

Annual Financial Report
of the
City of West Haven, Connecticut
For the Year Ended June 30, 2019

City of West Haven, Connecticut
Annual Financial Report
For the Year Ended June 30, 2019

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Introductory Section

City of West Haven, Connecticut

**Principal Officials
June 30, 2019**

Mayor

Nancy R. Rossi

Treasurer

Michael P. Last

City Council

Ronald M. Quagliani, Chairman
Bridgette J. Hoskie
Nicholas W. Ruickoldt
Aaron Charney
Mitchell L. Gallignano
Robbin Watt Hamilton
Peter V. Massaro
Portia Bias
Tracy A. Morrissey
Sean P. Ronan
Louise Martone
Richard DePalma
David C. Forsyth

Administration

Ann Marie Gradoia
Frank Gladwin
Deborah Collins
Frank Cieplinski
Abdul Quadir
Thomas McCarthy
John Karajanis
Dorothy Chambrelli
Jack Crosby

Assessor
Building Official
City Clerk
Director of Finance
City Engineer
Public Works Director
Chief of Police
Tax Collector
Director - W.P.C.A.

Financial Section

Independent Auditors' Report

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 ("City"), as of and for the year ended June 30, 2019, 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.

Auditors' 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

**City Council
City of West Haven, Connecticut**

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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, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof 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, the budgetary comparison information, and the pension and other post-employment benefit schedules, as listed in the table of contents, respectively, 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 introductory section, supplemental schedules and trend information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**City Council
City of West Haven, Connecticut**

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The introductory and trend information sections 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 March 24, 2020, on our consideration of the City'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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
March 24, 2020

Basic Financial Statements

City of West Haven, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2019**

History and organization

The City of West Haven, Connecticut (“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. The City does not report any component units.

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 department has a separate tax rate and the City has two other fire departments with separate tax rates that are not part of the City, State statutes require that all costs related to the fire department be charged to the Allingtown Fire Department fund and that City funds cannot be used to support the department’s operations.

I. Summary of significant accounting policies

A. 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 nonfiduciary activities of the City. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

B. 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 the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. In addition, the City considers reimbursement grants to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Allingtown Fire Department Fund* is used to account for all the financial resources and expenditures of the Allingtown Fire Department. The types of revenues recorded in this fund are taxes, grants, and charges for services.

The *Capital Improvement 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.

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.

The City reports the following proprietary fund:

The *Internal Service Fund* accounts for risk financing activities for medical insurance benefits, general liability, and workers' compensation as allowed by GASB Statement No. 10.

Additionally, the City reports the following fund types:

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

The Capital Project Funds are 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.

City of West Haven, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2019**

B. Measurement focus, basis of accounting and financial statement presentation (continued)

The *Pension Trust Funds* account for the activities of the Police Retirement Plan and Allingtown Fire Department Retirement Plan, which accumulate resources for pension benefit payments to qualified employees.

Custodial Funds account for monies held on behalf of student groups.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's internal service funds are charges for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the City, Police, Allingtown Fire Department pension plans and OPEB, the Connecticut State Teachers' Retirement System ("TRS"), and the Connecticut State Retiree Health Insurance Plan ("RHIP") have been determined on the same basis as they are reported by the City's pension and OPEB plans, TRS, and RHIP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

C. Assets, liabilities, deferred outflows/inflows of resources and equity**1. Cash and investments****a. Cash**

The City considers cash as cash on hand and demand deposits.

For cash flow purposes the City considers cash equivalents money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**b. Investments**

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. For the capital nonrecurring fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

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.

The City's pension funds have adopted a formal investment policy that defines allowable investments, prohibited investments, prohibited transactions, asset allocation guidelines, diversification guidelines and fixed income and cash guidelines.

The Police Pension and Allingtown Fire Department 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.

The City's pension funds have adopted a formal investment policy that defines allowable investments, prohibited investments, prohibited transactions, asset allocation guidelines, diversification guidelines and fixed income and cash guidelines.

The investment guidelines are as follows:

<u>Asset Class</u>	<u>City</u>	<u>Allingtown Fire Department</u>
Equities	52.50%	28.30%
Fixed income	20.00%	65.65%
Cash	3.50%	2.13%
REITS	5.00%	3.92%
Private equity	10.00%	N/A
Hedge funds	9.00%	N/A

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)****c. Method used to value investments**

Investments for the City are reported at fair value except as described below. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Certain pension 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.

Fair value of investments

The City measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;

Level 2: Quoted prices for identical investments in markets that are not active; and

Level 3: Unobservable inputs.

d. Risk policies

Interest rate risk – Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The City does 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.

Credit risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The City has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Concentration of credit risk – Concentration of credit risk is the risk attributed to the magnitude of an entity's investments in a single issuer. The City follows the limitations specified in the Connecticut General Statutes. Generally, the City's deposits cannot be 75% or more of the total capital in any one depository.

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

Foreign currency risk – Foreign currency risk is the risk that the value of the investment may be affected by changes in the rate of exchange. The City does not have a formal policy with respect to the foreign currency risk.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)

2. Receivables and payables

a. 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).

b. Property taxes and other receivables

In the fund financial and government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 2% to 50% of outstanding receivable balances and are calculated based upon prior collections.

In the fund financial statements, property taxes receivable which have not been collected within 60 days of June 30, have been recorded as deferred inflows of resources, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60-day period have been recorded as revenue. Loan receivables consist of Community Development Block Grant loans. The City provides the low interest loans for residential rehabilitation as well as loans to local businesses for facility improvements.

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. Personal property and motor vehicle taxes are billed in July and are due in one installment, on July 1, and supplemental motor vehicle taxes are due in full January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than the capitalization threshold for that asset type 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.

Capitalization thresholds are as follows:

Land	All
Land improvements	\$ 50,000
Buildings	100,000
Building improvements	100,000
Infrastructure	100,000
Machinery and equipment	10,000
Vehicles	10,000

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	City Years	Allingtown Fire Department Years
Land improvements	40	N/A
Buildings	50-75	39
Building improvements	40	15-20
Vehicles	5-25	5-20
Machinery and equipment	7-50	5-10
Infrastructure	25-100	10-39

4. 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide statements for differences between expected and actual experience, changes in assumptions and net difference between projected and actual earnings on plan investments. The deferred outflow or inflow related to differences between expected and actual experience and changes in assumptions will be amortized over the average remaining service life of all plan members. The deferred outflow or inflow related to the net difference between projected and actual earnings on plan investments will be amortized over a five-year period.

Deferred outflows of resources also include deferred outflows relating to advance refunding of debt. These amounts are deferred and are amortized over the life of the debt.

Advance tax collections represent taxes associated with a future period. This amount is recognized during the period in which the revenue is associated.

For governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from several sources: property taxes (including advance collections, if any), sewer assessment and use charges. These amounts are recognized as an inflow of resources in the period that the amounts become available.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)****5. Compensated absences**

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources. A liability for these amounts has been recorded in the government-wide financial statements.

6. 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, are reported as debt service expenditures.

7. Fund equity and net position

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

Net Investment in Capital Assets

This category presents the net position that reflects capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category presents the net position of the City which is not restricted.

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 - net position to have been depleted before unrestricted - net position is applied.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**

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

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the City. Commitments may be established, modified or rescinded only through ordinances or 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 fund that has a fund balance deficit.

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, unless City Council has provided otherwise in its commitment or assignment actions.

8. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

9. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

II. Stewardship, compliance and accountability

A. Basis of budgeting

The General Fund and Allingtown Fire Department have legally adopted budgets.

The City uses the budgetary basis of accounting under which purchase orders for contracts or other commitments are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in the budgetary statements included as required supplementary information.

Generally, aside from the Capital Improvement Fund, all unencumbered appropriations lapse at year end. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

B. Excess expenditures over appropriations

During the year, general fund expenditures exceeded appropriations in the Education Department by \$566,400. This is a result of invoices improperly charged to the fiscal year 2020 budget that were reclassified as expenditures as of June 30, 2019.

C. Capital projects authorizations

The following is a summary of certain capital projects:

Project	Project Authorization	Cumulative Expenditures	Balance
WHHS expansion and renovation	\$ 133,250,000	\$ 59,886,560	\$ 73,363,440

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

III. Detailed notes

A. Cash and investments

1. Deposits – custodial credit risk

At year end, the City's bank balance was \$25,567,356 and was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 18,159,773
Uninsured and collateral held by the pledging bank's trust department, not in the City's name	<u>6,219,925</u>
Total amount subject to custodial credit risk	<u>\$ 24,379,698</u>

Financial instruments that potentially subject the City to significant concentrations of credit risk consist primarily of cash. From time to time, the City's cash account balances exceeded the Federal Deposit Insurance Corporation limit. The City reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

2. Investments

a. The City's investments consisted of the following types and maturities. Specific identification was used to determine maturities:

Type of Investment	Fair Value	N/A	Investment Maturities in Years			
			Less than One Year	1-5 Years	5-10 Years	Over 10 Years
Mutual Funds						
Money market	\$ 1,325,289	\$ -	\$ 1,325,289	\$ -	\$ -	\$ -
Equity	64,693,439	64,693,439	-	-	-	-
Common stock	32,888,949	32,888,949	-	-	-	-
Exchange traded funds	6,150,518	6,150,518	-	-	-	-
Corporate bonds	5,415,298	-	1,002	826,079	4,407,827	180,390
Real estate funds	226,621	226,621	-	-	-	-
Private equity funds	12,493,191	12,493,191	-	-	-	-
Pooled fixed income	300,291	-	300,291	-	-	-
Annuities	4,790,496	-	-	-	2,194,794	2,595,702
Total	<u>\$ 128,284,092</u>	<u>\$ 116,452,718</u>	<u>\$ 1,626,582</u>	<u>\$ 826,079</u>	<u>\$ 6,602,621</u>	<u>\$ 2,776,092</u>

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Cash and investments (continued)

b. The City had the following recurring fair value measurements:

	Amount	Quoted Market Prices in Active Markets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<u>Investments by Fair Value Level</u>				
Mutual Funds				
Money market	\$ 1,325,289	\$ 1,325,289	\$ -	\$ -
Equity	64,693,439	64,693,439	-	-
Common stock	32,888,949	32,888,949	-	-
Exchange traded funds	6,150,518	6,150,518	-	-
Corporate bonds	5,415,298	-	5,415,298	-
Annuities	4,790,496	-	-	4,790,496
Total investments by fair value level	115,263,989	\$ 105,058,195	\$ 5,415,298	\$ 4,790,496
<u>Investments Measured at the Net Asset Value (NAV)</u>				
Real estate funds	226,621			
Private equity funds	12,493,191			
Total Investments Measured at the NAV	12,719,812			
<u>Other Investments not Subject to Fair Value Measurement</u>				
Pooled fixed income	300,291			
Total Investments	\$ 128,284,092			

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs: quoted prices for identical securities in markets that are not active; and

Level 3: Unobservable inputs

For levels 2 and 3, the fair values are determined based upon quoted prices in less active, dealer or broker markets. Fair values are primarily obtained from third-party pricing service for identical or comparable assets.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Cash and investments (continued)

c. 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 represents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the City’s alternative investments measured at NAV:

Investment Description		Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real estate funds	1	\$ 226,621	\$ -	Quarterly	90 days
Private equity funds	2	<u>12,493,191</u>	<u>323,358</u>	Quarterly	90 days
Total Investments Measured at the NAV		<u>\$ 12,719,812</u>	<u>\$ 323,358</u>		

1. Real estate funds - This type includes two real estate funds that invest primarily in U.S. commercial real estate. The funds permit redemptions quarterly with 90 days notice. Distributions from the fund will be received as the underlying investments of the funds are liquidated. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan’s ownership interest in partners’ capital.
2. Private equity funds - This type includes limited partnership funds. These investments have various redemption frequencies and notice periods. The nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund capital. 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 partner’s 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
As of and for the Year Ended June 30, 2019

A. Cash and investments (continued)

- d. The City's investments subject to credit risk had average ratings by Standard & Poor's as follows:

<u>Ratings</u>	<u>Money Market Mutual Funds</u>	<u>Corporate Bonds</u>	<u>Pooled Fixed Income</u>	<u>Annuities</u>
AAA	\$ -	\$ 237,538	\$ 300,291	\$ -
AA	-	404,561	-	-
A	-	2,118,428	-	3,569,173
BBB	-	1,343,472	-	-
BB	-	935,648	-	-
B	-	345,007	-	1,221,323
C	-	29,642	-	-
Unrated	<u>1,325,289</u>	<u>1,002</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,325,289</u>	<u>\$ 5,415,298</u>	<u>\$ 300,291</u>	<u>\$ 4,790,496</u>

- e. Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 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, debentures, certificates of deposit and money funds.

The following City investments are held by the counterparty's trust department or agent but not in the City's name and, therefore, are subject to custodial credit risk.

<u>Investment Type</u>	<u>Total</u>	<u>Less Insured Amounts</u>	<u>Amount Subject to Custodial Credit Risk</u>
Common Stock	\$ 32,888,949	\$ 500,000	\$ 32,388,949
Corporate Bonds	<u>5,415,298</u>	<u>246,148</u>	<u>5,169,150</u>
Total	<u>\$ 38,304,247</u>	<u>\$ 746,148</u>	<u>\$ 37,558,099</u>

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts, including the applicable allowances for uncollectible accounts, are presented below.

	<u>City Property Taxes</u>		
	<u>Taxes</u>	<u>Interest and Lien Fees</u>	<u>Total</u>
Current portion	<u>\$ 1,045,601</u>	<u>\$ 222,903</u>	<u>\$ 1,268,504</u>
Long-term portion	\$ 2,826,996	\$ 1,999,687	\$ 4,826,683
Less allowance for uncollectibles	<u>(1,150,000)</u>	<u>(1,100,000)</u>	<u>(2,250,000)</u>
Net Long-term portion	<u>\$ 1,676,996</u>	<u>\$ 899,687</u>	<u>\$ 2,576,683</u>

	<u>Allingtown Property Taxes</u>		
	<u>Taxes</u>	<u>Interest and Lien Fees</u>	<u>Total</u>
Current portion	<u>\$ 83,693</u>	<u>\$ 23,576</u>	<u>\$ 107,269</u>
Long-term portion	\$ 265,027	\$ 210,416	\$ 475,443
Less allowance for uncollectibles	<u>(140,000)</u>	<u>(94,500)</u>	<u>(234,500)</u>
Net Long-term portion	<u>\$ 125,027</u>	<u>\$ 115,916</u>	<u>\$ 240,943</u>

	<u>Sewer Use</u>				
	<u>Use</u>	<u>Interest and Lien Fees</u>	<u>Total</u>	<u>CDBG Loans</u>	<u>Police Private Duty</u>
Current portion	<u>\$ 237,989</u>	<u>\$ 60,896</u>	<u>\$ 298,885</u>	<u>\$ 98,520</u>	<u>\$ 187,234</u>
Long-term portion	\$ 505,727	\$ 446,569	\$ 952,296	\$ 1,773,953	\$ 187,234
Less allowance for uncollectibles	<u>(102,779)</u>	<u>(70,130)</u>	<u>(172,909)</u>	<u>(150,000)</u>	<u>(155,638)</u>
Net Long-term portion	<u>\$ 402,948</u>	<u>\$ 376,439</u>	<u>\$ 779,387</u>	<u>\$ 1,623,953</u>	<u>\$ 31,596</u>

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Interfund accounts

1. Interfund payables and receivables

A summary of interfund balances is as follows:

	Corresponding Fund	Due From	Due To
General Fund			
Capital Improvement	N/A	\$ -	\$ 769,055
Special Revenue Funds	N/A	1,500,171	515,645
Capital Projects Funds	N/A	-	501,509
Medical	N/A	1,434,168	-
Workers' Compensation	N/A	-	22,002
Total General Fund		2,934,339	1,808,211
Capital Improvement Fund			
General Fund	N/A	769,055	-
Other Governmental Funds			
Special Revenue Funds			
Community Development Block Grant	General Fund	-	83,150
Document Preservation	General Fund	61,118	-
Education Grants	Career and Adult Education	29,629	-
Education Grants	General Fund	53,531	-
Miscellaneous Grants	General Fund	-	627,399
Public Safety	General Fund	151,654	-
Health and Welfare	General Fund	84,383	-
Savin Rock	General Fund	111,104	-
School Lunch Program	General Fund	-	753,949
Sports Facilities	General Fund	-	35,673
Career and Adult Education	Education Grants	-	29,629
Career and Adult Education	General Fund	53,855	-
Total Special Revenue Funds		545,274	1,529,800
Capital Project Funds			
Brownfields	General Fund	17,625	-
Capital and Nonrecurring	General Fund	483,884	-
Total Capital Project Funds		501,509	-
Total Other Governmental Funds		1,046,783	1,529,800
Internal Service Funds			
Medical	General Fund	-	1,434,168
Workers' Compensation	General Fund	22,002	-
Total Internal Service Funds		22,002	1,434,168
Total		\$ 4,772,179	\$ 4,772,179

All interfund balances resulted from the time lag between the dates payments occurred between funds for interfund goods, payroll and services provided or in instances where certain funds do not have a bank account.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Interfund accounts (continued)

2. Interfund transfers

A summary of interfund transfers for the fiscal year is as follows:

	Corresponding Fund	Transfers In	Transfers Out
General Fund			
Sewer	N/A	\$ 1,217,060	\$ -
Special Revenue Funds	N/A	492,674	40,000
Capital Improvement	N/A	-	71,246
Total General Fund		<u>1,709,734</u>	<u>111,246</u>
Capital Improvement Fund			
General Fund	N/A	71,246	-
Sewer	N/A	39,200	-
Total Capital Improvement Fund		<u>110,446</u>	<u>-</u>
Sewer Fund			
General Fund	N/A	-	1,217,060
Capital Improvement	N/A	-	39,200
Total Sewer Fund		<u>-</u>	<u>1,256,260</u>
Other Governmental Funds			
Special Revenue Funds			
Education Grants	Career and Adult Education	29,629	-
Public Safety	General Fund	40,000	308,081
Career and Adult Education	Education Grants	-	29,629
Career and Adult Education	General Fund	-	184,593
Total Other Governmental Funds		<u>69,629</u>	<u>522,303</u>
Total		<u>\$ 1,889,809</u>	<u>\$ 1,889,809</u>

Transfers are used to account for the financing by the general fund of various program and activities in other funds. Transfers to the general fund are for sewer debt service payments and public safety.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Capital assets

Capital asset activity for the fiscal year was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
City:				
Capital assets, not being depreciated:				
Land	\$ 16,363,488	\$ -	\$ 5	\$ 16,363,483
Construction in progress	23,129,735	47,240,207	6,396,269	63,973,673
Total capital assets, not being depreciated	<u>39,493,223</u>	<u>47,240,207</u>	<u>6,396,274</u>	<u>80,337,156</u>
Capital assets, being depreciated:				
Land improvements	15,969,448	345,121	-	16,314,569
Buildings and improvements	195,495,265	4,115,292		199,610,557
Machinery and equipment	27,099,444	589,789	116,650	27,572,583
Vehicles	8,307,362	75,237	247,507	8,135,092
Infrastructure	95,775,121	1,589,202	-	97,364,323
Total capital assets, being depreciated	<u>342,646,640</u>	<u>6,714,641</u>	<u>364,157</u>	<u>348,997,124</u>
Total capital assets	<u>382,139,863</u>	<u>53,954,848</u>	<u>6,760,431</u>	<u>429,334,280</u>
Less accumulated depreciation for:				
Land improvements	8,072,909	454,357	-	8,527,266
Buildings and improvements	96,281,897	3,467,196	-	99,749,093
Machinery and equipment	18,521,026	858,115	116,650	19,262,491
Vehicles	4,464,591	191,527	237,549	4,418,569
Infrastructure	46,312,475	1,416,631	-	47,729,106
Total accumulated depreciation	<u>173,652,898</u>	<u>6,387,826</u>	<u>354,199</u>	<u>179,686,525</u>
Total capital assets, being depreciated, net	<u>168,993,742</u>	<u>326,815</u>	<u>9,958</u>	<u>169,310,599</u>
Capital assets, net	<u>\$208,486,965</u>	<u>\$47,567,022</u>	<u>\$6,406,232</u>	<u>\$249,647,755</u>

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

General government	\$ 1,290,261
Public safety	719,560
Public works	2,032,250
Health and welfare	283,132
Parks and recreation	188,363
Education	<u>1,874,260</u>
Total depreciation expense	<u>\$ 6,387,826</u>

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Capital assets (continued)

	Balance <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2019</u>
Allingtown Fire Department:				
Capital assets, not being depreciated:				
Land	\$ 36,903	\$ -	\$ -	\$ 36,903
Capital assets, being depreciated:				
Buildings and improvements	702,454	-	-	702,454
Machinery and equipment	134,400	-	-	134,400
Fire trucks and vehicles	2,282,277	30,823	-	2,313,100
Infrastructure - hydrants	367,097	-	-	367,097
Fire equipment	949,078	15,422	-	964,500
Total capital assets, being depreciated	<u>4,435,306</u>	<u>46,245</u>	<u>-</u>	<u>4,481,551</u>
Total capital assets	<u>4,472,209</u>	<u>46,245</u>	<u>-</u>	<u>4,518,454</u>
Less accumulated depreciation for:				
Buildings and improvements	314,264	21,632	-	335,896
Machinery and equipment	119,462	1,078	-	120,540
Fire trucks and vehicles	1,393,568	112,775	-	1,506,343
Infrastructure - hydrants	270,510	8,721	-	279,231
Fire equipment	949,078	12,337	-	961,415
Total accumulated depreciation	<u>3,046,882</u>	<u>156,543</u>	<u>-</u>	<u>3,203,425</u>
Total capital assets, being depreciated, net	<u>1,388,424</u>	<u>(110,298)</u>	<u>-</u>	<u>1,278,126</u>
Capital assets, net	<u>\$ 1,425,327</u>	<u>\$ (110,298)</u>	<u>\$ -</u>	<u>\$ 1,315,029</u>

Depreciation expense was charged to the public safety function.

E. Construction commitments

The City has the following construction commitments:

West Haven High School expansion and renovation	<u>\$ 56,450,190</u>
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City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

F. Short-term obligations - Bond anticipation notes

The City uses bond anticipation notes (“BANs”) during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

Short-term obligation activity for the fiscal year was as follows:

Type of Obligation	Issue Date	Maturity Date	Coupon Rate	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Bond Anticipation Notes							
High School project	4/2/2019	10/2/2019	3.165%	\$ 9,000,000	\$18,508,000	\$18,158,000	\$ 9,350,000
High School project	4/30/2019	10/2/2019	3.165%	-	12,650,000	-	12,650,000
Total Bond Anticipation Notes				<u>\$ 9,000,000</u>	<u>\$31,158,000</u>	<u>\$18,158,000</u>	<u>\$22,000,000</u>

In October 2019, the City issued \$32,500,000 of bond anticipation notes for the High School project at an interest rate of 2.583% maturing in April 2020.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

G. Changes in long-term obligations

1. Summary of changes

Description	Original amount	Date of issue	Date of maturity	Interest rate	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Current portion	Long-term portion
Bonds:										
General purpose:										
Debt issue	\$ 7,435,994	03/31/10	02/15/25	5.1%	\$ 3,465,391	\$ -	\$ 495,056	\$ 2,970,335	\$ 495,056	\$ 2,475,279
Refunding issue	38,380,000	05/31/12	08/01/26	3.0-5.0%	18,502,000	-	3,460,000	15,042,000	3,192,000	11,850,000
Debt issue	1,225,000	05/31/12	08/01/26	3.0-5.0%	869,000	-	79,000	790,000	83,000	707,000
Debt issue	7,865,000	09/03/14	09/01/34	3.0-5.0%	6,474,000	-	462,000	6,012,000	462,000	5,550,000
Debt issue (deficit)	16,135,000	11/01/17	11/01/27	3.0-5.0%	16,135,000	-	1,615,000	14,520,000	1,615,000	12,905,000
Debt issue	5,815,000	11/01/17	11/01/37	3.0-5.0%	5,815,000	-	-	5,815,000	582,000	5,233,000
Total general purpose:	76,855,994				51,260,391	-	6,111,056	45,149,335	6,429,056	38,720,279
School bonds:										
Debt issue	4,280,006	03/31/10	02/15/25	5.1%	1,994,609	-	284,944	1,709,665	284,944	1,424,721
Refunding issue	7,260,000	05/31/12	08/01/26	3.0-5.0%	11,276,000	-	2,261,000	9,015,000	1,925,000	7,090,000
Debt issue	2,250,000	05/31/12	08/01/26	3.0-5.0%	1,596,000	-	146,000	1,450,000	152,000	1,298,000
Debt issue	1,235,000	09/03/14	09/01/34	3.0-5.0%	1,051,000	-	63,000	988,000	63,000	925,000
Debt issue	600,000	11/01/17	11/01/37	3.0-5.0%	600,000	-	-	600,000	40,000	560,000
Total school bonds:	15,625,006				16,517,609	-	2,754,944	13,762,665	2,464,944	11,297,721
Sewer:										
Refunding issue	1,980,000	05/31/12	08/01/26	3.0-5.0%	482,000	-	334,000	148,000	108,000	40,000
Debt issue	3,220,000	11/01/17	11/01/37	3.0-5.0%	3,220,000	-	-	3,220,000	188,000	3,032,000
Total sewer bonds:	5,200,000				3,702,000	-	334,000	3,368,000	296,000	3,072,000
Pension:										
Pension obligation bond (taxable)	38,715,000	09/03/14	03/15/22	0.985-4.164%	21,275,000	-	5,125,000	16,150,000	5,280,000	10,870,000
Total bonds	136,396,000				92,755,000	-	14,325,000	78,430,000	14,470,000	63,960,000
Notes:										
Sewer:										
CWF 347-C	1,618,947	05/31/00	11/30/19	2.0%	135,887	-	95,522	40,365	40,365	-
CWF 444-C	1,603,000	03/31/01	09/30/20	2.0%	211,945	-	93,018	118,927	94,895	24,032
CWF 348-C	4,407,222	11/30/01	11/30/20	2.0%	624,791	-	254,888	369,903	260,032	109,871
CWF 346-C	801,945	12/31/03	12/31/22	2.0%	207,395	-	44,489	162,906	45,387	117,519
CWF 348-C1	1,728,831	12/31/03	12/31/22	2.0%	447,091	-	95,908	351,183	97,844	253,339
CWF 348-CD1	617,707	09/29/06	11/30/20	2.0%	121,263	-	48,185	73,078	49,158	23,920
CWF 346-CD2	801,055	05/31/07	12/31/22	2.0%	231,319	-	51,405	179,914	51,405	128,509
CWF 549-C	28,250,103	07/01/13	07/01/32	2.0%	20,833,941	-	1,294,058	19,539,883	1,320,178	18,219,705
CWF 549-CD2	1,425,544	06/30/15	07/01/32	2.0%	1,207,833	-	75,520	1,132,313	77,044	1,055,269
Total sewer notes:	41,254,354				24,021,465	-	2,052,993	21,968,472	2,036,308	19,932,164
Total bonds/notes					116,776,465	-	16,377,993	100,398,472	16,506,308	83,892,164
Premium					2,935,672	-	550,754	2,384,918	-	2,384,918
Total bonds, notes and related liabilities					119,712,137	-	16,928,747	102,783,390	16,506,308	86,277,082
Capital leases					161,744	-	52,148	109,596	53,895	55,701
Compensated absences					9,705,514	6,557,443	6,341,835	9,921,122	1,984,224	7,936,898
Heart and hypertension					3,348,627	-	481,836	2,866,791	258,135	2,608,656
Claims payable					7,317,821	2,542,295	2,540,018	7,320,098	2,011,478	5,308,620
Other claims					392,000	-	-	392,000	-	392,000
Net pension liability					21,280,065	15,392,725	17,108,809	19,563,981	-	19,563,981
OPEB liability					183,170,127	22,194,775	6,797,571	198,567,331	-	198,567,331
Total long term liabilities					\$ 345,088,035	\$ 46,687,238	\$ 50,250,964	\$ 341,524,309	\$ 20,814,040	\$ 320,710,269

All long-term liabilities are generally liquidated by the general fund.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

G. Changes in long-term obligations (continued)

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

Description	Original amount	Date of issue	Date of maturity	Interest rate	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Current portion	Long-term portion
Capital leases					\$ 155,108	\$ -	\$ 76,445	\$ 78,663	\$ 78,663	\$ -
Compensated absences					509,820	122,887	122,641	510,066	102,013	408,053
Claims payable					582,817	68,352	126,824	524,345	131,086	393,259
Net pension liability					23,014,226	2,391,480	2,785,464	22,620,242	-	22,620,242
OPEB liability					25,312,009	3,558,548	705,950	28,164,607	-	28,164,607
Total long term liabilities					\$ 49,573,980	\$ 6,141,267	\$ 3,817,324	\$ 51,897,923	\$ 311,762	\$ 51,586,161

The annual requirements to amortize bonds and notes payable are as follows:

Year Ending June 30,	Bond Principal	Bond Interest	Notes Principal	Notes Interest
2020	\$ 14,470,000	\$ 3,369,952	\$ 2,036,310	\$ 420,552
2021	13,525,000	2,816,014	1,780,781	381,479
2022	13,765,000	2,222,649	1,654,671	347,995
2023	5,805,000	1,652,401	1,584,910	315,031
2024	7,200,000	1,326,339	1,513,492	284,495
2025	7,240,000	964,511	1,544,041	253,946
2026	4,945,000	649,406	1,575,206	222,781
2027	2,975,000	456,513	1,607,001	190,986
2028	2,640,000	324,700	1,639,437	158,550
2029	715,000	247,491	1,672,528	125,459
2030	715,000	217,913	1,706,287	91,700
2031	700,000	187,400	1,740,727	57,260
2032	700,000	156,200	1,775,862	22,124
2033	700,000	125,000	137,219	236
2034	700,000	93,800	-	-
2035	675,000	63,100	-	-
2036	320,000	40,000	-	-
2037	320,000	24,000	-	-
2038	320,000	8,000	-	-
Totals	\$ 78,430,000	\$ 14,945,389	\$ 21,968,472	\$ 2,872,594

City of West Haven, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2019**

G. Changes in long-term obligations (continued)

2. 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	Debit Limit	Net Indebtedness	Balance
General purpose	\$ 270,543,067	\$ 45,149,335	\$225,393,732
Schools	541,086,134	35,762,665	505,323,469
Sewers	450,905,111	3,368,000	447,537,111
Urban renewal	390,784,430	-	390,784,430
Pension deficit	360,724,089	16,150,000	344,574,089

The total overall statutory debt limit for the City is equal to seven times annual receipts from the prior year taxation, \$841,689,541.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

Debt of the fire districts located within the City is legally considered underlying debt of the City. At year end, the fire districts had no outstanding debt.

3. Authorized/unissued bonds

The amount of authorized, unissued bonds are as follows:

General purpose	\$ 10,620,035
Schools	133,250,000
Sewers	<u>4,079,000</u>
Total	<u><u>\$ 147,949,035</u></u>

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

G. Changes in long-term obligations (continued)**4. Capital leases**

The City is committed under leases for vehicles totaling \$218,766 and accumulated depreciation of \$131,140. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Allingtown Fire Department is committed under leases for vehicles totaling \$371,754 and accumulated depreciation of \$310,100. Depreciation of vehicles under capital leases is included with depreciation expense.

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments:

City

Year Ending June 30,	
2020	\$ 57,567
2021	<u>57,567</u>
Total	115,134
Less amount representing interest	<u>(5,538)</u>
Present value of minimum lease payments	<u><u>\$ 109,596</u></u>

Allingtown

Year Ending June 30,	
2020	\$ 80,945
Less amount representing interest	<u>(2,282)</u>
Present value of minimum lease payments	<u><u>\$ 78,663</u></u>

5. Claims and judgements

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 exist for such claims. The City's liabilities for claims and judgements 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.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

H. Fund balance classifications and restricted net position

Fund balances are composed of the following:

	General Fund	Allingtown Fire Department Fund	Capital Improvement Fund	Sewer Fund	Other Governmental Funds	Total
Nonspendable						
Prepays	\$ -	\$ -	\$ -	\$ 149,832	\$ -	\$ 149,832
Restricted						
General government	-	-	-	-	61,307	61,307
Allingtown Fire Department	-	1,223,574	-	-	-	1,223,574
Sewer operations	-	-	-	3,064,210	-	3,064,210
Housing rehabilitation	-	-	-	-	2,202,267	2,202,267
Total Restricted	-	1,223,574	-	3,064,210	2,263,574	6,551,358
Committed						
General government	-	-	-	-	45,668	45,668
Public safety	-	-	-	-	318,999	318,999
Human resources and health and welfare	-	-	-	-	76,243	76,243
Culture and recreation	-	-	-	-	106,823	106,823
Education	-	-	-	-	14,540	14,540
Approved projects	-	-	-	-	443,777	443,777
Total Committed	-	-	-	-	1,006,050	1,006,050
Unassigned	1,358,918	-	(25,799,025)	-	-	(24,440,107)
Total	\$ 1,358,918	\$ 1,223,574	\$ (25,799,025)	\$ 3,214,042	\$ 3,269,624	\$ (16,732,867)

The amount of restricted net position, which was restricted by enabling legislation, totaled \$3,125,517.

I. Deficit fund balance

The City had deficit equity balances in the following funds:

Capital Improvement Fund \$ 25,799,025

The deficit will be eliminated by the issuance of bonds and receipt of school building grants.

Internal Service Funds:

Medical \$ 1,852,860
 General Liability 498,938
 Workers' Compensation 7,345,506

The deficits will be eliminated by future employer premiums.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

IV. Other information

A. 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, heart and hypertension 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. Settled claims have not exceeded commercial coverage in any of the past three years, and there has not been any significant reductions in insurance coverage from amounts held in prior years.

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 worker's 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 accounting principles which require that a liability for estimated claims incurred but not reported be accrued. 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 social factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Risk management (continued)

	Claims Payable July 1	Current year Claims and Changes in Estimates	Claims Paid	Claims Payable June 30	Current Portion	Long-Term Portion
<u>General Liability</u>						
2017-2018	\$ 369,148	\$ 814,073	\$ 579,702	\$ 603,519	\$ 91,000	\$ 512,519
2018-2019	603,519	698,521	803,102	498,938	299,363	199,575
<u>Workers' Compensation</u>						
2017-2018	7,851,237	1,380,823	1,934,941	7,297,119	1,963,541	5,333,578
2018-2019	7,297,119	1,912,126	1,863,740	7,345,505	1,843,201	5,502,304
<u>Subtotal</u>						
2017-2018	<u>8,220,385</u>	<u>2,194,896</u>	<u>2,514,643</u>	<u>7,900,638</u>	<u>2,054,541</u>	<u>5,846,097</u>
2018-2019	<u>7,900,638</u>	<u>2,610,647</u>	<u>2,666,842</u>	<u>7,844,443</u>	<u>2,142,564</u>	<u>5,701,879</u>
<u>Medical</u>						
2017-2018	2,159,054	26,511,218	26,595,497	2,074,775	2,074,775	-
2018-2019	2,074,775	25,858,229	25,980,144	1,952,860	1,952,860	-
<u>Totals</u>						
2017-2018	<u>10,379,439</u>	<u>28,706,114</u>	<u>29,110,140</u>	<u>9,975,413</u>	<u>4,129,316</u>	<u>5,846,097</u>
2018-2019	<u>\$ 9,975,413</u>	<u>\$28,468,876</u>	<u>\$28,646,986</u>	<u>\$ 9,797,303</u>	<u>\$ 4,095,424</u>	<u>\$ 5,701,879</u>

B. Commitments and litigation

Amounts received or receivable from Federal and State 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.

The City is a defendant in various lawsuits and the outcome of these lawsuits is not presently determinable. In the opinion of the City attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Tax abatements

The City established an economic development tax incentive program pursuant to Section 12-65b of the Connecticut General Statutes. This program is intended to attract new businesses to the City and encourage the expansion of existing businesses to strengthen the City's tax base.

The economic development tax incentive amount is based upon the total cost of improvements to real property. The form of the adjustment or reduction in the assessed value of that portion of the real property is comprised of the qualifying new construction or expansion. The level of improvements that qualify are determined by individual agreements between the City and the entity and will qualify for a 3 to 7-year phase-in.

There is currently 1 company participating in the economic development tax incentive program. The amount of the tax abatement under this program was approximately \$185,751.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

V. Pensions and other post-employment benefit plans

A. Pension plans

1. Plan description

a. Plan administration

The City administers two single-employer, contributory, defined benefit pension plans (City of West Haven Police and Allingtown Fire Department). The City benefits and contribution requirements are established by plan documents adopted July 1, 2010, by approval of the City Council. Allingtown Fire Department 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 a pension trust fund. The plans do not issue separate standalone financial reports. Both plans are closed to new participants.

The Police Pension Plan and Allingtown Fire Department Pension Plan are separately administered by their 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 is comprised 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.

b. Plan membership

As of July 1, 2018 for the Police and July 1, 2017 for Allingtown Fire Department the memberships in the Plans are comprised of the following:

	<u>Police</u>	<u>Allingtown</u>
Active members	75	15
Terminated employees entitled to benefits	3	-
Retirees, disabled employees, and beneficiaries receiving benefits	<u>147</u>	<u>33</u>
Total	<u><u>225</u></u>	<u><u>48</u></u>

2. 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.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**A. Pension plans (continued)****Allingtown Fire Department**

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

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.

3. Contributions**Police**

Police officers are required to contribute 9.5% of their earnings for the current year. The employees' contribution was \$522,344.

The City is required to contribute the amount determined by the actuary, considering the member contributions.

The average active member contribution rate was 9.5% of annual base compensation, and the City's average contribution rate was 30.27% of annual payroll.

Allingtown Fire Department

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. The employees' contribution was \$102,602.

The Allingtown Fire Department is required to contribute the amount determined by the actuary, considering the member contributions.

The average active member contribution rate was 9.5% of annual base compensation, and the City's average contribution rate was 168.52% of annual payroll.

4. Investments**a. Investment policy**

The Plan trustees have developed and approved an investment policy which specifies investment target allocations.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Pension plans (continued)

Valuation of Investments

Investments are stated at fair value, based on quoted market prices, except as disclosed below.

The Police Pension and Allintown Fire Department 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.

b. Concentrations

There were no investments in any one organization that represented 5% or more of the pension plan's net position.

c. Rate of return

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

<u>Police</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	3.50%	0.51%
High Yield Bonds	20.00%	5.05%
Large Caps	12.50%	3.37%
Equity Market	10.00%	3.57%
Small Caps	5.00%	3.86%
Mid Caps	10.00%	3.52%
Global Equity	15.00%	3.86%
Real estate (REITS)	5.00%	3.27%
Private Equity	10.00%	5.08%
Hedge Funds - Multistrategy	9.00%	3.13%
Total	<u>100.00%</u>	

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Pension plans (continued)

The portfolio nominal mean return including inflation is 6.70%.

Allingtown Fire Department

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	4.12%	0.35%
Long Credit Bonds	62.61%	3.57%
Large Caps	30.19%	3.13%
Real estate (REITS)	<u>3.08%</u>	3.27%
Total	<u>100.00%</u>	

The portfolio nominal mean return including inflation is 6.44%.

- d. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.95% for the police plan and 8.22% for the Allingtown plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

5. Net Pension Liability

The components of the net pension liability were as follows:

	<u>Police</u>	<u>Allingtown</u>
Total pension liability	\$ 139,639,599	\$ 30,726,366
Plan fiduciary net position	<u>120,075,618</u>	<u>8,106,124</u>
Net pension liability	<u>\$ 19,563,981</u>	<u>\$ 22,620,242</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>85.99%</u>	<u>26.38%</u>

City of West Haven, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2019**

A. Pension plans (continued)**6. Actuarial methods and significant assumptions**

	<u>Police</u>	<u>Allingtown Fire Department</u>
Valuation date	July 1, 2018	July 1, 2017
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	Fair value	Fair value
Inflation	2.75%	2.75%
Salary increases	3.50%	3.50%
Cost of living adjustments	3.00% for members hired before 7/1/1993	1.75% for retirements on or before 11/27/13. 2.75% for retirements after 11/27/13.
Mortality rates	RP-2000 Mortality Tables with blue collar adjustment for healthy annuitants and non annuitants projected to 2020 per scale AA.	RP-2000 Mortality Tables with blue collar adjustment for healthy annuitants and non annuitants projected to 2020 per scale AA.

In 2002, the City issued pension obligation bonds to fund the City's Police pension liabilities. State statues 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 investments 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 5-year period. Currently, the Plan's funded ratio is currently below 100% and therefore, the shortfall will be amortized over a 5-year period. The shortfall is primarily due to large investment losses suffered by the plan during fiscal year 2009.

7. Changes from prior year**a. Changes in assumptions**Police

The amortization method and period changed from level percent open for 5 years at January 1, 2016 to level percent closed for 13 years at July 1, 2018. The investment rate of return was reduced from 7.375% to 7.125%.

Allingtown Fire Department

There were no changes in assumptions.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Pension plans (continued)

b. Changes in benefit terms

There were no changes in benefit terms for the Police and Allingtown Fire Department plans.

8. Discount rate

The discount rate used to measure the total pension liability was as follows:

	<u>Police</u>	<u>Allingtown Fire Department</u>
Discount Rate	7.125%	6.75%

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's projected fiduciary net position will be sufficient to cover projected benefit payments and administrative expenses indefinitely. Therefore, the long-term expected rate of return on pension plan investments was used to discount plan liabilities.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Pension plans (continued)

9. Changes in the Net Pension Liability

The City's net pension liability was measured at June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The changes in net pension liability were as follows:

Police Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2018	\$ 141,828,540	\$ 120,548,475	\$ 21,280,065
Service cost	1,259,486	-	1,259,486
Interest	10,276,337	-	10,276,337
Differences between expected and actual experience	(9,950,205)	-	(9,950,205)
Changes of assumption	3,856,902	-	3,856,902
Contributions - employer	-	1,994,500	(1,994,500)
Contributions - member	-	522,344	(522,344)
Net investment income	-	4,655,627	(4,655,627)
Benefit payments, including refunds of member contributions	(7,631,461)	(7,631,461)	-
Administration	-	(13,867)	13,867
Net change	(2,188,941)	(472,857)	(1,716,084)
Balance at June 30, 2019	\$ 139,639,599	\$ 120,075,618	\$ 19,563,981

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Pension plans (continued)

The Allingtown's net pension liability was measured at June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The changes in net pension liability were as follows:

Allingtown Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2018	\$ 30,276,605	\$ 7,262,379	\$ 23,014,226
Service cost	386,203	-	386,203
Interest	2,005,277	-	2,005,277
Contributions - employer	-	2,150,220	(2,150,220)
Contributions - member	-	102,602	(102,602)
Net investment income	-	610,128	(610,128)
Benefit payments, including refunds of member contributions	(1,941,719)	(1,941,719)	-
Administration	-	(77,486)	77,486
Net change	449,761	843,745	(393,984)
Balance at June 30, 2019	\$ 30,726,366	\$ 8,106,124	\$ 22,620,242

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

The following presents the net pension liability, calculated using the discount rate 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:

	1% Decrease (6.125%)	Current Discount Rate (7.125%)	1% Increase (8.125%)
<u>Police Plan</u>			
Net pension liability	\$ 36,957,261	\$ 19,563,981	\$ 5,140,673
<u>Allingtown Plan</u>			
Net pension liability	\$ 26,676,690	\$ 22,620,242	\$ 19,288,342

City of West Haven, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Pension plans (continued)

11. Pension expense and deferred outflows and inflows of resources

The City recognized pension expense of \$2,635,257 for the Police Plan and \$2,214,861 for the Allingtown Plan.

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Police Plan Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (7,743,166)
Changes in assumptions	2,722,519	(58,944)
Net difference between projected and actual earnings on pension plan investments	<u>3,308,955</u>	<u>-</u>
Total	<u>\$ 6,031,474</u>	<u>\$ (7,802,110)</u>
Net amount of deferred inflows and outflows		<u>\$ (1,770,636)</u>
Allingtown Plan Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 195,749	\$ (60,589)
Changes in assumptions	72,145	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>(89,832)</u>
Total	<u>\$ 267,894</u>	<u>\$ (150,421)</u>
Net amount of deferred inflows and outflows		<u>\$ 117,473</u>

City of West Haven, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2019

A. Pension plans (continued)

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Changes of assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactive employees, which was 3.76 years for the Police Plan and 3.83 years for the Allingtown Plan.

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

Year Ending June 30,	Police Plan	Allingtown Plan
2020	\$ (516,653)	\$ 203,862
2021	(1,936,748)	(27,797)
2022	(127,051)	(36,158)
2023	<u>809,816</u>	<u>(22,434)</u>
Total	<u>\$ (1,770,636)</u>	<u>\$ 117,473</u>

B. 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:

<u>Years of Credited Service</u>	<u>Vesting Percentage</u>
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.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**B. Defined contribution retirement savings plan (continued)**

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 \$1,481,101 and employee contributions totaled \$2,539,999.

C. Connecticut State Teachers' Retirement System**1. Plan description**

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

2. Benefit provisions

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

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

Early Retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

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

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

City of West Haven, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Connecticut State Teachers' Retirement System (continued)

3. Contributions

State of Connecticut

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

Employer (School Districts)

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

Employees

Effective January 1, 2018, each teacher is required to contribute 7% of their salary for the pension benefit.

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

The City reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the City as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$	-
State of Connecticut's proportionate share of the net pension liability associated with the City		137,668,256
Total		\$ 137,668,256

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The City has no proportionate share of the net pension liability.

During the year, the City recognized pension expense and revenue of \$13,305,331 for on-behalf amounts for the benefits provided by the State.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Connecticut State Teachers' Retirement System (continued)

5. Actuarial assumptions

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

Inflation	2.75%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

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

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

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

C. Connecticut State Teachers' Retirement System (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Core fixed income	7.0%	1.3%
High yield bonds	5.0%	3.9%
Emerging market bond	5.0%	3.7%
Inflation linked bond fund	3.0%	1.0%
Cash	6.0%	0.4%
Total	<u>100.0%</u>	

6. Discount rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' Retirement Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2018.

City of West Haven, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Other Post-Employment Benefit Plan

1. Plan description

a. Plan administration

The City currently provides to certain former employees Other Post-Employment Benefits (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.

The Allingtown Fire Department currently provides to certain former employees Other Post-Employment Benefits (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.

b. Employees Covered by Benefit Terms

As of July 1, 2017, for the City plan and the Allingtown Fire Department plan, the following employees are covered by the benefit terms:

	City	Allingtown
Active members	935	20
Retirees, disabled employees, and beneficiaries receiving benefits	630	52
Total	1,565	72

2. Benefit provisions

The City’s plan provides 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 Department’s plan provides for health and life insurance benefits for all eligible Department retirees and their spouses. Benefits are established by contract and may be amended by union negotiations.

3. Contributions

a. Employer Contributions

The City’s recommended contributions are actuarially determined on an annual basis using the entry age normal method. Contributions are established by contract and may be amended by union negotiations. The City’s plan contribution was \$6,797,571.

The Allingtown Fire Department’s recommended contributions are actuarially determined on annual basis using the projected unit credit method. Contributions are established and may be amended by the Department. The Department’s plan contribution was \$705,950.

City of West Haven, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Other Post-Employment Benefit Plan (continued)

b. Employee contributions

There are no employee contributions to the plan.

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 City.

4. OPEB Liability

The City’s total OPEB liability of \$198,567,331 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

The Allingtown Fire Department’s total OPEB liability of \$28,164,607 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

5. Actuarial methods and significant assumptions

The total OPEB liability was determined based upon a July 1, 2017 actuarial valuation for the City plan and the Allingtown Fire Department plan, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	City	Allingtown Fire Department
Actuarial cost method	Entry age normal	Entry age normal
Salary increases including inflation	Graded by service	3.50%
Inflation	2.75%	2.75%
Healthcare cost trend rates	5.57%, reducing to a final of 4.40% over 68 years	6.70%, reducing to a final of 4.60% over 83 years

The discount rate was based on the Bond Buyer municipal bond 20 year bond municipal index as of the measurement date.

Police

Mortality rates were based on the RP-2000 Mortality Table with blue collar adjustment for Healthy Annuitants and Non-Annuitants projected to 2020 per scale AA.

Teachers and Administrators

Mortality rates were based on the RP-2000 Mortality Table for males and females projected forward 19 years using Scale AA, with a two-year age setback.

City of West Haven, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Other Post-Employment Benefit Plan (continued)

All Others

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

Allingtown Fire Department

Mortality rates were based on the RP-2000 Mortality Table with blue collar adjustments and generational projection per scale AA.

6. Changes from prior year

a. Changes in assumptions

The City and Allingtown Fire Department plans had the following changes in assumptions:

- The discount rate decreased from 3.87% to 3.50%.

b. Changes in benefit terms

There were no changes in benefit terms for the City and Allingtown Fire Department plans.

7. Discount rate

The discount rate used to measure the total OPEB liability was as follows:

	City	Allingtown Fire Department
Discount Rate	3.50%	3.50%

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

City of West Haven, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Other Post-Employment Benefit Plan (continued)

8. Changes in the total OPEB liability

City	
Total OPEB liability - July 1, 2018	\$ 183,170,127
Service cost	5,120,818
Interest	7,156,576
Changes in assumptions	9,917,381
Benefit payments, including refunds of member contributions	(6,797,571)
Net change	15,397,204
Total OPEB liability - June 30, 2019	\$ 198,567,331
Allingtown	
Total OPEB liability - July 1, 2018	\$ 25,312,009
Service cost	824,372
Interest	997,948
Changes in assumptions	1,736,228
Benefit payments, including refunds of member contributions	(705,950)
Net change	2,852,598
Total OPEB liability - June 30, 2019	\$ 28,164,607

9. Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability, as well as what the total OPEB 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 discount rate:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
City	\$229,638,545	\$198,567,331	\$173,407,833
Allingtown	\$ 33,792,654	\$ 28,164,607	\$ 23,820,162

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Other Post-Employment Benefit Plan (continued)

10. Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates:

<u>Total OPEB Liability</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
City	<u>\$ 168,780,289</u>	<u>\$ 198,567,331</u>	<u>\$ 236,275,367</u>
Allingtown	<u>\$ 23,048,008</u>	<u>\$ 28,164,607</u>	<u>\$ 34,892,582</u>

11. OPEB expense and deferred outflows of resources related to OPEB

For the fiscal year, the City recognized OPEB expense of \$13,217,926 and Allingtown Fire Department recognized \$736,576. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>City</u> <u>Description of Outflows/Inflows</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,503,201	\$ -
Changes in assumptions	-	(17,297,520)
Total	<u>\$ 15,503,201</u>	<u>\$ (17,297,520)</u>
Net amount of deferred inflows and outflows		<u>\$ (1,794,319)</u>

<u>Allingtown</u> <u>Description of Outflows/Inflows</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (14,716)
Changes in assumptions	<u>1,302,171</u>	<u>(708,179)</u>
Total	<u>\$ 1,302,171</u>	<u>\$ (722,895)</u>
Net amount of deferred inflows and outflows		<u>\$ 579,276</u>

City of West Haven, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2019

D. Other Post-Employment Benefit Plan (continued)

Differences between expected and actual experience and changes in assumptions are recognized over the average remaining service life for all active and inactive members, which was an average of 6.7 years for the City and an average of 4.2 years for the Allingtown Fire Department.

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	City Plan	Allingtown Plan
2020	\$ (609,059)	\$ 132,851
2021	(609,059)	132,851
2022	(609,059)	313,574
2023	(903,158)	-
2024	936,016	-
Total	<u>\$ (1,794,319)</u>	<u>\$ 579,276</u>

E. Connecticut State Teachers’ Retirement Board Retiree Health Insurance Plan

1. Plan description

Teachers, principals, superintendents, supervisors and professional employees at State schools of higher education if they choose to be covered that are currently receiving a retirement or disability benefit are eligible to participate in the Connecticut State Teachers’ Retirement System Retiree Health Insurance Plan (“TRS-RHIP”) - a cost sharing multiple-employer defined benefit other post-employment benefit plan administered by the Teachers’ Retirement Board (“TRB”). Chapter 167a Section 10-183t of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

2. Benefit provisions

The Plan provides for retiree health insurance benefits. Eligibility is as follows:

- **Normal Retirement:** Eligibility - Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.
- **Early Retirement:** Eligibility - 25 years of Credited Service including 20 years of Connecticut service, or age 55 with 20 years of Credited Service including 15 years of Connecticut service.

City of West Haven, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2019**

E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)

- **Proratable Retirement:** Eligibility - Age 60 with 10 years of Credited Service.
- **Disability Retirement:** Eligibility - 5 years of Credited Service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.
- **Termination of Employment:** Eligibility - 10 or more years of Credited Service.

Retiree health care coverage

Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Plan. There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

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

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

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

Survivor health care coverage

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

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)

3. Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

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

Employees

Each member is required to contribute 1.25% of their annual salary.

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

The City reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the City as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the City were as follows:

City's proportionate share of the net OPEB liability	\$ -
State of Connecticut's proportionate share of the net OPEB liability associated with the City	<u>27,520,758</u>
Total	<u><u>\$ 27,520,758</u></u>

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The City has no proportionate share of the net OPEB liability.

The City recognized OPEB expense and revenue of \$369,153 for on-behalf amounts for the benefits provided by the State.

City of West Haven, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2019

E. Connecticut State Teachers’ Retirement Board Retiree Health Insurance Plan (continued)

5. Actuarial assumptions

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

Inflation	2.75%
Health care cost trend rate	5.00% decreasing to 4.75% by 2028
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.87%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2019

Mortality rates are based on the RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

The actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

All the plan assets are assumed to be invested in cash equivalents due to the need for liquidity. The expected rate of return is 3.00%.

Changes in assumptions and inputs

As a result of the experience study for the five-year period ending June 30, 2015:

- The payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase.
- The demographic assumptions of salary growth, payroll growth, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study’s findings and their adoption by the Board.
- The discount rate was increased from 3.56% to 3.87% based upon the increase in the municipal bond index.

Additionally, the assumed initial per capita health care costs, the assumed rates of healthcare inflation used to project the per capita costs, and the participation assumptions have been revised.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)****Long-term expected rate of return**

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

Affordable Care Act (ACA)

The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the excise tax on high-value health insurance plans beginning in 2020 (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances.

Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state-based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

6. Discount rate

The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

7. Sensitivity of the OPEB liability to changes in the discount rate and the health care cost trend rate

The City's proportionate share of the net OPEB liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2018.

F. Plan Statements

Pension Trust Funds
Combining Statement of Fiduciary Net Position

	Police	Allingtown Fire Department	Total
<u>Assets</u>			
Investments at fair value			
Mutual funds			
Money market	\$ 1,076,955	\$ 248,334	\$ 1,325,289
Equity	64,487,789	205,650	64,693,439
Common stock	32,643,803	245,146	32,888,949
Exchange traded funds	3,959,584	2,190,934	6,150,518
Corporate bonds	5,414,296	1,002	5,415,298
Real estate funds	-	226,621	226,621
Private equity funds	12,493,191	-	12,493,191
Annuities	-	4,790,496	4,790,496
Total investments	120,075,618	7,908,183	127,983,801
Accounts receivable	-	197,941	197,941
Total assets	120,075,618	8,106,124	128,181,742
<u>Net Position</u>			
Restricted for pension benefits	\$ 120,075,618	\$ 8,106,124	\$ 128,181,742

City of West Haven, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019

F. Plan Statements (continued)

Pension Trust Funds
Combining Statement of Changes in Fiduciary Net Position

	Police	Allingtown Fire Department	Total
Additions			
Contributions			
Employer	\$ 1,994,500	\$ 2,150,220	\$ 4,144,720
Plan members	522,344	102,602	624,946
Total contributions	<u>2,516,844</u>	<u>2,252,822</u>	<u>4,769,666</u>
Investment income (loss)			
Change in fair value of investments	488,709	347,983	836,692
Interest and dividends	4,447,541	317,432	4,764,973
Total investment income (loss)	4,936,250	665,415	5,601,665
Less investment expenses	<u>280,623</u>	<u>55,287</u>	<u>335,910</u>
Net investment income (loss)	<u>4,655,627</u>	<u>610,128</u>	<u>5,265,755</u>
Total additions	<u>7,172,471</u>	<u>2,862,950</u>	<u>10,035,421</u>
Deductions			
Benefits	7,631,461	1,765,336	9,396,797
Refunded employee contributions	-	176,383	176,383
Administration	13,867	77,486	91,353
Total deductions	<u>7,645,328</u>	<u>2,019,205</u>	<u>9,664,533</u>
Changes in net position	(472,857)	843,745	370,888
Net position - July 1, 2018	<u>120,548,475</u>	<u>7,262,379</u>	<u>127,810,854</u>
Net position - June 30, 2019	<u>\$ 120,075,618</u>	<u>\$ 8,106,124</u>	<u>\$ 128,181,742</u>

City of West Haven, Connecticut
Notes to Financial Statements
As of and for the Year Ended June 30, 2019

VI. Prior period adjustment and fund reclassification

Beginning equity balances were restated as follows:

	<u>Governmental Activities</u>	<u>General Fund*</u>	<u>Other Governmental Funds</u>	<u>Private- Purpose Trust Funds</u>	<u>Custodial Funds</u>
Net position/fund balance as previously reported at June 30, 2018	\$ (178,658,519)	\$ 2,181,149	\$ 3,127,013	\$ 68,127	\$ 312,693
Reclassification of fund balances	-	-	-	(68,127)	68,127
To adjust fund balance related to Miscellaneous Grants fund	-	(50,093)	50,093	-	-
To adjust accounts payable balance related to prior periods	(3,407,192)	(3,407,192)	-	-	-
To adjust withholding account balances	<u>(131,891)</u>	<u>(131,891)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position as restated at July 1, 2018	<u>\$ (182,197,602)</u>	<u>\$ (1,408,027)</u>	<u>\$ 3,177,106</u>	<u>\$ -</u>	<u>\$ 380,820</u>

* Restated for both GAAP and budgetary basis statements/RSI.

VII. Subsequent Events

Subsequent to year-end, the COVID-19 (coronavirus) pandemic has resulted in substantial economic volatility. As a result, the City’s economically sensitive revenues (i.e. interest earnings, certain fees, and state and federal aid) may be negatively impacted. Collection rates on property taxes might decrease or be delayed as unemployment rates are expected to increase.

In addition, expenditures for health related functions and pension contributions (due to stock market declines) are expected to increase. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact on the City’s financial position.

**Required
Supplementary
Information**

Supplemental Schedules

General Fund

The general fund is the principal fund of the City and is used to account for all activities of the City, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the City (i.e., general government, public safety, public works, health and welfare, parks and recreation, education, library, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

Allingtown Fire Department

The Allingtown fire department fund is used to account for all activities of the Allingtown Fire Department. The department is funded principally by property taxes, charges for services and fees and grants from other governmental units.

Other Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted, committed, or assigned to expenditures for particular purposes.

Capital Project Funds

Capital project funds are used to account for the acquisition and construction of major capital assets.

Internal Service Funds

Internal service funds are used to account for the providing of goods or services provided by one department to the other departments of the City on a cost reimbursement basis or accounting for risk retention as allowed by GASB Statement No. 10.

Medical Fund

To account for self-insured medical benefits for employees.

General Liability Fund

To account for self-insured liability, auto, and property claims.

Workers' Compensation Fund

To account for the resources used to pay workers' compensation claims.

Trend Information
