is planning a number of actions to make up the loss in state aid including applying for additional funding from the newly created Municipal Restructuring Fund. On October 31, 2017 the Governor signed the bi-annual operating budget for fiscal years 2017-18 and 2018-19 which calls for a total of \$55.36 million in state aid to the City for fiscal year 2017-18. However, on November 17, 2017 the Governor announced additional reductions in State aid to Connecticut municipalities. The City's allocation of such reduced aid was \$250,000, decreasing the overall state aid to the City to \$55.11 million. (See "SECTION VI – FINANCIAL OPERATIONS – City Financial Operations – Fiscal Year 2017-18 Adopted Budget" herein).

Source: Fiscal Year 2016-17 unaudited estimate and Fiscal Year 2017-18 Adopted Budget.

**Comparative Balance Sheets - General Fund**

<b>Fiscal Year Ended:</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 5,730,884	\$ 6,143,140	\$16,555,974	\$10,872,650	\$ 9,353,200
Receivables (net)	10,214,740	10,665,286	6,615,604	5,107,380	4,975,914
Due from other funds	1,104,218	1,818,928	-	-	3,710,426
Advances to other funds	974,045	610,440	1,760,849	5,323,490	-
Prepaid assets	<u>2,961,279</u>	<u>4,926,879</u>	<u>-</u>	<u>792,511</u>	<u>152,351</u>
<b>TOTAL ASSETS</b>	<b><u>\$20,985,166</u></b>	<b><u>\$24,164,673</u></b>	<b><u>\$24,932,427</u></b>	<b><u>\$22,096,031</u></b>	<b><u>\$18,191,891</u></b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 6,887,019	\$ 9,912,016	\$12,243,953	\$15,031,637	\$15,897,235
Accrued payroll	2,936,132	3,196,880	4,110,775	4,443,791	4,593,821
Deferred revenue	7,860,451	10,524,211	-	-	-
Unearned revenue	2,139,166	299,924	30,777	85,596	30,500
Due to other funds	11,432,474	7,815,677	5,013,673	-	4,727,541
Other	266,590	192,614	170,275	173,567	160,274
Advances to other funds	-	-	-	1,873,951	-
<b>TOTAL LIABILITIES</b>	<b><u>31,521,832</u></b>	<b><u>31,941,322</u></b>	<b><u>21,569,453</u></b>	<b><u>21,608,542</u></b>	<b><u>25,409,371</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	-	-	5,340,500	3,909,618	3,037,256
Advance property tax collections	-	-	6,417,928	6,762,404	6,468,764
Unavailable revenue - charges for services	-	-	98,541	12,564	12,564
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>11,856,969</u></b>	<b><u>10,684,586</u></b>	<b><u>9,518,584</u></b>
<b>FUND BALANCES (DEFICITS):</b>					
Nonspendable	3,935,324	5,537,319	1,760,849	6,116,001	152,351 (1)
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	<u>(14,471,990)</u>	<u>(13,313,968)</u>	<u>(10,254,844)</u>	<u>(16,313,098)</u>	<u>(16,888,415)</u>
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<b><u>(10,536,666)</u></b>	<b><u>(7,776,649)</u></b>	<b><u>(8,493,995)</u></b>	<b><u>(10,197,097)</u></b>	<b><u>(16,736,064)</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b><u>\$20,985,166</u></b>	<b><u>\$24,164,673</u></b>	<b><u>\$24,932,427</u></b>	<b><u>\$22,096,031</u></b>	<b><u>\$18,191,891</u></b>

(1) For the Fiscal Year Ending June 30, 2016 Financial Statements, the City eliminated certain prior inter-fund advances which were determined to be uncollectable. The liquidation of the inter-fund advances were recorded as transfers out of the General Fund, and produced an off-setting reduction in advances to other funds, and non-spendable fund balance. See footnote 2 on page 37 of Appendix A, Audited Financial Statements for more information.

Source: Annual audited financial statements.



**Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund**

<b>Fiscal Year Ended:</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>REVENUES</b>					
Property taxes	\$ 88,103,965	\$ 88,645,476	\$ 89,495,114	\$ 89,293,315	\$ 90,455,343
Intergovernmental	58,881,010	62,176,447	65,232,537	66,698,261	74,083,784
Charges for services	2,633,452	2,949,557	3,365,573	4,220,750	3,589,044
Investment income	17,722	11,023	4,839	5,244	3,946
Other revenues	843,051	247,020	579,405	237,909	628,784
<b>TOTAL REVENUES</b>	<b>150,479,200</b>	<b>154,029,523</b>	<b>158,677,468</b>	<b>160,455,479</b>	<b>168,760,901</b>
<b>EXPENDITURES</b>					
Current:					
General government	5,635,541	6,074,994	5,731,349	5,503,726	5,573,256
Public safety	13,839,888	14,156,458	14,167,708	14,698,060	14,648,759
Public works	9,585,222	10,771,539	10,737,189	10,186,626	10,530,434
Benefits and insurance	13,359,388	12,431,531	13,602,831	15,890,748	16,451,288
Health and welfare	1,066,460	1,042,884	1,100,338	1,130,451	1,113,962
Library and other	1,603,717	1,603,717	1,630,000	1,630,001	1,596,000
Parks and recreation	843,238	861,297	870,444	869,583	844,947
Education	89,048,477	89,015,764	95,107,522	96,506,345	106,292,923
Debt Services	17,773,135	16,961,372	17,573,204	17,264,237	15,817,910
<b>TOTAL EXPENDITURES</b>	<b>152,755,066</b>	<b>152,919,556</b>	<b>160,520,585</b>	<b>163,679,777</b>	<b>172,869,479</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<b>(2,275,866)</b>	<b>1,109,967</b>	<b>(1,843,117)</b>	<b>(3,224,298)</b>	<b>(4,108,578)</b>
<b>OTHER FINANCING SOURCES</b>					
<b>SOURCES (USES):</b>					
Operating transfers in	2,450,915	2,178,416	2,150,518	1,460,977	1,727,948
Operating transfers out	(200,000)	(980,366)	(1,024,747)	(1,197,360)	(4,573,337) (1)
Premium	35,000	-	-	-	-
Proceeds from the sale of assets	4,515	452,000	-	920,500	415,000
Issuance of refunding bonds	-	-	-	38,715,000	-
Deposit to refunding escrow	-	-	-	(38,377,921)	-
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>2,290,430</b>	<b>1,650,050</b>	<b>1,125,771</b>	<b>1,521,196</b>	<b>(2,430,389)</b>
<b>NET CHANGE IN FUND</b>	<b>14,564</b>	<b>2,760,017</b>	<b>(717,346)</b>	<b>(1,703,102)</b>	<b>(6,538,967)</b>
Fund Balance - Beginning of year	<u>(10,551,230)</u>	<u>(10,536,666)</u>	<u>(7,776,649)</u>	<u>(8,493,995)</u>	<u>(10,197,097)</u>
Fund Balance - End of year	<u><b>\$(10,536,666)</b></u>	<u><b>\$( 7,776,649)</b></u>	<u><b>\$( 8,493,995)</b></u>	<u><b>\$(10,197,097)</b></u>	<u><b>\$(16,736,064)</b></u>

(1) For the Fiscal Year Ending June 30, 2016 Financial Statements, the City eliminated certain prior inter-fund advances which were determined to be uncollectable. The liquidation of the inter-fund advances were recorded as transfers out of the General Fund, and produced an off-setting reduction in advances to other funds, and non-spendable fund balance. See footnote 2 on page 37 of Appendix A, Audited Financial Statements for more information.

Source: Annual audited financial statements.

## SECTION VII - ADDITIONAL INFORMATION

### **Litigation**

The City of West Haven, its officers, employees, boards and commissions are defendants in various lawsuits. It is the opinion of the Corporation Counsel that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the City which would materially adversely affect its financial position. Additionally, Corporation Council is not aware of any lawsuits, administrative proceedings or other claims threatened to be filed or instituted against the City that would, in the opinion of the Corporation Counsel, have a material adverse effect on the City's financial position.

### **Availability of Continuing Disclosure Information**

The City of West Haven prepares, in accordance with State law, annual independent audited financial statements and budget documents that are due to be filed with the State Office of Policy and Management within six months of the end of its fiscal year. The City provides, and will continue to provide Moody's and S&P ongoing disclosure in the form of independent annual financial reports, adopted budgets, and other materials relating to its management and financial condition as may be necessary or requested from time to time.

The City will agree to provide notice of the occurrence of certain events within 10 business days of the occurrence of such events. The Underwriter's obligation to purchase the Bonds shall be conditioned upon it receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreements.

The City has previously entered into Continuing Disclosure Agreements for the benefit of holders of certain general obligation bonds and notes and has agreed to provide certain annual financial information and certain event notices pursuant to Rule 15c2-12(b)(5). Due to a combination of change in the City's auditors, delays in year-end adjustments and receipt of information from third-party vendors, over the last five fiscal years the City has failed to make timely submission of certain audited financial statements and operating data and certain notices of material events. Specifically, the City failed to submit its audited financial statements and operating data for fiscal years ending June 30, 2012 through and including 2016 before the date required in its Continuing Disclosure Agreements. For fiscal year 2016, the City made timely filings of a notice of the failure to file on March 1, 2017 and subsequently filed audited financial statements and operating data on June 5, 2017. For fiscal year 2015, the City made timely filings of a notice of the failure to file on March 4, 2016 and subsequently filed the audited financial statements and operating data on April 7, 2016. For fiscal year 2014, the City filed unaudited financial statements on February 28, 2015 and then made a timely filing of a notice of the failure to file on March 4, 2015. The City subsequently filed audited financial statements and operating data on April 23, 2015. For fiscal year 2013, the City made timely filings of a notice of the failure to file on March 7, 2014 and subsequently filed the audited financial statements and operating data on March 7, 2014. For fiscal year 2012, the City filed unaudited financial statements on February 28, 2013 and then made a timely filing of a notice of the failure to file on March 7, 2013. The City subsequently filed audited financial statements and operating data on April 5, 2013.

Additionally, the City failed to file notice of certain rating changes related to the various bond insurers on its 2002 Pension, 2002 B Series, 2005 A Series and 2012 Series bond issues. When the City was made aware of the missed filings it promptly filed notices on August 1, 2014 and September 27, 2017.

The City and the Board of Education are taking steps to ensure that year-end adjustments are completed in a timely manner so that future audits will be completed in time to meet the filing deadline described in its Continuing Disclosure Agreements.

### **Municipal Advisor**

The City has retained Independent Bond and Investment Consultants LLC, ("IBIC") of Madison, Connecticut, as municipal advisor in connection with the issuance and sale of the Bonds. Although IBIC has assisted in the preparation of the Official Statement, IBIC is not obligated to undertake, and has not undertaken to make, an independent verification of, nor do they assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. IBIC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

**Documents Accompanying Delivery of the Bonds**

Upon the delivery of the Bonds, the Underwriter will be furnished with the following:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them;
2. A certificate on behalf of the City signed by the Mayor, Treasurer and the Director of Finance, which will be dated the date of delivery and will be attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief as of the date of the signatures on the Bond Purchase Agreement, the descriptions and statements in the Official Statement relating to the City 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 the 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 City from that set forth in or contemplated by the Official Statement;
3. Receipts for the purchase price of the Bonds;
4. The approving opinions of Pullman & Comley, LLC, Bond Counsel in substantially the forms attached hereto as Appendix B;
5. An Executed Continuing Disclosure Agreement for the Bonds in substantially the forms attached hereto as Appendix C; and
6. Any other documents required by the Bond Purchase Agreement.

**Concluding Statement**

Additional information may be obtained upon request from the Office of the Director of Finance at (203) 937-3620 or from Independent Bond and Investment Consultants LLC at (203) 245-8715.

The City has prepared an Official Statement for the Bonds which is dated November 21, 2017. The City deems such Official Statement final as of its date for the purposes of SEC Rule 15c2-12(b)(1), but it is subject to revision or amendment. Within seven business days of the signing of the Bond Purchase Agreement, the City will furnish Underwriter a copy of the final Official Statement, as prepared for this issue at the City's expense.

This Official Statement is submitted only in connection with the sale of the Bonds by the City and may not be reproduced or used in whole or part for any other purpose.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be constructed as a contract or agreement between the City and the purchasers or holders of any of the Bonds.

**CITY OF WEST HAVEN, CONNECTICUT**

By: /s/ EDWARD O'BRIEN  
**EDWARD O'BRIEN**  
*Mayor*

By: /s/ DEBRA GRADY  
**DEBRA GRADY**  
*Treasurer*

By: /s/ KEVIN McNABOLA  
**KEVIN McNABOLA**  
*Director of Finance*

**Dated: November 21, 2017**

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**Appendix A – Audited Financial Statements**

**CITY OF WEST HAVEN, CONNECTICUT**

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**Appendix A - Audited Financial Statements** - is taken from the Annual Financial Report of the City of West Haven for the Fiscal Year ending June 30, 2016 as presented by the Auditors at that time and does not include all of the schedules or management letter made in such report. A copy of the complete report is available upon request to the Director of Finance, City of West Haven, Connecticut.

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**Independent Auditor's Report**

RSM US LLP

City Council  
City of West Haven, Connecticut

**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 City of West Haven, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City'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 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 misstatements.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of West Haven, Connecticut, as of June 30, 2016, and the respective changes in financial position 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 and the schedules of funding progress and employer contributions - OPEB, the pension related schedules, and the budgetary comparison information 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.

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and other schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with "*Government Auditing Standards*," we have also issued our report dated May 25, 2017, on our consideration of the City of West Haven, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "*Government Auditing Standards*" in considering the City of West Haven, Connecticut's internal control over financial reporting and compliance.

*RSM US LLP*

New Haven, Connecticut  
May 25, 2017



**City of West Haven, Connecticut**  
**Management's Discussion and Analysis - Unaudited**  
**June 30, 2016**

As management of the City of West Haven, Connecticut, we offer readers of the City of West Haven's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016.

**Financial Highlights**

- On a government-wide basis, the liabilities and deferred inflows of resources exceeded its assets and deferred outflow of resources at the close of the most recent fiscal year by \$(48,312,340) (net position (deficit)). Unrestricted net position (deficit), the amount that should be available to meet the City's ongoing obligations to citizens and creditors, was a deficit balance of \$(159,928,062) at June 30, 2016.
- On a government-wide basis, the City's total net deficit decreased by \$1,148,399
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances (deficits) of \$(17,797,529), an increase of \$144,830 in comparison with the prior year.
- At the end of the current fiscal year, fund balance (deficit) for the general fund was a deficit of \$(16,736,064). This deficit increased by \$6,538,967
- The City of West Haven's total bond/note debt decreased by a net of \$13,007,584 (9.8%) during the current fiscal year due to scheduled principal payments made during the year.
- The City Plans to Bond for the Unassigned Deficit within the next few months to address a 10 Year Long Standing Unassigned Fund Balance which currently stands at \$16.9M. The Unassigned Fund Balance includes eliminating Inter-fund Debt of several Special Revenue Funds that contained fund balance deficits over the last several years. Also included within the Bonding Package is \$9.6M of Capital Infrastructure and \$37.6M for the West Haven High School for a Total Bond Issuance of \$64.1M.
- The City's General Operating Budget was significantly impacted in Fiscal Year 2016 by the over expenditure of \$2.1M within the Special Education Budget which required the Excess Cost Grant to be fully utilized on the Revenue side of the City Operating Budget.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of West Haven's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to 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 City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position (deficit). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, public works, health and welfare, parks and recreation, education, library and interest expense.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary 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, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City'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 City'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 City maintains 21 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, Capital Improvement Fund, Sewer Fund, and Allingtown Fire District, which are considered to be major funds. Data from the other 17 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its General Fund and Allingtown Fire District Fund. A budgetary comparison statement has been provided for the general fund and Allingtown Fire District to demonstrate compliance with these budgets.

**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 support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's pension plans, budgetary information and OPEB information. Required supplementary information can be found following the notes.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(48,312,340).

By far the largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of West Haven, Connecticut Summary Statement of Net Position

	June 30, 2016	June 30, 2015
Current and other assets	\$ 22,605,678	\$ 24,908,870
Capital assets	200,255,035	202,886,796
<b>Total assets</b>	<b>222,860,713</b>	<b>227,795,666</b>
Deferred outflows of resources	16,056,242	7,565,465
Long-term liabilities outstanding	252,398,917	249,329,974
Other liabilities	25,891,223	26,862,665
<b>Total liabilities</b>	<b>278,290,140</b>	<b>276,192,639</b>
Deferred inflows of resources	8,939,155	8,629,231
Net investment in capital assets	110,165,292	103,786,476
Restricted	1,450,430	199,656
Unrestricted	(159,928,062)	(153,446,871)
<b>Total net position (deficit)</b>	<b>\$ (48,312,340)</b>	<b>\$ (49,460,739)</b>

An additional portion of the City's net position (deficit) of \$1,450,430 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(159,928,062).

The City's net deficit decreased by \$1,148,399 during the current fiscal year.

**City of West Haven, Connecticut**  
**Changes in Net Position (Deficit)**

	Year Ended June 30, 2016	Year Ended June 30, 2015
Revenues:		
Program revenues:		
Charges for services	\$ 18,806,853	\$ 18,206,034
Operating grants and contributions	69,612,238	70,338,355
Capital grants and contributions	6,670,007	6,224,629
General revenues:		
Property taxes	95,079,278	92,973,074
Grants not restricted to specific purposes	7,553,442	7,593,745
Investment income	6,718	7,766
Gain on sale of assets	-	1,448,500
Miscellaneous	1,043,784	278,459
<b>Total revenues</b>	<b>198,772,320</b>	<b>197,070,562</b>
Expenses:		
General government	7,774,273	7,477,278
Public Safety	32,061,576	34,474,682
Public Works	23,875,064	25,086,632
Health and Welfare	2,549,216	2,768,874
Parks and Recreation	2,186,667	1,968,356
Education	122,678,656	120,520,940
Library	1,778,657	1,798,324
Interest expense	4,719,812	3,525,526
<b>Total expenses</b>	<b>197,623,921</b>	<b>197,620,612</b>
<b>Changes in net position</b>	<b>1,148,399</b>	<b>(550,050)</b>
Net position (deficit), beginning	<b>(49,460,739)</b>	<b>(48,910,689)</b>
Net position (deficit), ending	<b>\$ (48,312,340)</b>	<b>\$ (49,460,739)</b>

- Operating grants, capital grants and contributions decreased by \$280,739 mainly due to a decrease in on behalf teacher payments of approximately \$1 million and a decrease in Medicare by approximately \$400 thousand that was offset by increased IDEA grants of approximately \$100 thousand and the increase in the Education Jobs grant of \$1 million.
- Property taxes revenue increased \$2,106,204 mainly due to the City had higher than anticipated property tax collections including Supplemental Motor Vehicle and older property tax receivables.
- Gain on sale of assets decreased by \$1,517,900 mainly due to the selling of a parcel of land and a fire truck in FY 2015.
- Public safety expenses decreased by \$2,413,106 mainly due to the change increase in deferred outflows related to the net difference between projected and actual earnings on plan investments for the City pension and Allingtown Fire pension plans.
- Public works expenses decreased by \$1,280,968 mainly due to an increase in benefits expense in the City.

## **Financial Analysis of the City's Funds**

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending deficit fund balances of \$(17,797,529), an increase in the deficit of \$144,830 in comparison with the prior year. The increase in the deficit was due substantially to the increased expenditures in the current year.

Unassigned fund balance (deficit) totals (\$19,550,142), which includes the (\$16,888,415) from the General Fund, (\$266,994) for the Non-major funds, (\$1,706,548) for the Sewer Fund and (\$688,185) for the Allingtown Fire District. The remainder of the fund balance is classified as follows: Nonspendable \$302,183 and Restricted \$1,450,430.

The *General Fund* is the operating fund of the City. At the end of the current fiscal year, unassigned deficit fund balance of the General Fund was (\$16,888,415).

The *Capital Improvement Fund* recorded intergovernmental revenues totaling \$6,463,576 during the year. Expenditures totaled \$3,257,037. The fund balance decreased by \$3,206,539 to \$112,255 at June 30, 2016.

The *Allingtown Fire District Fund* recorded property tax revenue of \$6,210,846. Expenditures in the fund totaled \$6,485,365. The deficit fund balance increased by \$1,083,918 for a fund balance deficit of (\$688,185) at June 30, 2016.

The *Sewer Fund* recorded revenue of \$11,449,897. Expenditures in the fund totaled \$9,714,491. The deficit fund balance increased by \$294,638 at June 30, 2016.

## **General Fund Budgetary Highlights**

There were budget adjustments made during the year between the original budget and the final amended budget. Significant budgetary variances were as follows:

- Under Intergovernmental Revenues ECS was Budgeted at \$45,496,942 but increased by \$499,624 for all day Kindergarten during the year for a new Adjusted Budget of \$45,996,566.
- Intergovernmentals were under budget by \$1,265,242 due mainly to the excess cost - student-based grants of \$2,168,022 being used by the Board of Education to offset current year expenditures.
- Building and electrical permits were under budget by \$222,458 and \$385,686, respectively, due to decreased renovations at Yale University and the timing of various City development projects.
- Plumbing and heating permits and zoning permits were under budget by \$282,933 and \$304,884, respectively, due to decreased renovations at Yale and timing of various City development projects.
- Sale of property was over budget due to the sale of various properties including 105 Water St. 16 Elm St. 70 Water St., 3 Richards Pl. 7 Richards Pl. and 66-80 Water St.
- Benefits and insurance was over budget by \$1,332,979 due to an increase in Health Insurance Claims and \$744,150 due to Worker's Compensation Claims.

## **Capital Assets and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$200,255,035 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, building and improvements, vehicles, machinery and equipment, and infrastructure. The increase in the City's net capital assets for the current fiscal year was \$2,631,761 or 1.3%.

Major capital asset events during the current fiscal year included the following:

- Construction in progress increased \$1,530,267 mainly due to Campbell Avenue project and due to the start of the new West Haven High School.

### **City of West Haven, Connecticut Capital Assets - Net**

	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Land	<b>\$ 16,356,092</b>	\$ 16,356,092
Construction in progress	<b>14,234,834</b>	12,704,567
Land improvements	<b>8,768,412</b>	9,100,048
Buildings and improvements	<b>105,451,107</b>	108,803,377
Vehicles	<b>2,592,999</b>	1,842,050
Machinery and equipment	<b>9,485,116</b>	9,898,156
Infrastructure	<b>43,366,475</b>	44,182,506
<b>Total</b>	<b>\$ 200,255,035</b>	<b>\$ 202,886,796</b>

Additional information on the City's capital assets can be found in Note 2.

**Long-term debt.** At the end of the current fiscal year, the City had total bonds and notes outstanding of \$119,915,612. The debt is backed by the full faith and credit of the City.

### **City of West Haven, Connecticut Governmental Activities General Obligation Bonds/Notes**

	<b>June 30, 2016</b>	<b>June 30, 2015</b>
General obligation bonds	<b>\$ 91,495,000</b>	\$ 102,270,000
Clean Water notes payable	<b>28,420,612</b>	30,653,196
<b>Total long term debt</b>	<b>\$ 119,915,612</b>	<b>\$ 132,923,196</b>

The City's total debt decreased by \$13,007,584 (9.8%) during the current fiscal year due to scheduled principal payments.

The City of West Haven has received a Baal rating from Moody's Investors Service and a rating of BBB/Stable from Standard and Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant. The current debt limitation for the City is \$670,102,801, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 2.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City was 6.2%, which is a decrease from last year's rate of 8.3%. This is comparable to the state's average unemployment rate of 5.2%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2017 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the City'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, City of West Haven, 355 Main Street, West Haven, Connecticut 06516.

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## **Basic Financial Statements**

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**Statement of Net Position (Deficit)**  
**June 30, 2016**

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 9,815,909
Receivables, net:	
Property taxes	3,644,103
Sewer use	3,807,142
Intergovernmental	1,054,729
Loan	1,965,797
Other	2,015,815
Prepaid	302,183
Capital assets:	
Capital assets, nondepreciable	30,590,926
Capital assets, net of accumulated depreciation	169,664,109
<b>Total assets</b>	<b>\$ 222,860,713</b>
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	1,657,162
Pension amounts	14,399,080
<b>Total deferred outflows of resources</b>	<b>16,056,242</b>
<b>Liabilities</b>	
Accounts payable	\$ 18,998,751
Accrued payroll and related liabilities	4,593,821
Accrued interest payable	1,984,967
Unearned revenue	89,080
Other	224,604
Long-term liabilities:	
Due within one year	22,305,737
Due in more than one year	230,093,180
<b>Total current liabilities</b>	<b>278,290,140</b>
<b>Deferred Inflows of Resources</b>	
Advance collections	7,344,173
Pension amounts	1,594,982
<b>Total deferred inflows of resources</b>	<b>8,939,155</b>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	110,165,292
Restricted for:	
Health and Welfare	1,450,430
Unrestricted (deficit)	(159,928,062)
<b>Total net position (deficit)</b>	<b>\$ (48,312,340)</b>

See notes to financial statements.

City of West Haven, Connecticut

Exhibit B

Statement of Activities  
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position (Deficit)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
General government	\$ 7,774,273	\$ 830,937	\$ 50,114	\$ -	\$ (6,893,222)
Public Safety	32,061,576	2,500,890	569,935	-	(28,990,751)
Public Works	23,875,064	13,468,371	266,902	6,670,007	(3,469,784)
Health and Welfare	2,549,216	335,370	691,571	-	(1,522,275)
Parks and Recreation	2,186,667	904,347	147,515	-	(1,134,805)
Education	122,678,656	766,938	67,886,201	-	(54,025,517)
Library	1,778,657	-	-	-	(1,778,657)
Interest expense	4,719,812	-	-	-	(4,719,812)
<b>Total governmental activities</b>	<b>\$ 197,623,921</b>	<b>\$ 18,806,853</b>	<b>\$ 69,612,238</b>	<b>\$ 6,670,007</b>	<b>(102,534,823)</b>
General revenues:					
					95,079,278
					7,553,442
					6,718
					1,043,784
					<b>103,683,222</b>
					<b>Change in net position (deficit)</b>
					1,148,399
					Net position (deficit) - July 1, 2015
					(49,460,739)
					Net position (deficit) - June 30, 2016
					<b>\$ (48,312,340)</b>

See notes to financial statements.

**Balance Sheet - Governmental Funds  
June 30, 2016**

	General Fund	Allingtown Fire District Fund	Capital Improvement Fund	Sewer Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash	\$ 9,353,200	\$ -	\$ -	\$ -	\$ 462,709	\$ 9,815,909
Receivables, net:						
Property taxes	3,271,822	372,281	-	-	-	3,644,103
Sewer use	-	-	-	3,807,142	-	3,807,142
Intergovernmental	-	-	-	-	1,054,729	1,054,729
Loan	-	-	-	-	1,965,797	1,965,797
Other	1,704,092	6,261	351	76,080	229,031	2,015,815
Due from other funds	3,710,426	-	905,145	-	1,789,444	6,405,015
Prepaid assets	152,351	-	-	149,832	-	302,183
<b>Total assets</b>	<b>\$ 18,191,891</b>	<b>\$ 378,542</b>	<b>\$ 905,496</b>	<b>\$ 4,033,054</b>	<b>\$ 5,501,710</b>	<b>\$ 29,010,693</b>
<b>Liabilities</b>						
Accounts payable	15,897,235	362,677	221,324	1,195,669	1,321,846	18,998,751
Accrued payroll	4,593,821	-	-	-	-	4,593,821
Due to other funds	4,727,541	-	571,233	-	1,106,241	6,405,015
Unearned revenue	30,500	-	684	57,896	-	89,080
Other	160,274	64,330	-	-	-	224,604
<b>Total liabilities</b>	<b>25,409,371</b>	<b>427,007</b>	<b>793,241</b>	<b>1,253,565</b>	<b>2,428,087</b>	<b>30,311,271</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue -						
property taxes	3,037,256	369,341	-	-	-	3,406,597
Advance property tax collections	6,468,764	270,379	-	-	-	6,739,143
Advance collections	-	-	-	605,030	-	605,030
Unavailable revenue-loans	-	-	-	-	1,965,797	1,965,797
Unavailable revenue-charges for services	12,564	-	-	3,731,175	36,645	3,780,384
<b>Total deferred inflows of resources</b>	<b>9,518,584</b>	<b>639,720</b>	<b>-</b>	<b>4,336,205</b>	<b>2,002,442</b>	<b>16,496,951</b>
<b>Fund Balances (Deficits)</b>						
Nonspendable	152,351	-	-	149,832	-	302,183
Restricted	-	-	112,255	-	1,338,175	1,450,430
Unassigned (deficits)	(16,888,415)	(688,185)	-	(1,706,548)	(266,994)	(19,550,142)
<b>Total fund balances (deficits)</b>	<b>(16,736,064)</b>	<b>(688,185)</b>	<b>112,255</b>	<b>(1,556,716)</b>	<b>1,071,181</b>	<b>(17,797,529)</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 18,191,891</b>	<b>\$ 378,542</b>	<b>\$ 905,496</b>	<b>\$ 4,033,054</b>	<b>\$ 5,501,710</b>	<b>\$ 29,010,693</b>

(Continued)

**Reconciliation of Fund Balance (Deficit) to Net Position (Deficit) of Governmental Activities  
For the Year Ended June 30, 2016**

Amounts reported for governmental activities in the Statement of Net Position (Deficit) (Exhibit A) are different from the Governmental Fund Balance Sheet. The details of this difference are as follows:

Total fund balance (deficit) (Exhibit C, Page 1)	\$ (17,797,529)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	365,897,910
Less accumulated depreciation	<u>(165,642,875)</u>
<b>Net capital assets</b>	<u>200,255,035</u>
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds:	
Property tax and interest and lien fees	3,406,597
Sewer use and other	3,780,384
Loans	<u>1,965,797</u>
	<u>9,152,778</u>
Changes in deferred inflows and outflows related to pension amounts, not reported in the funds:	12,804,098
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and notes payable	(119,915,612)
Capital leases - City	(150,412)
Capital leases - Allingtown Fire District	(301,595)
Deferred charge on refunding	1,657,162
Bond premium	(2,244,286)
Other legal claims	(392,000)
Heart and hypertension - Allingtown Fire District	(10,504)
Compensated absences - City	(8,327,363)
Risk management activities - City	(24,159,705)
Compensated absences - Allingtown Fire District	(541,075)
Net pension liability - City	(28,474,661)
Net pension liability - Allingtown	(22,548,458)
Net OPEB obligation - City	(40,244,416)
Net OPEB obligation - Allingtown Fire District	(5,088,830)
Accrued interest payable	<u>(1,984,967)</u>
Net position (deficit) of governmental activities	<u>\$ (48,312,340)</u>

See notes to financial statements.

(Concluded)

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

	General Fund	Allingtown Fire District Fund	Capital Improvement Fund	Sewer Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property taxes	\$ 90,455,343	\$ 5,522,763	\$ -	\$ -	\$ -	\$ 95,978,106
Intergovernmental	74,083,784	393,574	6,438,135	240,211	12,052,613	93,208,317
Charges for services	3,589,044	115,698	25,441	11,209,686	3,067,459	18,007,328
Contributions	-	178,811	-	-	1	178,812
Income from investments	3,946	-	-	-	2,772	6,718
Other	628,784	-	-	-	-	628,784
<b>Total revenues</b>	<b>168,760,901</b>	<b>6,210,846</b>	<b>6,463,576</b>	<b>11,449,897</b>	<b>15,122,845</b>	<b>208,008,065</b>
<b>Expenditures:</b>						
Current:						
General government	5,573,256	-	-	-	73,818	5,647,074
Public Safety	14,648,759	6,388,946	-	-	1,279,791	22,317,496
Public Works	10,530,434	-	2,362,956	7,243,248	-	20,136,638
Benefits and Insurance	16,451,288	-	-	-	-	16,451,288
Health and Welfare	1,113,962	-	-	-	962,338	2,076,300
Library and other	1,596,000	-	-	-	-	1,596,000
Parks and Recreation	844,947	-	-	-	988,044	1,832,991
Education	106,292,923	-	-	-	11,814,472	118,107,395
Capital outlay	-	15,476	894,081	681,505	798,708	2,389,770
Debt service:						
Principal retirement	11,801,724	70,162	-	1,789,738	-	13,661,624
Interest expense and fiscal charges	4,016,186	10,781	-	-	-	4,026,967
<b>Total expenditures</b>	<b>172,869,479</b>	<b>6,485,365</b>	<b>3,257,037</b>	<b>9,714,491</b>	<b>15,917,171</b>	<b>208,243,543</b>
<b>Revenues over (under) expenditures</b>	<b>(4,108,578)</b>	<b>(274,519)</b>	<b>3,206,539</b>	<b>1,735,406</b>	<b>(794,326)</b>	<b>(235,478)</b>
Other financing sources (uses) :						
Proceeds from the sale of assets	415,000	-	-	-	-	415,000
Transfers in	1,727,948	1,358,437	-	-	2,969,007	6,055,392
Transfers out	(4,573,337)	-	-	(1,440,768)	(365,639)	(6,379,744)
<b>Total other financing sources (uses)</b>	<b>(2,430,389)</b>	<b>1,358,437</b>	<b>-</b>	<b>(1,440,768)</b>	<b>2,603,368</b>	<b>90,648</b>
<b>Change in fund balances (deficits)</b>	<b>(6,538,967)</b>	<b>1,083,918</b>	<b>3,206,539</b>	<b>294,638</b>	<b>1,809,042</b>	<b>(144,830)</b>
<b>Fund Balances (Deficits), Beginning</b>	<b>(10,197,097)</b>	<b>(1,772,103)</b>	<b>(3,094,284)</b>	<b>(1,851,354)</b>	<b>(737,861)</b>	<b>(17,652,699)</b>
<b>Fund Balances (Deficits), Ending</b>	<b>\$ (16,736,064)</b>	<b>\$ (688,185)</b>	<b>\$ 112,255</b>	<b>\$ (1,556,716)</b>	<b>\$ 1,071,181</b>	<b>\$ (17,797,529)</b>

See notes to financial statements.

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

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because of the following:

Net change in fund balances (deficits) - total governmental funds (Exhibit D)	<u>\$ (144,830)</u>
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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 depreciation exceeded capital outlay in the current period:

Capital outlay	3,396,685
Loss on disposal	(69,400)
Depreciation expense	<u>(5,959,046)</u>
<b>Total</b>	<u>(2,631,761)</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in property taxes, sewer use and community development block grant receivable including interest - accrual basis change	(177,296)
Other receivable	<u>(160,449)</u>
<b>Total</b>	<u>(337,745)</u>

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of 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 these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
General obligation bonds	10,775,000
Clean water fund notes	2,232,584
Bond premium	448,857
Capital lease payable - City	157,095
Capital lease payable - Allingtown	<u>79,385</u>
<b>Total</b>	<u>13,692,921</u>

(Continued)



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

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Heart and hypertension - Allingtown	\$ 466
Compensated absences - City	3,075,592
Compensated absences - Allingtown Fire District	(13,173)
Net pension liability - City	(11,604,987)
Net pension liability - Allingtown	(2,219,193)
Net OPEB obligation - City	(5,294,239)
Net OPEB obligation - Allingtown	(790,020)
Pension expense	8,784,636
Pension credit	(728,816)
Risk management activities	83,690
Accrued interest payable	(430,283)
Deferred charges	(293,859)
<b>Total</b>	<u><u>(9,430,186)</u></u>

Change in net position (deficit) of governmental activities (Exhibit B)	<u><u>\$ 1,148,399</u></u>
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See notes to financial statements.

(Concluded)

**Statement of Fiduciary Net Position - Fiduciary Funds**  
**June 30, 2016**

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 4,175,322	\$ 72,636	\$ 251,416
Investments, at fair value:			
Mutual funds:			
Money market	1,158,378	-	-
Equity	47,037,097	-	-
Common stock	15,806,974	-	-
Corporate bonds	14,402,753	-	-
Exchange traded funds	9,300,826	-	-
U.S. government securities	2,041,408	-	-
Private equity limited partnerships	16,917,357	-	-
Annuities	3,701,543	-	-
<b>Total investments</b>	<b>110,366,336</b>	<b>-</b>	<b>-</b>
Interest and dividends receivable	169,689	-	-
<b>Total assets</b>	<b>114,711,347</b>	<b>72,636</b>	<b>251,416</b>
<b>Liabilities</b>			
Accounts payable	-	-	251,416
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>251,416</b>
<b>Net Position</b>			
Restricted for pension and other purposes	\$ 114,711,347	\$ 72,636	\$ -

See notes to financial statements.

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

	Pension Trust Funds	Private Purpose Trust Funds
<b>Additions:</b>		
Contributions:		
Employer	\$ 3,409,866	\$ -
Plan members	736,211	-
<b>Total contributions</b>	<b>4,146,077</b>	<b>-</b>
Investment income (loss):		
Change in fair value of investments	(3,810,994)	-
Interest and dividends	1,712,967	544
<b>Total investment income (loss)</b>	<b>(2,098,027)</b>	<b>544</b>
Less investment expenses	480,320	-
<b>Net investment income (loss)</b>	<b>(2,578,347)</b>	<b>544</b>
Transfers in	324,352	-
<b>Total additions</b>	<b>1,892,082</b>	<b>544</b>
Deductions:		
Benefits	8,425,321	-
Awards	-	600
<b>Total deductions</b>	<b>8,425,321</b>	<b>600</b>
<b>Changes in net position</b>	<b>(6,533,239)</b>	<b>(56)</b>
Net position - restricted for pension and other purposes:		
Beginning	121,244,586	72,692
Ending	<b>\$ 114,711,347</b>	<b>\$ 72,636</b>

See notes to financial statements.

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Reporting entity:** The City of West Haven, Connecticut (the City) operates under a Mayor-Council form of government established by a charter and adopted by a referendum of voters on June 27, 1961. The City offers a full range of services authorized by the charter, including public safety, public works, social services, parks and recreation, education, planning, zoning and general administrative services to its residents.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As of July 1, 2012, the City Council voted to absorb the Allingtown Fire District into the reporting entity as a department of the City. Since the fire district has a separate tax rate and the City has two other fire districts with separate tax rates that are not part of the City, state statutes require that all costs related to the fire district be charged to the Allingtown Fire District fund and that City funds cannot be used to support the district's operations.

**Basis of presentation:** The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

The City adopted the following accounting standards in the current year:

*GASB Statement No. 72, Fair Value Measurement and Application.* This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of this statement added additional disclosures to Note 3.

*GASB Statement No. 79, Certain External Investment Pools and Pool Participants.* This standard establishes new criteria to continue amortization cost accounting for certain external investment pools in light of recent changes to money market fund criteria. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. Portfolio quality and monthly shadow pricing are effective for periods beginning after December 15, 2015. The implementation of this statement had no impact on the City's financial statements.

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Government-wide and fund financial statements:** The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The City has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

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

The various types of funds included in the financial statements are described below:

**Governmental Funds:** Governmental Funds are those through which most governmental functions typically are financed.

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City's government. The General Fund is used to account for and report all financial resources and expenditures not accounted for and reported in another fund.

The **Allingtown Fire District Fund** is used to account for all the financial resources and expenditures of the Allingtown Fire District. The types of revenues recorded in this fund are taxes, grants, and charges for services. Fund did not meet major fund requirement.

The **Capital Project Fund** is used to account for and report resources and expenditures that are restricted, committed or assigned for the acquisition and construction of capital facilities, including those that are financed through special assessments. Fund did not meet major fund requirement. Management determined fund is to be reported as major for public interest purposes.

The **Sewer Fund** is used to account for and report resources and expenditures that are restricted, committed or assigned for the acquisition and construction of capital facilities, including those that are financed through special assessments. In addition, the fund accounts for the operating activity of the sewer operations.

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

##### Governmental Funds

**Special Revenue Funds:** Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt.

**Capital Project Funds:** Used to account for and report resources and expenditures that are restricted, committed or assigned for the acquisition and construction of capital facilities, including those that are financed through special assessments

##### Fiduciary Funds

**Private-Purpose Trust Funds:** Private-purpose trust funds account for the receipt of private donations to be used for student awards.

**Agency Funds:** Agency Funds account for monies held as a custodian for outside student and senior groups. Agency Funds use the accrual basis of accounting, and have no measurement focus.

**Pension Trust Funds:** Pension Trust Funds consist of the City Employees', the Police and Fire, and other miscellaneous retirement funds.

**Measurement focus, basis of accounting, and financial statement presentation:** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency fund financial statements are on the accrual basis with no measurement focus.

The governmental fund financial statements are recognized 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 (60 days). Expenditures are generally recognized when a liability is incurred, as under accrual accounting. However, expenditures related to long-term liabilities, such as debt service payments and expenditures related to compensated absences, pension liabilities and other post-employment obligations and claims and judgments, are recognized only when payment is due (matured).

Property taxes when levied for, intergovernmental revenues, when eligibility requirements have been met, charges for services, and interest associated with the current fiscal period are all considered to be measurable and so have been recognized as revenues of the current fiscal period, if available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items, primarily licenses and fees, are considered to be measurable only when cash is received.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between certain City functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Cash and cash equivalents:** The City considers cash and cash equivalents as cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments:** Investments are stated at fair value, based on quoted market prices, except as disclosed below. Most of the City's investments are recorded in the Pension Trust Fund.

The pension funds allow for investments in certain alternative investments. Alternative investments may include private equity partnerships, hedge and absolute return funds for which there may be no ready market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager that represents the net asset value of these funds. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed.

In general, State of Connecticut Statutes allow the City to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Investment income is recorded in the fund in which it was earned.

Investments for the City are reported at fair value. State Treasurers 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 - 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.

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

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

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

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

The three categories within the hierarchy are as follows:

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

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

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

**Interfunds:** Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

**Property taxes, other receivables and allowance for uncollectible amounts:** In the financial statements, all accounts, property tax, sewer use and loan receivables are reported net of an allowance for uncollectibles. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's ability to pay. The majority of this amount relates to taxes receivable.

In the governmental fund financial statements, property tax revenues are recognized when budgeted for and when they became available. Taxes collected within 60-days of year end are recognized as revenue.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

Loan receivables consist of Community Development Block Grant loans. The City provides low interest loans for residential rehabilitation as well as loans to local businesses for facility improvements.

**Inventories:** All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of donated commodities are stated at fair market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**Capital assets:** Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.



## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

City	
Assets	Years
Land improvements	40
Buildings	50-75
Building improvements	40
Vehicles	5-25
Machinery and equipment	7-50
Infrastructure	25-100

Allingtown Fire District	
Assets	Years
Buildings	39
Building improvements	15-20
Fire truck and vehicles	5-10
Equipment	5-10

**Compensated absences:** City employees accumulate vacation and sick time for subsequent use or for payment of all or a portion of the earned but unused balance upon termination or retirement. A liability for these amounts has been recorded in the government wide financial statements. In governmental funds a liability is reported only when amounts become due, like as a result of employee retirement or termination. The General Fund is the primary source to liquidate compensated absences.

**Long-term obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

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 debt issued is reported as other financing 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 and debt principal payments, are reported as debt service expenditures.

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**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. The net pension liability is reported in the statement of net position. Investments are reported at fair value. In the governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources.

**Deferred outflows/inflows of resources:** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position. The City also reports deferred outflows related to pension in the government-wide statement of net position. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs, and differences between actual and expected investment income.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports advanced property tax collections and sewer use charges in this category in the government-wide statements. The City also reports a deferred inflow of resources related to pensions in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs.

The governmental funds report unavailable revenues from property taxes, interest on property taxes, and charges for services. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during which the amounts become available, in accordance with the modified accrual basis of accounting.

**Net position flow assumption:** Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted resources to have been depleted before unrestricted resources is applied.

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

**Net investment in capital assets:** The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances (net of unspent bond proceeds) of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Restricted net position:** These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

**Unrestricted net position:** This category represents the net position of the City which is not restricted and which is not reported in the other two categories. A deficit will require future funding.

In the fund financial statements, fund balances are classified into the following categories:

**Nonspendable:** This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted:** These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

**Committed:** This category presents amounts that can be used only for specific purposes determined by a formal action of the highest level of decision-making authority for the City. Commitments may be established, modified or rescinded only through resolutions approved by the City Council.

**Assigned:** This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's fund balance policy, the City Council has by resolution authorized the Finance Director to assign fund balance.

**Unassigned:** This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other governmental fund that has a residual fund balance deficit. Deficits will require future funding.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed.

#### Other post-employment obligations (OPEB) accounting:

**OPEB Trust:** Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. Plan members began contributing on July 1, 2007.

**Governmental funds and governmental activities:** In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net OPEB obligation, the cumulative difference between annual OPEB cost and the City's contributions to the plan since July 1, 2007, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. The OPEB obligation is recorded as a noncurrent liability in the government-wide financial statements.

**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Funding policy:** The City contributes on a pay-as-you-go basis. The post-employment benefits are paid from the City's General Fund.

**Accounting estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosures in the financial statements. Actual results could differ from those estimates.

**Note 2. Detailed Notes**

**Cash, cash equivalents and investments:**

**Deposits - custodial credit risk:** Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$8,133,503 of the City's bank balance of \$8,306,292 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 7,394,094
Uninsured and collateral held by the pledging bank's trust department, not in the City's name	<u>739,409</u>
Total amount subject to custodial credit risk	<u><u>\$ 8,133,503</u></u>

**Interest rate risk:** The City and the Pension Plans do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the City's debt-type investments primarily held in pension trust funds to this risk using the time distribution model is as follows:

Type of Investment	Fair Value	Investment Maturities (In Years)				
		N/A	Less Than 1	1 - 5	5 - 10	Over 10
Corporate bonds	\$ 14,402,753	\$ -	\$ 574,550	\$ 2,750,977	\$ 11,077,226	\$ -
U.S. government securities	2,041,408	-	-	-	2,041,408	-
Total	<u>\$ 16,444,161</u>	<u>\$ -</u>	<u>\$ 574,550</u>	<u>\$ 2,750,977</u>	<u>\$ 13,118,634</u>	<u>\$ -</u>

**Credit risk:** Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The table below provides a summary of the City's investments primarily held in pension trust funds (excluding U.S. Governmental Guaranteed Obligations) as rated by a nationally recognized rating organization.

**Concentrations of credit risk:** The City and Pension Plans do not have a formal policy; however, their practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific issuer. There are no issuers with greater than 5% of the portfolio.

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 2. Detailed Notes (Continued)

The Pension Plan's debt type investments subject to credit risk have average ratings by Moody's as follows:

Type of Investment	Corporate Bonds
AA+	\$ 379,245
AA-	1,371,171
A+	822,066
A	1,745,637
A-	1,856,173
BBB+	1,975,035
BBB	1,894,556
BBB-	1,231,574
BB+	611,359
BB	377,228
BB-	480,127
B+	1,142,136
B	348,818
B-	167,628
Total	<u>\$ 14,402,753</u>

**Custodial credit risk:** The Pension Plan does not have a formal policy with respect to custodial credit risk for investments. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Certain investments are covered by the Securities Investor Protection Corporation (SIPC up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

Investment securities are held by the counterparties' or trusts' name, therefore are subject to custodial credit risk.

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 2. Detailed Notes (Continued)

The following is a summary of cash and cash equivalents and investments:

Cash and cash equivalents	
Deposits with financial institutions	\$ 14,315,283
Total cash and cash equivalents	<u>14,315,283</u>
Investments:	
Pension Trust Funds:	
Mutual funds:	
Money market	1,158,378
Equity	47,037,097
Common stock	15,806,974 *
Corporate bonds	14,402,753 *
Exchange traded funds	9,300,826 *
U.S. government securities	2,041,408 *
Private equity limited partnerships	16,917,357
Annuities	3,701,543
Total pension trust funds	<u>110,366,336</u>
Total investments	<u>110,366,336</u>
Total cash, cash equivalents and investments	<u>\$ 124,681,619</u>
Statement of net position:	
Cash and cash equivalents	\$ 9,815,909
	<u>9,815,909</u>
Fiduciary funds:	
Cash and cash equivalents	4,499,374
Investments	110,366,336
	<u>114,865,710</u>
Total cash, cash equivalents and investments	<u>\$ 124,681,619</u>

\* These investments are uninsured and registered, with securities held by the counterparty, in the City's or pension trust's name.

**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 2. Detailed Notes (Continued)**

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

	June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
Investments by fair value level:				
Money market mutual funds	\$ 1,158,378	\$ 1,158,378	\$ -	\$ -
Equity mutual funds	47,037,097	47,037,097	-	-
Common stock	15,806,974	15,806,974	-	-
Corporate bonds	14,402,753	-	14,402,753	-
Exchange traded funds	9,300,826	9,300,826	-	-
U.S. government securities	2,041,408	-	2,041,408	-
Annuities	3,701,543	-	-	3,701,543
Total investments by fair value level	<u>\$ 93,448,979</u>	<u>\$ 73,303,275</u>	<u>\$ 16,444,161</u>	<u>\$ 3,701,543</u>

Investments measured at the net asset level (NAV):

Private equity limited partnerships	<u>16,917,357</u>
Total investments measured at the NAV	<u>16,917,357</u>
Total investments measured at fair value	<u>\$ 110,366,336</u>

**Private equity funds:** This type includes limited partnership funds. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund capital. As of June 30, 2016, it is probable that all of the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Therefore, the fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 2. Detailed Notes (Continued)**

**Investments measured at the net asset value (NAV):** Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The City values these investments based on the partnerships’ audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is estimated from the most recently available valuation taking into account subsequent calls and distributions. The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the City’s alternative investments measured at NAV:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at the NAV:				
Private equity limited partnerships	16,917,357	-	Quarterly	90 days
Total investments measured at the NAV	<u>\$ 16,917,357</u>			

**Private Equity, Partnerships and Venture Capital Funds:** These limited partnerships provide for the portfolio exposure to private companies through equity and/or debt investments. Fund managers invest in private companies with the goal of enhancing value over the long-term.

**Receivables:** Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the City’s governmental fund financial statements with allowances for uncollectible accounts as of June 30, 2016, including the applicable allowances for uncollectible accounts, are presented below:

	General	Allingtown Fire District Fund	Capital Improvement Fund	Sewer Fund	Other Governmental Funds	Total Governmental Funds
Property taxes and interest	\$ 5,271,822	\$ 622,281	\$ -	\$ -	\$ -	\$ 5,894,103
Sewer use	-	-	-	4,137,142	-	4,137,142
Intergovernmental	-	-	-	-	1,054,729	1,054,729
Loans	-	-	-	-	1,965,797	1,965,797
Other	1,704,092	6,261	351	76,080	379,445	2,166,229
Gross receivables	6,975,914	628,542	351	4,213,222	3,399,971	15,218,000
Allowance for doubtful accounts	(2,000,000)	(250,000)	-	(330,000)	(150,414)	(2,730,414)
Total receivables, net	<u>\$ 4,975,914</u>	<u>\$ 378,542</u>	<u>\$ 351</u>	<u>\$ 3,883,222</u>	<u>\$ 3,249,557</u>	<u>\$ 12,487,586</u>



**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 2. Detailed Notes (Continued)**

**Capital assets:**

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

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Capital Assets, not being depreciated:				
Land	\$ 16,319,189	\$ -	\$ -	\$ 16,319,189
Construction in progress	12,704,567	2,410,554	880,287	14,234,834
Total capital assets, not being depreciated	29,023,756	2,410,554	880,287	30,554,023
Capital assets, being depreciated:				
Land improvements	15,864,833	104,615	-	15,969,448
Buildings and improvements	194,712,191	-	-	194,712,191
Vehicles	7,201,387	-	239,301	6,962,086
Machinery and equipment	27,825,342	480,344	1,949,088	26,356,598
Infrastructure	86,526,915	338,091	-	86,865,006
Total capital assets being depreciated	332,130,668	923,050	2,188,389	330,865,329
Less accumulated depreciation for:				
Land improvements	6,764,785	436,251	-	7,201,036
Buildings and improvements	86,362,177	3,330,463	-	89,692,640
Vehicles	5,594,945	120,427	232,701	5,482,671
Machinery and equipment	17,971,277	808,720	1,886,288	16,893,709
Infrastructure	42,473,455	1,142,703	-	43,616,158
Total accumulated depreciation	159,166,639	5,838,564	2,118,989	162,886,214
Total capital assets, being depreciated, net	172,964,029	(4,915,514)	69,400	167,979,115
Governmental activities capital assets, net	\$ 201,987,785	\$ (2,504,960)	\$ 949,687	\$ 198,533,138

Depreciation expense was charged to functions/programs of the City as follows:

General government	\$ 1,391,720
Public Safety	624,174
Public Works	1,641,888
Health and Welfare	283,132
Parks and Recreation	173,155
Board of Education	1,724,495
Total depreciation expense	<u>\$ 5,838,564</u>

**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 2. Detailed Notes (Continued)**

**Allington Fire District:** Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 36,903	\$ -	\$ -	\$ 36,903
Capital assets, being depreciated:				
Buildings and improvements	702,454	-	-	702,454
Machinery and equipment	140,749	-	-	140,749
Fire trucks and vehicles	1,338,909	943,368	-	2,282,277
Infrastructure - hydrants	367,097	-	-	367,097
Fire equipment	953,258	-	4,180	949,078
Total capital assets being depreciated	3,502,467	943,368	4,180	4,441,655
Less accumulated depreciation for:				
Buildings and improvements	249,091	21,807	-	270,898
Machinery and equipment	120,257	2,265	-	122,522
Fire trucks and vehicles	1,103,301	65,392	-	1,168,693
Infrastructure - hydrants	238,051	11,419	-	249,470
Fire equipment	929,659	19,599	4,180	945,078
Total accumulated depreciation	2,640,359	120,482	4,180	2,756,661
Total capital assets, being depreciated, net	862,108	822,886	-	1,684,994
Governmental activities capital assets, net	\$ 899,011	\$ 822,886	\$ -	\$ 1,721,897

Depreciation expense was charged to the Public Safety function.

**Interfund accounts:**

**Due to/from other funds:** The composition of interfund balances as of June 30, 2016 is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 3,710,426	\$ 4,727,541
Capital Improvement Fund	905,145	571,233
Nonmajor Funds	1,789,444	1,106,241
Total	\$ 6,405,015	\$ 6,405,015

City of West Haven, Connecticut

Notes to Financial Statements

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**Note 2. Detailed Notes (Continued)**

*Interfund transfers:* A summary of interfund transfers as of June 30, 2016 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,727,948	\$ 4,573,337
Allingtown Fire District Fund	1,358,437	-
Sewer Fund	-	1,440,768
Nonmajor Funds	2,969,007	365,639
Fiduciary Fund	324,352	-
Total	<u>\$ 6,379,744</u>	<u>\$ 6,379,744</u>

Transfers are used to move monies from the sewer fund to the general fund for the payment of debt service and the monies from other funds to the general fund for activity related to certain department activities. The transfer out of the general fund is for clean water fund debt payments and other capital expenditures.

The General Fund operating transfer out includes the following for previous advances that have been determined to be uncollectible:

	<u>Transfers Out</u>
Allingtown Fire District Fund	\$ 1,358,437
School Lunch Program	831,176
Career and Adult Education	995,283
Sport Facilities	342,247
Clean Water Fund	303,315
Train Site	18,695

**City of West Haven, Connecticut**

**Notes to Financial Statements**

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**Note 2. Detailed Notes (Continued)**

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

	<u>Deferred Inflows</u>	<u>Unearned</u>
General Fund:		
Taxes and accrued interest on delinquent property taxes	\$ 3,037,256	\$ -
Other	-	30,500
Miscellaneous receivable	12,564	-
Advance tax collections	6,468,764	-
Allingtown Fire District Fund:		
Fire district taxes	369,341	-
Advance tax collections	270,379	-
Capital Improvement Fund:		
Other	-	684
Sewer Fund:		
Sewer use fees	3,731,175	57,896
Nonmajor Governmental Funds:		
Loans receivable	1,965,797	-
Advance tax collections	605,030	-
Miscellaneous receivable	36,645	-
Total	<u>\$ 16,496,951</u>	<u>\$ 89,080</u>

## City of West Haven, Connecticut

### Notes to Financial Statements

#### Note 2. Detailed Notes (Continued)

#### Changes in long-term obligations:

**Summary of changes:** The following is a summary of changes in long-term obligations during the fiscal year.

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate (%)	Balance July 1, 2015	Additions	Deductions	Balance Outstanding June 30, 2016	Current Portion
<b>Bonds:</b>									
Refunding bond	\$ 32,245,000	05/11/05	07/01/24	2.5-5.0%	\$ 2,480,000	\$ -	\$ 2,480,000	\$ -	\$ -
General obligation bond	11,716,000	03/31/10	02/15/25	5.05%	7,800,000	-	780,000	7,020,000	780,000
Refunding bond	7,420,000	04/01/10	08/01/15	3.27%	1,535,000	-	1,535,000	-	-
General obligation bond	3,685,000	05/31/12	08/01/26	3.0-5.0%	3,305,371	-	195,000	3,110,371	210,000
Refunding bond	47,410,000	05/31/12	08/01/26	3.0-5.0%	43,484,629	-	1,560,000	41,924,629	5,885,000
General obligation bond	9,100,000	09/03/14	09/01/34	3.0-5.0%	9,100,000	-	525,000	8,575,000	525,000
Total general purpose, school and sewer bonds	111,576,000				67,705,000	-	7,075,000	60,630,000	7,400,000
Pension obligation bond	38,715,000	09/03/14	03/15/22	0.985-4.164%	34,565,000	-	3,700,000	30,865,000	4,595,000
<b>Total bonds</b>	<b>217,596,000</b>				<b>102,270,000</b>	<b>-</b>	<b>10,775,000</b>	<b>91,495,000</b>	<b>11,995,000</b>
<b>Clean Water Notes Payable:</b>									
State of CT Series Note CWF167-D	293,596	10/31/1996	04/30/2016	2.00%	14,580	-	14,580	-	-
State of CT Series Note CWF167-C	4,858,956	10/30/1998	10/31/2017	2.00%	665,650	-	281,482	384,168	287,164
State of CT Series Note CWF347-C	1,618,947	05/31/2000	11/30/2019	2.00%	411,258	-	89,962	321,296	91,778
State of CT Series Note CWF444-C	1,603,000	03/31/2001	09/30/2020	2.00%	480,100	-	87,605	392,495	89,373
State of CT Series Note CWF348-C	4,407,222	11/30/2001	11/30/2020	2.00%	1,378,673	-	240,057	1,138,616	244,902
State of CT Series Note CWF346-C	801,945	12/31/2003	12/31/2022	2.00%	335,649	-	41,900	293,749	42,746
State of CT Series Note CWF348-C1	1,728,831	12/31/2003	12/31/2022	2.00%	729,391	-	90,328	639,063	92,151
State of CT Series Note CWF348-CD1	617,707	09/29/2006	11/30/2020	2.00%	260,173	-	45,381	214,792	46,297
State of CT Series Note CWF346-CD2	801,055	05/31/2007	12/31/2022	2.00%	385,534	-	51,405	334,129	51,405
State of CT Series Note CWF549-C	28,250,103	07/01/2013	07/01/2032	2.00%	24,566,644	-	1,218,759	23,347,885	1,243,359
State of CT Series Note CWF 549-CD2	1,425,544	06/30/2015	07/01/2032	2.00%	1,425,544	-	71,125	1,354,419	72,561
Total water notes	46,406,906				30,653,196	-	2,232,584	28,420,612	2,261,736
Total bonds/notes	<u>\$ 264,002,906</u>				132,923,196	-	13,007,584	119,915,612	14,256,736
Premium					2,693,143	-	448,857	2,244,286	-
Total bonds/notes and related liabilities					<u>135,616,339</u>	<u>-</u>	<u>13,456,441</u>	<u>122,159,898</u>	<u>14,256,736</u>

**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 2. Detailed Notes (Continued)**

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate (%)	Balance				
					July 1, 2015	Additions	Deductions	Outstanding June 30, 2016	Current Portion
Other legal claims					392,000	-	-	392,000	-
Compensated Absences					11,402,955	197,268	3,272,860	8,327,363	3,000,000
Capital Leases					307,507	-	157,095	150,412	150,412
Net pension liability					16,869,674	11,604,987	-	28,474,661	-
Other Post-Employment Benefit Obligation					34,950,177	5,294,239	-	40,244,416	-
Risk Management Activities					24,243,395	29,797,160	29,880,850	24,159,705	4,810,161
Total long-term obligations					<u>\$ 223,782,047</u>	<u>\$ 46,893,654</u>	<u>\$ 46,767,246</u>	<u>\$ 223,908,455</u>	<u>\$ 22,217,309</u>

The following is a summary of changes in Allingtown Fire District long-term obligations during the fiscal year.

	Balance			Balance	
	July 1, 2015	Additions	Deductions	June 30, 2016	Current Portion
Capital lease payable	\$ 380,980	\$ -	\$ 79,385	\$ 301,595	\$ 72,196
Heart and hypertension	10,970	-	466	10,504	-
Compensated absences	527,902	13,173	-	541,075	16,232
Net pension liability	20,329,265	2,219,193	-	22,548,458	-
Net other post-employment benefit obligation	4,298,810	790,020	-	5,088,830	-
Total long-term obligations	<u>\$ 25,547,927</u>	<u>\$ 3,022,386</u>	<u>\$ 79,851</u>	<u>\$ 28,490,462</u>	<u>\$ 88,428</u>

**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 2 Detailed Notes (Continued)**

The following is a summary of bond and note maturities:

Fiscal Year Ended June 30,	Bond Principal	Bond Interest	Notes Principal	Notes Interest	Total Maturities
2017	11,995,000	3,632,906	2,261,736	547,231	18,436,873
2018	12,515,000	3,195,385	2,110,393	502,730	18,323,508
2019	12,710,000	2,749,933	2,052,993	461,694	17,974,620
2020	12,045,000	2,295,577	2,036,310	420,552	16,797,439
2021	11,100,000	1,826,514	1,777,635	381,479	15,085,628
2022	11,340,000	1,330,149	1,654,671	347,995	14,672,815
2023	3,400,000	868,526	1,584,910	315,031	6,168,467
2024	4,930,000	659,339	1,513,492	284,495	7,387,326
2025	4,980,000	410,761	1,544,041	253,946	7,188,748
2026	2,695,000	208,406	1,575,206	222,781	4,701,393
2027	725,000	128,013	1,607,001	190,986	2,651,000
2028	395,000	108,575	1,639,437	158,550	2,301,562
2029	395,000	95,491	1,672,528	125,459	2,288,478
2030	395,000	81,913	1,706,287	91,700	2,274,900
2031	380,000	67,400	1,740,727	57,260	2,245,387
2032	380,000	52,200	1,775,863	22,124	2,230,187
2033	380,000	37,000	167,382	236	584,618
2034	380,000	21,800	-	-	401,800
2035	355,000	7,100	-	-	362,100
	<u>\$ 91,495,000</u>	<u>\$ 17,776,988</u>	<u>\$ 28,420,612</u>	<u>\$ 4,384,249</u>	<u>\$ 142,076,849</u>

**Claims and judgments:** The City is a defendant in various liability claims and lawsuits relating to deaths and personal injuries, civil rights violations, contractual obligations and other matters, which are incidental to performing governmental functions. The City has determined that it is probable that it has a potential liability of approximately \$392,000 for such claims. The City's liabilities for claims and judgments were based on information available. It is reasonably possible that, as the cases evolve, the resulting estimates will be adjusted significantly in the near term.

**Heart and hypertension:** The City has certain police officers or their widows receiving benefits under the State's Heart and Hypertension statutes. Additionally, the City pays for medical costs for other officers under the same statutes. The statutes require that the City pay monthly amounts to the officer or surviving spouse for life. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 2. Detailed Notes (Continued)**

**Capital leases:** At June 30, 2016, the City is committed under capital leases for vehicles at a cost of \$786,811 net of \$730,183 in accumulated depreciation. This year, \$245,919 was included in depreciation expense.

At June 30, 2016, the Allingtown Fire District is committed under capital leases for vehicles at a cost of \$399,152, net of \$114,689 in accumulated depreciation. This year, \$60,590 was included in depreciation expense.

The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The following is a schedule of the minimum lease payments under the lease, and the present value of the future minimum lease payments at June 30, 2016.

Year ending June 30:	City	Allingtown
2017	\$ 156,371	\$ 80,943
2018	-	80,943
2019	-	80,943
2020	-	80,943
Total	156,371	323,772
Less: amount representing interest	(5,959)	(22,177)
Present value of minimum lease payments	<u>\$ 150,412</u>	<u>\$ 301,595</u>

**Statutory debt limitations:** The City's indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Net Indebtedness	Balance
General government	\$ 215,628,567	\$ 55,784,125	\$ 159,844,442
Schools	431,257,134	68,338,276	362,918,858
Sewer	359,380,945	3,978,654	355,402,291
Urban renewal	311,463,485	-	311,463,485
Pension deficit	287,504,756	30,865,000	256,639,756

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, or \$670,102,801.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued.

**Authorized/unissued bonds:** The amount of authorized, unissued bonds is \$17,343,603 for school; \$5,809,102 for sewers; and \$22,031,910 for general purpose.



**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 2. Detailed Notes (Continued)**

**Fund balance classifications:** As of June 30, 2016, fund balances are composed of the following:

Fund Balance Component	General Fund	Allingtown Fire District Fund	Capital Improvement Fund	Sewer Fund	Nonmajor Funds	Total
<b>Nonspendable:</b>						
Inventory/prepaid items	\$ 152,351	\$ -	\$ -	149,832	\$ -	\$ 302,183
Total nonspendable	152,351	-	-	149,832	-	302,183
<b>Restricted:</b>						
Historic documents	-	-	-	-	44,425	44,425
Community development block grant	-	-	-	-	188,284	188,284
Public safety	-	-	-	-	91,245	91,245
Health and welfare	-	-	-	-	37,539	37,539
Education	-	-	-	-	197,558	197,558
Total restricted	-	-	-	-	559,051	559,051
Unassigned (deficit)	(16,888,415)	(688,185)	-	(1,706,548)	(266,994)	(19,550,142)
Total	\$ (16,736,064)	\$ (688,185)	\$ -	\$ (1,556,716)	\$ 292,057	\$ (18,688,908)

**Deficit equity:** At June 30, 2016, the City had deficit equity balances in the following funds:

State Statute Section 7-390 requires that municipalities absorb any General Fund deficit which exists at the beginning of the fiscal year in which the budget is being prepared.

General Fund \$ 16,736,064

The City will address the General Fund fund deficit by issuing deficit funding bonds. The deficit funding bonds will be issued in accordance with Public Act 93-421 and State Statute Chapter 7-568 and 7-572, which require the following:

- Written assurances that the City will enter into an indenture with a trustee to establish a property tax intercept procedure and a debt service payment fund;
- Written assurances that the tax intercept procedure will assure the property tax receipts transferred to the trustee and deposited in the debt service payment fund, shall be in an amount equal to and deposited by such dates so as to satisfy all amounts due on any debt issued pursuant to the indenture;
- The amount of the deficit obligations shall be based on the amount of the unassigned fund balance in the City's most recent audited financial statements.

Allingtown Fire District Fund \$ 688,185

This fund deficit will be eliminated by future tax increases and budget savings.

Sewer Fund \$ 1,556,716

This fund deficit will be eliminated by future tax increases and budget savings.

Miscellaneous grants \$ 103,633  
 Sports facilities 32,895  
 Brownfields 130,466

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 2. Detailed Notes (Continued)

**Risk management:** The City is exposed to various risks of loss including torts, theft of, damage to and destruction of assets; errors or omissions; injuries to employees and natural disasters. Generally, the City obtains commercial insurance for these risks, but has chosen to retain limited risks for worker's compensation claims, general liability claims and employee medical and prescriptions claims. The City contracts with outside organizations to pay claims and provide administrative services. Additionally, insurance coverage has been purchased to limit the City's liability for worker's compensation, general liability, heart and hypertension and medical claims.

The City purchases commercial insurance coverage for all City buildings (flood, fire and casualty), errors and omissions, general liability umbrella policy with a retention limit of \$250,000 per incident, law enforcement liability insurance policy with a deductible of \$100,000 and per claim limit of \$1,000,000, and workers' compensation excess policy with a retention limit of \$500,000 per incident and employee group medical claims in excess of \$250,000.

The City records all claim expenditures and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated in the government-wide statements.

The claims liability reported is based upon the provisions of GASB Statements No, 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded, The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries, the claim accrual does not include other allocated or unallocated claims adjustment expenses. In the prior years, the City used internal services funds to report the activity related to the various self-insurance programs below. See Note 2, Changes in long-term obligations.

**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 2. Detailed Notes (Continued)**

The following is a summary of risk management activities:

	Medical Insurance			
	Claims Payable July 1	Current Year Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
City & Allingtown				
2014-2015	1,341,013	22,987,298	22,800,966	\$ 1,527,345
2015-2016	1,527,345	27,457,362	26,893,442	2,091,265
	General Liability			
	Liability July 1,	Current Year Claim and Changes In Estimates	Claim Payments	Liability June 30,
2014-2015	1,527,785	741,616	1,597,401	\$ 672,000
2015-2016	672,000	313,124	614,685	370,439
	Workers' Compensation			
	Liability July 1,	Current Year Claim and Changes In Estimates	Claim Payments	Liability June 30,
2014-2015	8,609,271	2,561,882	3,699,718	7,471,435
2015-2016	7,471,435	2,601,929	2,151,686	7,921,678
	Heart and Hypertension			
	Liability July 1,	Current Year Claim and Changes In Estimates	Claim Payments	Liability June 30,
2014-2015	6,387,643	8,413,419	228,447	14,572,615
2015-2016	14,572,615	(575,255)	221,037	13,776,323
	Total Risk Management Activities			
	Liability July 1,	Current Year Claim and Changes In Estimates	Claim Payments	Liability June 30,
2014-2015	17,865,712	34,704,215	28,326,532	24,243,395
2015-2016	24,243,395	29,797,160	29,880,850	24,159,705

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 3. Other Information

**Contingencies:** Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

#### Pension Plans:

**Summary:** The City administers two single-employer, contributory, defined benefit pension plans (City of West Haven Police and Allingtown Fire District). The City benefits and contribution requirements are established by plan documents adopted July 1, 2010, by approval of the City Council. Allingtown Fire District benefits and contribution requirements are established by plan documents adopted July 1, 1998, by approval of the Board of Fire Commissioners. Both plans are considered to be part of the City's reporting entity and are included in the financial report as two pension trust funds. The plans do not issue separate standalone financial reports. Both plans are closed to new participants.

#### **Summary of significant accounting policies and plan asset matters:**

**Basis of accounting:** The Police Pension and Allingtown Fire District Pension trust funds' financial statements are accounted for using the accrual basis of accounting. Contributions are recognized when they are due, pursuant to formal commitments and contractual requirements. Investment income is recognized when earned. Expenses (benefits, administration, and refunds) are recognized when they are due and payable in accordance with the terms of the plan.

**Investment policy:** The Plan trustees have developed and approved an investment policy which specifies investment target allocations. The state does not specifically dictate what pension plans can invest in, other than that they must abide by the prudent person rule.

**Valuation of investments:** Investments are stated at fair value, based on quoted market prices, except as disclosed below.

The Police Pension and Allingtown Fire District Pension trust funds allow for investments in certain alternative investments and commingled funds. Such investments may include private equity partnerships, hedge and absolute return funds for which there may be no readily available market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager and is based on net asset value. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a readily available market for the securities existed.

**Classes of employees covered:** As of January 1, 2014 for the Police, and July 1, 2015 for Allingtown, the date of the last actuarial valuation, the memberships in the Plans are comprised of the following:

	Police	Allingtown Fire District
Retirees and beneficiaries currently receiving benefits	142	29
Active plan members	100	20
Total	<u>242</u>	<u>49</u>

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 3. Other Information (Continued)

##### ***Benefit provisions:***

**Police:** Police officers hired prior to November 1, 2009 are eligible for a normal pension after attaining age 65 or 20 years of service in the department, whichever is earlier. The retirement benefit will be equal to 2.25% of their basic annual salary at retirement for each year of service up through 20 years of service plus an additional 3% of their salary for each year in excess of 20 years up to a maximum of 75% of such annual salary. Vesting of benefits occurs when a participant has accumulated a minimum of 10 years of active service. The Plan provides for disability and death benefits in addition to retirement benefits.

**Allingtown Fire District:** Each employee may enter the plan on their date of employment. Benefit provisions provide for vesting after fifteen years of service and collectible after twenty years from initial date of appointment. The plan provides retirement benefits for substantially all full time employees of the District.

Under a plan dated July 1, 1998 and ratified by the Board of Fire Commissioners on May 7, 2000, the benefit provisions were separated into three groups based upon hire date.

Effective July 1, 2013, the plan closed to new entrants.

##### ***Employer contributions:***

**Police:** The Police's contribution is actuarially determined by using the projected unit credit cost method. The Police contribution was \$571,774. In 2016, the City contributed approximately \$1,850,000 to the plan. Administrative costs are generally financed through investment earnings.

**Allingtown Fire District:** The District's contribution is actuarially determined by using the entry age normal method. The Fire Fighters' contribution was \$164,437. In 2016, the City contributed approximately \$1,559,866 to the plan. Administrative costs are generally financed through investment earnings.

##### ***Employee contributions:***

**Police:** Police officers were required to contribute 9% of their earnings for the current year.

The contribution rate was increased from 8.5% in 2014 and will ultimately be 9.5% effective July 1, 2016.

**Allingtown Fire District:** Employees are required to contribute 9.5% of their earnings for the current fiscal year if hired before July 1, 1998 and 11.5% if hired after June 30, 1998.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**City of West Haven, Connecticut**

**Notes to Financial Statements**

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**Note 3. Other Information (Continued)**

**Actuarial assumptions:** The data presented in the schedule of contributions was determined as part of the actuarial valuation at the date indicated. Additional information for the plan as of the latest valuation date is as follows:

	<u>Police</u>	<u>Allingtown Fire District</u>
Valuation date	January 1, 2014	July 1, 2015
Actuarial cost method	Entry Age Normal	Entry Age Normal Method
Amortization method	Level Percent Closed	Level Percent Closed, 30 Years
Remaining amortization period	5 years	20 years
Asset valuation method	Fair Value	Fair Value
Actuarial Assumptions		
Investment rate of return	7.375%	6.75%
Projected salary increases		
Merit	3.50%	3.50%
Inflation	2.75%	2.75%
Cost-of-living adjustments	3.00% for members hired before 6/30/93	1.75% for retirements on or before 11/27/13
	1.75% for members hired after 6/30/93	2.75% for retirements after 11/27/13

\* In 2002, the City issued pension obligation bonds (POBs) to fund the City's Police pension liabilities. State statutes related to the pension obligation bonds require that the Plan maintain the funded level that it had immediately following the issuance of the bonds (100% for the West Haven Police Pension Plan). The Plan's funded level is the ratio of the Plan's assets to the Plan's liability. If benefit improvements, actuarial losses or investment losses cause the funded level to drop below 100%, the State requires that the City take action in order to restore the funded level back to 100% over a short period of time. This has been interpreted for actuarial valuation purposes to be a 5 year period. Therefore, since the Plan's funded ratio is currently below 100%, the shortfall will be amortized over a 5 year period. The shortfall is primarily due to the large investment losses suffered by the plan during fiscal year 2009.

**City of West Haven, Connecticut**

**Notes to Financial Statements**

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**Note 3. Other Information (Continued)**

***Plan statements:***

Statement of Fiduciary Net Position  
June 30, 2016

	Pension Trust Funds		
	Police Pension	Allingtown Fire District	Total
Assets:			
Cash and cash equivalents	\$ 4,165,815	\$ 9,507	\$ 4,175,322
Investments, at fair value:			
Mutual funds:			
Money market	-	1,158,378	1,158,378
Equity	46,797,397	239,700	47,037,097
Common stock	15,806,974	-	15,806,974
Corporate bonds	14,402,753	-	14,402,753
Exchange traded funds	9,026,000	274,826	9,300,826
U.S. government securities	2,041,408	-	2,041,408
Private equity limited partnerships	16,566,099	351,258	16,917,357
Annuities	-	3,701,543	3,701,543
Total investments	104,640,631	5,725,705	110,366,336
Interest and dividends receivable	169,689	-	169,689
Total assets	108,976,135	5,735,212	114,711,347
Net position:			
Net position restricted for pension benefits	\$ 108,976,135	\$ 5,735,212	\$ 114,711,347

**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 3. Other Information (Continued)**

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

	Pension Trust Funds		
	Police Pension	Allingtown Fire District	Total
Additions:			
Contributions:			
Employer	\$ 1,850,000	\$ 1,559,866	\$ 3,409,866
Plan members	571,774	164,437	736,211
Total contributions	2,421,774	1,724,303	4,146,077
Investment income (loss):			
Change in fair value of investments	(3,682,063)	(128,931)	(3,810,994)
Interest and dividends	1,528,964	184,003	1,712,967
Total investment income (loss)	(2,153,099)	55,072	(2,098,027)
Less investment expenses	451,425	28,895	480,320
Net investment income (loss)	(2,604,524)	26,177	(2,578,347)
Transfers in	324,352		324,352
Total additions	141,602	1,750,480	1,892,082
Deductions:			
Benefits	7,064,026	1,361,295	8,425,321
Administration	-	-	-
Total deductions	7,064,026	1,361,295	8,425,321
Change in net position	(6,922,424)	389,185	(6,533,239)
Net position:			
Beginning	115,898,559	5,346,027	121,244,586
Ending	\$ 108,976,135	\$ 5,735,212	\$ 114,711,347

**Police Pension Plan**

**Plan administration:** The City's pension plan is separately administered by its own respective pension board. The Mayor, Finance Director and a City Council member serve as permanent members on all pension boards. The non-permanent Pension Board members are appointed by the Mayor and must be an active employee of their respective pension plan. The pension boards typically meet monthly or as needed to review retirement/disability requests and/or investment recommendations. The "joint pension board" which comprises of members from all pension boards meets at least quarterly with the City's Investment Advisor to review and modify investments accordingly. Changes in investments are not effective until voted favorably by each of the pension boards.



## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 3. Other Information (Continued)

**Concentrations:** The City does not have a formal policy; however, their practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

There are no investments in the Police Pension Plan that represent more than 5% of the plan's net position as of June 30, 2016.

**Net pension liability:** The components of the net pension liability of the City at June 30, 2016 were as follows:

Net Pension Liability - Police Pension Plan	2016	2015
Total pension liability	\$ 137,450,796	\$ 133,092,587
Plan fiduciary net position	108,976,135	116,222,913
Net pension liability	<u>\$ 28,474,661</u>	<u>\$ 16,869,674</u>
Plan fiduciary net position as a percentage of total pension liability	79.28%	87.32%
Covered payroll	\$ 7,160,460	\$ 7,160,460
Net pension liability as a percentage of covered payroll	397.67%	235.59%

**Rate of return:** For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was (1.87%). The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of January 1, 2014, using actuarial assumptions disclosed above, rolled forward to the measurement date of June 30, 2016:

The City's funding policy is to contribute the actuary's recommended contribution each year. The contribution is calculated as the normal cost under the projected unit credit funding method, plus a closed amortization of the plan's unfunded liability over 5 years from January 1, 2014, as a level percentage of pay.

## City of West Haven, Connecticut

### Notes to Financial Statements

#### Note 3. Other Information (Continued)

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 30, 2015. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Cash	3.70%	0.82%	0.80%
Core Fixed Income	13.65%	2.69%	2.55%
Short Bonds	1.60%	1.81%	1.75%
High Yield Bonds	3.10%	4.55%	4.01%
Large Caps	3.25%	5.11%	3.86%
Equity Market	37.70%	5.40%	4.06%
Global Equity	9.80%	5.66%	4.25%
Foreign Developed Equity	4.90%	6.04%	4.35%
Emerging Markets Equity	0.10%	8.19%	4.84%
Hedge FOF Diversified	22.20%	2.17%	1.86%
	<u>100.00%</u>		
Assumed Inflation - Mean		2.75%	2.75%
Assumed Inflation - Standard Deviation		2.00%	2.00%
Portfolio Mean Return		4.11%	3.51%
Portfolio Standard Deviation			10.80%
Long-Term Expected Rate of Return			7.375%

**Discount rate:** The discount rate used to measure the total pension liability as of June 30, 2016 was 7.375%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the City of West Haven contributes at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members (retired and active employees who qualify under the Plan) and their beneficiaries are included.

Based on the plan's current contribution policy, the plan's net fiduciary net position will be sufficient to cover projected benefit payments and administrative expenses indefinitely. Therefore, since the fund is not projected to run out of money, the 7.375% interest rate assumption was used to discount plan liabilities.

City of West Haven, Connecticut

Notes to Financial Statements

Note 3. Other Information (Continued)

**Sensitivity of the net pension liability to changes in the discount rate:** The following presents the net pension liability of the City of West Haven Police Pension Plan, calculated using the discount rate of 7.375% as well as what the City of West Haven Police Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

Police Pension Plan	1% Decrease 6.375%	Current Discount Rate 7.375%	1% Increase 8.375%									
Net pension liability	\$ 46,089,219	\$ 28,474,661	\$ 13,933,187									
Changes in the Net Pension Liability	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="3" style="text-align: center;">Police Pension</th> </tr> <tr> <th colspan="3" style="text-align: center;">Increase (Decrease)</th> </tr> <tr> <th style="text-align: center;">Total Pension Liability (a)</th> <th style="text-align: center;">Plan Fiduciary Net Position (b)</th> <th style="text-align: center;">Net Pension Liability (a) - (b)</th> </tr> </thead> </table>			Police Pension			Increase (Decrease)			Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Police Pension												
Increase (Decrease)												
Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)										
Balances at 6/30/15	\$ 133,092,587	\$ 116,222,913	\$ 16,869,674									
Changes for the year:												
Service cost	1,734,676	-	1,734,676									
Interest	9,687,559	-	9,687,559									
Effect of economic/demographic gains or losses	-	-	-									
Contributions - employer	-	1,850,000	(1,850,000)									
Contributions - members	-	571,774	(571,774)									
Net investment income	-	(2,589,880)	2,589,880									
Benefit payments, including refunds of employee contributions	(7,064,026)	(7,064,026)	-									
Administrative expense	-	(14,646)	14,646									
Net changes	4,358,209	(7,246,778)	11,604,987									
Balances at 6/30/16	<u>\$ 137,450,796</u>	<u>\$ 108,976,135</u>	<u>\$ 28,474,661</u>									

**City of West Haven, Connecticut**

**Notes to Financial Statements**

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**Note 3. Other Information (Continued)**

For the year ended June 30, 2016, the City recognized pension expense of \$5,727,508. As of June 30, 2016, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions in the statement of net position from the following sources:

Police Pension Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (625,564)
Net difference between projected and actual earnings on pension plan investments	12,715,851	-
Total	<u>\$ 12,715,851</u>	<u>\$ (625,564)</u>

Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Police Pension Plan
2017	\$ 3,265,172
2018	3,265,172
2019	3,361,412
2020	2,198,531

**Allingtown Pension Plan:**

**Concentrations:** The City does not have a formal policy; however, their practice is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

There are no investments in the Police Pension Plan that represent more than 5% of the plan's net position as of June 30, 2016.

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 3. Other Information (Continued)

**Net pension liability:** The components of the net pension liability of the Allingtown Pension Plan at June 30, 2016 were as follows:

Net Pension Liability - Allingtown Pension Plan	2016	2015
Total pension liability	\$ 28,283,670	\$ 25,659,225
Plan fiduciary net position	5,735,212	5,329,960
Net pension liability	<u>\$ 22,548,458</u>	<u>\$ 20,329,265</u>
Plan fiduciary net position as a percentage of total pension liability	20.28%	20.77%
Covered payroll	\$ 1,678,136	\$ 1,678,136
Net pension liability as a percentage of covered payroll	1343.66%	1211.42%

**Rate of return:** For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 1.29%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the actuarial assumptions above, rolled forward to the measurement date of June 30, 2016:

The District's funding policy is to contribute the actuary's recommended contribution each year. The contribution is calculated as the normal cost under the projected unit credit funding method, plus a closed amortization of the plan's unfunded liability over 30 years from July 1, 2015, as a level percentage of pay.

**City of West Haven, Connecticut**

**Notes to Financial Statements**

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**Note 3. Other Information (Continued)**

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of December 31, 2015. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
Cash	20.36%	0.82%	0.80%
Large Credit Bonds	64.54%	4.37%	3.87%
Large Caps	8.97%	5.11%	3.86%
Real estate (REITS)	6.13%	5.22%	3.33%
	100.00%		
Assumed inflation - mean		2.75%	2.75%
Assumed inflation - standard deviation		1.89%	1.89%
Portfolio real mean return		3.81%	3.49%
Portfolio nominal mean return		6.58%	6.32%
Portfolio standard deviation			0.85%
Long-term expected rate of return			6.75%

**Discount rate:** The discount rate used to measure the total pension liability as of June 30, 2016 was 6.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the District contributes at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members (retired and active employees who qualify under the Plan) and their beneficiaries are included.

Based on the plan's current contribution policy, the plan's net fiduciary net position will be sufficient to cover projected benefit payments and administrative expenses indefinitely. Therefore, since the fund is not projected to run out of money, the 6.75% interest rate assumption was used to discount plan liabilities.

City of West Haven, Connecticut

Notes to Financial Statements

Note 3. Other Information (Continued)

**Sensitivity of the net pension liability to changes in the discount rate:** The following presents the net pension liability of the City of West Haven Allingtown Pension Plan, calculated using the discount rate of 6.75% as well as what the City of West Haven Allingtown Pension Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

Allingtown Pension Plan	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability	\$ 26,298,253	\$ 22,548,458	\$ 19,462,489

Changes in the Net Pension Liability

	Allingtown Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/15	\$ 25,659,225	\$ 5,329,960	\$ 20,329,265
Changes for the year:			
Service cost	491,354	-	491,354
Interest	1,832,169	-	1,832,169
Effect of plan changes	1,419,497	-	1,419,497
Effect of economic/demographic gains or losses	(1,272,361)	-	(1,272,361)
Effect of assumptions changes or inputs	1,515,081	-	1,515,081
Contributions - employer	-	1,559,866	(1,559,866)
Contributions - members	-	164,437	(164,437)
Net investment income	-	71,139	(71,139)
Benefit payments, including refunds of employee contributions	(1,361,295)	(1,361,295)	-
Administrative expense	-	(28,895)	28,895
Net changes	2,624,445	405,252	2,219,193
Balances at 6/30/16	\$ 28,283,670	\$ 5,735,212	\$ 22,548,458

For the year ended June 30, 2016, the City recognized pension expense of \$3,450,718. As of June 30, 2016, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions in the statement of net position from the following sources:

Allingtown Pension Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (969,418)
Changes of assumptions	1,154,347	-
Net difference between projected and actual earnings on pension plan investments	528,882	-
Total	\$ 1,683,229	\$ (969,418)

**City of West Haven, Connecticut**

**Notes to Financial Statements**

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**Note 3. Other Information (Continued)**

Year ended June 30:	Allingtown Pension Plan
2017	\$ 214,104
2018	214,104
2019	214,102
2020	71,501

**Defined contribution retirement savings plan:** City employees are eligible to participate in a defined contribution retirement savings plan administered by the City. The benefits and contribution requirements are established by approval of the City Council. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. Employer contributions are based on union contracts. Employees may make additional contributions subject to IRS regulations. The Plan is not reported as a fiduciary fund by the City as it does not meet the reporting criterion.

The Plan requires the City to contribute an amount equal to 5% of the employee's annual salary. The City contributions for each employee (and interest allocated to the employee's account) are vested as follows:

Years of Credited Service	Vesting Percentage
Under 2	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

Voluntary contributions of up to 25% of compensation for all participating years of service may be made by employees. These contributions may be withdrawn at any time, although earned interest will not be paid until such time as benefits are otherwise payable to the employee.

Upon termination of employment, for any reason other than death or retirement, an employee shall be entitled to a deferred vested benefit based upon the number of years of credit service completed. Payment of benefits is deferred until the later of the employee's normal retirement date, the seventh anniversary of the Plan year in which participation commenced or the date of termination. The unvested accrued benefit of the employee is forfeited and allocated to each participant.

During the year, the employer contributions were \$1,483,555 and employee contributions totaled \$2,016,474



## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 3. Other Information (Continued)

##### Connecticut State Teachers' Retirement System:

All certified personnel participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. These employees are eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are serviced in the public schools of Connecticut.

**Description of system:** Eligible employees within the City's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the System) is a cost sharing multiple employer defined benefit pension system with a special funding situation. As such, the City does not have a liability.

The System is considered 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 at [www.ct.gov](http://www.ct.gov).

The System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the System is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation in the System is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement System (TIAA-CREF).

**Summary of significant accounting policies:** For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the System, information about System's fiduciary net position and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. 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. The City has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$9,313,000 as payments made by the State of Connecticut on-behalf of the City. The City does not have any liability for teacher pensions.

**Benefits provided:** The benefits provided to participants by the System are as follows:

**Normal benefit:** A member 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 is eligible for vested benefits of 2% of average annual salary times years of credited service (maximum benefit is 75% of average annual salary.)

**Prorated benefit:** A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60. The benefit is 2% less 0.1% for each year less than 20 years of average annual salary times years of credited service.

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

**City of West Haven, Connecticut**

**Notes to Financial Statements**

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**Note 3. Other Information (Continued)**

**Contribution requirements:** The pension contributions made by the State to the System are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z.

Employees are required to contribute 6.0% of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2015/2016 school year, \$2,763,782 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The estimated covered payroll for the City is \$38,121,000.

Employers are not required to make contributions to the Plan.

**Actuarial assumptions:** The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following key actuarial assumptions:

Inflation	3.00 Percent
Salary increases, including inflation	3.75-7.00 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	8.50 Percent

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

The long-term expected rate of return on pension 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Large cap U.S. equities	21.00%	5.80%
Developed non-U.S. equities	18.00%	6.60%
Emerging markets (non-U.S.)	9.00%	8.30%
Core fixed income	7.00%	1.30%
Inflation linked bond fund	3.00%	1.00%
Emerging market bond	5.00%	3.70%
High yield bonds	5.00%	3.90%
Real estate	7.00%	5.10%
Private equity	11.00%	7.60%
Alternative investments	8.00%	4.10%
Liquidity fund	6.00%	0.40%
	<u>100.00%</u>	

**City of West Haven, Connecticut**

**Notes to Financial Statements**

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**Note 3. Other Information (Continued)**

**Discount rate:** The discount rate used to measure the total pension liability was 8.5%. The projection of cash flows used to determine the discount rate assumed that 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’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the proportionate share of the net pension liability (NPL) to changes in the discount rate:** The following presents the State’s proportionate share of the net pension liability (NPL) associated with the City, calculated using the discount rate of 8.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.5%) or 1-percentage-point higher (9.5%) than the current rate. The City has no accrued any of the liability as the responsibility for the liability is with the State.

	1% Decrease 7.50%	Current Discount Rate 8.50%	1% Increase 9.50%
State's portion of the NPL associated with the City	\$ 143,419,187	\$ 113,727,170	\$ 88,488,739

**Pension liabilities, pension expense, and deferred inflows/outflows of resources:** The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the City. The portion of the State net pension liability that was associated with the City was \$113,727,170 and 100% of the collective net pension liability is allocated to the State. The City has no proportionate share of the liability.

June 30, 2014 is the actuarial valuation date upon which the total pension liability is based.

The City recognized the total pension expense associated with the City as well as revenue in an amount equal to the non-employer contributing entities’ total proportionate share of the collective pension expense associated with the City. For the fiscal year ended June 30, 2016, the City recognized \$9,313,000 as the amount expended by the State on behalf of the City to meet the State’s funding requirements in the Statement of Activities.

**Other information:** Additional information is included in the required supplementary section of the financial statements.

**Other Post-Employment Benefit Plans:**

**Plan description:** The City currently provides to certain former employees Other Post-Employment Benefit (OPEB). The plan provides medical, dental and life insurance benefits for eligible retirees and their spouses. The plan is currently being funded on a pay as you go basis. The plan does not issue a standalone financial report.

## City of West Haven, Connecticut

### Notes to Financial Statements

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#### Note 3. Other Information (Continued)

The Allingtown Fire District currently provides to certain former employees Other Post-Employment Benefit (OPEB). The plan provides health and life insurance benefits for eligible retirees and their spouses. The plan is currently being funded on a pay as you go basis. The plan does not issue a standalone financial report.

**Classes of employees covered:** As of July 1, 2013, the date of the last actuarial valuation for the City, Board of Education and for the Allingtown Fire District, the plans' membership consisted of:

	City	Board of Education	Allingtown Fire District
Retirees and beneficiaries currently receiving benefits	331	362	58
Active plan members	364	720	22
Total	695	1,082	80

#### **Benefit provisions:**

**Benefit provisions:** The City plans to provide for medical, dental and life insurance benefits for all eligible City and Board of Education retirees and their spouses. Benefits are established by contract and may be amended by union negotiations.

The Allingtown Fire District's plan provides for health and life insurance benefits for all eligible District retirees and their spouses. Benefits are established by contract and may be amended by union negotiations.

**Employer contributions:** The City's recommended contributions are actuarially determined on an annual basis using the projected unit credit method. Contributions are established by contract and may be amended by union negotiations. The City and Board of Education's total plan contribution was \$8,392,644.

The Allingtown Fire District's recommended contributions are actuarially determined on an annual basis using the projected unit credit method. Contributions are established and may be amended by the District. The District's plan contribution was \$691,753.

**Employee contributions:** There are no employee contributions to the plan. Retiree contributions to the Board of Education plan totaled \$0 based upon terms in union contracts.

Teachers who no longer work for the Board of Education are allowed by State statute to participate in the City's group medical insurance plan until they formally begin receiving benefits from the State Teachers' Retirement plan. These teachers are required to contribute the cost of the insurance to the District.

**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 3. Other Information (Continued)**

**Funded status and funding progress:** The funded status of the plan as of July 1, 2013 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Over (Under) Funded AAL (A-B)	Funded AAL Ratio (A/B)	Covered Payroll (C)	AAL as a Percentage of Covered Payroll [(A-B)/C]
<u>City</u>						
July 1, 2013	\$ -	\$ 188,688,760	\$ (188,688,760)	0%	\$ 79,517,322	-237.3%
<u>Allingtown Fire District</u>						
July 1, 2013	\$ -	\$ 19,201,569	\$ (19,201,569)	0%	\$ 1,678,136	-1144.2%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedules of funding progress (RSI-1), immediately following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

**Actuarial methods and assumptions:** Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarially accrued liabilities and the actuarial value of assets.

The data presented in the schedules of funding progress and schedules of contributions were determined as part of the actuarial valuation at the date indicated. Additional information for the plan as of the latest valuation date is as follows:

	<u>City</u>	<u>Allingtown Fire District</u>
Valuation date	July 1, 2013	July 1, 2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	30 Year, Open	25 Year, Open
Remaining amortization period	24 years	22 years

**City of West Haven, Connecticut**

**Notes to Financial Statements**

**Note 3. Other Information (Continued)**

	City	Allingtown Fire District
Actuarial assumptions:		
Investment rate of return	4.0%	4.0%
Projected salary increases		
Merit	9.0%	6.5%
Inflation	3.0%	4.7%
Cost-of-living adjustments	N/A	N/A
Health care cost trend rates:		
Initial	8.5%	4.32%
Ultimate	5.0%	0.88%

**Annual OPEB cost and net OPEB obligation (NOO):** The changes in the NOO were as follows:

	City	Allingtown Fire District
Annual required contribution (ARC)	\$ 13,677,829	\$ 1,533,359
Interest on net OPEB obligation	1,398,007	171,952
Adjustment to annual required contribution	(1,388,953)	(223,538)
Annual OPEB cost (AOC)	13,686,883	1,481,773
Contributions made	(8,392,644)	(691,753)
Change in net OPEB obligation	5,294,239	790,020
Net OPEB obligation - July 1, 2015	34,950,177	4,298,810
Net OPEB obligation - June 30, 2016	<u>\$ 40,244,416</u>	<u>\$ 5,088,830</u>

**City of West Haven, Connecticut**

**Notes to Financial Statements**

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**Note 3. Other Information (Continued)**

**Three-year trend information:** The changes in the NOO were as follows:

Year Ending June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation	Total Contributions
City				
2014	\$ 12,840,079	59.9%	\$ 29,391,508	\$ 7,693,470
2015	12,976,747	57.2%	34,950,177	7,418,078
2016	13,686,883	61.3%	40,244,416	8,392,644
Allingtown Fire District				
2014	\$ 1,321,933	44.3%	\$ 3,537,895	\$ 585,466
2015	1,400,344	45.7%	4,298,810	639,429
2016	1,481,773	46.7%	5,088,830	691,753

**Note 4. Governmental Accounting Standards Board (GASB) Statements**

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

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

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:
  - Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.
  - Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.
  - Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

**Note 4. Governmental Accounting Standards Board (GASB) Statements (Continued)**

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

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

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

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

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

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



**Note 4. Governmental Accounting Standards Board (GASB) Statements (Continued)**

- GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. This standard narrows the scope and applicability of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting specific criteria; establishes new guidance for these employers, including separate requirements for recognition and measurement of pension expense or expenditures and liabilities, note disclosures and required supplementary information (RSI). The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.
- GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.
- GASB Statement No. 81, Irrevocable Split-Interest Agreements. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.
- GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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**Required Supplementary  
Information - Unaudited**

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**Required Supplementary Information - Unaudited  
Schedules of Employer Contributions  
Last Ten Fiscal Years**

**Schedule of Employer Contributions - Police**

Year Ended	Actuarially Determined Contribution	Actual Contribution	(Excess) Deficiency	Covered Payroll	Contributions as a percentage of covered payroll
2007	1,111,822	1,111,822	\$ -	\$ 7,373,220	15.08%
2008	1,111,822	1,111,822	-	7,373,220	15.08%
2009	1,157,342	611,822	545,520	7,812,621	7.83%
2010	1,157,342	1,157,342	-	7,812,621	14.81%
2011	3,950,896	1,050,000	2,900,896	7,074,123	14.84%
2012	3,141,846	979,292	2,162,554	7,008,211	13.97%
2013	3,141,846	1,285,750	1,856,096	7,008,211	18.35%
2014	3,312,178	1,157,000	2,155,178	7,191,938	16.09%
2015	2,342,798	1,274,950	1,067,848	7,160,460	17.81%
2016	1,848,528	1,850,000	(1,472)	7,160,460	25.84%

**Schedule of Employer Contributions - Allingtown Fire District**

Year Ended	Actuarially Determined Contribution	Actual Contribution	(Excess) Deficiency	Covered Payroll	Contributions as a percentage of covered payroll
2007	1,201,077	1,222,182	(21,105)	1,238,339	98.70%
2008	1,249,120	1,360,156	(111,036)	1,238,339	109.84%
2009	1,178,166	875,780	302,386	1,341,760	65.27%
2010	1,225,293	1,343,174	(117,881)	1,341,760	100.11%
2011	1,274,304	1,430,341	(156,037)	1,341,760	106.60%
2012	1,404,794	1,492,075	(87,281)	1,645,791	90.66%
2013	1,460,986	1,516,586	(55,600)	1,645,791	92.15%
2014	1,519,425	1,495,339	24,086	1,645,791	90.86%
2015	1,536,083	1,571,325	(35,242)	1,678,136	93.64%
2016	1,597,526	1,559,866	37,660	1,678,136	92.95%

**Notes to schedule:**

	<b>Police</b>	<b>Allingtown Fire District</b>
Valuation date	01/01/2014	07/01/2015
Actuarial cost method	Projected unit credit	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	5 years	18 years
Asset valuation method	Fair Value	Fair Value
Inflation	2.75%	2.75%
Salary increases	3.50%	3.50%
Investment rate of return	7.375%	6.75%

**Required Supplementary Information - Unaudited**  
**Schedule of Changes in Net Pension Liability and Related Ratios (in 1,000s)**  
**Last Three Fiscal Years**

Changes in Net Pension Liability - Police Pension Plan	2016	2015	2014
Total pension liability:			
Service cost	\$ 1,735	\$ 1,616	\$ 1,627
Interest on total pension liability	9,687	9,378	9,147
Effect of economic/demographic gains or losses	-	(1,107)	-
Benefit payments	(7,064)	(6,759)	(6,311)
<b>Net change in total pension liability</b>	<b>4,358</b>	<b>3,128</b>	<b>4,463</b>
Total pension liability, beginning	133,092	129,964	125,501
<b>Total pension liability, ending (a)</b>	<b>137,450</b>	<b>133,092</b>	<b>129,964</b>
Fiduciary net position:			
Employer contributions	1,850	1,275	1,157
Member contributions	572	590	583
Investment income net of investment expenses	(2,590)	2,068	14,029
Benefit payments	(7,064)	(6,759)	(6,311)
Administrative expenses	(15)	(27)	(25)
<b>Net change in plan fiduciary net position</b>	<b>(7,247)</b>	<b>(2,853)</b>	<b>9,433</b>
Fiduciary net position, beginning	116,222	119,075	109,642
<b>Fiduciary net position, ending (b)</b>	<b>108,975</b>	<b>116,222</b>	<b>119,075</b>
<b>Net pension liability, ending = (a) - (b)</b>	<b>\$ 28,475</b>	<b>\$ 16,870</b>	<b>\$ 10,889</b>
Fiduciary net position as a % of total pension liability	79.28%	87.32%	91.62%
Covered payroll	\$ 7,160	\$ 7,160	\$ 7,192
Net pension liability as a % of covered payroll	397.70%	235.61%	151.40%

**Required Supplementary Information - Unaudited**  
**Schedule of Investment Returns**  
**June 30, 2016**

	2016	2015	2015
Annual money-weighted rate of return, net of investment expense	-1.87%	1.43%	13.13%

**Required Supplementary Information - Unaudited**  
**Schedule of Changes in Net Pension Liability and Related Ratios (in 1,000s)**  
**Last Three Fiscal Years**

Changes in Net Pension Liability - Allingtown Fire District Plan	2016	2015	2014
Total pension liability:			
Service cost	\$ 491	\$ 463	\$ 430
Interest on total pension liability	1,832	1,839	1,768
Effect of plan changes	1,419	-	1,009
Effect of economic/demographic gains or losses	(1,272)	-	-
Effect of assumption changes or inputs	1,515	-	-
Benefit payments	(1,361)	(1,367)	(1,221)
<b>Net change in total pension liability</b>	<b>2,624</b>	<b>935</b>	<b>1,986</b>
Total pension liability, beginning	25,659	24,724	22,738
<b>Total pension liability, ending (a)</b>	<b>28,283</b>	<b>25,659</b>	<b>24,724</b>
Fiduciary net position:			
Employer contributions	1,560	1,571	1,495
Member contributions	164	162	153
Investment income net of investment expenses	71	(90)	252
Benefit payments	(1,361)	(1,366)	(1,221)
Administrative expenses	(29)	-	(6)
<b>Net change in plan fiduciary net position</b>	<b>405</b>	<b>277</b>	<b>673</b>
Fiduciary net position, beginning	5,330	5,053	4,380
<b>Fiduciary net position, ending (b)</b>	<b>5,735</b>	<b>5,330</b>	<b>5,053</b>
<b>Net pension liability, ending = (a) - (b)</b>	<b>\$ 22,548</b>	<b>\$ 20,329</b>	<b>\$ 19,671</b>
Fiduciary net position as a % of total pension liability	20.28%	20.77%	20.44%
Covered payroll	\$ 1,678	\$ 1,678	\$ 1,678
Net pension liability as a % of covered payroll	1343.74%	1211.50%	1172.29%

**Required Supplementary Information - Unaudited**  
**Schedule of Investment Returns**  
**June 30, 2016**

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	1.29%	-1.70%	-5.47%

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

	2016	2015
City's proportion of the net pension liability	0.00%	0.00%
City's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City	<u>\$ 113,727,170</u>	<u>\$ 105,117,977</u>
Total	<u>\$ 113,727,170</u>	<u>\$ 105,117,977</u>
City's covered-employee payroll	<u>\$ 42,273,001</u>	<u>\$ 39,232,000</u>
City's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>
System fiduciary net position as a percentage of the total pension liability	<u>59.50%</u>	<u>61.51%</u>

**Notes to Schedule**

Change in benefit terms	None
Changes of assumptions	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Methods and assumptions used in calculations of actuarially determined contributions	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. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market
Inflation	3.00%
Salary Increase	3.75-7.00%, including inflation
Investment Rate of Return	8.50%, net of investment expense

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-trend is compiled, the City will present information for those years for which information is available.



**Required Supplementary Information - Unaudited**  
**Schedules of Funding Progress and Employer Contributions -**  
**City Other Post-Employment Benefit Plan**  
**Last Nine Fiscal Years**

***Schedule of Funding Progress***

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Liability (AAL) Projected Unit Credit B	Actuarial Accrued (Over) (Under) Funded AAL (A-B)	Funded AAL Ratio (A/B)	Covered Payroll C	Over/Under Funded AAL as a Percentage of Covered Payroll [(A-B)/C]
7/1/2007	\$ -	\$ 114,359,970	\$ 114,359,970	0.0%	\$ 62,667,713	182.5%
7/1/2009	-	127,963,458	127,963,458	0.0%	65,801,099	194.5%
7/1/2011	-	136,899,137	136,899,137	0.0%	69,091,154	198.1%
7/1/2013	-	188,688,760	188,688,760	0.0%	79,517,322	237.3%
7/1/2015	-	188,688,760	188,688,760	0.0%	79,517,322	237.3%

***Schedule of Employer Contributions***

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
2008	\$ 8,027,501	\$ 3,240,266	41.2%
2009	8,450,815	3,829,852	45.3%
2010	8,633,569	3,846,140	44.5%
2011	9,051,649	5,144,676	56.8%
2012	9,464,246	6,068,744	64.1%
2013	9,588,218	6,906,130	72.0%
2014	12,816,573	7,693,470	60.0%
2015	12,948,251	7,418,078	57.3%
2016	13,677,829	8,392,644	61.4%

**Required Supplementary Information - Unaudited  
Schedules of Funding Progress and Employer Contributions -  
Allingtown Fire District OPEB Plan  
Last Seven Fiscal Years**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets A	Actuarial Accrued Liability (AAL) Projected Unit Credit B	(Over) (Under) Funded AAL (A-B)	Funded AAL Ratio (A/B)	Covered Payroll C	Over/Under Funded AAL as a Percentage of Covered Payroll [(A-B)/C]
06/30/2010	\$ -	\$ 16,717,000	\$ (16,717,000)	0.0%	\$ 1,341,760	N/A
07/01/2013	-	19,201,569	(19,201,569)	0.0%	1,678,136	N/A

**Schedule of Employer Contributions**

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
2010	\$ 1,203,000	\$ 490,000	41.0%
2011	1,203,000	542,000	45.0%
2012	1,282,000	570,000	44.5%
2013	1,367,000	635,000	46.5%
2014	1,342,307	585,466	43.6%
2015	1,434,038	639,429	44.6%

**Required Supplementary Information - Unaudited**  
**Statement of Revenues and Expenditures - Budgetary Basis - Budget and Actual -**  
**General Fund**  
**For the Year Ended June 30, 2016**

	Original	Revised Final	Actual Budgetary Basis	Variance With Final Budget
<b>Revenues:</b>				
Property taxes, interest and lien fees	\$ 89,734,948	\$ 89,734,948	\$ 90,455,343	\$ 720,395
Intergovernmental	56,715,256	57,214,880	55,457,785	(1,757,095)
Investment income	5,000	5,000	3,946	(1,054)
Charges for services	4,807,612	4,807,612	3,589,044	(1,218,568)
Other local income	611,127	611,127	1,043,783	432,656
<b>Total revenues</b>	<b>151,873,943</b>	<b>152,373,567</b>	<b>150,549,901</b>	<b>(1,823,666)</b>
<b>Expenditures:</b>				
General government	7,391,237	7,142,365	5,613,257	1,529,108
Public Safety	14,898,884	14,898,884	14,648,759	250,125
Public Works	10,519,528	10,438,685	10,530,433	(91,748)
Health and Welfare	1,179,731	1,137,299	1,113,962	23,337
Parks and Recreation	941,568	877,768	844,947	32,821
Education	87,270,284	87,769,908	87,666,923	102,985
Benefits and Insurance	13,492,814	14,312,761	16,420,785	(2,108,024)
Library and other	1,680,000	1,596,000	1,596,000	-
Debt service	16,117,910	15,817,910	15,817,910	-
<b>Total expenditures</b>	<b>153,491,956</b>	<b>153,991,580</b>	<b>154,252,976</b>	<b>(261,396)</b>
<b>Revenue under expenditures</b>	<b>(1,618,013)</b>	<b>(1,618,013)</b>	<b>(3,703,075)</b>	<b>(2,085,062)</b>
<b>Other financing sources (uses):</b>				
Transfers in	1,618,013	1,618,013	1,655,231	37,218
Transfers out	-	-	(438,291)	(438,291)
<b>Total other financing sources (uses)</b>	<b>1,618,013</b>	<b>1,618,013</b>	<b>1,216,940</b>	<b>(401,073)</b>
<b>Revenue and other financing sources (uses) under expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,486,135)</b>	<b>\$ (2,486,135)</b>

**Required Supplementary Information - Unaudited**  
**Statement of Revenues and Expenditures - Budgetary Basis - Budget and Actual -**  
**Allingtown Fire District**  
**For the Year Ended June 30, 2016**

	Original	Revised Final	Actual Budgetary Basis	Variance With Final Budget
<b>Revenues:</b>				
Property taxes, interest and lien fees	\$ 5,352,683	\$ 5,352,683	\$ 5,566,310	\$ 213,627
Intergovernmental	375,000	375,000	350,027	(24,973)
Charges for services	80,000	80,000	58,709	(21,291)
Other local income	176,949	176,949	235,800	58,851
<b>Total revenues</b>	<b>5,984,632</b>	<b>5,984,632</b>	<b>6,210,846</b>	<b>226,214</b>
<b>Expenditures:</b>				
Personnel	5,102,049	5,102,049	5,439,292	(337,243)
Operating	841,783	841,783	1,011,513	(169,730)
Administrative	40,800	40,800	34,560	6,240
<b>Total expenditures</b>	<b>5,984,632</b>	<b>5,984,632</b>	<b>6,485,365</b>	<b>(500,733)</b>
<b>Revenue under expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (274,519)</b>	<b>\$ (274,519)</b>

See notes to required supplementary information.

**Note to Required Supplementary Information - Unaudited  
June 30, 2016**

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**Note 1. Stewardship, Compliance and Accountability**

**Budgets and budgetary accounting:** The City adheres to the following procedures in establishing the budgetary data included in the General Fund and Allingtown Fire District financial statements. The operating budget, which is prepared by function and department, includes proposed expenditures and the means of financing them.

- By Charter, the Mayor's recommended budget for the fiscal year beginning July 1 is presented to the City Council no later than the third Thursday in March, with Council action mandated on or before the first Thursday in May.
- After adoption of the original budget, budget transfer, amounts less than \$1,500 within departments require the approval of both the Mayor and the Director of Finance. Budget transfer amounts exceeding \$1,500 require the approval of the City Council.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is the department level for the general fund and the fund level for the Allingtown Fire District.
- Budgets are adopted on a modified accrual basis of accounting, except that encumbrances are treated as budgetary expenditures in the year of incurrence of the commitment to purchase and on-behalf payments are not budgeted.
- The Board of Education is authorized under state law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education and City Council approval.
- There were no additional appropriations made during the year.
- Unexpended appropriations lapse at the end of the fiscal year, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when the project extends more than one fiscal year.

During the year ended June 30, 2016, the following line items for the City over expended their appropriations:

City Granted Benefits	\$2,108,024
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During the year ended June 30, 2016, the following line items for the Allingtown Fire District over expended their appropriations:

Overtime and vacation pay	\$496,750
FICA	8,076
Medical and life insurance	73,255
Workers comp	222,422
General liability insurance	71,349
Heart and hypertension	1,126
Water	9,473
Trucks	17,943
Leases	371,754

**Note to Required Supplementary Information - Unaudited  
June 30, 2016**

**Note 1. Stewardship, Compliance and Accountability (Continued)**

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

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
General Fund:		
Balance, budgetary basis	\$ 152,205,132	\$ 154,691,267
Risk management costs not in budget	-	(44,733)
Non-budgeted - Transfers	72,717	4,095,046
State teachers retirement payments made by State Department of Education on behalf of the City, not recognized for budgetary purposes	9,313,000	9,313,000
<b>Balance, GAAP basis</b>	<b>\$ 161,590,849</b>	<b>\$ 168,054,580</b>
	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Allingtown Fire District:		
Balance, Budgetary Basis	\$ 6,210,846	\$ 6,485,365
<b>Balance, GAAP basis</b>	<b>\$ 6,210,846</b>	<b>\$ 6,485,365</b>

## Appendix B-1 – Form of Opinion of Bond Counsel – The Series A Bonds

November \_\_, 2017

City of West Haven  
355 Main Street  
West Haven, CT 06516

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of West Haven, Connecticut (the “City”) in connection with the issuance of the City's \$16,135,000 General Obligation Bonds, Issue of 2017, Series A (the “2017 Series A Bonds”), dated November 29, 2017.

The 2017 Series A Bonds are issued in the form of registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The 2017 Series A Bonds are originally registered in the name of Cede & Co., as nominee of the Depository Trust Company, for the purpose of affecting a book-entry system for ownership and transfer of the 2017 Series A Bonds.

The 2017 Series A Bonds are issued pursuant to various ordinances adopted by the West Haven City Council (the “Proceedings”). The 2017 Series A Bonds are subject to an Indenture of Trust dated as of November 1, 2017 (the “Indenture”), by and between the City and U.S. Bank National Association, as trustee (the “Trustee”).

The Indenture is authorized by Chapter 117 (the "Act") of the Connecticut General Statutes. The Act permits a Connecticut municipality, at its option, to support its general obligations by the establishment of a property tax intercept procedure and debt service payment fund. Pursuant to the Indenture, the City has established a property tax intercept procedure and a debt service payment fund. Under the Indenture, the Tax Collector of the City will deposit with the Trustee certain property taxes to fund the Debt Service Account, which constitutes a debt service payment fund under the Act. The funds in the Debt Service Account will be used to pay all amounts due on the 2017 Series A Bonds and any other bonds and notes issued pursuant to the Indenture from time to time and certain other general obligations of the City (collectively, the "Supported General Obligations"). Earnings on the investments of the Debt Service Account are to be remitted to the City periodically for its general operating purposes. Any capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

The City has covenanted in the Indenture that it will establish and maintain the Debt Service Account, make payments to the Trustee as required to provide sufficient funds in the Debt Service Account to meet required debt service payments on all Supported General Obligations, and duly and punctually pay all such debt service. Pursuant to the Indenture, the Trustee shall hold monies in the Debt Service Account in trust for the benefit of the holders of all Supported General Obligations and is directed to pay required debt service payments out of the Debt Service Account on all Supported General Obligations as and when the same become due on a pro-rata basis and without regard to the different nature of any such Supported General Obligations.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met upon and subsequent to the issuance and delivery of the 2017 Series A Bonds in order that interest on the 2017 Series A Bonds be excluded from gross income under Section 103 of the Code. In the Tax Compliance Agreement and Certificate of even date herewith (the “Tax Compliance Agreement”), the City has made covenants and representations designed to assure compliance with such requirements of the Code. The City has covenanted in the Tax Compliance Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2017 Series A Bonds to ensure that interest on the 2017 Series A Bonds shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2017 Series A Bonds, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the 2017 Series A Bonds.

In connection herewith, we have examined the applicable law and such other materials as we have deemed necessary in order to render this opinion and have relied upon originals or copies, certified or otherwise, identified to our satisfaction, of such public records, certificates and correspondence of public officials, including certificates of officials of the City, and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted as certified or photostatic copies, and the capacity of all persons executing documents. As to questions of fact material to our opinion, we have relied upon representations of the City contained in the certified Proceedings of the City, including the Continuing Disclosure Agreement (the "Disclosure Agreement") and the Tax Compliance Agreement, and other certifications received from the City, all dated of even date herewith, in connection with the issuance and delivery of the 2017 Series A Bonds, without undertaking to verify the same by independent investigation. After reasonable diligence, no facts have come to our attention which would lead us to believe that the certificates, documents, correspondence or public records, as supplied to us by the City, contain an untrue statement of a material fact.

Further, in rendering the below opinions regarding the federal tax treatment of interest on the 2017 Series A Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Compliance Agreement, and (ii) continuing compliance by the City with the covenants set forth in that agreement as to such matters.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement dated November 21, 2017 or other offering material relating to the 2017 Series A Bonds except to the extent stated in the Official Statement and we express no opinion relating thereto excepting only the matters set forth as our opinion in the Official Statement.

Based upon the foregoing, we are of the opinion:

1. That the Indenture has been duly authorized, executed and delivered by the City and constitutes the valid and binding agreement of the City enforceable upon the City in accordance with its terms, and establishes a valid property tax intercept procedure and debt service payment fund in accordance with Chapter 117 of the Connecticut General Statutes, as amended.
2. That the Indenture, authorizing the issuance of the 2017 Series A Bonds, has been duly authorized, executed and delivered by the City and all applicable conditions in the Indenture for the Trustee's execution and delivery of the Indenture have been satisfied.
3. That the 2017 Series A Bonds have been duly authorized and issued under the Charter of the City, the laws of the State of Connecticut and the Proceedings duly had and taken in conformity therewith.
4. That the 2017 Series A Bonds, when executed by the City and authenticated and delivered by the Trustee and when issued by the City, will be Supported General Obligations of the City (i) entitled to the benefits of and secured by the Indenture equally and ratably with all other outstanding Supported General Obligations, and (ii) payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the City 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 pursuant to Connecticut statutes.
5. That the Tax Compliance Agreement and the Disclosure Agreement are valid, binding and enforceable agreements of the City.
6. That under existing law, interest on the 2017 Series A Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. We express no opinion regarding other federal income tax consequences caused by the ownership or disposition of, or receipt of interest on the 2017 Series A Bonds.
7. That, under existing statutes, interest on the 2017 Series A 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 for individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by the ownership or disposition of, or receipt of interest on the 2017 Series A Bonds.



It is to be understood that the rights of the holders of the 2017 Series A Bonds and the enforceability of the 2017 Series A Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We have not undertaken to advise whether any events after the date of issuance of the 2017 Series A Bonds, including the adoption of federal tax legislation, may affect the tax status of interest on the 2017 Series A Bonds.

Although we have rendered an opinion that interest on the 2017 Series A Bonds is not includable in gross income for federal income tax purposes, federal income tax liability may otherwise be affected by the ownership or disposition of the 2017 Series A Bonds. We express no opinion regarding any tax consequence caused by ownership or disposition of, or receipt of interest income on, the 2017 Series A Bonds not specifically described herein.

Respectfully,

PULLMAN & COMLEY, LLC

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## Appendix B-2 – Form of Opinion of Bond Counsel – The Series B Bonds

November \_\_, 2017

City of West Haven  
355 Main Street  
West Haven, CT 06516

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of West Haven, Connecticut (the “City”) in connection with the issuance of the City's \$9,635,000 General Obligation Bonds, Issue of 2017, Series B (the “2017 Series B Bonds”), dated November 29, 2017.

The 2017 Series B Bonds are issued in the form of registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The 2017 Series B Bonds are originally registered in the name of Cede & Co., as nominee of the Depository Trust Company, for the purpose of affecting a book-entry system for ownership and transfer of the 2017 Series B Bonds.

The 2017 Series B Bonds are issued pursuant to various ordinances adopted by the West Haven City Council (the “Proceedings”). The 2017 Series B Bonds are subject to an Indenture of Trust dated as of November 1, 2017 (the “Indenture”), by and between the City and U.S. Bank National Association, as trustee (the “Trustee”).

The Indenture is authorized by Chapter 117 (the "Act") of the Connecticut General Statutes. The Act permits a Connecticut municipality, at its option, to support its general obligations by the establishment of a property tax intercept procedure and debt service payment fund. Pursuant to the Indenture, the City has established a property tax intercept procedure and a debt service payment fund. Under the Indenture, the Tax Collector of the City will deposit with the Trustee certain property taxes to fund the Debt Service Account, which constitutes a debt service payment fund under the Act. The funds in the Debt Service Account will be used to pay all amounts due on the 2017 Series B Bonds and any other bonds and notes issued pursuant to the Indenture from time to time and certain other general obligations of the City (collectively, the "Supported General Obligations"). Earnings on the investments of the Debt Service Account are to be remitted to the City periodically for its general operating purposes. Any capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

The City has covenanted in the Indenture that it will establish and maintain the Debt Service Account, make payments to the Trustee as required to provide sufficient funds in the Debt Service Account to meet required debt service payments on all Supported General Obligations, and duly and punctually pay all such debt service. Pursuant to the Indenture, the Trustee shall hold monies in the Debt Service Account in trust for the benefit of the holders of all Supported General Obligations and is directed to pay required debt service payments out of the Debt Service Account on all Supported General Obligations as and when the same become due on a pro-rata basis and without regard to the different nature of any such Supported General Obligations.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met upon and subsequent to the issuance and delivery of the 2017 Series B Bonds in order that interest on the 2017 Series B Bonds be excluded from gross income under Section 103 of the Code. In the Tax Compliance Agreement and Certificate of even date herewith (the “Tax Compliance Agreement”), the City has made covenants and representations designed to assure compliance with such requirements of the Code. The City has covenanted in the Tax Compliance Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2017 Series B Bonds to ensure that interest on the 2017 Series B Bonds shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2017 Series B Bonds, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the 2017 Series B Bonds.

In connection herewith, we have examined the applicable law and such other materials as we have deemed necessary in order to render this opinion and have relied upon originals or copies, certified or otherwise, identified to our satisfaction, of such public records, certificates and correspondence of public officials, including certificates of officials of the City, and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted as certified or photostatic copies, and the capacity of all persons executing documents. As to questions of fact material to our opinion, we have relied upon representations of the City contained in the certified Proceedings of the City, including the Continuing Disclosure Agreement (the "Disclosure Agreement") and the Tax Compliance Agreement, and other certifications received from the City, all dated of even date herewith, in connection with the issuance and delivery of the 2017 Series B Bonds, without undertaking to verify the same by independent investigation. After reasonable diligence, no facts have come to our attention which would lead us to believe that the certificates, documents, correspondence or public records, as supplied to us by the City, contain an untrue statement of a material fact.

Further, in rendering the below opinions regarding the federal tax treatment of interest on the 2017 Series B Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Compliance Agreement, and (ii) continuing compliance by the City with the covenants set forth in that agreement as to such matters.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement dated November 21, 2017 or other offering material relating to the 2017 Series B Bonds except to the extent stated in the Official Statement and we express no opinion relating thereto excepting only the matters set forth as our opinion in the Official Statement.

Based upon the foregoing, we are of the opinion:

1. That the Indenture has been duly authorized, executed and delivered by the City and constitutes the valid and binding agreement of the City enforceable upon the City in accordance with its terms, and establishes a valid property tax intercept procedure and debt service payment fund in accordance with Chapter 117 of the Connecticut General Statutes, as amended.

2. That the Indenture, authorizing the issuance of the 2017 Series B Bonds, has been duly authorized, executed and delivered by the City and all applicable conditions in the Indenture for the Trustee's execution and delivery of the Indenture have been satisfied.

3. That the 2017 Series B Bonds have been duly authorized and issued under the Charter of the City, the laws of the State of Connecticut and the Proceedings duly had and taken in conformity therewith.

4. That the 2017 Series B Bonds, when executed by the City and authenticated and delivered by the Trustee and when issued by the City, will be Supported General Obligations of the City (i) entitled to the benefits of and secured by the Indenture equally and ratably with all other outstanding Supported General Obligations, and (ii) payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the City 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 pursuant to Connecticut statutes.

5. That the Tax Compliance Agreement and the Disclosure Agreement are valid, binding and enforceable agreements of the City.

6. That under existing law, interest on the 2017 Series B Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. We express no opinion regarding other federal income tax consequences caused by the ownership or disposition of, or receipt of interest on the 2017 Series B Bonds.

7. That, under existing statutes, interest on the 2017 Series B 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 for individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by the ownership or disposition of, or receipt of interest on the 2017 Series B Bonds.

It is to be understood that the rights of the holders of the 2017 Series B Bonds and the enforceability of the 2017 Series B Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We have not undertaken to advise whether any events after the date of issuance of the 2017 Series B Bonds, including the adoption of federal tax legislation, may affect the tax status of interest on the 2017 Series B Bonds.

Although we have rendered an opinion that interest on the 2017 Series B Bonds is not includable in gross income for federal income tax purposes, federal income tax liability may otherwise be affected by the ownership or disposition of the 2017 Series B Bonds. We express no opinion regarding any tax consequence caused by ownership or disposition of, or receipt of interest income on, the 2017 Series B Bonds not specifically described herein.

Respectfully,

PULLMAN & COMLEY, LLC

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## Appendix C-1 – Form of Continuing Disclosure Agreement

### FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS BY THE CITY OF WEST HAVEN, CONNECTICUT

#### In Connection With The Issuance and Sale of City of West Haven, Connecticut

#### General Obligation Bonds, Issue of 2017, Series A and General Obligation Bonds, Issue of 2017, Series B

This Continuing Disclosure Agreement (“Agreement”) is made as of November 29, 2017, by the City of West Haven, Connecticut (the “Issuer”) acting by its undersigned officers, duly authorized, in connection with the issuance of its \$16,135,000 General Obligation Bonds, Issue of 2017, Series A and its \$9,635,000 General Obligation Bonds, Issue of 2017, Series B, each dated November 29, 2017 (collectively, the “Bonds”), for the benefit of beneficial owners from time to time of the Bonds. The Bonds are issued pursuant to the Indenture (defined below). A copy of the Indenture may be reviewed at the office of the Director of Finance of the Issuer. (the “Bonds”).

**Section 1. Purpose of the Disclosure Agreement.** This Agreement is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the underwriters in complying with SEC Rule 15c2-12.

**Section 2. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings:

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

“EMMA” means the Electronic Municipal Market Access System as described in the 1934 Act Release #59062 and maintained by the Municipal Securities Rulemaking Board for the purposes of the Rule and as further described in Section 13 hereof.

“Final Official Statement” means the official statement of the Issuer dated November 21, 2017 prepared in connection with the issuance of the Bonds.

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

“Indenture” shall mean the Indenture of Trust dated as of November 1, 2017, by and between the Issuer and U.S. Bank National Association, as trustee.

“Listed Events” shall mean any of the events listed in Section 5 hereof.

“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.

“Rule” means SEC Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

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

**Section 3. Annual Reports.**

(a) The Issuer shall provide or cause to be provided to the MSRB, in accordance with the provisions of the Rule and of this Agreement, the following annual financial information and operating data regarding the Issuer:

(i) Audited financial statements as of and for the year ending on its Fiscal Year End for the general fund, capital projects funds and special revenue funds, prepared in accordance with generally accepted accounting principles, 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 Issuer per capita;
- (G) the ratios of total direct debt and total overall net debt of the Issuer to the Issuer's net taxable grand list;
- (H) a statement of statutory debt limitations and debt margins; and
- (I) the funding status of the Issuer's pension benefit obligations.

(b) The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's audited financial statements. The information may be provided in whole or in part by cross-reference to other documents provided to the MSRB, including official statements of the Issuer which will be available from the MSRB's internet web site or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or the annual adopted budget.

(c) Subject to the requirements of Section 8 hereof, the Issuer reserves the right to modify from time to time the specific types of information or data provided or the format of the presentation of such information or data, to the extent necessary or appropriate; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Issuer 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 4. Timing.** The Issuer shall provide the information and data referenced in Section 3(a) not later than eight (8) months after each Fiscal Year End subsequent to the date of issuance of the Bonds, provided, however, that if such financial information and data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Final Official Statement for the Bonds or has not otherwise been previously provided, the Issuer shall provide such information and data no later than eight months after the close of such preceding Fiscal Year End. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information when available.



**Section 5. Event Notices.**

(a) The Issuer agrees to provide or cause to be provided to the MSRB, within ten (10) business days of the occurrence of any of the following events with respect to the Bonds, notice of the occurrence of such event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers, or their failure to perform;
- (v) 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 events affecting the tax status of the Bonds;
- (vi) tender offers;
- (vii) bankruptcy, insolvency, receivership, or a similar proceeding by the Issuer;
- (viii) Bond defeasances; and
- (ix) rating changes.

(b) The Issuer agrees to provide or cause to be provided to the MSRB, within ten (10) business days of the occurrence of any of the following events with respect to the Bonds, notice of the occurrence of such event, if material:

- (i) non-payment related defaults;
- (ii) modifications to rights of Bondholders;
- (iii) Bond calls;
- (iv) release, substitution, or sale of property securing repayment of the Bonds;
- (v) consummation of a merger, consolidation, acquisition involving the Issuer, other than the ordinary course of business, or the sale of all or substantially all the assets of the Issuer, or the entry into a definitive agreement to engage in such a transaction, or a termination of such an agreement, other than in accordance with its terms; and
- (vi) appointment of a successor or additional trustee, or the change in the name of the trustee.

**Section 6. Notice of Failure.** The Issuer agrees to provide or cause to be provided, in a timely manner to the MSRB, notice of any failure by the Issuer to provide the annual financial information described in Section 3(a) of this Agreement on or before the date set forth in Section 4 hereof.

**Section 7. Termination of Reporting Obligation.** The Issuer's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

**Section 8. Agent.** The Issuer 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 9. Amendment; Waiver.** Notwithstanding any other provision of this Agreement, the Issuer 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 Issuer, 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) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking in 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 MSRB. The annual financial information 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 operating or financial information provided.

**Section 10. Additional Information.** Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communications, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 11. Enforceability.** The Issuer 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 Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. The present address of the Issuer is 355 Main Street, West Haven, Connecticut 06516. In the event the Issuer 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 enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

**Section 12. Governing Law.** This Agreement shall be governed by the laws of the State of Connecticut.

**Section 13. Method of Filing.** To the extent filings are required to be made to the MSRB under this Agreement, the Issuer shall transmit such filings or notices in an electronic format to the continuing disclosure service portal provided through MSRB's EMMA as provided at <http://emma.msrb.org/> or any similar system that is acceptable to the SEC.

**Section 14. Beneficiaries.** This Agreement shall inure solely to the benefit of the Issuer, any dissemination agent, any Participating Underwriter and the Bondholders, and shall create no rights in any other person or entity.

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

**CITY OF WEST HAVEN, CONNECTICUT**

By: \_\_\_\_\_  
Edward M. O'Brien  
Mayor

By: \_\_\_\_\_  
Debra Grady  
Treasurer

By: \_\_\_\_\_  
Kevin McNabola  
Director of Finance

## Appendix D – Summary of the Indenture

### SUMMARY OF THE INDENTURE

*The following Summary of the Indenture provides a brief description of the terms and provisions of the Indenture (as defined herein). This summary does not purport to be complete and reference is made to the Indenture for full and complete statements of such and all provisions.*

The following, in addition to the information contained in the Official Statement under the caption “SECTION II – SECURITIES OFFERED” herein, summarizes certain provisions of the Indenture. This summary is qualified in its entirety by reference to the Trust Indenture dated as of November 1, 2017, by and between the City of West Haven (the “City”) and U.S. Bank National Association, the trustee (the “Trustee”). Such Trust Indenture is hereinafter referred to as the “Indenture.” A copy of the Indenture is on file at the office of the Director of Finance, City of West Haven, 355 Main Street, West Haven, CT 06516 and the Connecticut office of the Trustee at 225 Asylum Street, Corporate Trust, 23<sup>rd</sup> Floor, Hartford, CT 06103.

#### 1. **Definitions** (*Section 1.1 of the Indenture*)

“**2017 Series A Bonds**” means the City’s \$16,135,000 2017 General Obligation Bonds, Issue of 2017, Series A dated November 29, 2017.

“**2017 Series B Bonds**” means the City’s \$9,635,000 2017 General Obligation Bonds, Issue of 2017, Series B dated November 29, 2017.

“**Act**” means Chapter 117 of the Connecticut General Statutes, §7-560 et. seq. which Chapter establishes the authority for the property tax intercept procedures set forth in the Indenture.

“**Additional Bonds**” means a bond or bonds, note or notes or other evidences of indebtedness, as the case may be, issued as provided for in Section 4 of the Indenture.

“**Bond**” or “**Bonds**” means the 2017 Series A Bonds, the 2017 Series B Bonds and any Additional Bonds issued under the Indenture.

“**Bondholders**”, “**Owners**” or “**Holder**s” means any Registered Holder of a Registered Bond.

“**Business Day**” means each day which is neither a Saturday, Sunday or other day on which banking institutions in the pertinent Place of Payment are authorized or required by law or executive order to be closed.

“**Certificate of Debt Service**” means the certificate required to be delivered by the City pursuant to Section 7.2 of the Indenture.

“**Debt Service**” means the payments due on Supported General Obligations within a given period of time.

“**Debt Service Account**” means the account established pursuant to Article 7 and Section 8.1 of the Indenture.

“**Defeasance Obligation**” means (i) non-callable direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America (including State and Local Government Series securities); and (ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state (a) which are not callable prior to maturity and rated “AAA” by S&P Global Ratings or “Aaa” by Moody’s Investors Service, or (b) as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, which bonds or other obligations are (I) secured as to principal and interest and redemption premium by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (b) of this clause (ii), as applicable, and (II) rated “AAA” by S&P Global Ratings or “Aaa” by Moody’s Investors Service.

**“Designated Payments”** means the amount of the Property Taxes to be deposited with the Trustee by the Tax Collector on a periodic basis in accordance with Article 7 of the Indenture and the Certificate of Debt Service.

**“Event of Default”** shall have the meaning given to such term in Section 10.1 of the Indenture.

**“Excluded Obligations”** means: (i) debt obligations of the City assumed by the WPCA on its formation and all other general obligations of both the City and the WPCA which are payable from sewer fees or other revenues of the WPCA and which are not in default; and (ii) any other general obligations of the City which are payable from or secured by payments other than Property Taxes.

**“Excluded Taxes”** means any of the following: (i) any property or other tax collected for any special taxing district; (ii) any property or other tax specially pledged to support any revenue bonds or any tax incremental financing that are not general obligations; and (iii) any proceeds or taxes which are credited or payable on property tax liens which have been sold by the City provided that the proceeds of such sale are or have been treated as Property Taxes.

**“Fiduciary”** or **“Fiduciaries”** means the Trustee, the Paying Agents, the Bond Registrar, or any of them, as may be appropriate; provided, however, that the use of the term Fiduciary herein is for convenience only and shall not implicitly or explicitly refer to a standard of care owed

**“General Obligation”** means (i) any Obligation issued by the City and secured by the full faith and credit and taxing power of the City, and (ii) any contingent obligation which is payable from the general fund and is subject to annual appropriation.

**“Obligation”** means any bond, bond anticipation note, or other interim funding obligation, certificate of participation, security, financing lease, installment purchase agreement, capital lease, and any other transaction which constitutes debt in accordance with both the municipal reporting standards in Section 7-394a of the Connecticut General Statutes and the regulations prescribing municipal financial reporting adopted by the Secretary and which is not an Excluded Obligation.

**“Paying Agent”** means, initially, U.S. Bank National Association, its successors or assigns, or any bank or trust company organized under the laws of any state of the United States of America or any national banking association designated as paying agent for the Supported General Obligations of any series, and its successor or successors hereafter appointed in the manner provided herein.

**“Place of Payment”** means, with respect to any Obligation, the place designated for the payment of principal and interest in the Obligation.

**“Property Taxes”** means all taxes on real and personal property levied by the City in accordance with the Connecticut General Statutes including any interest, penalties and other related charges, except for Excluded Taxes and interest, penalties and charges related thereto.

**“Qualified Investments”** or **“Permitted Investments”** or **“Authorized Investments”** means the following:

1. Defeasance Obligations.
2. (A) the obligations of the United States of America, including the joint and several obligations of the Federal Home Loan Mortgage Corporation, The Federal National Mortgage Association, the Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all the federal land banks, all the federal intermediate credit banks, the Central Bank for Cooperatives, The Tennessee Valley Authority, or any other agency of the United States government, or (B) shares or other interests in any custodial arrangement, pool or no-load, open-end management-type investment company or investment trust registered or exempt under the Investment Company Act of 1940, 15 USC Section 80a-1 et seq. as from time to time amended, provided (i) the portfolio of such custodial

arrangement, pool, investment company or investment trust is limited to obligations described in subparagraph (A) of this subdivision and repurchase agreements fully collateralized by any such obligations; (ii) such custodial arrangement, pool, investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; (iii) such custodial arrangement or pool is managed to maintain its shares at a constant net asset value or; such investment company or investment trust is rated within one of the two top credit rating categories and for any investment company or investment trust not managed to maintain its shares at a constant net asset value or thin one of the top two risk rating categories of any nationally recognized rating service or of any rating service recognized by the Commission of Banking of the State of Connecticut; and (iv) the Trustee only purchases and redeems shares or other interests in such investment company or investment trust (are purchased and redeemed only) through the use of, or the custodian of such custodial arrangement or pool is, a bank as defined in Section 36a-2 of the Connecticut General Statutes or an out-of-state bank as defined in said section, having one or more branches in this Connecticut.

3. The obligations of any state of the United States or of any political subdivision, authority or agency thereof, provided that at the time of investment such obligations are rated within one of the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Connecticut Commissioner of Banking.
4. The obligations of the state of Connecticut, or any regional school district, town, city, borough or metropolitan district in the state of Connecticut, provided that at the time of investment the obligations of such government entity are rated within one of the top three rating categories of any nationally recognized rating service or of any rating service recognized by the Connecticut Commissioner of Banking.
5. The Short Term Investment Fund established pursuant to Section 3-27a of the Connecticut General Statutes.
6. Other investments in which the proceeds received on the sale of Supported General Obligations may be invested under the Connecticut General Statutes, as amended from time to time.
7. If otherwise qualified as obligations in items 1. through 6. above, obligations of the Trustee or any of its affiliates.
8. If otherwise qualified as obligations in items 1. through 7. above, investments readily available to the Trustee.

**“Redemption Price”** shall mean with respect to any Supported General Obligation the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Supported General Obligation or the Indenture.

**“Secretary”** means the Secretary of the Office of Policy and Management of the State of Connecticut.

**“State”** means the State of Connecticut.

**“Supported General Obligations”** means (i) the 2017 Series A Bonds, (ii) the 2017 Series B Bonds, (iii) any Additional Bonds, (iv) any General Obligation that is Outstanding as of the Effective Date which has a term longer than one year, and (v) any other General Obligation which has a term longer than one year and which the City determines is to be supported hereby, other than any Excluded Obligation.

**“Tax Collector”** means the Tax Collector or the Assistant Tax Collector of the City.

**“Treasurer”** means the Treasurer of the State of Connecticut.

**“WPCA”** means the Water Pollution Control Authority of the City

**2. Establishment of Debt Service Account**

The City shall establish a Debt Service Account to be held by the Trustee for the payment of Debt Service. The Debt Service Account shall be the debt service payment fund authorized pursuant to, and shall be subject to the Act. (*Section 7.1 of the Indenture*)

**3. Certification of Debt Service**

Pursuant to the Indenture, at least twenty (20) days prior to the commencement of each Fiscal Year, the City shall deliver to the Trustee and the Tax Collector, the Certificate of Debt Service executed by the Mayor and the Director of Finance setting forth the following:

- (a) Each scheduled payment of Debt Service maturing in that Fiscal Year, with all relevant detail including with respect to all Supported General Obligations: (a) the principal amount and date or dates of maturity thereof and the due dates of any installment of principal or mandatory sinking fund payments or redemption payments; (b) the interest thereon and the date or dates of payment thereof; (c) the place or places where, and the Persons to whom, such Supported General Obligations are payable, and where applicable the Paying Agent; and (d) if such Supported General Obligations are subject to redemption, the terms and conditions of such redemption.
- (b) The amount of the Debt Service for each month of the Fiscal Year and for the first month of the following Fiscal Year.
- (c) The estimated balance in the Debt Service Account at the beginning of each month during such Fiscal Year.
- (d) The Designated Payments for each month of the Fiscal Year and for the first month of the following year. If the budgeted Property Tax collection for any month is less than the Debt Service for the following month, then the Designated Payments for the preceding month shall be increased so that at the commencement of the month in which the Debt Service is due there will be sufficient funds to pay the Debt Service for such month. (*Section 7.2 of the Indenture*)

**4. Payments Into Debt Service Account**

Prior to the first Business Day of each Fiscal Year and based on the Certificate of Debt Service (in substantially the form attached as Exhibit C to the Indenture), the City shall determine the amount of the monthly Designated Payments and the time that the monthly Designated Payments and any other payments that may be required shall be deposited in the Debt Service Account to assure that sufficient moneys are available in the Debt Service Account to pay Debt Service when due. (*Section 7.3 of the Indenture*)

On or prior to the first Business Day of each month, commencing with January 1, 2018, the Tax Collector shall deposit with the Trustee, for credit to the Debt Service Account, all Property Taxes collected until there has been deposited with the Trustee an amount equal to the Designated Payment for the ensuing month as reflected on the Certificate of Debt Service or such greater amount as set forth on the Certificate of Debt Service. (*Section 7.4 of the Indenture*)

In the event the City determines that there will not be sufficient funds in the Debt Service Account to pay the Debt Service as it becomes due, it shall cause payments to be made to the Debt Service Account or cause the Tax Collector to pay all Property Taxes collected by the City to the Trustee for deposit in the Debt Service Account until there are sufficient funds in the Debt Service Account to pay the Debt Service. (*Section 7.5 of the Indenture*)

If five (5) Business Days prior to a Debt Service payment date, the amount held in the Debt Service Account is insufficient to make such payment, the Trustee shall give written notice to the Mayor, the Finance Director and the Tax Collector of such insufficiency. The City shall immediately upon receipt of such notice deposit with Trustee the amount of the insufficiency and until such amount is paid and the Tax Collector has received notice from the Trustee that it has sufficient funds to pay the Debt Service becoming due, the Tax Collector shall deposit with the Trustee all Property Taxes collected. If two (2) Business Days prior to a Debt Service payment date, the amount held in the Debt Service Account is insufficient to make such payment, the Trustee shall give written notice by Electronic Means to the Mayor, the Finance Director, the Tax Collector, the Secretary and the Treasurer of such insufficiency. The City shall immediately upon receipt of such notice deposit with the Trustee the amount of the insufficiency and until such amount is paid and the Tax Collector has received notice from the Trustee that it has sufficient funds to pay the Debt Service becoming due, the Tax Collector shall continue to deposit with the Trustee all Property Taxes collected. (*Section 7.6 of the Indenture*)

Upon the determination by the Finance Director that the Debt Service Account holds sufficient assets to pay the Debt Service when due for the remainder of any Fiscal Year, upon written notice from the Finance Director to the Trustee and the Tax Collector of that fact, the Tax Collector shall not be required to make further payments of Property Taxes for such Fiscal Year to the Debt Service Account. The determination by the Finance Director shall be solely based upon the Certificate of Debt Service and the deposits then held in the Debt Service Account. *(Section 7.9 of the Indenture)*

## **5. Debt Service Account**

The Trustee shall hold moneys in the Debt Service Account in trust for the benefit of the holders of all Supported General Obligations.

The Trustee shall pay out of the Debt Service Account to the Paying Agents in accordance with the Certificate of Debt Service (i) on or before each Interest Payment Date for any series of Supported General Obligations, the amount required for the interest payable on such date; (ii) on or before the due date for each Principal Installment, including any sinking fund installment, the amount required for the Principal Installment payable on such due date; and (iii) on or before any Redemption Date for any Supported General Obligations, the amount required for the payment of principal, interest and premium, if any on such Supported General Obligations, then to be redeemed. Such amounts shall be applied by the Paying Agent on the due dates thereof.

The Trustee shall from time to time pay from the Debt Service Account all amounts required for the payment as the same becomes due on all Supported General Obligations pursuant to instructions set forth in the Certificate of Debt Service prepared by the City.

Earnings received by the Trustee on investments of the Debt Service Account shall be accounted for by the Trustee in a sub-account of the Debt Service Account. *(Section 8.3 of the Indenture)*

## **6. Covenants of the City**

The City covenants for the benefit of the Trustee and the Bondholders to (1) punctually pay or cause to be paid the principal, mandatory sinking fund payment or Redemption Price, if any, of every Supported General Obligation, and the interest thereon at the dates and place, and in the manner provided in the Supported General Obligation, (2) except to the extent otherwise provided in the Indenture, the City shall not enter into any contract or take any action by which the rights of the Trustee or the Bondholders may be impaired, and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Indenture, (3) comply with the terms of the Tax Compliance Agreement delivered in connection with the issuance of the 2017 Series A Bonds and the 2017 Series B Bonds which shall require the City to make no use of the proceeds of the 2017 Series A Bonds and the 2017 Series B Bonds or of other amounts which would cause the 2017 Series A Bonds and the 2017 Series B Bonds to be treated as “arbitrage bonds” within the meaning of the Internal Revenue Code of 1986, as amended and applicable regulations (the “Code”), and that the City will not take any action, or fail to take any action with respect to the proceeds of the 2017 Series A Bonds and the 2017 Series B Bonds that would result in a loss of the exemption from federal income taxation pursuant to the Section 103(a) of the Code of interest paid on the 2017 Series A Bonds and the 2017 Series B Bonds; and (4) comply with the requirements of the Act and the applicable laws of the State. *(Article 9 of the Indenture)*

## **7. Events of Default**

Each of the following constitutes an Event of Default under the Indenture:

- (a) the City shall default in the payment of the principal or Redemption Price of any Supported General Obligation when and as the same shall become due and payable, whether at maturity or upon call for redemption, or the unsatisfied balance of any sinking fund installment therefor (except when such installment is due on the maturity of such Supported General Obligation), when and as such sinking fund installment shall become due and payable, and such default shall continue for a period of thirty (30) days; or
- (b) the City shall default in the payment of any installment of interest on any Supported General Obligation, when and as such interest installment shall become due and payable and such default shall continue for a period of thirty (30) days; or

- (c) the City shall fail or refuse to perform or observe any covenant, agreement or condition on its part in the Indenture or in the Supported General Obligation, and such default shall continue for a period of sixty (60) days after written notice thereof to the City by the Trustee or to the City and to the Trustee by the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Supported General Obligations Outstanding. (*Section 10.1 of the Indenture*)

## **8. Remedies of Bondholders**

If an Event of Default shall occur and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed within applicable law, and upon written request of the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Supported General Obligations Outstanding shall proceed, to protect and enforce its rights and the rights of the owners of the Supported General Obligations under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

All rights of action under the Indenture may be enforced by the Trustee without the possession of any of the Supported General Obligations or the production thereof at the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

The owners of not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Supported General Obligations may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the occurrence of an Event of Default, the Trustee shall have power to, but unless requested in writing by the owners of twenty-five percent (25%) in aggregate principal amount of the Outstanding Supported General Obligations to the extent provided in subsection (1) of Section 10.4 of the Indenture, and furnished with adequate security, indemnity and arrangements in advance for the periodic payment of its fees, expenses and liabilities, shall be under no obligation to, institute and maintain suits and proceedings as the Trustee may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, or suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

No owner of any Supported General Obligation shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default and the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Supported General Obligations then Outstanding, to the extent provided above, shall have filed a written request with the Trustee and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no owners of Supported General Obligations shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner herein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all owners of the Outstanding Supported General Obligation, subject only to the provisions of Article 10 of the Indenture.



Nothing contained in the Indenture shall affect or impair the obligation of the City, which is absolute and unconditional, to pay at the respective dates of Maturity and places therein expressed the principal of (and premium, if any), sinking fund installments, and interest on the Supported General Obligations to the respective owners thereof, or affect or impair the right of action, which is also absolute and unconditional, of any owner to enforce such payment of such Owner's Supported General Obligation.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee, or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute on or after the date of execution and delivery of the Indenture.

No delay or omission of the Trustee or any Bondholder to exercise any right or power arising upon the occurrence of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event or Default or be an acquiescence therein; and every power and remedy given by Article 10 of the Indenture to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Prior to the institution of proceedings as provided in the Indenture, the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Supported General Obligations at the time Outstanding, or their attorneys-in-fact duly authorized may, on behalf of the Owners of all of the Supported General Obligations, waive any past default under the Indenture and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Supported General Obligations. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon. (*Sections 10.4, 10.5, 10.6 and 10.7 of the Indenture*)

#### **9. Notice to of Default and Requests Regarding Remedies**

Within ninety (90) days after the occurrence of, or the receipt of notice of the occurrence of, any Event of Default, the Trustee shall promptly mail written notice of such occurrence to each Owner of the Supported General Obligations then Outstanding at such Owner's address, if any, appearing on the Bond Register. (*Section 10.8 of the Indenture*)

#### **10. Application of Taxes and Other Moneys After Default**

During the continuance of an Event of Default, the Trustee shall apply all moneys, securities, funds, taxes and revenues received by the Trustee pursuant to any right given or action taken under the provisions of Article 10 of the Indenture as follows and in the following order:

- (a) **Expenses of Fiduciaries** – to the payment of the reasonable and proper charges, expenses and liabilities of the Fiduciaries.
- (b) **Principal or Redemption Price and Interest** – to the payment of the interest and principal or Redemption Price then due on the Supported General Obligations, as follows:

First: Interest – to the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, together with accrued and unpaid interest on the Supported General Obligations theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: Principal or Redemption Price – to the payment to the Persons entitled thereto of the unpaid principal, unsatisfied balance of any sinking fund installment or Redemption Price of any Supported General Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their dates, and, if the amount available shall not be sufficient to pay in full all the Supported General Obligation due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

If and whenever all overdue installments of interest on all Supported General Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee under the Indenture or any other agreement and all other sums payable by the City under the Indenture, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the City, or provisions satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the City, and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture. No such restoration of the City and the Trustee, to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon. *(Section 10.3 of the Indenture)*

## **11. Additional Bonds**

In addition to the 2017 Series A Bonds and the 2017 Series B Bonds, the City may issue Additional Bonds on a parity with all Outstanding Supported General Obligations and secured by an equal charge and lien on and payable equally and ratably from the Property Taxes for any purpose. *(Section 4.1 of the Indenture)*

Prior to the delivery of Additional Bonds, there shall be filed with the Trustee (i) a supplemental indenture duly executed by the City; (ii) an opinion of recognized bond counsel to the effect that the Additional Bonds, when executed by the City and authenticated and delivered by the Trustee and when issued by the City, will be Supported General Obligations of the City entitled to the benefits of and secured by the Indenture equally and ratably with all other Outstanding Supported General Obligations and that the supplemental indenture has been duly executed and delivered by the City and all applicable conditions for the Trustee's execution and delivery of such supplemental indenture have been satisfied; and (iii) instructions from the City to the Trustee to authenticate and deliver such Additional Bonds. *(Section 4.4 of the Indenture)*

## **12. Fiduciaries**

No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid by such Fiduciary in accordance with the provisions of the Indenture to the City or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the paragraph below, no Fiduciary shall be liable in connection with the performance of its duties under the Indenture except for its own gross negligence or willful misconduct.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants or obligations shall be read into the Indenture against the Trustee. In case an Event of Default has occurred (which has not been cured within the applicable grace period), the Trustee shall not be liable in connection with the performance of its duties under the Indenture except for its own gross negligence or willful misconduct.

Any Fiduciary may become the Owner of any Supported General Obligation with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Supported General Obligations or the Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Supported General Obligations then Outstanding.

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to Article 11 of the Indenture shall become effective until the acceptance of appointment by the successor Trustee.

The Trustee may, with no less than sixty (60) days' prior written notice to the City, resign at any time. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within sixty (60) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Prior to the occurrence and continuance of an Event of Default under the Indenture, or after the curing or waiver of any such Event of Default, the City or the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Supported General Obligations may, with no less than sixty (60) days' prior written notice to the Trustee, remove the Trustee and shall appoint a successor Trustee. In the event there shall have occurred and be continuing an Event of Default under the Indenture, the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Supported General Obligations may, with no less than sixty (60) days' prior written notice to the Trustee, remove the Trustee and shall appoint a successor Trustee. In each instance such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the City or such Holders, as the case may be, and delivered to the Trustee and the City and Holders of the Outstanding Supported General Obligations.

If the Trustee shall give notice of its resignation, be removed or become incapable of acting hereunder: (1) the City shall promptly appoint a successor Trustee; or (2) any holder of a Supported General Obligation then Outstanding may, on behalf of the Holders of all Outstanding Supported General Obligations, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee. Such successor Trustee shall accept such appointment by delivering a written acceptance to the City and the predecessor Trustee.

The Trustee or any successor thereof, may, with no less than ten (10) days' prior written notice to the Trustee or such successor, be removed at any time by the City or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Outstanding Supported General Obligations, excluding any Supported General Obligations held by or for the account of the City, for any breach of its duties and obligations under the Indenture by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to the City. Copies of each instrument providing for any such removal shall be delivered by the City to the Trustee and any successor thereof. (Article 11 of the Indenture)

### **13. Amendments and Supplemental Indentures**

Without the consent of any Bondholders, the City, when authorized by a City Council resolution, and the Trustee at any time and from time to time, may enter into one or more amendments or indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

- (a) to evidence and provide for the acceptance of appointment by another bank or trust company as a successor Trustee hereunder with respect to one or more series of Supported General Obligation and to add to or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the Indenture;
- (b) to add to the covenants of the City, for the benefit of the holders of Bondholders of all or any series, or to surrender any right or power herein conferred upon the City, provided that such action shall not adversely affect the interests of the Bondholders; or
- (c) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not materially and adversely affect the interests of the Bondholders of any series; or
- (d) to establish any additional form of Bond, as permitted hereunder and to provide for the issuance of any additional series of Bonds, as permitted under the Indenture, and to set forth the terms thereof; or
- (e) to confirm, as further assurance, any security interest, pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, the Indenture of the Property Taxes, or of any other moneys, or securities; or
- (f) to modify, supplement or amend the Indenture to effect qualification under the Trust Indenture Act of 1939, as amended, or under any similar federal statute hereinafter enacted, and to add to the Indenture such other provisions as may be expressly permitted by the Trust Indenture Act of 1939, as amended, and to permit the qualification of any series of Bonds for sale under the securities laws of any state or the United States; or
- (g) to modify, supplement or amend the Indenture to effect its compliance with the Act; or

- (h) to appoint a trustee or any paying agent; or
- (i) to satisfy the requirements of the providers of credit enhancement for, or any rating agency in connection with, any of the series of Bonds if such requirements do not materially and adversely affect the rights of the Bondholders; or
- (j) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them which are not contrary to or inconsistent with the Indenture as theretofore in effect, or to grant or pledge to the Trustee for the benefit of the Bondholders any additional security other than that granted or pledged under the Indenture.

With the consent of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Supported General Obligations of each series affected by such amendment or amendments or supplemental indenture or indentures, by act of said Holders delivered to the City and the Trustee, the City, when authorized by a City Council resolution, and the Trustee may enter into amendments or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Bondholders of each such series under the Indenture; provided, however, that no such amendment or supplemental indenture shall, without the consent of the Holder of each Outstanding Supported General Obligation affected thereby:

- (a) change the maturity of the principal of, or the stated maturity of the premium, if any, on, or any installment of interest on, any Supported General Obligation, or reduce the principal amount thereof or any premium thereon or the rate of interest thereon, or change the method of computing the amount of principal thereof on any date or change the coin or currency in which any Supported General Obligation or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the maturity thereof, as the case may be, (or, in the case of redemption or repayment, on or after the redemption date or the repayment date, as the case may be); or
- (b) reduce the percentage in principal amount of the Outstanding Supported General Obligation of any series, the consent of whose Holders is required for any such amendment or supplemental indenture or the consent of whose Holders is required for any waiver (of compliance with certain provisions of the Indenture or of certain defaults thereunder and their consequences) provided for in the Indenture; or
- (c) modify any of the provisions of Section 12.2 of the Indenture, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each Outstanding Supported General Obligation affected thereby.

Prior to the adoption of any such supplemental indenture under Section 12.2 of the Indenture, the City shall give at least fifteen (15) business days written notice thereof to the Bondholders.

It shall not be necessary for any act of Bondholders under Section 12.2 to approve the particular form of any proposed amendment or supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Notwithstanding the provisions above, the Indenture may be amended by the City without the approval of the Bondholders or Trustee upon the request of the Secretary or the Treasurer provided such amendment does not impair the rights of the Bondholders.

Supported General Obligations owned or held by or for the account of the City shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Supported General Obligations provided for in Article 12 of the Indenture, and the City shall not be entitled with respect to such Supported General Obligations to give any consent or take any other action provided for in Article 12 of the Indenture. The City shall furnish the Trustee a certificate of an Officer, upon which the Trustee may rely, describing all Supported General Obligations so to be excluded. (*Article 12 of the Indenture*)

#### 14. Defeasance

If the City shall pay or cause to be paid, or there shall be otherwise paid or provision made for payment, to the Holders of all or any of the Supported General Obligations of a series then Outstanding, the principal or Redemption Price of and interest thereon, at the times and in the manner stipulated therein and in the Indenture and any supplemental indenture, and all fees and expenses of the Trustee, the Paying Agent and the City, then the pledge of any Property Taxes or other moneys and securities hereby pledged to such Supported General Obligations or such series of Supported General Obligations and all other rights granted hereby to such Supported General Obligations or such series of Supported General Obligations shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the City, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee or other fiduciary shall pay or deliver to the City all moneys or securities held by it pursuant to the Indenture and any supplemental indenture which are not required for the payment or redemption of Supported General Obligations of such series not theretofore surrendered for such payment or redemption to be used by the City.

Any Supported General Obligations of a series for which moneys shall then be held by a trustee, which may be the Trustee (through deposit by the City of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such Supported General Obligations, shall be deemed to have been paid within the meaning and with the effect expressed in Section 13.3 of the Indenture. Any Outstanding Supported General Obligations of any series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in Section 13.3 of the Indenture if:

- (a) in case any of such Supported General Obligations are to be redeemed on any date prior to their maturity, the City shall have given to a trustee, which may be the Trustee, in form satisfactory to such trustee, irrevocable instructions to give notice of redemption on such date of such Supported General Obligations;
- (b) there shall have been deposited with such trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on such Supported General Obligations on and prior to the redemption date or maturity date thereof, as the case may be; and
- (c) in the event such Supported General Obligations are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have given a trustee, which may be the Trustee, in form satisfactory to such trustee, irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Supported General Obligations that the deposit required by (b) above has been made with such trustee and that such Supported General Obligations are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on such Supported General Obligations.

In the event of an advance refunding of any series of Supported General Obligations:

- (a) the City shall cause to be delivered, on the deposit date and upon any reinvestment of the defeasance amount, a verification report of an accountant.
- (b) any escrow deposit agreement shall provide that no (A) substitution of a Defeasance Obligations shall be permitted except with another Defeasance Obligation and upon delivery of a new verification report and (B) reinvestment of Defeasance Obligations shall be permitted except as contemplated by the original verification report or upon delivery of a new verification report; and
- (c) there shall be delivered an opinion of recognized bond counsel to the effect that the payment of such series of Supported General Obligations has been provided for in the manner set forth herein and that such series of Supported General Obligations are no longer "Outstanding" under the Indenture. (*Section 13.3 of the Indenture*)

No recourse shall be had for the payment of the principal or Redemption Price of and interest on the Bonds or for any claims based thereon or on the Indenture against any official, employee or other officer of the City or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Bondholder by the acceptance of the Bond. (*Section 13.8 of the Indenture*)

In any case where any payment date of principal, sinking fund installment, or interest on the Bonds, or the date fixed for redemption of any Bonds, shall be a day other than a Business Day, then payment of such principal, sinking fund installment, or interest, or the Redemption Price, if applicable, need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the principal, sinking fund installment, or interest payment date, or the date fixed for redemption, as the case may be, except that interest shall continue to accrue on any unpaid principal. *(Section 13.12 of the Indenture)*

The effect and meaning of the Indenture and the rights of all parties under the Indenture shall be governed by, and construed in accordance with, the laws of the State of Connecticut. *(Section 13.15 of the Indenture)*

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