

# FINAL OFFICIAL STATEMENT DATED FEBRUARY 10, 2022

**NEW MONEY ISSUE: Book-Entry-Only**

**RATINGS: S&P Global Ratings: "AA"**

*In the opinion of Bond Counsel, under existing law, interest on the Bonds is included in gross income for federal income tax purposes pursuant to the Code. In the opinion of Bond Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. (See "Tax Matters" herein.)*



## City of Norwich, Connecticut \$145,000,000 General Obligation Bonds, Issue of 2022 (Federally Taxable)

**Dated: Date of Delivery**

**Due: Serially, August 1, 2022 – 2036  
as detailed below:**

Year	Principal	Coupon	Yield	CUSIP <sup>1</sup>	Year	Principal	Coupon	Yield	CUSIP <sup>1</sup>
2022	\$ 4,430,000	1.348%	1.348%	669402E21	2030	\$ 4,915,000	2.624%	2.624%	669402F20
2023	4,200,000	1.648%	1.648%	669402E39	2031	5,050,000	2.724%	2.724%	669402F38
2024	4,275,000	1.848%	1.848%	669402E47	2032	5,190,000	2.824%	2.824%	669402F46
2025	4,360,000	2.069%	2.069%	669402E54	2033	5,345,000	2.954%	2.954%	669402F53
2026	4,455,000	2.234%	2.234%	669402E62	2034	5,505,000	3.074%	3.074%	669402F61
2027	4,560,000	2.384%	2.384%	669402E70	2035	5,680,000	3.174%	3.174%	669402F79
2028	4,670,000	2.468%	2.468%	669402E88	2036	5,870,000	3.274%	3.274%	669402F87
2029	4,790,000	2.568%	2.568%	669402E96					

### TERM BONDS

**\$32,635,000<sup>†</sup> 3.551% Term Bond due August 1, 2041 – Yield 3.551%, CUSIP<sup>1</sup>: 669402F95**

**\$39,070,000<sup>†</sup> 3.641% Term Bond due August 1, 2046 – Yield 3.641%, CUSIP<sup>1</sup>: 669402G29**

The City of Norwich General Obligation Bonds, Issue of 2022 (Federally Taxable) (the "Bonds") will be general obligations of the City of Norwich, Connecticut (the "City") and the City will pledge its full faith and credit to pay the principal of and the interest on the Bonds when due (see "Security and Remedies" herein).

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity, commencing August 1, 2022.

**THE BONDS ARE SUBJECT TO REDEMPTION PRIOR TO MATURITY. (SEE "OPTIONAL REDEMPTION FOR THE BONDS" AND "MANDATORY SINKING FUND REDEMPTION" HEREIN).**

The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York. The beneficial owners of the Bonds will not receive certificates representing their ownership interest in the Bonds as the case may be. Principal of, redemption premium, if any, and interest payments on, the Bonds will be made by the City to DTC, or its nominee as registered owner of the Bonds. DTC will credit its participants in accordance with their respective holdings shown in the records of DTC. It is anticipated that the beneficial owners of the Bonds will receive payment or credit from DTC participants and other nominees of the beneficial owners. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. (See "Book-Entry-Only Transfer System" herein.)

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

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Pullman & Comley, LLC, Bond Counsel, of Bridgeport and Hartford, Connecticut and certain other conditions. Certain matters will be passed upon for the Underwriters by Robinson & Cole LLP, of Hartford, Connecticut, Underwriters' Counsel. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC on or about February 25, 2022.

**Piper Sandler & Co.  
Baird**

**Raymond James  
FHN Financial Capital Markets**

<sup>†</sup> Subject to mandatory sinking fund redemption as set forth herein.

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

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations not contained in this Official Statement or any supplement, which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the City from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness.

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

The Bonds will not be registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The Bonds have not been registered or qualified under the securities laws of any state. The Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

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

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing on and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that it has independently verified the same.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

This Official Statement may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Without limiting the foregoing, the words "may," "believe," "could," "might," "possible," "potential," "project," "will," "should," "expect," "intend," "plan," "predict," "anticipate," "estimate," "approximate," "contemplate," "continue," "target," "goal" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Official Statement are based on information available to the City up to the date as of which such statements are to be made, or otherwise up to, and including, the date of this document, and the City assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof or after the date of any report containing such forward-looking statement, as applicable. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including, but not limited to (i) the effect of and from, future municipal, state and federal budgetary matters, including state and federal grants and other forms of financial aid to the City; (ii) federal tax policy, including the deductibility of state and local taxes for federal tax purposes; (iii) macroeconomic economic and business developments, both for the country as a whole and particularly affecting the City; (iv) financial services industry developments; (v) litigation or arbitration; (vi) climate and weather related developments, natural disasters and other acts of God; (vii) factors used in estimating future obligations of the City; (viii) the effects of epidemics and pandemics, including economic effects; and (ix) other factors contained in this Official Statement.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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## **Bond Issue Summary**

*The information in this Bond Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.*

<b>Issuer:</b>	City of Norwich, Connecticut (the "City").
<b>Issue:</b>	\$145,000,000 General Obligation Bonds, Issue of 2022 (Federally Taxable) (the "Bonds").
<b>Dated Date:</b>	Date of delivery.
<b>Interest Due:</b>	Interest due August 1, 2022 and semiannually thereafter on August 1 and February 1 in each year until maturity, or earlier redemption.
<b>Principal Due:</b>	Principal due serially August 1, 2022 through August 1, 2036. Term Bonds are due August 1, 2041 and August 1, 2046 as detailed in this Official Statement.
<b>Authorization and Purpose:</b>	The Bonds are being issued to provide funding for the City's pension plan. See "Use of Proceeds" herein.
<b>Redemption:</b>	The Bonds are subject to redemption prior to maturity as herein provided.
<b>Security and Remedies:</b>	The Bonds will be general obligations of the City, and the City will pledge its full faith and credit to the payment of principal and interest on the Bonds when due.
<b>Credit Rating:</b>	The City received a rating of "AA" from S&P Global Ratings ("S&P") on the Bonds.
<b>Bond Insurance:</b>	The City does not expect to purchase a credit enhancement facility.
<b>Tax Matters:</b>	See "Tax Matters" herein.
<b>Continuing Disclosure:</b>	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided: (i) annual financial information and operating data, (ii) notices of certain events with respect to the Bonds, and (iii) timely notice of a failure of the City to provide the required annual financial information when due pursuant to a Continuing Disclosure Agreement to be executed by the City substantially in the form set forth in Appendix C to this Official Statement.
<b>Registrar, Transfer Agent, Certifying Agent &amp; Paying Agent:</b>	U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27 <sup>th</sup> Floor, Hartford, Connecticut 06107.
<b>Legal Opinion:</b>	Pullman & Comley, LLC, of Bridgeport and Hartford, Connecticut will act as Bond Counsel.
<b>Municipal Advisor:</b>	Phoenix Advisors, LLC of Milford, Connecticut will act as Municipal Advisor. Telephone (203) 878-4945.
<b>Delivery and Payment:</b>	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about February 25, 2022 against payment in Federal Funds.
<b>Issuer Official:</b>	Questions concerning the City, or this Official Statement, should be addressed to Mr. Joshua A. Pothier, Comptroller, City of Norwich, 100 Broadway, Norwich, Connecticut 06360. Telephone (860) 823-3720.

## **I. Bond Information**

### **Introduction**

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the City of Norwich, Connecticut (the "City"), in connection with the original issuance and sale of the City's \$145,000,000 General Obligation Bonds, Issue of 2022 (Federally Taxable) (the "Bonds").

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

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents; and all references to the Bonds and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings.

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

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, annual financial information and operating data and timely notice of the occurrence of certain events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed substantially in the form set forth in Appendix C to this Official Statement.

U.S. Bank Trust Company, National Association will act as the Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Bonds.

### **Global Health Emergency Risk**

#### ***The COVID-19 Outbreak***

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

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

On March 10, 2020, Governor Lamont declared a state of emergency throughout the State of Connecticut (the "State") and took and continues to take steps designed to mitigate the spread and impacts of COVID-19. Public-schools began to operate remotely immediately following the outbreak and continued remotely through the 2019/2020 school year. For the 2020/2021 school year, schools were permitted to reopen and school districts were given the discretion to choose in-person learning, virtual learning or a hybrid model. For the 2021/2022 school year, the City's public schools have returned to full time, in-person learning.

Connecticut's COVID-19 vaccination plan commenced on December 14, 2020. The State is currently making vaccinations available to all individuals aged 5 and over, and has made booster shots available in accordance with CDC guidelines.

The Governor regularly reviews conditions and, accordingly, expands or reduces restrictions. In response to the Spring 2021 decline in the number of positive COVID-19 cases and hospitalizations, effective May 19, 2021, all capacity restrictions related to establishments and social/recreational gatherings were eliminated. Given the increase in positive COVID-19 cases since July 2021, face-covering requirements remain in effect at this time for unvaccinated individuals. Businesses and state and local government offices have the option to require masks be worn by everyone in their establishments. Effective August 5, 2021, municipal leaders have the option of requiring that masks be worn by everyone, regardless of vaccination status, in indoor public places within their respective towns and cities. The City currently does not have such a mandate in place.

For Fiscal Year 2021, the City did not experience a material negative financial impact as a result of COVID-19. The City collected approximately 97.2% of the Fiscal Year 2021 General Fund current levy, with 97.0% having been collected for Fiscal Year 2020 and 96.9% having been collected for Fiscal Year 2019.

As of December 31, 2021, the City had collected approximately 66.0% of the Fiscal Year 2022 General Fund current levy, with 64.4% having been collected by the same time last year for Fiscal Year 2021.

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

### ***Government Response to COVID-19's Impact on the Economy***

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that provided in excess \$2 trillion of relief to industries and entities throughout the country, including state and local governments. Under the CARES Act, \$150 billion was appropriated to states and other units of government for activities that are directly related to COVID-19. The State received approximately \$1.4 billion in such funding, and it was given the discretion to provide those funds to local governments.

On June 4, 2020, Governor Lamont established the Connecticut Municipal Coronavirus Relief Fund Program (the "Program") which established a process by which Connecticut municipalities can receive funds from the State to offset non-budgeted COVID-19 related expenditures that were incurred between March 1, 2020 and December 30, 2020. The City did not receive any reimbursement from the Program or FEMA for pandemic-related costs in Fiscal Year 2020. The City received \$440,000 in reimbursement from the two programs in Fiscal Year 2021.

On December 27, 2020, President Trump signed into law the Coronavirus Response and Relief Supplemental Appropriations Act of 2021, which extends certain programs and benefits first authorized by the CARES Act. The relief package includes, among other items, over \$900 billion in stimulus for various COVID-19 relief programs, \$8.75 billion for vaccine distribution, \$54.3 billion of Elementary and Secondary School Emergency Relief Funds, \$4.1 billion for the Governors Emergency Education Relief Fund, and an allocation of \$284 billion of Paycheck Protection Program funds to support eligible small businesses and non-profits. The legislation expands and modifies the program by allowing second draw loans for certain borrowers.

On March 11, 2021, President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021 (the "Rescue Plan"). The Rescue Plan relief package includes, amongst other provisions, \$350 billion in state and local government aid. Of the \$350 billion, the State and its local governments are expected to receive approximately \$4.2 billion as a result of this legislation, with \$2.6 billion in State relief and another \$1.6 billion in relief for local governments.

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

The Rescue Plan relief package includes another \$160 billion dedicated to COVID-19 vaccination development and distribution.

Over the next two years, the City expects to receive \$28.8 million in federal funding as a result of the Rescue Plan. The City received its first installment of \$14.4 million in funding from this program in June 2021. The City is developing a plan for the use of such funds that will focus on infrastructure improvements and other initiatives that comply with the program eligibility criteria.

## ***Climate Change***

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

## ***Cybersecurity***

The City, like many other public and private entities, relies on technology to conduct its operations. The City and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, phishing, and other attacks on computers and other sensitive digital networks and systems. With the threat landscape becoming more complex, the City is implementing software solutions for advanced threat protection and computer file and server monitoring. In addition, the City is expanding security awareness and training of employees. The City also maintains cybersecurity insurance coverage with Tokio Marine, with \$1,000,000 limits of coverage for first party expense and third-party liability claims. No assurances can be given, however, that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage City digital networks and systems and the costs of remedying any such damage could be substantial.

## ***Municipal Advisor***

Phoenix Advisors, LLC, of Milford, Connecticut has served as Municipal Advisor to the City with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## ***The Bonds***

The Bonds will be dated the date of delivery, and will mature on August 1 in each of the years as set forth on the front cover of this Official Statement. Interest will be payable on August 1, 2022 and semiannually thereafter on August 1 and February 1 in each year until maturity, or earlier redemption, as set forth on the cover of this Official Statement. Interest will be calculated on the basis of twelve 30-day months and a 360-day year. Interest is payable to the registered owner as of the close of business on the fifteenth day of July and January in each year, or the preceding business day if such fifteenth day is not a business day, by check, mailed to the registered owner at the address as shown on the registration books of the City kept for such purpose, or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the City shall agree.

**Optional Redemption for the Bonds**

The Bonds maturing on or before August 1, 2032 are not subject to redemption prior to maturity. The Bonds maturing on August 1, 2033 and thereafter are subject to redemption prior to maturity, at the election of the City, on or after August 1, 2032 at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the City may determine, at the following redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) plus interest accrued and unpaid to the redemption date:

<u>Period During Which Redeemed</u>	<u>Redemption Prices</u>
August 1, 2032 and thereafter .....	100%

Notice of redemption shall be given by the City or its agent by mailing a copy of the redemption notice by first-class mail at least thirty (30) days prior to the date fixed for redemption to the registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the City in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The City, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the City will reduce the outstanding principal amounts of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemption in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocations of reductions of interests in the Bonds to be redeemed will not be governed by the determination of the City authorizing the issuance of the Bonds and will not be conducted by the City, the Registrar or Paying Agent.

**Mandatory Sinking Fund Redemption**

The Term Bonds maturing August 1, 2041 and August 1, 2046 are subject to mandatory sinking fund redemption in part on August 1 in the years shown below at the principal amount being redeemed, as shown below, without premium, from sinking fund installments deposited with the Paying Agent which are required to be made in amounts sufficient to redeem such Term Bond (or to pay such Term Bond at maturity in the case of final sinking fund installments for the Term Bond) in the principal amounts shown below:

<b>\$32,635,000 Term Bond</b>		<b>\$39,070,000 Term Bond</b>	
<b>Maturing August 1, 2041</b>		<b>Maturing August 1, 2046</b>	
<b>Due</b>	<b>Sinking Fund Installments</b>	<b>Due</b>	<b>Sinking Fund Installments</b>
2037	\$ 6,070,000	2042	\$ 7,255,000
2038	6,290,000	2043	7,525,000
2039	6,520,000	2044	7,805,000
2040	6,755,000	2045	8,090,000
2041 <sup>1</sup>	7,000,000	2046 <sup>1</sup>	8,395,000

<sup>1</sup> Final Maturity

## **Authorization and Purpose**

Section 7-374c of the Connecticut General Statutes (the "Act") provides municipalities the authority to issue pension deficit funding bonds to fund all or a portion of any unfunded past benefit obligation, as determined by an actuarial valuation, and to pay costs related to the issuance of such bonds. As of July 1, 2021, the City of Norwich Employees' Retirement Plan Pension Plan (the "Pension Plan") had an unfunded actuarial accrued liability of \$139,280,017. It is anticipated that when the City issues the Bonds in February of 2022, the unfunded accrued liability will be approximately \$144,000,000. The City is the administrator of its Pension Plan, which is a single-employer contributory defined benefit public employee pension plan. The Pension Plan was established by the Special Acts of 1945, as amended by the Special Acts of 1955, and the City's Charter to provide pension benefits to eligible, contributing employees of the Department of Public Utilities, Police Officers, Firefighters, Board of Education, and General City employees and their beneficiaries.

In accordance with the Act, an ordinance adopted by the City Council on August 2, 2021 and approved by the voters at referendum held on November 2, 2021, the City is authorized to issue bonds in the amount of up to \$145,000,000 to fund all of the Pension Plan's unfunded past benefit obligations and to pay costs of issuance related to the issuance of said bonds. On September 7, 2021, the City Council adopted an ordinance requiring the appropriation and contribution by the City of its actuarially determined contribution ("ADC") on an annual basis and creating a pension reserve fund (the "Pension Reserve Fund"). With this Pension Reserve Fund, the City will make an initial contribution of \$13.7 million (equal to the ADC for Fiscal Year 2021-22) from funds already budgeted in the general fund Fiscal Year 2021-2022 budget. In later years, if the cost of the pension ADC plus the debt service on the Bonds increases by more than three percent year-over-year, the City may use the Pension Reserve Fund to contribute the excess into the Pension Plan rather than pursuing these amounts from the City's general fund budget. If, in later years, the cost of the pension ADC plus the debt service on the Bonds decreases, the amount of the decrease will be appropriated and contributed in the following cascading order: (1) into the Pension Reserve Fund, until this fund accumulates a balance of six percent of the Pension Plan accrued liability; (2) into the Pension Plan, until the Pension Plan is 115% funded; and (3) into the City's Other Post-Employment Benefits Trust Fund (the "OPEB Fund"), until the OPEB Fund is 115% funded.

The Act imposes certain conditions and requirements on the issuance of such bonds. Prior to their issuance, a municipality is required to notify the State's Secretary of the Office of Policy and Management (the "Secretary") and the State Treasurer (the "Treasurer") and to supply certain required documentation and information. This documentation and information must include, among other things, a current actuarial report for the pension plans being funded by the bonds, and an explanation of the issuer's funding investment strategy. The Secretary and the Treasurer do not have the power to approve or disapprove a municipality's proposed issuance of bonds to fund unfunded past benefit obligations, but shall file a review of and recommendations concerning the proposed issuance.

The Act further requires that as long as such bonds are outstanding, the municipality must appropriate funds to meet the "actuarially recommended contribution" to the Pension Plan in each fiscal year of the municipality and contribute such amount to the Pension Plan commencing with the fiscal year in which the bonds are issued. The Act defines "actuarially recommended contribution" to mean the lesser of the annual employer normal cost or the annual required contribution of the municipal employer to the pension plan of the municipality, as established by the actuarial valuation and determined by an enrolled actuary in a method and using assumptions meeting the parameters established by generally accepted accounting principles, provided the amortization schedule used to determine such contribution shall be fixed and shall have a term not longer than the longer of ten years or thirty years from the date of issuance of the bonds to fund the unfunded past benefit obligation. In the event that the funding ratio of such plan, as determined immediately succeeding the deposit of the proceeds of such bonds into the pension plan is reduced by 30% or more, the maximum permitted term of such amortization schedule shall be reduced by the same percentage. The Act also requires that the municipality adopt an ordinance requiring the municipality to appropriate funds in an amount sufficient to meet the actuarially required contribution and contribute such amounts to the plan. The City adopted such ordinance on August 2, 2021. In addition, the municipality must notify the Secretary, annually, who in turn will notify the Treasurer, of the amount and the rate of any such actuarially recommended contribution, and the amount and the rate, if any, of the actuarial annual contribution by the municipality to the pension plan necessary to meet such actuarially recommended contribution. Finally, on an annual basis, the municipality must provide the Secretary and the Treasurer with (i) the actuarial valuation of such plan, (ii) specific identification of any changes to the actuarial assumptions or methods that have been made since the last actuarial valuation, (iii) the footnote disclosure and required supplemental information disclosure required by GASB regarding such pension plan and (iv) a review of the investments of the pension plan including a statement of the current asset allocation plan and an analysis of performance of each asset class. In any year in which a municipality fails to appropriate sufficient funds to meet the actuarially required contribution, there shall be deemed appropriated an amount sufficient to meet such requirement.

On December 6, 2021, the City notified the Secretary and the Treasurer of its intent to issue the Bonds and supplied the required documentation. On January 27, 2022, the Secretary and the Treasurer issued their review (the "Review") of the City's planned issuance of the Bonds.

In the Review, the Secretary and Treasurer verified that the City had satisfied the notification and information requirements of the Act. The Review also included fifteen non-binding recommendations to the City. Most of the recommendations were general in nature and cautioned the City to carefully consider the benefits and risks of issuing the Bonds. Such risks included the City's loss of budgetary flexibility that arises from converting the City's unfunded pension liability to a fixed obligation to pay debt service, and that a number of factors exist that could lead to a fall in the funded ratio of the City's Pension Plan. Several recommendations were a reminder to the City that it had an ongoing obligation to comply with the Act, that it has a commitment to calculate its funding ratio annually and to fully fund its actuarial determined employer contribution ("ADEC"). The Secretary and the Treasurer commented in the Review that, although following the issuance of the Pension Bonds, the Pension Plan is anticipated to be 100% funded, a plan that is 80% funded is seen as a well-funded plan.

Included in the Review's recommendations were eight (8) actionable items which addressed the following: 1) that the City prepare and update annually the City's Five-Year Financial Plan as a rolling five-year projection; 2) that the City consider budgeting a contingency amount higher than the current amount included in the Five-Year Plan; 3) that the City consider reviewing its debt management policy in light of issuing the Bonds, revisit its fund balance policy and consider increasing its cap on unassigned fund balance; 4) that the City consider changing its pension funding method to a "level dollar" funding method; 5) that the City review its asset allocation plan and long-term return assumption in light of the current market environment and update its Statement of Investment Policy; 6) that the City perform a comprehensive liquidity analysis and create a written plan of action for times of market turmoil to avoid liquidating long-term assets to meet short term liabilities; 7) that the City consider a risk mitigation strategy to reduce asset price and funded ratio volatility exposure through asset/liability immunization or plan annuitization; and 8) that the City include in its Charter a provision requiring an actuarial analysis be conducted when pension plan enhancements are being considered.

The City has carefully reviewed all of the recommendations and believes that it either plans to undertake the recommendation, including the State's asset allocation studies, or has adequately addressed the need for financial planning mitigation strategies during the preparation of its actuarial valuation and asset allocation study, and remains comfortable with its decision to proceed with the issuance of the Bonds.

None of the requirements of the Act affect the nature of the security of the Bonds which are being issued as general obligations of the City for which the full faith and credit of the City is being pledged (see "Security and Remedies" herein).

**Use of Bond Proceeds**

<b>Project</b>	<b>Total Amount of Authorization</b>	<b>This Issue: The Bonds</b>
Pension Obligation Bonds.....	\$ 145,000,000	\$ 145,000,000
<b>Totals.....</b>	<b>\$ 145,000,000</b>	<b>\$ 145,000,000</b>

**Sources and Uses of Bond Proceeds:**

<b>Sources:</b>	<b>The Bonds</b>
Par Amount of the Bonds.....	\$ 145,000,000.00
<b>Total Sources .....</b>	<b>\$ 145,000,000.00</b>
<b>Uses:</b>	
Deposit to Pension Fund .....	\$ 144,272,400.00
Costs of Issuance .....	350,000.00
Underwriters' Discount .....	377,600.00
<b>Total Uses .....</b>	<b>\$ 145,000,000.00</b>

## **ERISA Considerations**

The following information has not been prepared or furnished by the City and is provided only as a matter of convenience to potential purchasers of the Bonds. The discussion herein of Employee Retirement Income Security Act of 1974, as amended (“ERISA”) is general in nature and is not intended to be all inclusive. Potential purchasers are advised to seek appropriate professional advice with respect to the matters discussed below which may affect such potential purchasers.

The provisions of ERISA and Section 4975 (relating to prohibited transactions) of the Internal Revenue Code of 1986, as amended (the “Code”) do not apply to the Plan as the Plan is a governmental plan within the meaning of both ERISA and the Code.

Subject to the following discussion, the Bonds may be acquired with assets of pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts, Keogh plans and other plans and retirement arrangements, and any entity deemed to hold “plan assets” of the foregoing (each a “Plan”). Section 406 of ERISA and Section 4975 of the Code require that “employee benefit plans” as defined in Section 3(3) of ERISA, (“ERISA Plans”) and “plans,” as defined in Section 4975(e)(1) of the Code (“Tax-Favored Plans”) (collectively with ERISA Plans referred to as the “Plans”), refrain from engaging in certain “prohibited transactions” with persons that are “parties in interest” as defined in Section 3(14) of ERISA or “disqualified persons,” as defined in Section 4975(e)(2) of the Code, with respect to the Plans. Section 503 of the Code requires that governmental Plans refrain from engaging in certain “prohibited transactions” as defined in Section 503(b) of the Code. ERISA also prohibits fiduciaries of ERISA Plans from engaging in certain transactions with respect to ERISA Plans. In addition, Section 404 of ERISA imposes certain duties on fiduciaries of ERISA Plans (collectively referred to as “fiduciary duties”). Under ERISA any person who (i) exercises any discretionary authority or control respecting the management or disposition of ERISA Plan assets, (ii) renders investment advice for a fee with respect to ERISA Plan assets, or has any authority or responsibility to do so, or (iii) has any discretionary authority or responsibility in the administration of such ERISA Plan, is considered to be a fiduciary of such ERISA Plan (subject to certain exceptions not here relevant). A violation of these “prohibited transactions” rules or the “fiduciary duty” requirements may generate excise taxes and other liabilities under ERISA and the Code for parties in interest, disqualified persons, and fiduciaries.

The Underwriters, as a result of their own activities or because of the activities of any affiliate, may be considered a “party in interest” or “fiduciary” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to certain Plans. Prohibited transactions within the meaning of Section 406 of ERISA and Section 4975 of the Code may arise if the Bonds are acquired by a Plan with respect to which any of the Underwriters, or any of their respective affiliates, is a “party of interest,” a “disqualified person” or a “fiduciary.” Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Bond and the circumstances under which such decision is made. Included among these exemptions are: PTE 75-1, regarding securities purchased during the existence of an underwriting; PTE 90-1, regarding investments by insurance company pooled separate accounts; PTE 95-60, regarding investments by insurance company general accounts; PTE 91-38, regarding investments by bank collective investment funds; PTE 84-14, regarding transactions effected by a “qualified professional asset manager;” and PTE 96- 23, regarding transactions effected by an “in-house asset manager.” Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. There can be no assurances that any of these, or any other exemption, will be available with respect to any particular transaction involving the Bonds, and potential purchasers that are Plans should consult with their legal advisors regarding the applicability of any such exemptions and other legal requirements.

In order to ensure that no prohibited transaction under ERISA or the Code will take place in connection with the acquisition of a Bond by or on behalf of a Plan, each prospective purchaser of a Bond that is a Plan or is acquiring on behalf of a Plan will be deemed to represent that either (i) no prohibited transactions under ERISA and the Code will occur in connection with the acquisition of such Bond or (ii) the acquisition of such Bond is subject to a statutory or administrative exemption.

Any ERISA Plan fiduciary which proposes to cause an ERISA Plan to purchase Bonds should consult with its counsel with respect to the potential applicability of ERISA and the Code to such investments and whether any exemption would be applicable and determine on its own whether all conditions have been satisfied. Moreover, each ERISA Plan fiduciary should determine whether an investment in the Bonds would violate its fiduciary duties to the ERISA Plan, including without limitation the fiduciary duties of investment prudence and diversification, taking into account the overall investment policy of the ERISA Plan, the composition of the ERISA Plan’s investment portfolio, and other relevant considerations with respect to the ERISA Plan. Persons responsible for investing the assets of Tax-

Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of any similar state or federal law.

Governmental plans and certain church plans (as defined in section 3(32) and 3(33) of ERISA respectively) are not subject to ERISA and not subject to the requirements of section 4975 of the Code. Such plans may, however, be subject to federal, state, or local laws or regulations which may affect their investment in the Bonds. Any fiduciary of such a governmental or church plan considering an investment in the Bonds should determine the need for, and the availability, if necessary, of any exemptive relief under federal, state, or local laws or regulations.

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

Principal, Interest and redemption payments with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

### ***DTC Practices***

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

### ***Replacement Bonds***

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

## **Security and Remedies**

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

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

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

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

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

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of Federal bankruptcy laws, as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and to provisions of other statutes, if any, heretofore or hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied.

Under the Federal Bankruptcy Code, the City may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9 thereof, or by State law or a governmental officer or organization empowered by State law to authorize such entity to become a debtor under such chapter. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy under Chapter 9 of Title 11 of the United States Code without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State of Connecticut having the power to levy taxes and issue bonds or other obligations.

***THE CITY OF NORWICH HAS NEVER DEFAULTED IN THE PAYMENT  
OF PRINCIPAL OR INTEREST ON ITS BONDS***

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

The City prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management. The City provides, and will continue to provide, to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access System ("EMMA") ongoing disclosure in the form of the Annual Comprehensive Financial Report, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, in connection with the issuance of the Bonds, the City will agree to provide or cause to be provided, (i) annual financial information and operating data, (ii) timely notice of certain events with respect to the Bonds, but not in excess of ten (10) business days after the occurrence of the event, and (iii) timely notice of a failure of the City to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement to be executed in substantially the form attached as Appendix C - Form of Continuing Disclosure Agreement to this Official Statement. The Underwriters' obligation to purchase the Bonds shall be conditioned upon its receiving at or prior to the delivery of the Bonds an executed copy of the Continuing Disclosure Agreement.

The City has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). The City has not materially failed to meet any of its undertakings under such agreements during the past 5 years.

## ***Ratings***

The City received a rating of "AA" from S&P Global Ratings ("S&P" or "Rating Agency") on the Bonds. The City furnished to S&P certain information and materials, some of which may not have been included in this Official Statement. Such rating reflect only the views of the Rating Agency and will be subject to revision or withdrawal, which could affect the market price of the Bonds. The Rating Agency should be contacted directly for its rating on the Bonds and the explanation of such rating.

The City expects to furnish to the Rating Agency information and materials that they may request. However, the City may issue short-term or other debt for which a rating is not required. The City's Municipal Advisor, Phoenix Advisors, LLC, recommends that all bonded debt be submitted for a credit rating.

## ***Bond Insurance***

The City does not expect to purchase a credit enhancement facility for the Bonds.

## ***Underwriting***

The Bonds are being purchased by Piper Sandler & Co. (the "Representative"), acting on behalf of itself, and Raymond James & Associates, Inc., Robert W. Baird & Co., and FHN Financial Capital Markets, a division of First Horizon Bank (collectively, the "Underwriters") pursuant to a bond purchase agreement with the City (the "Bond Purchase Agreement"). Pursuant to the Bond Purchase Agreement, the Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at the net aggregate purchase price of \$144,622,400.00, (consisting of the principal amount of \$145,000,000.00 less underwriters' discount of \$377,600.00). The Underwriters will be obligated to purchase all such Bonds, if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices stated on the cover page of this Official Statement, and such public offering prices may be changed, from time to time, by the Underwriters.

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

## **Tax Matters**

### **Federal Income Taxes**

In the opinion of Bond Counsel, under existing law, interest on the Bonds is included in gross income for federal income tax purposes pursuant to the Code.

### **United States Tax Consequences**

The following is a summary of certain United States federal income tax consequences of the acquisition, ownership and disposition of Bonds by original purchasers of the Bonds who are United States Holders (as defined below). This summary does not consider all possible federal income tax consequences of the purchase, ownership, or disposition of the Bonds, and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who hold Bonds as “capital assets” within the meaning of the Code. This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold Bonds as a hedge against currency risks or as part of a straddle with other investments or as part of a “synthetic security” or other integrated investment (including a “conversion transaction”) comprising a bond and one or more other investments, United States Holders that have a “functional currency” other than the United States dollar, or United States Holders who acquire the Bonds in the secondary market.

As used herein, the term “United States Holder” means a beneficial owner of Bonds that is for United States federal income tax purposes (a) an individual citizen or resident of the United States, (b) a corporation or partnership or other entity created or organized under the laws of the United States or any State (including the District of Columbia), or (c) a person otherwise subject to federal income taxation on its worldwide income.

This summary is based on the United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or interpretations thereof any of which may be applied retroactively. Except as provided below, it does not discuss the tax laws of any state, local, or foreign governments.

#### United States Holders

*Payments of Stated Interest.* In general, for a United States Holder, interest on a Bond will be taxable as ordinary income at the time it is received or accrued, depending on the beneficial owner’s method of accounting for tax purposes.

*Bonds Purchased at a Market Discount.* A Bond will be treated as acquired at a market discount (market discount bond) if the amount for which a United States Holder purchased the Bond is less than the Bond’s adjusted issue price unless such difference is less than a specified de minimis amount. In general, any payment of principal or any gain recognized on the maturity or disposition of a market discount bond will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on the Bond. Alternatively, a United States Holder of a market discount bond may elect to include market discount in income currently over the life of the market discount bond. That election applies to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service (“IRS”). If an election is made to include market discount in income currently, the tax basis of the Bond in the hands of the United States Holder will be increased by the market discount thereon as such discount is included in income.

Market discount generally accrues on a straight-line basis unless the United States Holder elected to accrue such discount on a constant yield-to-maturity basis. That election is applicable only to the market discount bond with respect to which it is made and is irrevocable. A United States Holder of a market discount bond that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to the Bond in an amount not exceeding the accrued market discount on such Bond until maturity or disposition of the Bond.

**United States Holders should consult their tax advisors regarding the federal, state and local tax consequences concerning the purchase, holding and disposition of a Bond purchased at a discount, whether at the date of original issue or subsequent thereto.**

*Purchase, Sale, Exchange, and Retirement of Bonds.* A United States Holder's tax basis in a Bond generally will equal its cost, increased by any market discount included in the United States Holder's income with respect to the Bond, and reduced by the amount of any amortizable bond premium applied to reduce interest on the Bond. A United States Holder generally will recognize gain or loss on the sale, exchange, or retirement of a Bond equal to the difference between the amount realized on the sale or retirement (not including any amount attributable to accrued but unpaid interest) and the United States Holder's tax adjusted basis in the Bond. Except to the extent described above, gain or loss recognized on the sale, exchange or retirement of a Bond will be capital gain or loss and will be long-term capital gain or loss if the Bond was held for more than one year. The material modification of the terms of any Bond may result in a deemed reissuance thereof, in which event a United States Holder may recognize taxable gain or loss without any corresponding receipt of proceeds.

*Backup Withholding.* United States Holders may be subject to backup withholding on payments of interest and, in some cases, disposition proceeds of the Bonds, if they fail to provide an accurate Form W-9, "Request for Taxpayer Identification Number and Certification," or a valid substitute form, or have been notified by the IRS of a failure to report all interest and dividends, or otherwise fail to comply with the applicable requirements of backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against the United States Holder's United States federal income tax liability (or refund) provided the required information is timely furnished to the IRS. **United States Holders should consult their tax advisors concerning the application of backup withholding rules.**

*Medicare Tax Affecting United States Holders.* For taxable years beginning after December 31, 2012, a United States Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a Medicare tax on the lesser of (1) the United States Holder's "net investment income" for the taxable year and (2) the excess of the United States Holder's modified adjusted gross income for the taxable year over a certain threshold. A United States Holder's net investment income will generally include its interest income and its net gains from the disposition of the Bonds unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). **A United States Holder that is an individual, estate, or trust, should consult its own tax advisor regarding the applicability of the Medicare tax.**

**The federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a United States Holder's particular situation. United States Holders should consult their tax advisors with respect to the tax consequences of the purchase, ownership, and disposition of the Bonds, including the tax consequences under state, local, foreign, and other tax laws and the possible effects of changes in federal or other tax laws.**

## **State Taxes**

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

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on a Discount Bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax.

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

## **General**

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

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

## ***Legal Opinion***

The legal opinions for the Bonds will be rendered by Pullman & Comley, LLC in substantially the form set forth in Appendix B to this Official Statement.

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## II. The Issuer



## Connecticut

### **Form of Government**

The City operates under a Charter adopted in 1952, which was most recently revised on November 3, 2015. The City operates under a Council/Manager form of government. The City Manager is appointed by the City Council and serves as the Chief Executive Officer. The City Manager serves at the pleasure of the City Council and is responsible to the City Council for the supervision and administration of City departments. The City Council consists of six members and one Mayor, all elected at large. Elections are held during odd calendar years as provided by state statute.

In addition to all powers granted to towns and cities under the Constitution of the State and the Connecticut General Statutes, the City Council also has specific powers to be executed through the enactment and enforcement of ordinances and bylaws which protect or promote the peace, safety, good government and welfare of the City and its inhabitants. The Council also has the power to provide for the organization, conduct, and operation of the departments, agencies and offices of the City; for the number, titles qualifications, powers, duties and compensation of all officers and employees of the City; and for making of rules and regulations necessary for the control, management and operation of all public buildings, grounds, parks, cemeteries or other property of the City.

## **Principal Municipal Officials**

<b>Office</b>	<b>Name</b>	<b>Manner of Selection / Term</b>	<b>Length of Current Service</b>	<b>Total Tenure with City</b>
<b>City Council:</b>				
Mayor	Peter A. Nystrom	Elected – 4 years	5 years	17 years
President Pro Tempore	Joseph A. DeLucia	Elected – 2 years	5 years	5 years
Council Member	Swaranjit Singh Bhatia	Elected – 2 years	First year	First year
Council Member	Tracey Burto	Elected – 2 years	First year	First year
Council Member	Stacy Gould	Elected – 2 years	7 years	7 years
Council Member	Grant Neuendorf	Elected – 2 years	First year	First year
Council Member	Derell Q. Wilson	Elected – 2 years	3 years	3 years
City Manager	John Salomone	Appointed – Indefinite	6 years	6 years
Comptroller	Joshua A. Pothier	Appointed – Indefinite	8 years	19 years
Deputy Comptroller	Anthony Madeira	Appointed – Indefinite	8 years	16 years
Treasurer	Michael Gualtieri	Elected – 2 years	7 years	7 years
Collector of Taxes & Revenues	Karlene Deal	Appointed – Indefinite	6 years	6 years
Assessor	William Lee	Appointed – Indefinite	1 year	7 years
City Clerk	Betsy Barrett	Appointed – Indefinite	10 years	10 years
Corporation Counsel	Michael E. Driscoll	Appointed – Indefinite	20 years	20 years
Superintendent of Schools	Kristen Stringfellow	Appointed – Indefinite	3 years	3 years
<b>Board of Education</b>				
Chairperson	Robert Aldi	Elected – 2 years	First year	6 years
Vice Chairperson	Mark Kulos	Elected – 2 years	5 years	5 years
Secretary	Carline Charmelus	Elected – 2 years	3 years	3 years
Board Member	Joshua Chapman	Elected – 2 years	First year	First year
Board Member	Aaron Daniels	Elected – 2 years	13 years	13 years
Board Member	Christine DiStasio	Elected – 2 years	3 years	3 years
Board Member	Heather Fowler	Elected – 2 years	First year	First year
Board Member	Gregory Perry	Elected – 2 years	First year	First year
Board Member	Kevin Saythany	Elected – 2 years	3 years	5 years

### **Geography**

The City covers an area of 27.1 square miles located 40 miles southeast of Hartford, surrounded by Montville, Preston, Lisbon, Sprague, Franklin, and Bozrah. The City is about three hours from New York City by rail or highway transportation. Providence, Rhode Island is approximately an hour from the City, and Boston is approximately two hours away. The City is served by interstate, intrastate, and local bus lines. The City is served by Interstate 395 from north to south connecting the City with I-95 and I-90 to Boston and New York. Route 2 links the City with Hartford and I-91. State Route 82 connects downtown Norwich with I-395. Rail transportation and freight service is available to major points, including New York, Boston, Providence, and Montreal. Air service is available at Groton-New London Airport to the south, Green Airport (Providence) to the east, and Bradley Airport to the north. Norwich Harbor provides a 600-foot turning basin connecting with the Thames River and Long Island Sound.

### **Community Profile**

#### *History*

The City was founded in 1659 by settlers from Old Saybrook led by Major John Mason and Reverend James Fitch. They purchased the land that would become Norwich from the local Native American Mohegan Tribe. In 1668, a wharf was established at Yantic Cove. Settlement was primarily in the three-mile area around the Norwichtown Green. The 69 founding families soon divided up the land in the Norwichtown vicinity for farms and businesses. By 1694 the public landing built at the head of the Thames River allowed ships to offload goods at the harbor. The distance between the port and Norwichtown was serviced by the East and West Roads, which later became Washington Street and Broadway.

The City merchants were shipping goods directly from England, but the Stamp Act of 1764, forced the City to become more self-sufficient. Soon large mills and factories sprang up along the three rivers which traverse the town, the Yantic, Shetucket, and Thames Rivers. During the American Revolution, The City supported the cause for independence by supplying soldiers, ships, and munitions. One of the most infamous figures of the Revolution, Benedict Arnold, was born in the City. Other Colonial-era noteworthies include Samuel Huntington, Christopher Leffingwell, and Daniel Lathrop.

Regular steamship service between New York and Boston helped the City to prosper as a shipping center through the early part of the 19th century. During the Civil War, the City once again rallied around the cause of freedom and saw the growth of its textile, armaments, and specialty item manufacturing. This was also spurred by the building of the Norwich-Worcester Railroad in 1832, bringing goods and people both in and out of the City.

The City served as a leadership center for Connecticut during the Civil War as Governor William Buckingham was from Norwich and used his home as a de facto office during the war years. Also, State Senator Lafayette Foster later became Acting Vice President after President Abraham Lincoln was assassinated. During this period, Frances M. Caulkins composed her histories of both Norwich and New London.

Through the end of the 19th century and into the early 20th century, the City served as home to many large mills. The population grew and became more diverse with an insurgence of different ethnic groups. These new residents helped to build the City's schools, churches, and social centers.

Today, the City is a thriving city with a stable population, wide range of municipal services, a modern industrial park, its own utility company, and a positive outlook for residential and business growth.

### *Education*

The City school system includes two preschools, seven elementary schools, two middle schools, and an elementary clinical day treatment program. Of the seven elementary schools, two are designated as Commissioner's Network schools by the Connecticut Department of Education, two are Magnet schools, and one is a School Improvement Concept school. In addition, the City has three parochial schools, two Montessori schools, a charter school, and a regional adult education program. Norwich Free Academy is a privately-endowed high school and serves as one of the City's designated high schools. Also located in the City are a state regional technical high school, a middle college, and a community college.

### *Healthcare*

Various health facilities, including the 213-bed William H. Backus Hospital (Backus), are located in the City. Backus, which is affiliated with Hartford Healthcare, also has an Outpatient Care Center on Salem Turnpike and the Family Health Center in Norwichtown Commons.

### *Industry*

The City is also home to a modern industrial park operated by the Norwich Community Development Corporation, a private non-profit organization. The industrial park is conveniently located close to Route 2, I-395, and other major highways. The park offers commercial and industrial sites on more than 400 wooded acres currently employing over 2,000 people.

### *Recreation, Entertainment & Culture*

The City has the 350-acre Mohegan Park in the heart of the City. Facilities at Mohegan Park include a beach, hiking trails, rose gardens, picnic areas, and two children's playgrounds. The City has several other parks, playgrounds, and recreation fields, as well as a number of fishing locations. The City also offers an eighteen-hole public golf course and a public ice skating rink.

The City has a number of historical and cultural attractions, including: Dodd Stadium - home of the Norwich Sea Unicorns, the Leffingwell House Museum, the Chestnut Street Playhouse, the Norwich Arts Council/ Donald Oat Theater, and the Slater Memorial Museum at Norwich Free Academy.

## **Municipal Services**

### *Police*

Police protection is provided to the City by a full-service, municipal police agency with 102 employees. The department is responsible for patrolling 223 miles of roads in nearly a 30 square mile area and operating a combined 911 communications center for dispatching police, fire, and EMS services. The department is particularly proud of its community policing efforts, which actively includes the public in solving crime and quality of life problems. The department presently administers several federal and state grants. These grants provide funding to enhance police operations in the areas of drug education and enforcement, safe neighborhood patrols, DUI and traffic enforcement, and technological improvements.

### *Fire*

Fire protection in the City Consolidation District (CCD) is provided by a 59-employee full-time fire department. The outlying areas of the City are not part of the CCD and are protected by five volunteer fire companies, all of which are connected to the central fire department's switchboard for emergency dispatch.

### *Utilities*

The City owns and operates natural gas, electric, water, and wastewater systems through its Norwich Department of Public Utilities (NPU), which was established in 1904. NPU is governed by Chapter 12 of the City Charter that establishes a five-member Board of Public Utilities' Commissioners who are appointed by the City Council. The General Manager, who is appointed by the Commissioners, is responsible for NPU's management and operations. NPU has 146 employees and serves approximately 21,000 electric customers, 9,600 gas customers, 11,000 water customers, and 7,700 wastewater customers. NPU supports general City activities by contributing 10% of its gross revenues (excluding sewer revenues) to the City's general fund. Contributions in fiscal year 2022 are expected to be \$8.6 million, the equivalent of 4.32 mills of taxes. NPU's budget is approved by the Commissioners and is then presented to the City Council for adoption.

### *Drinking Water Infrastructure*

NPU expects that a new, \$8 million dissolved air flotation (DAF) system will be online at the Stony Brook Water Treatment Plant by the end of February 2022. This critical plant upgrade project, which began in 2019, will improve water quality for NPU water customers throughout the region.

### *Electric Infrastructure*

NPU provided timely and safe power restoration for its customers in the aftermath of Tropical Storm Isaias in August, 2020. At the peak of the storm, nearly 7,500 NPU customers were out of power; 99% were restored in less than two days. In the days and weeks following the storm, NPU's effort in restoring power quickly and safely was recognized by several public officials and state-wide media.

Over the past eighteen months, NPU undertook a reliability improvement project by removing two very old towers supporting utility lines that run over the Shetucket River and replacing them with new, stronger utility poles and replacing overhead power lines. With the completion of this project, thousands of NPU customers will have more reliable service, particularly in a storm.

In 2018, NPU received the RP3 Platinum Award from the American Public Power Association that recognizes utilities that demonstrate high proficiency in four areas - reliability, safety, workforce development, and system improvement. Criteria within each of the four RP3 areas are based upon sound business practices and recognized industry best practices. In receiving a Platinum designation, NPU is among a select group of less than 100 utilities out of over 2,000 public power companies nationwide and the only one in Connecticut. The RP3 designation is for a three-year term and was also awarded to NPU in 2012 and 2015.

In 2019, NPU was recognized by the American Public Power Association's (APPA) as a Smart Energy Provider (SEP). The program recognizes utilities that demonstrate a commitment to and proficiency in energy efficiency, renewable energy, distributed generation, and other environmental and sustainable initiatives both within the organization and to all customers. This designation lasts for two years.

## *Wastewater*

NPU, through the City of Norwich Sewer Authority, continues to make progress on the large-scale upgrade of its wastewater treatment plant. The project, which has a budget of approximately \$163 million, is in the final design stage with construction anticipated to begin in the summer of 2022. Environmental assessments of the property and buildings are underway. NPU continues work toward having this upgraded facility serve as a regional asset and manage the wastewater needs of other communities in the region.

NPU continues its multi-year Combined Sewer Overflow (CSO) program that has removed dozens of sewer system overflows over the past several years from the utility's wastewater infrastructure. NPU remains on track for the reduction of all CSO's in the coming years that will improve the water quality in the Shetucket and Thames rivers and Long Island Sound.

## *Natural Gas*

Despite the operational challenges that impacted some of NPU's construction work over the past year, NPU crews completed a number of projects to strengthen its natural gas infrastructure. NPU installed a new natural gas main on McClellan Avenue and added several new customers on Otrobando Avenue that will be served with new and safer natural gas main. This allowed NPU to take an out-of-date 1,000-foot gas main out of service, making its system safer.

NPU also installed more than 1,000 feet of new gas mains and 10 service lines to support a new Habitat for Humanity project on Marjerie Street in Norwich.

## *CMEEC and Member Power Sales Contracts*

The City, through NPU, is a member of the Connecticut Municipal Electric Energy Cooperative (CMEEC), a public corporation organized under Connecticut Public Act 75-634, subsequently enacted as Title 7-233, Chapter 101a, of the Connecticut General Statutes, as amended. CMEEC is empowered to undertake the planning, financing, acquisition, construction, and operation of facilities for the generation and transmission of electric power and energy for its members and others. The Act permits any Connecticut municipality that has an electric utility department to become a CMEEC member. The City is one of seven municipalities that own an electric utility in Connecticut. The City of Norwich, City of Groton, Town of Bozrah, Borough of Jewett City, Second Taxing District of the City of Norwalk, Third Taxing District of the City of Norwalk, and Town of Wallingford are the only Connecticut communities which have municipally-owned electric utilities, all of which, except the Town of Wallingford, are members. CMEEC, on behalf of its members, acts as a single integrated participant to New England Power Pool ("NEPOOL") and the NEPOOL Agreement.

CMEEC has entered into a power supply contract with each of its Members, including the City ("MPSC"). The MPSCs are all-requirements contracts under which each member is obligated to purchase substantially all of its power requirements from CMEEC. Under terms of the MPSCs, each system has been allocated a certain percentage of CMEEC's fixed costs consisting primarily of debt service, on a take or pay basis. These costs are required to be paid annually whether or not the City takes any power under the contract. Pursuant to the MPSC, the City has covenanted to maintain electric rates, which, together with other sources of revenue, will provide sufficient revenues to meet its payment obligation to CMEEC.

All payments due to CMEEC under the MPSC that are agreed to constitute operating expenses of the electric operations and may not be subordinated to any other obligation of the City. In addition, the City has agreed not to execute or adopt any instrument securing or issuing bonds, notes, leases or other evidences of indebtedness which are payable from and secured by liens on the revenues derived from the ownership or operations of its electric system without providing for the payment of operating expenses (including payments to be made under the MPSC) from such revenues ahead of debt service on such bonds, notes, leases or other evidence of indebtedness.

The foregoing discussion of the MPSC is intended to be a summary of such contract and is qualified in its entirety by reference to the contracts themselves, which may be obtained from the City.

### *The Connecticut Transmission Municipal Electric Energy Cooperative*

NPU is also a member of The Connecticut Transmission Municipal Electric Energy Cooperative ("TRANSCO"), a public body corporate and politic, created pursuant to Chapter 101a of the Connecticut General Statutes, as amended. The members of TRANSCO include the members of CMEEC (the "Members") and the Town of Wallingford. The purpose of TRANSCO is to obtain electric transmission services and facilities at advantageous pricing and terms for its Members and contractual participants. TRANSCO has entered in a "Transmission Financing and Services Agreement" (the "TFSA") with CMEEC, among other agreements between the two entities, whereby TRANSCO provides electric transmission services to CMEEC, which CMEEC then provides to its members and contractual participants. TRANSCO has entered into an agreement with Eversource to acquire certain electric transmission facilities located in the Town of Wallingford, Connecticut (the "Transmission Acquisition"). The participants in the Transmission Acquisition include the CMEEC Members and Bozrah (the "Transmission Participants"). The Transmission Acquisition has been permanently financed by debt issued by CMEEC and TRANSCO supported by the security provisions of agreements between the Transmission Participants and CMEEC that establish the arrangements for the receipt of transmission services from CMEEC (supplied to CMEEC by TRANSCO through the TFSA), the support of the permanent financing costs of the Transmission Acquisition, the satisfaction of the other security requirements of such permanent financing and the flowing of the benefits of participation in the Transmission Acquisition back to the Project's participants, including NPU. These agreements are referred to as the General Transmission Services Agreements ("GTSA's"). The terms of the GTSA's have security provisions similar to those of the MPSCs. The GTSA's are structured to authorize the acquisition of additional transmission facilities.

The foregoing discussion of the GTSA is intended to be a summary of such contract and is qualified in its entirety by reference to the contracts themselves, which may be obtained from the City.

### *Solid Waste*

The City has entered into the Municipal Solid Waste Management Services Contract, as amended (the "Service Contract") with the Southeastern Connecticut Regional Resources Recovery Authority (the "SCRRA", or the "Authority") pursuant to which it participates with ten other central Connecticut municipalities (the eleven constituting the "Contracting Municipalities"), in the Southeastern Connecticut System (the "System"). The System consists of a mass-burn solid waste disposal and electric generation facility located in the Town of Preston (the "Facility") and various improvements and facilities related thereto, including landfills. Under the Service Contract, the City is required to deliver or cause to be delivered to the System solid waste generated within its boundaries and to pay a uniform per ton Disposal Service Payment (the "Service Payment") therefor. The current fee is \$58 per ton paid by user fees and property taxes. Pursuant to contracts between the Authority and American REF-FUEL Company of Southeastern Connecticut (the "Company"), the Facility is operated by the Company. The Service Payment applicable in any contract year is calculated by estimating the Net Cost of Operation, which is the Cost of Operation less Revenues other than Service Payments, as such items are defined in the Service Contract. Revenues mean all revenues, income, and receipts derived from the ownership and operation of the System, including from the sale of electricity. The sum of all Service Payments and other payments from the Contracting Municipalities are required to be sufficient to pay or provide for the New Cost of Operations. Service Payments shall be payable so long as the System is accepting solid waste delivered by or on behalf of the City, whether or not such solid waste is processed at the Facility. The City's obligation to pay the Service Payment, so long as the Authority is accepting the City's solid waste, is absolute and unconditional, is not subject to any set-off, counterclaim, recoupment, defense (other than payment itself) or other rights which the City may have against the SCRRA or any person for any reason whatsoever, and shall not be affected by any defect in title, design, fitness for use, loss or destruction of the System. The City has pledged its full faith and credit to the payment of Service Payments and has also agreed to enforce or levy and collect all taxes, cost-sharing, or other assessments or charges and take all such other action as may be necessary to provide for the payment of the Service Payments.

### *Economic Development Activity*

The City pursues economic and physical stabilization and revitalization. The City has maintained the quality of services to its citizens while having the 12th lowest per capita tax burdens in the State, per the Office of Policy and Management Data's *Fiscal Indicators*, at \$1,971 for fiscal year 2019.

The Mayor is responsible and accountable for economic development. The overriding goal for the City is to increase its grand list through activities which enhance community life, attract newcomers to the City, reduce reliance on government agencies, and attract economic development investment from the State of Connecticut. Objectives identified to achieve this goal include: revitalizing downtown, adaptively reusing existing structures, increasing availability of viable commercial and industrial properties, and maintaining the existing and attracting new educational institutions into the City.

The City's economic development activities are assisted by Norwich Community Development Corporation (NCDC), a private, not-for-profit corporation established 50 years ago to improve the economic well-being of the City. The Mayor works closely with NCDC as an independent non-profit that is neither directly nor indirectly controlled by the City or any other governmental entity, but by Norwich City Council resolution, is the economic development arm of the City. Many activities are underway which support these objectives, and will move the community toward the City's primary economic development goals.

### *Commercial/ Industrial Activity*

#### Lofts at Ponemah Mill Adaptive Reuse Project

This \$85 million project converted a 650,000 square foot, 19th-century mill into 314 residential apartment units. In early 2016 Ponemah Riverbank LLC was awarded multiple grants, tax credits, construction financing, and permanent financing totaling \$35 million for the first phase of the three-phase project. Construction began within three weeks of the closing date with such critical items as structural repairs, interior partitions, indoor and outdoor utilities, and sandblasting of the 135-year-old wood structure. The first phase was completed in the spring of 2018. In July 2018, the developer closed on another \$32 million for the second phase funding for the next 121 units. Phase II was completed in September 2019. Phase III, the final phase, was completed by the developer in December 2021.

#### Ponemah – South Mill Adaptive Reuse Project

In partnership with the owners of the mill complex, Norwich Community Development Corporation was awarded a \$795,000 grant from the State of CT DECD for the remediation of the south mill building. The grant compliments the \$200,000 State of Connecticut grant previously received by the City that funded the environmental assessment to determine the extent of potential contamination, the preparation of a market/feasibility study and an overall concept plan for the property. The owners are currently preparing the RFQ for the environmental remediation work. It is expected that this work will happen in the next six months and that an application for a development project will be submitted to the City land use agencies within the first half of 2022.

#### Taftville Landing

The 3 North Second Avenue building is historically associated with the Ponemah Mill and was operated as the company store. It is currently owned by Ponemah Riverbank LCC who are owners and developers of the Loft at Ponemah Mill project and the Ponemah South Mill. In August 2018, a mixed-use proposal was approved for the site that included commercial uses on the first and lower floors and 12 apartments on the second and third floors. The Nutmeg Pharmacy opened in the building and upgrades to the utilities and parking lot are ongoing. The developer is currently searching for a retail grocery tenant to meet the needs of this area of Norwich.

#### Foundry66

This co-work center opened with its first 7,500 foot phase in October 2016. The operation has a mix of open spaces, teleconference and meeting rooms, a lounge area and workrooms available for members to grow their businesses. Foundry66 doubled its space in September 2018 with a newly completed second-floor addition. Foundry66 has hosted several business development seminars and workshops each quarter, out of which has emerged no less than three new businesses in the City. Foundry66 is running at about 70% occupancy.

### 77-91 Main Street

In March 2020, the developer received approval from the Commission on the City Plan to renovate the building to include 42 residential units and 10,288 square feet of commercial tenant space. The project rehabilitates a historic contributing building located in the Downtown Norwich National Historic District. The developer is currently working with professionals to prepare the construction plans required for permitting. In September 2021, the City Council approved ARPA funds for NCDC that will allow for a \$400,000 loan and \$400,000 grant to be provided to the owners to make code corrections as part of an \$8 million renovation to the property. The funding will be distributed only after the issuance of the Certificate of Occupancy of the building.

### Downtown Boutique Hotel

A hotel conversion that has been profoundly stuck for over a decade has been purchased by Ganesha Hospitality, LLC, a Cromwell-based hospitality company. The plan is being developed to create 25 unique historic hotel suites, a fine dining experience, a creative bar, and a combination spa and conference center. This is currently in the pre-development phase.

### Nalas Engineering

Nalas Engineering of Essex, Connecticut, purchased 1 Winneden Avenue in December 2018 for a chemical process and manufacturing facility. Among other things, Nalas does the engineering, chemistry, and modeling for continuous processing of the precursors to the main energetics that power torpedoes, as well as other military needs. Nalas is positioned to onshore the research, development, design, and production of the US military requirements for the future. Their first phase of the operation is to complete a multi-million dollar facility housing these opportunities in Norwich. Nalas also services the pharmaceutical industry as well as others using batch-type manufacturing processes. The project is permitted and under development.

### Former Hale Mill Property

In June 2018, a New York development firm purchased the 10-acre Hale Mill property in the Yantic section of Norwich for \$826,000. The new owner is pursuing the development of a \$30 million destination-themed hotel operation in the 1864 former textile mill. The project was approved by the City and the erosions and sediment control bond is in place to start site work. Construction plans are being reviewed and permits are forthcoming.

### American Systems

The engineering and IT company relocated to a new, larger, more modern facility less than a mile away in the Business Park. This facility is more flexible to accommodate the expanded team of 120 people while providing better growth options for the future.

### Freeport-McMoRan

In June 2020, Freeport-McMoRan announced that it would be closing its Norwich copper rod mill and consolidating its operations at its remaining Texas and Arizona plants. It had announced the decision to close a New Jersey plant the previous month. The closures relate, in part, to the general downturn in copper demand as well as transportation savings by focusing its manufacturing closer to its mines in Arizona. The Eastern Workforce Investment Board is helping Freeport-McMoRan's 117 employees with technical and job placement assistance. Freeport-McMoRan was Norwich's 11<sup>th</sup> largest taxpayer and Norwich Public Utilities' largest electric customer. Currently the owners are performing environmental assessment on the property and are seeking interested parties relative to adaptively reusing the building.

### Nordson EFD Manufacturing

In April 2020, the Commission on the City Plan approved a 53,880 square foot building addition to expand the manufacturing facility. In response to its growth, their Nordson tenant, Concentra, relocated to accommodate Nordson's needs. The City has been informed that consolidation of other Nordson properties will occur and that employees will be relocated to the enlarged Norwich facility. Construction was completed in 2021 for the addition and the equipment installation is ongoing. Nordson is currently looking to fill 110 positions to keep up with its expansion.

### Concentra Urgent Care

As a result of Nordson Manufacturing's growth, its tenant Concentra Urgent Care upgraded to a new retail-type facility closer to the downtown. They have moved to a highly visible commercial location along Route 82.

### Westledge Apartments

In October 2018, the Commission on the City Plan approved redevelopment on a long vacant property which had been the location of the Peachtree Apartment complex destroyed by fire. The new 120 unit market-rate complex includes amenities such as an in-ground pool, pool house and 30 garage units. Certificates of Occupancy have been issued for 48 of the residential units and construction is ongoing.

### 3 North-C Street

The Hills at Riverview LLC, received approval in June 2020 from the Commission on the City Plan to construct a residential project consisting of seven apartment buildings (52 units) with associated playground and recreational trails in the Taftville section of the City. The owner is in the process of completing permit applications and construction drawings for review.

### 30 Salem Tpke.

A 6,632 square foot three tenant retail/restaurant commercial project was approved by the Commission on the City Plan in November 2019. The project was completed in December 2020 with Chipotle and Super Cuts as two of the tenants.

### 40 Wisconsin Avenue

Solar Seal, an architectural glass manufacturer, closed on a lease-purchase of the 220,000 square foot 40 Wisconsin Avenue property in the Norwich Business Park in October 2021. They intend on starting operations in Summer 2022 with approximately 100 employees.

### *Regional Activity*

#### Electric Boat

General Dynamics Electric Boat (EB), the region's largest employer, is the nation's largest manufacturer of submarines, servicing the U.S. Navy. EB has sourced contracts that will maintain their production facilities and personnel needs for decades. A component of this work involves a new class of submarine, the Columbia class, for which a new production facility is needed. General Dynamics Electric Boat currently has a workforce of more than 17,000 employees at its three primary locations in Groton and New London, Connecticut, and Quonset Point, Rhode Island and is expected to grow to 20,000 by 2030 to meet the demands of its contracts.

The Columbia class program includes 12 ballistic missile submarines to replace the Navy's 14 aging Ohio-class submarines. EB was awarded a \$9.47 billion contract in November 2020 for the first two Columbia class submarines. The first submarine is scheduled for delivery to the Navy in 2027, and the second one in 2029. The majority of the construction work on these submarines will be performed at the Groton, New London, and Quonset Point locations.

#### Wind Turbine Assembly Facility

The New London Pier is being developed for use as a wind turbine assembly facility. The Connecticut Port Authority is working with terminal operator, Gateway Terminal, and Ørsted and Eversource to redevelop the State Pier in New London into a state-of-the-art heavy-lift capable port facility which could bring approximately 400 offshore wind-related jobs to the area. The \$200 million project started construction in February 2021 and is expected to be completed in August 2022.

## *Housing Market*

The City has an estimated 18,500 housing units, including single family homes, apartments, duplexes, condominiums, townhouses and mobile homes. According to the Eastern Connecticut Association of Realtors, during calendar year 2021, 421 single family homes, 128 multi-family homes, 20 mobile homes and 144 condos sold in the City. The median sales price for a single family home during this period was \$206,000.

As part of the City's investment to stabilize the housing stock, the City has committed federal and state resources towards neighborhood preservation. The Office of Community Development uses HUD funds to rehabilitate approximately 30 units of housing each year. These funds address health, safety and code issues impacting properties. In addition to addressing health and safety issues, the rehabilitation aids in increasing property values (approximately 13% average increase in values). The City was awarded a three-year Lead Based Paint Hazard Control/Healthy Homes grant for \$2.9 million in the fall of 2019. These funds will further improve owner occupied and investor housing units.

## *State of Connecticut Projects*

### Route 82 Redesign

The CTDOT proposed a two-phase reconstruction of Route 82 in August 2015. This project was approved by the Norwich City Council which cleared the way for CTDOT to begin preliminary design work. Field surveying has been completed and preliminary engineering is underway which will be followed by public hearings and final design. Construction may start by 2024. The preliminary design concept includes the replacement of several traffic signals with roundabouts and the installation of a median divider. The intent of these changes is to reduce accidents and improve the flow of traffic.

## *Major City Initiatives*

### Road Improvements

The residents of the City passed \$5 million of bond referendum items in November 2013, 2017 and 2019 for infrastructure improvements. The City spent a total of \$1.3 million of combined bond funds and capital funds during fiscal year 2019 to repave or reconstruct four miles of City roads. The City secured a \$2.1 million Local Transportation and Capital Improvement Program (LoTCIP) grant for the reconstruction of Dunham Street, a 0.75 mile urban collector road connecting West Main Street to West Thames Street. Construction is anticipated for spring of 2022. The City received a \$400,000 Connectivity Grant for constructing a modern roundabout at the intersection of Franklin Street and Main Street. This project was completed in October 2021 and has improved traffic flow and pedestrian movement.

### Sherman Street, Sunnyside Street, and Pleasant Street Bridge Rehabilitations

The Public Works Department previously secured approximately \$12 million in federal and State grant money to pursue rehabilitation projects to all three of these bridges. Design is currently underway with the Sherman Street bridge project with construction anticipated for 2022. Construction of the Sunnyside Street Bridge was completed in October 2020. The rehabilitation will preserve the historic features of the bridge.

### Uncas Leap

Located along a gorge carved out by the Yantic River, Uncas Leap is a natural resource with a cultural legacy. The neighborhood surrounding the falls, built to capitalize on the power of the Yantic River is also an important part of the City's industrial heritage. City agencies, the Mohegan Tribe, and numerous stakeholder groups have been working together to improve this resource; to protect it and share it with future generations.

The Connecticut Department of Economic & Community Development awarded the City two grants totaling \$770,000 to prepare environmental assessments of the site; complete a structural feasibility analysis on the Granite Mill Building and a hazardous building materials survey of the building, which is located on the site; create an adaptive reuse plan for the property; and implementation of part of the master plan for adaptive reuse of the property. The City also utilized a portion of a Federal EPA grant for City-wide Brownfields Assessment to remove an underground fuel tank and assessed environmental concerns related to the tank. Additionally, the Norwich City Council approved the use of federal CDBG funding to demolish a blighted and dangerous brick mill building located on the property, adjacent to the river. Community Development obtained approval from the Connecticut Trust for Historic Preservation for the building's demolition in order to attempt to save an older abutting granite mill. The removal of the brick structure reduced safety concerns, potential for vandalism, and created more usable space for the future site development.

The Norwich City Council approved the purchase of 232 Yantic Street to further the development of the Uncas Leap area. An eight space off-site parking lot was completed in May 2020. The City deconstructed the granite mill building to create a reuse concept for the structure that was approved by the State Historic Preservation Office. In 2018, the Uncas Leap Heritage Area was recognized by the American Planning Association as one of five finalists for the People's Choice designation for Great Places in America.

In September 2021, the Norwich City Council allocated \$1 million of American Rescue Plan (ARP) funds towards the continued development of site amenities. It is anticipated the additional \$1.1 million needed to complete this tourism project will be allotted in 2022 utilizing ARP funds.

#### American Rescue Plan

In addition to the funding allocated towards the Uncas Leap project, the Norwich City Council has also allocated ARP funds to several other initiatives such as recreation facilities improvements and social services programs. The City will receive a total of \$28.8 million of ARP funds to be spent by 2026.

#### *School Initiatives*

Norwich Public Schools is an Alliance School district creating the ability to embark on advanced academic initiatives. Veterans School is a SIG (School Improvement Grant) School – allowing additional academic initiatives. Moriarty and Wequonnoc Schools are Intradistrict Magnet Elementary Schools – providing greater opportunities for Environmental Sciences and Arts and Technology. Kelly and Teachers schools are Intradistrict Magnet Middle Schools – providing similar opportunities. Bishop School and Case Street Early Learning Center locations are the district's Early Childhood Education Centers, allowing greater opportunities for the youngest students in the City. Norwich Transition Academy is a customized transition program for 18-21 years old. The school district has full-day kindergarten classes in order to create early childhood success. All children in Norwich Public Schools receive free breakfast and lunch. The school system is also participating in some innovative farm to school initiatives to help local farmers and bring fresher produce directly to the children. Every elementary and middle school has an afterschool program and every elementary school has before school programs. The afterschool programs all serve free supper to those students in attendance.

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**Employee Relations and Collective Bargaining  
Municipal Employees**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
General Government.....	273.40	277.40	278.90	276.90	279.40
Board of Education.....	677.86	707.14	747.40	741.76	667.85
Public Utilities.....	150.00	148.00	146.00	147.50	148.50
<b>Total.....</b>	<b>1,101.26</b>	<b>1,132.54</b>	<b>1,172.30</b>	<b>1,166.16</b>	<b>1,095.75</b>

Source: Comptroller's Office, City of Norwich

**Employee Bargaining Groups**

<b>General Government Unions</b>	<b>Positions Covered</b>	<b>Current Contract Expiration Date</b>
United Public Service Employees Union, Local 38.....	9.00	6/30/2022
International Association of Fire Fighters, Local 892.....	56.00	6/30/2024
Norwich City Hall Employees Association, Inc., Connecticut Independent Labor Union (CILU), Local #11.....	49.80	6/30/2022
United Public Service Employees Union, Connecticut Organization for Public Safety Division - Police Officers.....	85.00	6/30/2023
United Public Service Employees Union, Connecticut Organization for Public Safety Division - Public Works.....	44.00	6/30/2022
Public Works Supervisors, American Federation of State, County & Municipal Employees (AFSCME), Local 818, Council 4.....	4.00	6/30/2024
Municipal Employees Union "Independent" (MEUI)-Supervisors.....	10.00	6/30/2023
Organized.....	257.80	
Non-Union.....	15.60	
<b>Sub-Total.....</b>	<b>273.40</b>	
<b>Public Utilities</b>		
Supervisory Employees Association, Inc. AFSCME Local 818, Council 4.....	47.00	6/30/2022
International Brotherhood of Electrical Workers Local 457, Norwich Unit.....	98.00	6/30/2022
United Steelworkers of America AFL-CIO-CLC Local No. 9411-02.....	4.00	6/30/2022
Organized.....	149.00	
Non-Union.....	1.00	
<b>Sub-Total.....</b>	<b>150.00</b>	
<b>Board of Education</b>		
Norwich School Administrators Association.....	19.00	6/30/2022
MEUI Local 506, SEIU, AFL-CIO - Custodians.....	28.00	6/30/2023
MEUI Local 506, SEIU, AFL-CIO - Paraeducators.....	144.00	6/30/2021 <sup>1</sup>
New England Health Care Employees Union District 1199, SEIU, AFL-CIO.....	11.00	6/30/2024
Norwich Educational Secretaries, AFSCME Local 1303-190, Council 4.....	26.00	6/30/2022
Norwich Teachers League.....	346.40	6/30/2022
UFCWI Local 371, NPS Food Services Managers.....	9.00	6/30/2024
UPSEU, NPS Food Services Workers.....	36.13	6/30/2021 <sup>1</sup>
Organized.....	619.53	
Non-Union.....	58.33	
<b>Sub-Total.....</b>	<b>677.86</b>	
<b>Total.....</b>	<b>1,101.26</b>	

<sup>1</sup> In negotiation.

Source: Finance Department, City of Norwich

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

**Educational System**  
**School Facilities**

<b>School</b>	<b>Grades</b>	<b>Date of Construction</b>	<b>Number of Classrooms</b>	<b>10/1/2021 Enrollment</b>	<b>Rated Capacity</b>
Bishop School.....	PreK	1925	11	101	280
John B Stanton School.....	K-5	1956	25	393	440
John M Moriarty School.....	K-5	1975	33	395	620
Kelly Middle School.....	6-8	1962/2013	47	650	800
Norwich Transition Academy.....	Ages 18-21	1975	5	31	70
Samuel Huntington School.....	K-5	1928	18	301	450
Teachers' Memorial School.....	6-8	1975	30	395	760
Thomas W Mahan School.....	K-5	1968	17	235	320
Uncas School.....	K-5	1975	18	236	340
Veterans' Memorial School.....	K-5	1968	17	259	320
Wequonnoc School.....	K-5	1962	17	229	340
<b>Total.....</b>			<b>238</b>	<b>3,225</b>	<b>4,740</b>

Source: City of Norwich, Board of Education

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## School Enrollment

### Norwich Students Enrolled In-District

<b>School Year</b>	<b>PreK-5</b>	<b>6-8</b>	<b>Transition Academy (Ages 18-21)</b>	<b>Total</b>
<b><u>Historical</u></b>				
2017-18	2,462	1,033	20	3,515
2018-19	2,443	1,065	23	3,531
2019-20	2,427	1,048	19	3,494
2020-21	2,248	1,075	22	3,345
2021-22	2,149	1,045	31	3,225

*Note: Norwich Free Academy (NFA) is a privately-endowed high school located in the City and serves as one of the City's designated high schools.*

### **Projected**

<b><u>Pre K-8</u></b>	
2022-23	3,375
2023-24	3,342
2024-25	3,324
2025-26	3,284
2026-27	3,289
2027-28	3,181
2028-29	3,169

### Norwich Students Enrolled Out-of-District

<b>School Year</b>	<b>PreK-8</b>	<b>Norwich Free Academy</b>	<b>Other High Schools</b>	<b>Total</b>
<b><u>Historical</u></b>				
2017-18	258	1,510	328	2,096
2018-19	223	1,501	326	2,050
2019-20	208	1,502	356	2,066
2020-21	135	1,271	368	1,774
2021-22	122	1,432	402	1,956

*Note: In many cases, Norwich Public Schools (NPS) pays ancillary costs for students who attend out of district such as occupational therapy, transportation, nurses, psychologists, etc.*

### III. Economic and Demographic Information Population and Density

Year	Actual		
	Population <sup>1</sup>	% Increase	Density <sup>2</sup>
2020	40,125	-0.9%	1,481
2010	40,493	12.1%	1,494
2000	36,117	-3.4%	1,333
1990	37,391	-1.8%	1,380
1980	38,074	-7.9%	1,405
1970	41,333	--	1,525

<sup>1</sup> U.S. Department of Commerce, Bureau of Census.

<sup>2</sup> Per square mile: 27.1 square miles.

#### Age Distribution of the Population

Age	City of Norwich		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years .....	2,252	5.7%	183,808	5.1%
5 to 9 years .....	2,196	5.6	198,000	5.5
10 to 14 years .....	2,358	6.0	221,325	6.2
15 to 19 years .....	1,972	5.0	244,249	6.8
20 to 24 years .....	3,025	7.7	244,597	6.8
25 to 34 years .....	6,460	16.5	441,742	12.4
35 to 44 years .....	4,398	11.2	424,739	11.9
45 to 54 years .....	4,832	12.3	508,428	14.2
55 to 59 years .....	2,285	5.8	264,804	7.4
60 to 64 years .....	2,865	7.3	242,329	6.8
65 to 74 years .....	3,891	9.9	336,422	9.4
75 to 84 years .....	1,819	4.6	174,887	4.9
85 years and over .....	907	2.3	89,744	2.5
<b>Total.....</b>	<b>39,260</b>	<b>100.0%</b>	<b>3,575,074</b>	<b>100.0%</b>

Median Age (Years)..... 37.9 41.0

Source: American Community Survey, 2015-2019.

#### Income Distribution

Income	City of Norwich		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	335	3.5%	24,799	2.8%
\$10,000 to \$14,999.....	242	2.5	16,037	1.8
\$15,000 to \$24,999.....	659	6.8	38,364	4.3
\$25,000 to \$34,999.....	911	9.4	48,110	5.4
\$35,000 to \$49,999.....	1,301	13.5	77,010	8.6
\$50,000 to \$74,999.....	1,838	19.0	123,980	13.9
\$75,000 to \$99,999.....	1,447	15.0	116,676	13.1
\$100,000 to \$149,999.....	1,713	17.7	186,246	20.8
\$150,000 to \$199,999.....	565	5.8	109,258	12.2
\$200,000 or more.....	661	6.8	152,958	17.1
<b>Total.....</b>	<b>9,672</b>	<b>100.0%</b>	<b>893,438</b>	<b>100.0%</b>

Source: American Community Survey, 2015-2019.

### Income Levels

	<b>City of Norwich</b>	<b>State of Connecticut</b>
Per Capita Income, 2019 .....	\$ 30,201	\$ 44,496
Median Family Income, 2019 .....	\$ 66,985	\$ 100,418
Median Household Income, 2019 .....	\$ 57,052	\$ 78,444

*Source: American Community Survey, 2015-2019.*

### Educational Attainment Persons 25 Years and Older

	<b>City of Norwich</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than 9th grade.....	1,315	4.8%	99,837	4.0%
9th to 12th grade.....	2,033	7.4	132,826	5.3
High School graduate.....	10,170	37.0	666,828	26.9
Some college, no degree.....	6,120	22.3	416,175	16.8
Associate's degree .....	2,163	7.9	191,964	7.7
Bachelor's degree.....	3,559	13.0	541,380	21.8
Graduate or professional degree.....	2,097	7.6	434,085	17.5
<b>Total.....</b>	<b>27,457</b>	<b>100.0%</b>	<b>2,483,095</b>	<b>100.0%</b>
 Total high school graduate or higher (%)...	 87.8%		 90.6%	
Total bachelor's degree or higher (%).....	20.6%		39.3%	

*Source: American Community Survey, 2015-2019.*

### Employment by Industry

<b>Sector</b>	<b>City of Norwich</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Agriculture, forestry, fishing/hunting & mining .....	113	0.6%	7,057	0.4%
Construction .....	681	3.5	109,467	6.0
Manufacturing .....	1,499	7.6	189,162	10.4
Wholesale trade .....	435	2.2	44,344	2.4
Retail trade .....	2,492	12.7	191,756	10.6
Transportation and warehousing, and utilities .....	949	4.8	76,439	4.2
Information .....	298	1.5	39,585	2.2
Finance, insurance, real estate, rental & leasing .....	770	3.9	162,153	8.9
Professional, scientific, management, administrative, and waste mgmt services .....	1,446	7.4	208,379	11.5
Education, health and social services .....	4,437	22.6	484,166	26.7
Arts, entertainment, recreation, accommodation and food services .....	5,167	26.3	152,041	8.4
Other services (except public administration) .....	668	3.4	84,915	4.7
Public Administration .....	718	3.6	66,172	3.6
<b>Total Labor Force, Employed .....</b>	<b>19,673</b>	<b>100.0%</b>	<b>1,815,636</b>	<b>100.0%</b>

*Source: American Community Survey, 2015-2019.*

**Employment Data  
By Place of Residence**

<b>Period</b>	<b>Percentage Unemployed</b>				
	<b>City of Norwich</b>		<b>Norwich -</b>		
	<b>Employed</b>	<b>Unemployed</b>	<b>City of Norwich</b>	<b>New London Labor Market</b>	<b>State of Connecticut</b>
December 2021	17,527	1,189	6.4	4.9	4.4
<b>Annual Average</b>					
2021 .....	16,920	1,751	9.4	7.2	6.6
2020 .....	17,782	2,573	6.3	9.2	7.3
2019 .....	19,513	826	4.1	3.6	3.7
2018 .....	19,415	913	4.5	4.0	4.1
2017 .....	19,039	1,288	6.3	5.4	5.3
2016 .....	18,889	1,472	7.2	5.9	5.6
2015 .....	18,869	1,697	8.3	6.9	6.7
2014 .....	19,786	1,952	9.0	8.0	7.8
2013 .....	20,092	2,085	9.4	8.6	8.3
2012 .....	20,692	2,201	9.6	8.7	8.3

*Note: Not seasonally adjusted.*

*Source: State of Connecticut, Department of Labor.*

**Major Employers  
As of January 2022**

<b>Name</b>	<b>Business</b>	<b>Number of Employees</b>
William W. Backus Hospital.....	Medical Center	1,895
City of Norwich (incl. NPU & BOE).....	Municipality	1,154
State of Connecticut.....	All State Agencies	944
Bob's Discount Furniture.....	Distribution Center	553
Norwich Free Academy.....	Quasi-Private High School	345
U.S. Food Service.....	Food Distribution	300
United Community & Family Services.....	Healthcare & Community Services	276
Nordson EFD.....	Plastics Products Manufacturing	270
The American Group.....	Ambulance Service and Other Operations	219
Shop Rite.....	Grocery	180

*Source: 2021 Survey conducted by the Norwich Community Development Corporation (NCDC). Not all companies responded with updated information.*

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## Building Permits

Calendar Year Ended	Residential		Commercial / Industrial		Totals	
	No.	Value	No.	Value	No.	Value
2021	1,430	\$ 22,253,070	291	\$ 39,703,420	1,721	\$ 61,956,490
2020	1,261	18,463,298	253	19,565,045	1,514	38,028,343
2019	1,376	15,635,636	303	14,282,191	1,679	29,917,827
2018	1,143	30,510,842	240	10,145,133	1,383	40,655,975
2017	1,160	29,829,229	233	10,030,824	1,393	39,860,053
2016	1,212	11,695,513	275	12,934,143	1,487	24,629,656
2015	1,622	35,234,992	185	14,631,952	1,807	49,866,944
2014	1,958	18,694,563	176	8,053,706	2,134	26,748,269
2013	1,874	15,535,880	214	11,602,204	2,088	27,138,084
2012	1,427	19,452,636	155	7,761,148	1,582	27,213,784

Source: Building Official, City of Norwich

## Age Distribution of Housing

Year Built	City of Norwich		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	7,333	38.1%	334,845	22.1%
1940 to 1969.....	5,589	29.1	532,280	35.1
1970 to 1979.....	1,664	8.7	203,700	13.4
1980 to 1989.....	2,058	10.7	188,655	12.4
1990 to 1999.....	976	5.1	116,028	7.7
2000 or 2009.....	1,298	6.8	103,075	6.8
2010 or later.....	306	1.6	38,046	2.5
<b>Total Housing Units.....</b>	<b>19,224</b>	<b>100.0%</b>	<b>1,516,629</b>	<b>100.0%</b>

Percent Owner Occupied ..... 51.6% 66.1%

Source: American Community Survey, 2015-2019.

## Housing Inventory

Type	City of Norwich		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	8,144	42.4%	893,531	58.9%
1-unit, attached.....	990	5.1	81,832	5.4
2 units.....	3,169	16.5	124,082	8.2
3 or 4 units.....	2,140	11.1	130,863	8.6
5 to 9 units.....	1,402	7.3	82,695	5.5
10 to 19 units.....	1,041	5.4	57,281	3.8
20 or more units.....	1,612	8.4	134,093	8.8
Mobile home.....	726	3.8	11,826	0.8
Boat, RV, van, etc.....	-	-	426	0.0
<b>Total Inventory.....</b>	<b>19,224</b>	<b>100.0%</b>	<b>1,516,629</b>	<b>100.0%</b>

Source: American Community Survey, 2015-2019.

### Owner-Occupied Housing Values

<b>Specified Owner-Occupied Units</b>	<b>City of Norwich</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than \$50,000.....	598	7.2%	17,522	1.9%
\$50,000 to \$99,999.....	650	7.8	28,440	3.1
\$100,000 to \$149,999.....	2,013	24.2	78,467	8.7
\$150,000 to \$199,999.....	2,689	32.3	137,944	15.2
\$200,000 to \$299,999.....	1,715	20.6	248,431	27.4
\$300,000 to \$499,999.....	501	6.0	244,855	27.0
\$500,000 to \$999,999.....	137	1.6	107,504	11.9
\$1,000,000 or more.....	11	0.1	42,518	4.7
<b>Total.....</b>	<b>8,314</b>	<b>100.0%</b>	<b>905,681</b>	<b>100.0%</b>
<b>Median Sales Price.....</b>	<b>\$164,200</b>		<b>\$275,400</b>	

Source: American Community Survey, 2015-2019.

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## **IV. Tax Base Data**

### **Property Tax Assessments**

The City revalued all real property as of October 1, 2018 and will revalue all real property every five years thereafter. The maintenance of an accurate tax base and the location and appraisal of all real and personal property within the City for inclusion in the Grand List are the responsibilities of the Assessor. The Grand List represents the total of assessed value for all taxable real property, motor vehicles and personal property located within the City as of October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments are computed at seventy percent (70%) of market value at the time of the last completed revaluation (Grand List 10/1/18). The next revaluation is expected to take place for the October 1, 2023 Grand List.

When a new structure or modification to an existing structure is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed as of the revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to the City by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials and as recommended by the State Office of Policy and Management ("OPM"). Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the proration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October Grand List, the taxpayer is entitled to certain credits.

Connecticut General Statutes Section 12-71e, as amended, allows municipalities to tax motor vehicles at a different rate than other taxable property, but caps the motor vehicle tax rate at 39.00 mills for the assessment year commencing October 1, 2017 and at 45.00 mills for the assessment year commencing October 1, 2018 and each assessment year thereafter. Section 4-661 of the General Statutes, as amended ("Section 4-661"), diverts a portion of state collected sales tax revenue to provide funding to municipalities to mitigate the revenue loss attributed to the motor vehicle property tax cap. The City's general fund mill rate for motor vehicles for the assessment year commencing October 1, 2020 (the Fiscal Year ending June 30, 2022) is 41.98 mills.

All business personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at seventy percent (70%) of present market value.

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

## Comparative Assessed Valuations

Grand List of 10/1	Commercial/ Residential	Industrial	Personal Property (%)	Motor Vehicle (%)	Gross Taxable Grand List	Less Exemption	Net Taxable Grand List	Percent Growth
	Real Property (%)	Real Property (%)						
2020	57.4	20.7	10.0	11.9	\$ 2,154,617,561	\$ 74,137,706	\$ 2,080,479,855	1.68
2019	58.1	21.0	9.9	11.0	2,120,703,696	74,657,458	2,046,046,238	0.94
2018 <sup>1</sup>	58.1	21.1	9.9	10.9	2,103,314,513	76,226,356	2,027,088,157	6.49
2017	58.8	19.2	10.5	11.5	1,987,348,631	83,784,876	1,903,563,755	2.32
2016	60.9	18.7	8.4	12.0	1,898,351,937	37,976,340	1,860,375,597	0.77
2015	61.3	18.7	7.8	12.1	1,880,417,583	34,214,957	1,846,202,626	1.10
2014	61.6	18.8	7.6	12.0	1,864,619,667	38,568,886	1,826,050,781	0.19
2013 <sup>1</sup>	61.7	18.7	7.4	12.2	1,860,618,673	38,117,150	1,822,501,523	(24.81)
2012	67.9	18.4	5.7	7.9	2,457,677,290	33,750,270	2,423,927,020	(1.27)
2011	67.2	18.2	5.8	8.8	2,493,391,572	38,323,212	2,455,068,360	2.54

<sup>1</sup> Revaluation.

Source: City of Norwich Assessor's Office

## Property Tax Levies and Collections

Grand List of 10/1	Fiscal Year Ending 6/30	Collected within the Fiscal Year of the Levy					Total Collections to Date <sup>2</sup>	
		Net Taxable Grand List	Adjusted Tax Levy for Fiscal Year	Mill Rate	Amount	Percentage	Collected in Subsequent Years	Amount
<u>General Fund</u>								
2020	2022	\$ 2,080,479,855	\$ 86,985,937	41.98	\$57,339,176	65.9%	N/A	
2019	2021	2,046,046,238	85,139,496	42.06	82,919,221	97.4%	\$ 634,756	<u>In Collection</u>
2018 <sup>1</sup>	2020	2,027,088,157	81,312,479	40.28	79,043,079	97.2%	1,474,648	\$83,553,977 98.1%
2017	2019	1,903,563,755	76,713,350	41.01	74,446,820	97.0%	2,068,496	80,517,727 99.0%
2016	2018	1,860,375,597	74,351,051	40.52	72,124,359	97.0%	2,096,339	76,515,316 99.7%
								74,220,698 99.8%
<u>City Consolidation District (CCD) Fire Tax</u>								
2020	2022	\$ 678,498,247	\$ 4,185,675	6.66 / 3.02	\$ 2,627,359	62.8%	N/A	
2019	2021	660,965,123	3,884,751	6.41 / 2.94	3,766,214	96.9%	\$ 24,051	<u>In Collection</u>
2018 <sup>1</sup>	2020	656,653,313	4,803,635	7.71 / 4.72	4,622,801	96.2%	116,453	\$ 3,790,265 97.6%
2017	2019	624,670,258	4,263,493	7.38	4,107,037	96.3%	134,492	4,739,254 98.7%
2016	2018	612,002,783	4,331,453	8.22	4,199,779	97.0%	114,059	4,241,529 99.5%
								4,313,838 99.6%
<u>Town Consolidation District (TCD) Volunteer Fire Relief Tax</u>								
2020	2022	\$ 1,401,981,608	\$ 518,600	0.37	\$ 354,113	68.3%	N/A	
2019	2021	1,385,081,115	435,047	0.32	428,054	98.4%	\$ 1,765	<u>In Collection</u>
2018 <sup>1</sup>	2020	1,370,434,844	493,875	0.36	485,813	98.4%	4,902	\$ 429,819 98.8%
2017	2019	1,278,893,497	568,360	0.45	557,686	98.1%	9,925	490,715 99.4%
2016	2018	1,248,372,814	166,439	0.15	164,702	99.0%	1,589	567,611 99.9%
								166,291 99.9%

<sup>1</sup> Revaluation.

<sup>2</sup> As of December 31, 2021.

Sources: City of Norwich Tax Office

### Property Tax Receivable

<i>Fiscal Year Ending 6/30</i>	<i>Total Uncollected</i>	<i>Uncollected for Current Year of Levy</i>
2021	\$4,282,000	\$2,384,000
2020	4,283,000	2,381,000
2019	3,521,000	2,274,000
2018	4,168,000	2,350,000
2017	3,526,000	2,256,000
2016	4,008,000	2,394,000
2015	4,178,000	2,715,000
2014	3,612,000	2,260,000
2013	4,225,000	2,257,000
2012	4,046,000	2,059,000

*Source: Tax Collector's Report, City's Annual Audited Financial Statements, 2012-2021.*

### Ten Largest Taxpayers

<i>Name</i>	<i>Nature of Business</i>	<i>Taxable Valuation</i>	<i>Percent of Net Taxable Grand List <sup>1</sup></i>
Computer Science Corporation.....	Computer Products & Services	\$ 49,644,060	2.39%
NorwichTown Commons.....	Shopping Center	19,080,060	0.92%
Bob's Discount Furniture.....	Distribution Warehouse	16,777,730	0.81%
Norwich Realty Associates LP.....	Real Estate	11,380,600	0.55%
Domino Solar Ltd.....	Solar Powerplant	11,203,260	0.54%
Plaza Enterprises.....	Shopping Center	11,026,050	0.53%
Mashantucket Pequot Tribe.....	Real Estate	10,296,840	0.49%
Elk Thames view LLC.....	Apartment Complex	9,410,700	0.45%
Wal-Mart Stores, Inc.....	Department Store	9,150,910	0.44%
Algonquin Gas Transmissions LLC....	Natural Gas Pipeline	8,772,380	0.42%
<b>Total.....</b>		<b>\$ 156,742,590</b>	<b>7.53%</b>

<sup>1</sup> Based on the October 1, 2020 Net Taxable Grand List of \$2,080,479,855.

Source: City of Norwich Assessor's Office

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**V. Debt Summary**  
**Principal Amount of Bonded Indebtedness <sup>1</sup>**  
**As of February 25, 2022**  
**(Pro-Forma)**

<i>Date</i>	<i>Purpose</i>	<i>Rate %</i>	<i>Amount of Original Issue</i>	<i>Outstanding</i>	<i>Fiscal Year of Final Maturity</i>
<b><u>Long-Term GO Debt (as of June 30, 2021)</u></b>					
02/15/12	Refunding Bonds.....	2.00	\$ 2,725,000	\$ 240,000	2022
03/03/15	General Purpose, Series A.....	3.00 - 4.00	5,600,000	3,600,000	2034
03/03/15	Taxable Bonds, Series B.....	2.00 - 3.00	1,140,000	450,000	2025
03/01/16	General Purpose, Series A.....	2.00 - 3.00	6,300,000	4,475,000	2035
03/01/16	Taxable Bonds, Series B.....	2.00 - 3.00	2,500,000	1,250,000	2025
10/12/16	Refunding Bonds, Series C.....	1.75 - 4.00	2,925,000	2,340,000	2024
03/10/17	General Purpose, Series A.....	3.00 - 4.00	7,275,000	6,375,000	2037
03/10/17	Taxable Bonds, Series B.....	1.00 - 3.90	1,000,000	800,000	2037
12/06/18	General Purpose.....	3.00 - 5.00	7,425,000	7,040,000	2039
12/06/18	Urban Renewal.....	3.00 - 5.00	545,000	520,000	2039
12/05/19	General Purpose.....	2.00 - 5.00	3,430,000	3,430,000	2040
12/05/19	Urban Renewal.....	2.00 - 5.00	145,000	145,000	2040
10/28/20	General Purpose, Series A.....	2.00 - 3.00	740,000	740,000	2041
10/28/20	Urban Renewal, Series A.....	2.00 - 3.00	465,000	465,000	2041
10/28/20	Refunding Bonds, Series C.....	0.39 - 2.17	15,920,000	14,525,000	2034
	<b>Sub-Total.....</b>		<b>\$ 58,135,000</b>	<b>\$ 46,395,000</b>	
<b><u>This Issue</u></b>					
02/25/22	Pension Bonds.....	1.348 - 3.641	\$ 145,000,000	\$ 145,000,000	2047
	<b>Sub-Total.....</b>		<b>145,000,000</b>	<b>145,000,000</b>	
	<b>Total G.O. Bonds.....</b>		<b>\$ 203,135,000</b>	<b>\$ 191,395,000</b>	
<b><u>Sewer - Revenue Secured Only (as of June 30, 2021)</u></b>					
06/30/02	CWF 349-C.....	2.00	\$ 881,000	\$ 26,327	2022
07/01/13	CWF 495-C (Digester).....	2.00	5,747,554	3,410,585	2032
12/31/13	CWF 625-D (Treatment Plant Design).....	2.00	1,864,518	1,061,209	2032
05/30/15	CWF 625-D-1 (Treatment Plant Design).....	2.00	2,510,422	1,600,281	2031
	<b>Sub-Total.....</b>		<b>\$ 11,003,494</b>	<b>\$ 6,098,402</b>	
<b><u>Water - Revenue Secured Only (as of June 30, 2021)</u></b>					
12/31/02	CWF 9714-C.....	2.77	\$ 1,899,000	\$ 60,610	2022
06/30/09	Clean Water Act 200801-C - Water.....	2.27	450,000	178,125	2029
12/31/10	DWSRF 2010-8005.....	2.06	144,728	61,509	2030
12/31/10	DWSRF 2010-8006.....	2.06	326,250	146,812	2030
04/30/14	Deep River Reservoir Pump / Drive DWSRF 2011-7005.....	2.00	160,284	98,193	2032
04/30/14	Deep River Reservoir Transmission Line / DWSRF 2011-7006.....	2.00	147,989	89,068	2032
06/30/15	DWSRF 2014-7027 Replacement of Stony Brook Contact Clarifier, Mohegan Park Tank, and North and South Transmission Mains.....	2.00	505,762	341,389	2034
05/31/16	DWSRF 2014-7036 Deep River Reservoir Pump, Drive, Tank, Transmission Line.....	2.00	4,051,579	2,920,513	2035
10/12/16	DWSRF 2015-7037 Royal Oaks and Plain Hill Water and Gas System.....	2.00	1,528,016	1,124,789	2034
02/28/19	DWSRF 2017-7056 Mohegan Park Tank Const.....	2.00	2,695,094	2,313,289	2034
	<b>Sub-Total.....</b>		<b>\$ 11,908,702</b>	<b>\$ 7,334,297</b>	
	<b>Total Revenue Bonds.....</b>		<b>\$ 22,912,196</b>	<b>\$ 13,432,699</b>	

<sup>1</sup> Excludes outstanding Notes, long-term capital leases, and Refunded Bonds.

**Short-Term Debt  
As of February 25, 2022  
(Pro-Forma)**

As of February 25, 2022, the City has \$11,250,607 of outstanding short-term debt through the State of Connecticut's Clean Water Fund Program. For more information see "Clean Water Fund Program" herein.

**Annual Bonded Debt Maturity Schedule <sup>1</sup>  
As of February 25, 2022  
(Pro-Forma)**

<b>Fiscal Year Ended</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>This Issue - Pro-Forma</b>		<b>Total</b>	<b>Cumulative Principal Retired</b>
				<b>Pension Bonds</b>	<b>Total This Issue</b>		
2022 <sup>2</sup>	\$ 240,000	\$ 2,400	\$ 242,400	\$ -	\$ -	\$ 240,000	0.1%
2023	3,835,000	1,100,039	4,935,039	4,430,000	4,430,000	8,265,000	4.5%
2024	3,795,000	1,007,541	4,802,541	4,200,000	4,200,000	7,995,000	8.8%
2025	3,740,000	905,740	4,645,740	4,275,000	4,275,000	8,015,000	13.1%
2026	3,590,000	804,455	4,394,455	4,360,000	4,360,000	7,950,000	17.3%
2027	3,245,000	713,186	3,958,186	4,455,000	4,455,000	7,700,000	21.4%
2028	3,215,000	628,683	3,843,683	4,560,000	4,560,000	7,775,000	25.6%
2029	3,200,000	544,256	3,744,256	4,670,000	4,670,000	7,870,000	29.8%
2030	3,185,000	464,003	3,649,003	4,790,000	4,790,000	7,975,000	34.0%
2031	2,605,000	392,462	2,997,462	4,915,000	4,915,000	7,520,000	38.0%
2032	2,560,000	325,552	2,885,552	5,050,000	5,050,000	7,610,000	42.1%
2033	2,045,000	261,861	2,306,861	5,190,000	5,190,000	7,235,000	45.9%
2034	2,035,000	202,446	2,237,446	5,345,000	5,345,000	7,380,000	49.9%
2035	1,440,000	148,510	1,588,510	5,505,000	5,505,000	6,945,000	53.6%
2036	1,190,000	103,685	1,293,685	5,680,000	5,680,000	6,870,000	57.2%
2037	940,000	67,590	1,007,590	5,870,000	5,870,000	6,810,000	60.9%
2038	670,000	40,488	710,488	6,070,000	6,070,000	6,740,000	64.5%
2039	670,000	18,188	688,188	6,290,000	6,290,000	6,960,000	68.2%
2040	250,000	4,288	254,288	6,520,000	6,520,000	6,770,000	71.8%
2041	60,000	638	60,638	6,755,000	6,755,000	6,815,000	75.4%
2042	-	-	-	7,000,000	7,000,000	7,000,000	79.2%
2043	-	-	-	7,255,000	7,255,000	7,255,000	83.0%
2044	-	-	-	7,525,000	7,525,000	7,525,000	87.0%
2045	-	-	-	7,805,000	7,805,000	7,805,000	91.2%
2046	-	-	-	8,090,000	8,090,000	8,090,000	95.5%
2047	-	-	-	8,395,000	8,395,000	8,395,000	100.0%
<b>Total.....</b>	<b>\$ 42,510,000</b>	<b>\$ 7,736,011</b>	<b>\$ 50,246,011</b>	<b>\$ 145,000,000</b>	<b>\$ 145,000,000</b>	<b>\$ 187,510,000</b>	

<sup>1</sup> Excludes outstanding Notes, long-term capital leases, revenue secured clean water fund debt and Refunded Bonds.

<sup>2</sup> Excludes \$3,885,000 in principal payments and \$1,194,621 in interest payments from July 1, 2021 through February 25, 2022.

**Overlapping/Underlying Debt**

As of February 25, 2022, the City does not have any overlapping or underlying debt.

**Debt Statement**  
**As of February 25, 2022**  
**(Pro-Forma)**

**Long-Term G.O. Debt Outstanding:** <sup>1</sup>

General Purpose .....	\$ 23,106,411
Schools .....	4,556,816
Sewers .....	2,254,669
Pension (This issue).....	145,000,000
Urban Renewal .....	2,045,000
Gas <sup>2</sup> .....	14,432,104
<b>Total Long-Term Debt</b> .....	<b>191,395,000</b>
<b>Total Short-Term Debt</b> (State of Connecticut CWF IFOs).....	<b>11,250,607</b>
<b>Total Overall Debt</b> .....	<b>202,645,607</b>
Less: Self-Supporting Debt.....	(14,432,104)
<b>Total Overall Net Debt</b> .....	<b>\$ 188,213,503</b>

<sup>1</sup> Excludes capital leases and refunded bonds. Also excludes revenue secured Sewer debt in the amount of \$6,098,402 and Water debt in the amount of \$7,334,298. Outstanding long term bonds are as of June 30, 2021.

<sup>2</sup> While debt issued for gas line purposes is secured by the general obligation of the City, NPU has agreed to pay the City annually an amount equal to the debt service.

**Current Debt Ratios**  
**As of February 25, 2022**  
**(Pro-Forma)**

Population (2020) .....	40,125
Net Taxable Grand List (10/1/20) .....	\$ 2,080,479,855
Estimated Full Value .....	\$ 2,972,114,079
Equalized Grand List (10/1/19) <sup>2</sup> .....	\$ 3,101,045,587
Money Income per Capita (2019) <sup>1</sup> .....	\$ 30,201

	<b>Total Overall Debt</b>	<b>Total Overall Net Debt</b>
Per Capita.....	\$5,050.36	\$4,690.68
Ratio to Net Taxable Grand List.....	9.74%	9.05%
Ratio to Estimated Full Value.....	6.82%	6.33%
Ratio to Equalized Grand List.....	6.53%	6.07%
Debt per Capita to Money Income per Capita.....	16.72%	15.53%

<sup>1</sup> U.S. Department of Commerce, Bureau of Census, American Community Survey, 2015-2019.

<sup>2</sup> Office of Policy and Management, State of Connecticut.

## ***Bond Authorization***

The City has the power to incur indebtedness by issuing its bonds or notes as authorized by the Connecticut General Statutes subject to statutory debt limitations and the procedural requirements of the City Charter. The issuance of bonds and notes is authorized by the City Council and referenda if the proposed issuance for the project exceeds \$800,000. Revenue secured obligations may be authorized by vote of the City Council. For a detailed description of how the Bonds were authorized, see “Authorization and Purpose” herein.

## ***Maturities***

General obligation bonds, with the exception of refunding bonds, are required to be payable in maturities wherein a succeeding maturity may not exceed any prior maturity by more than 50% or aggregate annual principal and interest payments must be substantially equal. Subject to the provisions of Public Act No. 17-147, the term of an issue may not exceed twenty years except in the case of pension bonds, school and sewer bonds, and refunding bonds (in some instances), which may mature in up to thirty years.

## ***Temporary Financing***

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing no later than two years after the original date of issue (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable and the legislative body schedules principal reductions by the end of the third and each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for certain sewer and school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, or, for sewer and school projects, by the amount of time temporary financing has been outstanding.

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

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

**Clean Water Fund and Drinking Water State Revolving Programs**

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

Loans to a participating municipality are made pursuant to a Project Grant and Project Loan Agreement. Each municipality is obligated to repay only that amount which it draws down for the payment of project costs. Municipalities must permanently finance draws under the Interim Funding Obligations (“IFO”) through the issuance of a Project Loan Obligation (“PLO”).

Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the PLO, or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are payable 1) in equal monthly installments commencing one month after the scheduled completion date, or 2) in a single annual installment representing 1/20 of total principal not later than one year from the project completion date specified in the PLO, and thereafter in monthly installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty. Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality and/or a dedicated source of revenue of such municipality.

As of February 25, 2022, the City currently has the following CWF and DWSRF obligations outstanding:

<i>Project</i>	<i>Amount</i>
DWSRF 2019-7069: Occum Tank/Deep River Filtration .....	\$ 2,311,951
CWF 707-PD: LTCP Completion and Design of Eastside CSO.....	1,655,000
DWSRF 2019-7077: Stony Brook DAF.....	5,151,582
DWSRF 2019-7081: Sprague Emergency Interconnect and Stony Brook Transmition Main Rehab.....	2,132,074
<b>Total.....</b>	<b>\$ 11,250,607</b>

**Limitation of Indebtedness**

Municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

- General Purposes: 2.25 times annual receipts from taxation
- School Purposes: 4.50 times annual receipts from taxation
- Sewer Purposes: 3.75 times annual receipts from taxation
- Urban Renewal Purposes: 3.25 times annual receipts from taxation
- Unfunded Past Pension Purposes: 3.00 times annual receipts from taxation

In no case however, shall total indebtedness exceed seven times the annual receipts from taxation. Annual receipts from taxation (the "base,") are defined as total tax collections (including interest and penalties) and state payments for revenue loss under the Connecticut General Statutes Sections 12-129d and 7-528.

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement and for indebtedness issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds. The statutes also provide for exclusion from the debt limitation any debt to be paid from a funded sinking fund.

**Statement of Statutory Debt Limitation  
As of February 25, 2022  
(Pro Forma)**

**Total Tax Collections** (including interest and lien fees for General Fund and Fire Districts)

Received by the Treasurer for the year ended June 30, 2021 .....	\$ 90,182,000
<b>Base for Debt Limitation Computation</b> .....	<b>\$ 90,182,000</b>

	<b>General Purpose</b>	<b>Schools</b>	<b>Sewers</b>	<b>Urban Renewal</b>	<b>Unfunded Pension</b>
<b>Debt Limitation:</b>					
2 1/4 times base.....	\$ 202,909,500	-	-	-	-
4 1/2 times base.....	-	\$ 405,819,000	-	-	-
3 3/4 times base.....	-	-	\$ 338,182,500	-	-
3 1/4 times base.....	-	-	-	\$ 293,091,500	-
3 times base.....	-	-	-	-	\$ 270,546,000
<b>Total Debt Limitation</b> .....	<b>\$ 202,909,500</b>	<b>\$ 405,819,000</b>	<b>\$ 338,182,500</b>	<b>\$ 293,091,500</b>	<b>\$ 270,546,000</b>
<b>Indebtedness:</b> <sup>1,2</sup>					
Bonds Outstanding.....	\$ 23,106,411	\$ 4,556,816	\$ 2,254,669	\$ 2,045,000	\$ -
Bonds – This Issue.....	-	-	-	-	145,000,000
Capital Leases.....	184,746	-	-	-	-
Debt Authorized But Unissued.....	7,495,000	-	-	117,325	-
<b>Total Indebtedness</b> .....	<b>30,786,157</b>	<b>4,556,816</b>	<b>2,254,669</b>	<b>2,162,325</b>	<b>145,000,000</b>
Less:					
State School Grants Receivable.....	-	-	-	-	-
<b>Total Net Indebtedness</b> .....	<b>30,786,157</b>	<b>4,556,816</b>	<b>2,254,669</b>	<b>2,162,325</b>	<b>145,000,000</b>
<b>DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS..</b>	<b>\$ 172,123,343</b>	<b>\$ 401,262,184</b>	<b>\$ 335,927,831</b>	<b>\$ 290,929,175</b>	<b>\$ 125,546,000</b>

<sup>1</sup> Gas Line extension bonds outstanding in the amount of \$14,432,104.

<sup>2</sup> Excludes \$7,273,687 of self-supporting water debt and \$11,250,607 of outstanding CWF IFO's for Water projects.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$631,274,000.

**THE CITY OF NORWICH HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL  
OR INTEREST ON ITS BONDS.**

**Authorized but Unissued Debt**  
**As of February 25, 2022**  
**(Pro Forma)**

<b>Project</b>	<b>Total</b>				
	<b>Amount of Authorization</b>	<b>Bonds Issued</b>	<b>Est. Grants/ Other Sources</b>	<b>This Issue: The Bonds</b>	<b>Authorized but Unissued</b>
Infrastructure Improvement Program (2019)....	\$ 5,000,000	\$ -	\$ -	\$ -	\$ 5,000,000
Code Correction Assistance.....	1,840,000	1,722,675	-	-	117,325
Dodd Stadium Capital Improvements (2018)...	800,000	450,000	-	-	350,000
Infrastructure Improvement Program (2017)....	5,000,000	3,895,000	-	-	1,105,000
Wawecus Street Bridge.....	800,000	500,000	-	-	300,000
Occum Infrastructure Access.....	740,000	-	-	-	740,000
Pension Obligation Bonds.....	145,000,000	-	-	145,000,000	-
<b>Totals</b> .....	<b>\$ 159,180,000</b>	<b>\$ 6,567,675</b>	<b>\$ -</b>	<b>\$ 145,000,000</b>	<b>\$ 7,612,325</b>

**Principal Amount of Outstanding Debt**  
**Last Five Fiscal Years Ending June 30**

<b>Long-Term Debt</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Government-Type Bonds.....	\$ 46,395,000	\$ 48,145,000	\$ 48,664,000	\$ 45,060,000	\$ 49,430,000
Business-Type Bonds <sup>1</sup> .....	13,432,699	25,441,000	21,922,000	19,464,000	15,498,000
<b>Sub-Total</b> .....	<b>59,827,699</b>	<b>73,586,000</b>	<b>70,586,000</b>	<b>64,524,000</b>	<b>64,928,000</b>
<b>Short-Term Debt</b>					
Bond Anticipation Notes.....	-	-	-	-	-
<b>Grand Total</b> .....	<b>\$ 59,827,699</b>	<b>\$ 73,586,000</b>	<b>\$ 70,586,000</b>	<b>\$ 64,524,000</b>	<b>\$ 64,928,000</b>

<sup>1</sup> Includes golf course bonds, clean water fund loans, and drinking water state revolving fund loans.

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

<b>Fiscal Year Ended 6/30</b>	<b>Net Assessed Value (000s)</b>	<b>Net Estimated Full Value <sup>1</sup> (000s)</b>	<b>Net Long-Term Debt <sup>2</sup> (000s)</b>	<b>Ratio of Net Long-Term Debt to Estimated Full Value (%)</b>		<b>Population <sup>3</sup></b>	<b>Ratio of Net Long-Term Debt per Capita to Per Capita Income <sup>4</sup> (%)</b>	
				<b>Ratio of Net Long-Term Debt to Assessed Value (%)</b>	<b>Ratio of Net Long-Term Debt to Estimated Full Value (%)</b>		<b>Net Long-Term Debt per Capita</b>	<b>Net Long-Term Debt per Capita Income <sup>4</sup> (%)</b>
2021	\$ 2,046,046	\$ 2,922,923	\$ 46,395	2.27%	1.59%	40,125	\$ 1,156.26	3.83%
2020	2,027,088	2,895,840	48,145	2.38%	1.66%	40,125	1,199.88	3.97%
2019	1,903,564	2,719,377	48,664	2.56%	1.79%	40,125	1,212.81	4.02%
2018	1,860,376	2,657,679	45,060	2.42%	1.70%	40,125	1,122.99	3.72%
2017	1,846,203	2,637,432	49,430	2.68%	1.87%	40,125	1,231.90	4.08%

<sup>1</sup> Assessment Ratio, 70%.

<sup>2</sup> Reflects deductions for contractual state school building construction grants receivable over the life of the respective issues. Includes long-term notes payable; does not include outstanding BANs, or authorized but unissued debt.

<sup>3</sup> U.S. Department of Commerce, Bureau of Census, ACS 2015-2019 Estimates.

<sup>4</sup> Money Income per Capita: ACS 2015-2019 Estimates: \$30,201 used for all calculations.

Note: Excludes capital leases.

**Ratios of Annual Long-Term General Fund Debt Service Expenditures  
To Total General Fund Expenditures**  
*(in thousands)*

<b>Fiscal Year Ended 6/30</b>	<b>General Fund Debt Service</b>	<b>General Fund Expenditures<sup>1</sup></b>	<b>Ratio of General Fund Debt Service to Total General Fund Expenditures (%)</b>
2021	\$ 4,062	\$ 140,535	2.89%
2020	4,384	137,695	3.18%
2019	4,263	131,761	3.24%
2018	4,469	135,485	3.30%
2017	4,373	131,915	3.32%
2016	4,542	126,857	3.58%
2015	5,436	123,254	4.41%
2014	5,340	123,576	4.32%
2013	5,164	119,280	4.33%
2012	4,908	113,010	4.34%

<sup>1</sup> GAAP basis of accounting. Includes Transfers out.

Source: Annual Audited Financial Statements: 2012-2021

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## **VI. Financial Administration**

### **Fiscal Year**

The City's fiscal year begins July 1 and ends June 30.

### **Basis of Accounting and Accounting Policies**

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Please refer to APPENDIX A - FINANCIAL STATEMENTS herein for compliance and implementation details.

### **Budget Procedure**

In October, the City Manager, through the Comptroller's Office, distributes budget instructions to department heads. On or before a date set by the City Manager, the head of every department, office or agency must submit a written proposed budget for the following year to the City Manager. The City Manager and Comptroller review these proposals and may revise them as deemed advisable, except in the case of the Department of Education where the City Manager has the authority to revise only the total estimated expenditures. The City Manager and Comptroller compare proposed expenditures to expected revenues and prepare a proposed budget for presentation to the City Council.

As required by City Charter, on or before the first Monday in April, the City Manager submits a balanced annual budget, as well as appropriation and tax levy ordinances to the City Council. Between the presentation of the budget and the first public hearing, department heads are given the opportunity to make presentations in support of their proposed budget. The City Council holds a first public hearing on the budget prior to the third Monday in April, but not sooner than one week after the submission of the budget. This hearing is to listen to citizens' comments on the budget. The Council meets by the second Monday in May to take initial action on the budget. A second public hearing is then held regarding the Council's proposed changes, prior to the third Monday in May.

After the second public hearing, the Council may revise expenditures, except that it may not reduce appropriations for debt service and may revise only the total estimated expenditures for the Department of Education. The Council adopts the budget, appropriation and tax levy ordinances by the second Monday of June; if it fails to do so, the budget as submitted by the City Manager stands.

Connecticut General Statutes Section 4-661, as amended ("Section 4-661"), creates certain disincentives on increasing adopted budget expenditures for municipalities in Connecticut. Beginning in Fiscal Year 2018, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose increase in its adopted budget expenditures, with certain exceptions, exceeds the previous fiscal year by 2.5% or more of the rate of inflation, whichever is greater (the "expenditure cap"). The reduction to the municipal revenue sharing grant will generally equal 50 cents for every dollar by which the municipality's adopted budget exceeds the expenditure cap. A municipality whose population increased from the previous fiscal year, as determined by OPM, may increase its adopted budget expenditures over the expenditure cap by an amount proportionate to its population growth. Section 4-661 requires each municipality to annually certify to the Secretary of OPM whether the municipality has exceeded the expenditure cap, and if so, the amount by which the expenditure cap was exceeded.

Under Section 4-661, municipal spending does not include expenditures: (i) for debt service, special education, or costs to implement court orders or arbitration awards; (ii) associated with a major disaster or emergency declaration by the President or disaster emergency declaration issued by the Governor under the civil preparedness law; (iii) for any municipal revenue sharing grant the municipality disburses to a district; or (iv) budgeting for an audited deficit, nonrecurring grants, capital expenditures or payments on unfunded pension liabilities.

## Annual Audit

Pursuant to the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes), the City is obligated to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut Office of Policy and Management ("OPM"), and a copy of said audit report must be filed with OPM. The City is in compliance with said provisions.

For the fiscal year ended June 30, 2021, the financial statements of the various funds of the City were audited by Clifton Larsen Allen LLP, Certified Public Accountants, West Hartford, Connecticut.

## Risk Management

The City is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors and omissions, injury to employees, natural disasters and owners and contractors protective liability.

It is the policy of the City to self-insure for employee health insurance programs. To this end, the City created an internal service fund to which the various City funds "pay premiums" and from which employee medical claims are paid. Claims are accrued as incurred. The City also purchased "stop loss" insurance to limit its losses to \$175 per person in 2021 for hospitalization with a maximum aggregate for all claims of approximately \$21,631.

The City self-insures for workers' compensation benefits. The City purchases commercial insurance for claims in excess of coverage provided by the workers' compensation account with an individual claim maximum of \$600 and a \$10,000 aggregate maximum per year.

The workers' compensation costs are funded by the General Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

For more information, see "Risk Management" in Appendix A herein.

## Capital Improvement Plan

Uses	Fiscal Year						Total
	2022	2023	2024	2025	2026	2027	
School Construction.....	\$ 60,000	\$ 200,000,000	\$ -	\$ -	\$ -	\$ -	\$ 200,060,000
Police.....	390,000	1,814,000	-	-	-	-	2,204,000
Fire.....	208,805	2,810,000	225,000	725,000	850,000	1,450,000	6,268,805
Public Works.....	2,560,773	1,145,000	1,315,000	735,000	735,000	735,000	7,225,773
Parks & Recreation.....	850,000	-	-	-	-	-	850,000
Planning .....	1,100,000	1,000,000	-	-	-	-	2,100,000
<b>Total.....</b>	<b>\$ 5,169,578</b>	<b>\$ 206,769,000</b>	<b>\$ 1,540,000</b>	<b>\$ 1,460,000</b>	<b>\$ 1,585,000</b>	<b>\$ 2,185,000</b>	<b>\$ 218,708,578</b>
<b>Sources</b>							
Bonds.....	\$ -	\$ 50,000,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000,000
CT School Construction Grants.....	-	150,000,000	-	-	-	-	150,000,000
Capital Budget.....	1,703,805	2,034,000	1,205,000	1,125,000	1,250,000	1,850,000	9,167,805
Federal American Rescue Plan Act.....	3,130,000	4,400,000	-	-	-	-	7,530,000
CT Local Capital Improvement Program..	335,773	335,000	335,000	335,000	335,000	335,000	2,010,773
Other Grants / Private Fundraising.....	-	-	-	-	-	-	-
<b>Total.....</b>	<b>\$ 5,169,578</b>	<b>\$ 206,769,000</b>	<b>\$ 1,540,000</b>	<b>\$ 1,460,000</b>	<b>\$ 1,585,000</b>	<b>\$ 2,185,000</b>	<b>\$ 218,708,578</b>

## Pension Programs

### City Retirement System

The City is the administrator of the City's Consolidated Pension Plan, a single-employer contributory defined benefit public employee retirement system (PERS) established and administered by the City to provide pension benefits to all full-time non-certified employees. The Plan is considered to be part of the City's financial reporting entity and is included in the City's financial reports as a pension trust fund. The plan does not issue a stand-alone report.

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Benefits and contributions are established by the City and may be amended only by the City Charter and union negotiation. City and Police employees are required to contribute 8.5%. Firefighter participants are required to contribute 9.5%. The City's funding policy provides for periodic employer contributions at actuarially determined rates. In connection with the pension obligation bond initiative and in consultation with the City's investment advisors and actuary, the City reduced the assumed rate of return to 6.25% and changed the amortization to a closed 25-year period with its July 1, 2021 actuarial valuation.

The table below shows the City's contributions compared to the actuarially determined contribution (in millions).

<b>Fiscal Year Ended</b>	<b>Actuarially Determined Contribution (000's)</b>	<b>Actual Contribution (000's)</b>	<b>% of ADC Contributed</b>
6/30/2022 <sup>1, 2, 3</sup>	\$ 13,684 <sup>1, 2, 3</sup>	\$ 139,280	1017.8%
6/30/2021	12,759	12,774	100.1%
6/30/2020	12,073	12,073	100.0%
6/30/2019	12,010	11,432	95.2%
6/30/2018	10,820	10,103	93.4%
6/30/2017	10,732	8,711	81.2%
6/30/2016	9,740	7,581	77.8%
6/30/2015	9,651	6,718	69.6%
6/30/2014	5,790	5,849	101.0%
6/30/2013	5,728	5,730	100.0%

<sup>1</sup> Budgeted amounts.

<sup>2</sup> Subject to audit.

<sup>3</sup> Includes estimated Bond Proceeds.

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*Volunteer Firefighters' Relief Fund*

The City is also the administrator of a Volunteer Firefighters' Relief Plan which was established to provide pension benefits to volunteers. The Plan is considered to be part of the City's financial reporting entity and is included in the City's financial reports as a pension trust fund. The plan does not issue a stand-alone report. The City is committed to funding 100% of the ADC for the Volunteer Firefighters' Relief Plan.

<b>Fiscal Year Ended</b>	<b>Actuarially Determined</b>		<b>Actual</b>	<b>% of ADC Contributed</b>
	<b>Contribution (000's)</b>	<b>Contribution (000's)</b>	<b>Contribution (000's)</b>	
6/30/2022 <sup>1,2</sup>	\$ 357	\$ 357	\$ 357	100.0%
6/30/2021	335	335	335	100.0%
6/30/2020	365	365	365	100.0%
6/30/2019	365	365	365	100.0%
6/30/2018	373	373	373	100.0%
6/30/2017	373	373	373	100.0%
6/30/2016	374	351	351	93.9%
6/30/2015	304	333	333	109.5%
6/30/2014	309	309	309	100.0%
6/30/2013	309	310	310	100.3%

<sup>1</sup> Budgeted amounts.

<sup>2</sup> Subject to audit.

The City's actuarial valuation report as of July 1, 2021 was completed in November 2021. As of July 1, 2021, the Pension Plan had an unfunded actuarial accrued liability of \$139,280,017 which amount reflects a reduction in the interest rate assumption from 7.25% to 6.25%. It is anticipated that when the City issues the Bonds in February of 2022, the unfunded accrued liability will be approximately \$144,000,000 and the City has used that amount to size the Bonds with the goal of fully funding the unfunded liability increasing its funded ratio to 100%. By issuing the Bonds, the City expects to realize annual budget savings resulting from the lower interest costs associated with the Bonds as compared to the lower interest rate assumption of 6.25% on its unfunded actuarial accrued liability.

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In connection with the issuance of the Bonds, the City Council also approved the establishment of a Pension Reserve Fund. With this Pension Reserve Fund, the City will make an initial contribution of \$13.7 million (equal to the ADC for Fiscal Year 2021-22) from funds already budgeted in the general fund Fiscal Year 2021-2022 budget. In later years, if the cost of the pension ADC plus the debt service on the Bonds increases by more than three percent year-over-year, the City may use the Reserve Fund to contribute the excess into the Pension Plan rather than pursuing these amounts from the City's general fund budget. If, in later years, the cost of the pension ADC plus the debt service on the Bonds decreases, the amount of the decrease will be appropriated and contributed in the following cascading order: (1) into the Pension Reserve Fund, until this fund accumulates a balance of six percent of the Pension Plan accrued liability; (2) into the Pension Plan, until the Pension Plan is 115% funded; and (3) into the City's Other Post-Employment Benefits Trust Fund (the "OPEB Fund"), until the OPEB Fund is 115% funded.

The City's actuary developed a stochastic model to analyze the relationship between potential future cost savings associated with issuing the Bonds and increased investment risk on the assets of the Pension Plan. Utilizing the model, the actuary constructed ten thousand (10,000) scenarios of possible investment performance over a thirty (30) year period concurrent with the term of the Bonds. Results of the analysis indicated that there was a higher probability that the Pension Plan would have a higher funded ratio at the end of the thirty (30) years assuming the issuance of the Bonds. Additionally, the analysis indicated a higher probability that the City would achieve lower budgetary costs over the thirty (30) years assuming the issuance of the Bonds.

The table below compares the City's existing General Obligation Debt and current ADC versus the pro-forma General Obligation Debt and ADC after the issuance of the bonds:

<b>Existing Debt and Pension Contribution (Excludes the Bonds)</b>				<b>Pro-Forma Debt and Pension Contribution (includes the Bonds)</b>					
<b>Fiscal Year Ending</b>	<b>Existing City's D/S</b>	<b>Projected Pension Contribution</b>	<b>Existing City's Debt Service + Pension Contribution</b>	<b>Existing City's D/S</b>	<b>Pension Bond D/S</b>	<b>Projected New Pension Contribution</b>	<b>New City's D/S + Pension Contribution</b>	<b>Expected Savings</b>	<b>NPV of Savings</b>
2023	\$ 4,935,039	\$ 16,763,207	\$ 21,698,246	\$ 4,935,039	\$ 8,542,954	\$ 4,410,867	\$ 17,888,860	\$ 3,809,386	\$ 3,698,433
2024	4,802,541	17,048,000	21,850,541	4,802,541	8,544,403	4,755,218	18,102,162	3,748,379	3,533,207
2025	4,645,740	17,041,000	21,686,740	4,645,740	8,545,294	4,802,000	17,993,034	3,693,706	3,380,264
2026	4,394,455	16,995,000	21,389,455	4,394,455	8,545,689	4,797,000	17,737,144	3,652,311	3,245,031
2027	3,958,186	16,920,000	20,878,186	3,958,186	8,545,822	4,832,000	17,336,008	3,542,178	3,055,514
2028	3,843,683	17,229,000	21,072,683	3,843,683	8,546,705	4,842,000	17,232,388	3,840,295	3,216,187
2029	3,744,256	17,603,000	21,347,256	3,744,256	8,544,722	4,878,000	17,166,978	4,180,278	3,398,949
2030	3,649,003	17,985,000	21,634,003	3,649,003	8,545,590	4,912,000	17,106,593	4,527,410	3,573,979
2031	2,997,462	18,374,000	21,371,462	2,997,462	8,544,602	4,943,000	16,485,064	4,886,398	3,745,017
2032	2,885,552	18,766,000	21,651,552	2,885,552	8,546,336	4,967,000	16,398,888	5,252,664	3,908,475
2033	2,306,861	19,115,000	21,421,861	2,306,861	8,544,272	4,937,000	15,788,133	5,633,728	4,069,925
2034	2,237,446	19,482,000	21,719,446	2,237,446	8,547,044	4,915,000	15,699,490	6,019,956	4,222,276
2035	1,588,510	19,884,000	21,472,510	1,588,510	8,543,486	4,915,000	15,046,996	6,425,514	4,375,462
2036	1,293,685	20,265,000	21,558,685	1,293,685	8,543,733	4,884,000	14,721,418	6,837,267	4,520,239
2037	1,007,590	20,635,000	21,642,590	1,007,590	8,547,499	4,829,000	14,384,089	7,258,501	4,658,956
2038	710,488	21,064,000	21,774,488	710,488	8,543,635	4,818,000	14,072,123	7,702,365	4,799,859
2039	688,188	18,446,000	19,134,188	688,188	8,544,183	4,820,000	14,052,371	5,081,817	3,074,583
2040	254,288	4,542,000	4,796,288	254,288	8,546,741	4,839,000	13,640,029	(8,843,741)	(5,194,766)
2041	60,638	4,606,000	4,666,638	60,638	8,546,044	4,897,000	13,503,682	(8,837,044)	(5,039,643)
2042	-	4,616,000	4,616,000	-	8,546,824	4,906,000	13,452,824	(8,836,824)	(4,892,735)
2043	-	4,705,000	4,705,000	-	8,545,461	4,983,000	13,528,461	(8,823,461)	(4,743,045)
2044	-	4,766,000	4,766,000	-	8,546,392	5,045,000	13,591,392	(8,825,392)	(4,605,906)
2045	-	4,836,000	4,836,000	-	8,547,309	5,109,000	13,656,309	(8,820,309)	(4,469,178)
2046	-	4,940,000	4,940,000	-	8,542,940	5,203,000	13,745,940	(8,805,940)	(4,331,939)
2047	-	5,058,000	5,058,000	-	8,547,831	5,318,000	13,865,831	(8,807,831)	(4,206,669)
<b>Total.....</b>	<b>\$ 50,003,611</b>	<b>\$ 351,684,207</b>	<b>\$ 401,687,818</b>	<b>\$ 50,003,611</b>	<b>\$ 213,635,511</b>	<b>\$ 122,557,085</b>	<b>\$ 386,196,207</b>	<b>\$ 15,491,611</b>	<b>\$ 35,543,583</b>

Note: The pension contribution forecast is based on the results of the July 1, 2021 actuarial valuation prior to the Pension Obligation Bonds and the associated actuarial method changes and assumes that the City will pay the Actuarially Determined Employer Contribution (ADEC) each year, the assets will return the assumed interest rate on a market value basis each year, and there are no future changes in the actuarial methods or assumptions or in the plan provisions. Actual results at each point in time will yield different values, reflecting the actual experience of the plan membership and assets. Please see Milliman's valuation report dated November 4, 2021 for more details on the plan population, actuarial methods and assumptions, plan provisions, assessment of risk, and caveats and limitations concerning its work.

Note: The Pension Bond debt service figures were provided by Phoenix Advisors, LLC as of June 30, 2022.

Note: This work product was prepared by Milliman solely for the City for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Teachers within the City's school system participate in a retirement plan administered by the Connecticut State Teachers' Retirement Board. The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. The State of Connecticut makes the employer contribution into the plan. The City does not contribute to the plan.

*Total Net Pension Liability*

The following presents the net pension liability of the City as of June 30, 2021.

	<b>City</b>	<b>Volunteer Firefighters'</b>
Total Pension Liability .....	\$ 325,020,472	\$ 7,038,828
Plan Fiduciary Net Position .....	224,695,214	3,931,916
Total Net Pension Liability .....	<u>\$ 100,325,258</u>	<u>\$ 3,106,912</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability .....	69.13%	55.86%

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

The following presents the net pension liability of the City as of June 30, 2021, calculated using the current 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:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
City Net Pension Liability .....	\$ 138,772,232	\$ 100,325,257	\$ 68,170,987

	<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
Volunteer Firefighters' Net Pension Liability .....	\$ 3,931,735	\$ 3,106,912	\$ 2,384,283

For further details on the plans, please refer to APPENDIX A - FINANCIAL STATEMENTS herein.

**Other Post Employment Benefits (OPEB)**

The City and the Board of Education provide post-employment benefits for retirees who meet certain requirements regarding age and years of service. This benefit is provided based on union agreements and is fully funded by the City. The City is required to provide health, medical and life insurance to 387 retired City and Board of Education employees. An OPEB Trust account was established by the City in 2008.

The City completed the July 1, 2021 actuarial valuation report in December 2021. This valuation included changes to assumptions for recent bargaining unit negotiations, a decrease in the assumed rate of return from 7.25% to 6.25%, and changes in amortization methods. The table below compares the funding status as of this most recent valuation to the previous valuations.

*Total Net OPEB Liability*

Total OPEB Liability .....	\$ 65,389,762
Plan Fiduciary Net Position .....	32,671,501
Total Net OPEB Liability .....	<u>\$ 32,718,261</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability .....	49.96%

*Schedule of Contributions*

<b>Fiscal Year Ended</b>	<b>Actuarially</b>		<b>% of ARC Contributed</b>
	<b>Determined Contribution</b>	<b>Actual Contribution</b>	
6/30/2022 <sup>1,2</sup>	\$ 4,684	\$ 4,684	100.0%
6/30/2021	4,367	4,367	100.0%
6/30/2020	5,522	5,339	96.7%
6/30/2019	5,485	5,240	95.5%
6/30/2018	5,542	5,548	100.1%
6/30/2017	5,492	5,492	100.0%
6/30/2016	5,565	5,565	100.0%
6/30/2015	5,446	5,446	100.0%
6/30/2014	6,040	6,040	100.0%
6/30/2013	5,917	5,592	94.5%

<sup>1</sup> Subject to Audit.

<sup>2</sup> Budgeted amounts.

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

The following presents the net OPEB liability of the City as of June 30, 2021 at the current discount rate, as well as what the City's net 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 rate:

	<b>Current</b>		
	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Net OPEB Liability.....	\$ 38,492,510	\$ 32,718,261	\$ 27,753,017

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate*

The following presents the net OPEB liability of the City as of June 30, 2021 at the current healthcare trend rate, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<b>Healthcare Cost</b>		
	<b>1% Decrease</b>	<b>Trend Rates<sup>1</sup></b>	<b>1% Increase</b>
Net OPEB Liability.....	\$ 26,388,228	\$ 32,718,261	\$ 40,210,542

<sup>1</sup> Pre-Medicare Retirees: 6.20% - 4.10% over 54 years; Post-Medicare Retirees: 4.20% - 4.10% over 54 years

## **General Fund Unassigned Fund Balance Policy**

The City Council adopted by ordinance a formal General Fund Unassigned Fund Balance (“UFB”) policy. This policy identifies a target fund balance range of 12% to 17% of annual General Fund expenditures and operating transfers. As of June 30, 2021, UFB was 12.1% on a budgetary basis.

The UFB may be used for absorbing operating deficits at any time. If UFB goes over 17%, the Council may appropriate the excess to:

- fund capital improvements beyond the level required by the Charter
- transfer funds to the bonded projects fund to finance authorized, but unissued projects
- retire existing debt early
- make extra contributions into the Pension or OPEB funds

In May 2018, the City Council voted to temporarily suspend portions of the UFB policy and lower the targeted floor of UFB from 12% to 10% until 2022, which enables the City to appropriate some UFB to balance budgets during that time period. The City used \$200,000 of UFB to balance the 2018-19 General Fund budget. The City did not use any UFB to balance the fiscal year 2019-20, 2020-21, or 2021-22 General Fund budgets.

## **Investment Practices**

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

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**General Fund Balance Sheet**  
**Five Year Summary of Assets, Liabilities, and General Fund Equity**  
*(in thousands)*

	<u>Actual</u> <u>6/30/2021</u>	<u>Actual</u> <u>6/30/2020</u>	<u>Actual</u> <u>6/30/2019</u>	<u>Actual</u> <u>6/30/2018</u>	<u>Actual</u> <u>6/30/2017</u>
<b>Assets:</b>					
Cash and Cash Equivalents .....	\$ 25,190	\$ 14,689	\$ 7,589	\$ 5,404	\$ 16,510
Investments .....	31,480	27,464	30,735	32,119	23,489
Receivables, net.....	6,621	6,666	5,976	6,492	6,297
Due from Other Funds .....	7,312	2,593	2,646	2,275	1,317
Other .....	-	-	-	-	-
<b>Total Assets .....</b>	<b>70,603</b>	<b>51,412</b>	<b>46,946</b>	<b>46,290</b>	<b>47,613</b>
<b>Liabilities, Equity, &amp; Other Credits:</b>					
<b><u>Current Liabilities</u></b>					
Accounts and Other Payables .....	8,958	8,157	6,768	7,143	5,628
Deferred Revenues .....	-	-	-	-	-
Due to Other Funds .....	38,679	22,844	21,201	17,803	18,791
Unearned Revenues .....	511	141	77	44	30
<b>Total Liabilities .....</b>	<b>48,148</b>	<b>31,142</b>	<b>28,046</b>	<b>24,990</b>	<b>24,449</b>
<b><u>Deferred Inflow of Resources</u></b>					
Unavailable Revenue - Property Taxes .....	4,081	4,350	3,453	3,794	3,312
Unavailable Revenue - Special Assessments .....	1,358	1,527	1,725	1,942	2,171
<b>Total Deferred Inflow of Resources .....</b>	<b>5,439</b>	<b>5,877</b>	<b>5,178</b>	<b>5,736</b>	<b>5,483</b>
<b><u>Equity &amp; Other Credits</u></b>					
Nonspendable .....	-	-	-	-	-
Committed .....	-	-	-	-	-
Assigned .....	-	116	69	261	664
Unassigned.....	17,016	14,277	13,653	15,303	17,017
<b>Total Equity &amp; Other Credits .....</b>	<b>17,016</b>	<b>14,393</b>	<b>13,722</b>	<b>15,564</b>	<b>17,681</b>
<b>Total Liabilities, Equity &amp; Other Credits ...</b>	<b>\$ 70,603</b>	<b>\$ 51,412</b>	<b>\$ 46,946</b>	<b>\$ 46,290</b>	<b>\$ 47,613</b>

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**General Fund Revenues and Expenditures**  
**Five Year Summary of Audited Revenues and Expenditures (GAAP Basis) and**  
**Current Year Budget (Budgetary Basis)**  
*(in thousands)*

	<b>Adopted Budget <sup>1</sup> 6/30/2022</b>	<b>Actual 6/30/2021</b>	<b>Actual 6/30/2020</b>	<b>Actual 6/30/2019</b>	<b>Actual 6/30/2018</b>	<b>Actual 6/30/2017</b>
<b>Revenues:</b>						
Property Taxes .....	\$ 87,761	\$ 85,977	\$ 81,590	\$ 77,469	\$ 74,954	\$ 75,168
Intergovernmental Revenue .....	40,478	46,942	45,825	42,251	48,284	48,916
Charges for services .....	2,026	2,848	2,601	2,356	1,811	2,174
Licenses, permits and fees .....	638	643	606	485	409	539
Investment income .....	240	213	786	835	458	222
Other .....	204	226	238	68	1,101	1,192
<b>Total.....</b>	<b>\$ 131,347</b>	<b>\$ 136,849</b>	<b>\$ 131,646</b>	<b>\$ 123,464</b>	<b>\$ 127,017</b>	<b>\$ 128,211</b>
<b>Expenditures:</b>						
General Government .....	\$ 6,443	\$ 5,754	\$ 5,821	\$ 5,898	\$ 5,685	\$ 5,376
Public Safety .....	21,373	20,118	19,790	19,470	18,987	18,371
Social Services .....	2,221	2,044	2,129	2,027	1,965	1,839
Public Works .....	11,144	10,597	10,554	10,698	10,618	10,618
Education .....	86,346	90,696	89,872	84,605	88,133	85,627
Other .....	2,905	2,766	2,559	2,303	3,135	3,276
Capital Outlay .....	-	-	-	-	-	-
Debt Service.....	-	140	-	-	-	-
<b>Total.....</b>	<b>\$ 130,432</b>	<b>\$ 132,115</b>	<b>\$ 130,725</b>	<b>\$ 125,001</b>	<b>\$ 128,523</b>	<b>\$ 125,107</b>
<b>Excess (Deficiency) of Revenues Over Expenditures.....</b>	<b>\$ 915</b>	<b>\$ 4,734</b>	<b>\$ 921</b>	<b>\$ (1,537)</b>	<b>\$ (1,506)</b>	<b>\$ 3,104</b>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in.....	5,667	6,169	6,720	6,455	6,351	6,506
Operating transfers out.....	(6,582)	(8,420)	(6,970)	(6,760)	(6,962)	(6,808)
Issuance of Refunding Bonds .....	-	15,920	-	-	-	-
Payment to Refunding Bonds Escrow Agent.....	-	(15,780)	-	-	-	-
Other .....	-	-	-	-	-	-
<b>Net Other Financing Sources (Uses).....</b>	<b>\$ (915)</b>	<b>\$ (2,111)</b>	<b>\$ (250)</b>	<b>\$ (305)</b>	<b>\$ (611)</b>	<b>\$ (302)</b>
Excess (Deficiency) Of Revenues And Other Financing Sources Over Expenditures and Other Financing Uses.....	-	2,623	671	(1,842)	(2,117)	2,802
<b>Fund Equity, Beginning of Year.....</b>	<b>17,016</b>	<b>14,393</b>	<b>13,722</b>	<b>15,564</b>	<b>17,681</b>	<b>14,879</b>
Residual Equity Transfer.....	-	-	-	-	-	-
<b>Fund Equity, End of Year.....</b>	<b>\$ 17,016</b>	<b>\$ 17,016</b>	<b>\$ 14,393</b>	<b>\$ 13,722</b>	<b>\$ 15,564</b>	<b>\$ 17,681</b>

<sup>1</sup> Budgetary basis of accounting; subject to audit

**Analysis of General Fund Equity**

	<b>Adopted Budget <sup>1</sup> 6/30/2022</b>	<b>Actual 6/30/2021</b>	<b>Actual 6/30/2020</b>	<b>Actual 6/30/2019</b>	<b>Actual 6/30/2018</b>	<b>Actual 6/30/2017</b>
Nonspendable.....	N/A	\$ -	\$ -	\$ -	\$ -	\$ -
Committed.....	N/A	-	-	-	-	-
Assigned.....	N/A	-	116	69	261	664
Unassigned.....	N/A	17,016	14,277	13,653	15,303	17,017
<b>Total Fund Equity.....</b>	<b>N/A</b>	<b>\$ 17,016</b>	<b>\$ 14,393</b>	<b>\$ 13,722</b>	<b>\$ 15,564</b>	<b>\$ 17,681</b>

<sup>1</sup> Budgetary Basis of accounting. Subject to audit. No assurances can be given that subsequent projections and the final result of operations will not change.

## **VII. Legal and Other Information**

### **Legal Matters**

Pullman & Comley, LLC is serving as Bond Counsel with respect to the authorization and issuance of the Bonds and will render its opinions in substantially the form attached hereto as Appendix B.

### **Litigation**

The City, its officers, employees, boards and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. It is the Corporation Counsel's opinion that such pending litigation will not be finally determined, individually or in the aggregate, so as to result in final judgments against the City which would have a material adverse effect on the City's financial position.

### **Transcript and Closing Documents**

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

1. Signature and No Litigation Certificate stating that at the time of delivery, no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A receipt for the purchase price of the Bonds.
3. The approving opinion of Pullman & Comley, LLC, Bond Counsel, of Bridgeport and Hartford, Connecticut, in substantially the form attached hereto as Appendix B.
4. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix C to this Official Statement.
5. Certificates on behalf of the City, signed by the City Manager and Comptroller, which will be dated the date of delivery, and which will certify, to the best of said officials' knowledge and belief, that as of the date of the execution of the Bond Purchase Agreement and as of the closing date, the descriptions and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.
6. Such other documents as required by the Bond Purchase Agreement.

A transcript of the proceedings taken by the City in authorizing the Bonds will be kept on file at the offices of U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27<sup>th</sup> Floor, Hartford, Connecticut 06103 and may be examined upon reasonable request.

### **Concluding Statement**

To the extent that any statements made in this Official Statement involve matters of opinion or estimates such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Any questions concerning this Official Statement should be directed to Mr. Joshua A. Pothier, Comptroller, City of Norwich, 100 Broadway, Norwich, Connecticut 06360, telephone number (860) 823-3720. This Official Statement has been duly prepared and delivered by the City, and executed for and on behalf of the City by the following officials:

### **CITY OF NORWICH, CONNECTICUT**

By: /s/ John L. Salomone  
John L. Salomone, *City Manager*

By: /s/ Joshua A. Pothier  
Joshua A. Pothier, *Comptroller*

Dated as of February 10, 2022

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## ***Appendix A***

### ***2021 General Purpose Financial Statements***

The following includes excerpts from the Annual Comprehensive Financial Report of the City of Norwich, Connecticut for the fiscal year ended June 30, 2021. The supplemental data which was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460. Telephone (203) 878-4945.

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## **Independent Auditors' Report**

To the Honorable Mayor and Members of the City Council  
City of Norwich, Connecticut

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***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.



## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Norwich, Connecticut, as of June 30, 2021 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.

## ***Emphasis of Matter***

During the fiscal year ended June 30, 2021, the City of Norwich, Connecticut adopted GASB Statement No. 84 Fiduciary Activities. As a result of the implementation of this standard, the City of Norwich, Connecticut reported a restatement for the change in accounting principle (see Note 18). Our auditors' opinion was not modified with respect to this matter.

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

### *Other Information*

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and supplemental schedules presented on pages 118-119 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical 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.

City of Norwich, Connecticut's basic financial statements as of and for the year ended June 30, 2020 (not presented herein) were audited by Blum, Shapiro & Company, P.C. (blumshapiro), whose partners and professional staff joined CliftonLarsonAllen LLP as of January 1, 2021 and has subsequently ceased operations. Blumshapiro's report thereon, dated March 11, 2021, contained unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2020 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2020 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2020 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2020.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022 on our consideration of the City of Norwich, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Norwich, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Norwich, Connecticut's internal control over financial reporting and compliance.



West Hartford, Connecticut  
January 28, 2022

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## CITY OF NORWICH, CONNECTICUT

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

This discussion and analysis of the City of Norwich, Connecticut's (the City) financial performance is offered by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

#### FINANCIAL HIGHLIGHTS

- On a government-wide basis, the assets and deferred outflows of resources (\$466.0 million) of the City exceeded its liabilities and deferred inflows of resources (\$301.1 million), resulting in total net position at the close of the fiscal year of \$164.9 million. Total net position for governmental activities at fiscal year-end was \$22.6 million, and total net position for business-type activities was \$142.3 million. Total unrestricted net *deficit* at June 30, 2021 was \$48.9 million.
- On a government-wide basis, during the year, the City's net position increased by \$12.8 million from \$152.1 million to \$164.9 million. Governmental activities net position increased by \$8.8 million and net position increased by \$4.0 million for business-type activities. Governmental activities expenses were \$174.3 million, while total revenues including transfers were \$183.1 million.
- At the close of the year, the City's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$45.7 million, an increase of \$1.9 million from the prior fiscal year. Of the total fund balance as of June 30, 2021, \$42.8 million represents the combined unrestricted fund balance in the General Fund, Special Revenue Funds and Capital Projects Funds.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$17.0 million, an increase of \$2.6 million from the prior fiscal year. As of June 30, 2021, all of the \$17.0 million fund balance is unrestricted, representing 12.8% of total General Fund actual expenditures and operating transfers on a budgetary basis.
- The City's governmental activities total bonded debt decreased by \$1.9 million during the current fiscal year.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

#### Government-Wide Financial Statements

The analysis of the City as a whole begins with Exhibits I and II. The statement of net position and the statement of activities report information about the City as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. The City's net position, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

In the statement of net position and the statement of activities, the City is divided into two types of activities:

- *Governmental Activities* - Most of the City's basic services are reported here, including education, public safety, sanitation, social services, public works and general administration. Property taxes, charges for services and state and federal grants finance most of these activities.
- *Business-Type Activities* - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Department of Public Utilities, Golf Course Authority, Stadium Authority and Ice Rink Authority are reported here.

### ***Fund Financial Statements***

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by Charter. However, the City establishes many other funds to help control and manage financial activities for particular purposes (like the capital projects funds) or to show that it is meeting legal responsibilities for using grants and other money (like grants received from the State of Connecticut's Department of Education). The City's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V, VI and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.
- *Fiduciary Funds (Exhibits VIII and IX)* - The City is the trustee, or fiduciary, for its employees' pension and other benefit plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position increased from a year ago from \$151.6 million to \$164.9 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1**  
**NET POSITION**  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 95,586	\$ 75,858	\$ 67,868	\$ 58,618	\$ 163,454	\$ 134,476
Capital assets	121,634	121,644	163,323	164,320	284,957	285,964
Total assets	<u>217,220</u>	<u>197,502</u>	<u>231,191</u>	<u>222,938</u>	<u>448,411</u>	<u>420,440</u>
Deferred outflows of resources	9,303	15,860	8,304	13,067	17,607	28,927
Long-term debt outstanding	149,043	173,905	78,769	86,342	227,812	260,247
Unearned revenue	17,013	1,045	849	712	17,862	1,757
Other liabilities	15,815	14,867	11,542	10,544	27,357	25,411
Total liabilities	<u>181,871</u>	<u>189,817</u>	<u>91,160</u>	<u>97,598</u>	<u>273,031</u>	<u>287,415</u>
Deferred inflows of resources	22,047	10,273	6,003	124	28,050	10,397
Net Position:						
Net investment in capital assets	74,279	90,304	136,016	137,973	210,295	228,277
Restricted	2,160	3,915	1,368	524	3,528	4,439
Unrestricted	<u>(53,834)</u>	<u>(80,947)</u>	<u>4,948</u>	<u>(214)</u>	<u>(48,886)</u>	<u>(81,161)</u>
Total Net Position	\$ <u>22,605</u>	\$ <u>13,272</u>	\$ <u>142,332</u>	\$ <u>138,283</u>	\$ <u>164,937</u>	\$ <u>151,555</u>

Net position of the City's governmental activities increased by \$8.8 million to \$22.6 million. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased from \$(80.9) million at June 30, 2020 to \$(53.8) million at the end of this year. The unrestricted net position of business-type activities increased from \$(0.2) million compared to \$4.9 million during 2021.

It is important to note that the recognition of the net pension and OPEB liabilities on the financial statements through the implementation of GASB Statements 68 and 75 caused significant decreases in unrestricted net position for both governmental and business-type activities in 2015 and 2017, respectively. The decrease in unrestricted net position did not result from a change in benefits offered to employees, only the presentation of these liabilities on the balance sheet. Pension and OPEB liabilities are long-term ones which the City fund through the annual budget process.

**Table 2**  
**CHANGES IN NET POSITION**  
(In Thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 4,520	\$ 5,476	\$ 92,975	\$ 96,821	\$ 97,495	\$ 102,297
Operating grants and contributions	70,689	64,851			70,689	64,851
Capital grants and contributions	2,679	1,821	1,766	3,849	4,445	5,670
General revenues:						
Property taxes	90,080	87,831			90,080	87,831
Grants and contributions not restricted to specific purposes	4,486	4,491			4,486	4,491
Unrestricted investment earnings	688	902	70	385	758	1,287
Other general revenues	1,628	497			1,628	497
Total revenues	<u>174,770</u>	<u>165,869</u>	<u>94,811</u>	<u>101,055</u>	<u>269,581</u>	<u>266,924</u>
Program expenses:						
General government	9,389	9,446			9,389	9,446
Public safety	27,306	33,214			27,306	33,214
Social services	4,811	4,254			4,811	4,254
Public works	14,196	12,651			14,196	12,651
Education	118,197	113,585			118,197	113,585
Interest on long-term debt	1,282	1,522			1,282	1,522
Department of Public Utilities			79,908	81,759	79,908	81,759
Other enterprise funds			1,661	1,584	1,661	1,584
Total program expenses	<u>175,181</u>	<u>174,672</u>	<u>81,569</u>	<u>83,343</u>	<u>256,750</u>	<u>258,015</u>
Excess (deficiency) before transfers	(411)	(8,803)	13,242	17,712	12,831	8,909
Transfers	<u>9,193</u>	<u>8,822</u>	<u>(9,193)</u>	<u>(8,822)</u>		
Increase (Decrease) in Net Position	8,782	19	4,049	8,890	12,831	8,909
Net Position at Beginning of Year, as restate	<u>13,823</u>	<u>13,253</u>	<u>138,283</u>	<u>129,393</u>	<u>152,106</u>	<u>142,646</u>
Net Position at End of Year	<u>\$ 22,605</u>	<u>\$ 13,272</u>	<u>\$ 142,332</u>	<u>\$ 138,283</u>	<u>\$ 164,937</u>	<u>\$ 151,555</u>

The City's total revenues were \$268.7 million. The total cost of all programs and services was \$255.9 million. Our analysis below separately considers the operations of governmental and business-type activities.

### **Governmental Activities**

Governmental activities increased the City's net position by \$8.8 million during the year. Total revenues of \$173.9 million and \$9.2 million in transfers from the City's business-type activities provided funding for the City's \$177.2 million of governmental program expenses incurred during the year.

The City's revenues increased \$8.0 million (\$173.9 million compared to \$165.9 million) which was primarily caused by increases in grants and property taxes.

Total program expenses were \$174.3 million as compared with \$174.7 million reported last year. Increases in wages and other program expenses were largely offset by the decreases in pension expense in the functions other than Education.

Table 3 presents the cost of each of the City’s five largest programs - general government, public safety, social services, public works and education - as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City’s taxpayers by each of these functions.

**Table 3**  
**GOVERNMENTAL ACTIVITIES**  
(In Thousands)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General government	\$ 9,389	\$ 9,446	\$ 7,022	\$ 7,288
Public safety	27,306	33,214	25,650	31,775
Social services	4,811	4,254	1,839	1,637
Public works	14,196	12,651	11,133	9,182
Education	118,197	113,585	50,367	51,120
All others	<u>1,282</u>	<u>1,522</u>	<u>1,282</u>	<u>1,522</u>
Totals	<u>\$ 175,181</u>	<u>\$ 174,672</u>	<u>\$ 97,293</u>	<u>\$ 102,524</u>

***Business-Type Activities***

Revenues of the City’s business-type activities (see Table 2) decreased by \$6.2 million during the year (\$94.8 million in 2021 compared to \$101.1 million in 2020) and expenses decreased by \$1.8 million. Overall net position increased \$4.0 million in 2021. For the Department of Public Utilities, revenues in 2020 included a one-time payment of \$1 million received by the sewer division. Revenues in 2021 were significantly impacted by the COVID-19 pandemic. This resulted in reduced sales and an increase in bad debt. Expenses in 2021 were lower than in 2020 due to a decrease in the pension liability and the cost reduction measures implemented by the Department of Public Utilities as a result of the financial uncertainty of the COVID-19 pandemic.

**CITY FUNDS FINANCIAL ANALYSIS**

***Governmental Funds***

As the City completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$45.7 million, which is an increase of \$1.9 million from last year’s total of \$43.7 million. Included in this year’s total change in fund balance is an increase of \$2.6 million in the City’s General Fund. The primary reasons for the General Fund’s increase are an increase in property tax levies as well as higher than anticipated conveyance tax and building permit revenues. Please see the general fund activities analysis in RSI-1 and RSI-2 for further detail.

The Bond Expenditure Fund reported a fund balance of \$16.6 million at June 30, 2021. The fund balance decreased by \$3.2 million during the year due to the expenditure of public safety radio and gas line extension funds which had been bonded in previous years.

The Education Grants Fund reported a fund balance of \$0.9 million which was a \$0.8 million increase from last year.

The other governmental funds have a total fund balance of \$11.1 million - a \$1.7 million increase from last year.

**Proprietary Funds**

Net position of the Department of Public Utilities was \$134.4 million, as compared to \$130.1 million in the prior year, and City’s other nonmajor enterprise funds’ net position decreased by \$0.2 million to \$7.9 million.

Unrestricted net position of the Department of Public Utilities was \$7.4 million, and a deficit of \$2.5 million for the other nonmajor enterprise funds. The Department of Public Utilities had operating revenues of \$91.6 million from user fees, and other enterprise funds had \$1.4 million. The total increase in net position for the fiscal year ended June 30, 2021 was \$4.0 million. The change in the Department of Public Utilities net position is largely attributable to decreases in its pension and OPEB liabilities.

**General Fund Budgetary Highlights**

During the year, actual revenues and other financing sources on a budgetary basis were 133.9 million, which was \$1.1 million higher than budgetary estimates. The variance was caused primarily by higher than anticipated building permit and conveyance tax revenues (See RSI-1 for additional detail).

Actual expenditures on a budgetary basis and other financing uses totaled \$132.4 million, which were lower than actual revenues and other financing sources on a budgetary basis by \$1.5 million. Lower than budgeted expenditures were experienced in the General Government, Public Safety, Public Works and Social Services.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2021, the City had \$285.0 million invested in a broad range of capital assets, including land, building and system improvements, machinery and equipment, park facilities, roads, sewers and bridges - Table 4. This amount represents a net decrease (including additions, deductions and depreciation) of \$1.0 million, or 0.35%, compared to last year.

**Table 4**  
**CAPITAL ASSETS AT YEAR-END (Net of Depreciation)**  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 26,478	\$ 26,720	\$ 3,280	\$ 3,280	\$ 29,758	\$ 30,000
Buildings and improvements	56,820	59,896	32,548	33,324	89,368	93,220
Vehicles, machinery, equipment, pumping and distributions systems	10,889	9,421	104,814	101,436	115,703	110,857
Technology upgrade and road infrastructure	20,997	21,316			20,997	21,316
Construction in progress	6,450	4,291	22,681	26,280	29,131	30,571
<b>Totals</b>	<b>\$ 121,634</b>	<b>\$ 121,644</b>	<b>\$ 163,323</b>	<b>\$ 164,320</b>	<b>\$ 284,957</b>	<b>\$ 285,964</b>

This year's major capital asset additions included the following (in thousands):

NPU Fleet Vehicles	\$ 652
NPU Occum Tank Aeration & Mixing System	780
NPU Stony Brook Transmission Mains	1,695
NPU Deep River Sand Filtration	2,917
NPU Sprague Interconnect Mains	2,768
East Great Plain VFD pumper truck	735
Taftville VFD heavy squad truck	411
Police body camera system	315
PW catch basin cleaner truck	314
Total	\$ 10,587

The City's fiscal-year 2022 capital budget calls for spending \$2.7 million for road overlays, public works vehicles, police vehicles, fire equipment and other projects. More detailed information about the City's capital assets is presented in Note 7 to the financial statements.

### **Long-Term Debt**

At June 30, 2021, the City had total bonds and notes outstanding of \$75.5 million. The general obligation bond debt is backed by the full faith and credit of the City. The City's outstanding net debt decreased by \$0.3 million during fiscal 2021.

**Table 5**  
**OUTSTANDING DEBT, AT YEAR-END**  
(In Thousands)

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
General obligation bonds	\$ 48,500	\$ 50,420	\$	\$ 30	\$ 48,500	\$ 50,450
Notes payable			899	1,220	899	1,220
Serial notes payable			26,139	24,191	26,139	24,191
Total	<u>\$ 48,500</u>	<u>\$ 50,420</u>	<u>\$ 27,038</u>	<u>\$ 25,441</u>	<u>\$ 75,538</u>	<u>\$ 75,861</u>

In October 2020, Standard & Poor's assigned an AA rating on Norwich's bond issue including \$1.2 million of capital bonds and \$15.9 million of refunding bonds and affirmed this rating on the rest of Norwich's debt outstanding as of that date. In January 2018, Moody's downgraded Norwich's rating from Aa2 to Aa3.

State statutes limit the amount of general obligation debt a governmental entity may issue to up to seven times its annual receipts from taxation. The current debt limitation for the City of Norwich is \$608 million. The City's outstanding general obligation debt is at 6.41% of this limitation. Table 9 presents more detailed information about the debt limitation.

Other obligations include net OPEB obligation, accrued vacation pay and sick leave, and risk management claims. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

As of November 2021, the unemployment rate for the Norwich was 7.1%, down from 9.6% in the prior year. Connecticut's overall unemployment rate stood at 4.8%, compared with 6.9% for the same time last year. The State of Connecticut's education and noneducation formula grants had not kept pace with inflation for many years. State legislators have recently been working on increasing non-property tax revenue streams to municipalities like Norwich; such as increases to the City's Mashantucket-Pequot/Mohegan and PILOT grants as well as local shares of cannabis sales tax. In addition, the infusion of funding from the Federal CARES Act and American Rescue Plan Act have allowed the City to provide education programs and make other investments that it would otherwise would not be able to do without increasing property taxes and debt. The City has not lost sight of controlling costs as it continues to negotiate lower cost long-term employee benefits and seek efficiencies. As an example, Norwich voters approved a \$145 million pension obligation bond referendum in November 2021 which could potentially save City taxpayers and NPU ratepayers millions of dollars over the next 25 years. Other initiatives are noted in the transmittal letter.

The fiscal year 2022 General Fund budget calls for \$137.0 million in revenues and expenditures, a 3.13% increase in over fiscal year 2021. Noneducation expenditures increased by 4.20% and education expenditures increased by 2.50%. On the revenue side, the fiscal year 2022 General Fund mill rate decreased 0.08 mills, or 0.19%, from 42.06 to 41.98. No unrestricted fund balance was used to balance the budget.

In the City's business-type activities, the Norwich Public Utilities projects a 1.33% increase in revenues from fiscal year 2021 from \$99.0 million to \$100.4 million. This increase is based on projected normalized sales and includes Board approved rate increases in the gas, electric, and sewer division. Norwich Public Utilities budgeted \$10.1 million in capital improvements to bolster its infrastructure and operational efficiency.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Comptroller, 100 Broadway, Norwich, Connecticut 06360-4431.

# **Basic Financial Statements**

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**CITY OF NORWICH, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**  
(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 25,626	\$ 63,907	\$ 89,533
Investments	33,574		33,574
Receivables, net	22,193	13,274	35,467
Internal balances	13,358	(13,358)	-
Due from Fiduciary Funds	754		754
Inventories	76	1,816	1,892
Other assets	5	2,229	2,234
<b>Capital assets:</b>			
Assets not being depreciated	32,928	25,961	58,889
Assets being depreciated, net	88,706	137,362	226,068
Total assets	<u>217,220</u>	<u>231,191</u>	<u>448,411</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflow of resources related to pensions	7,592	6,304	13,896
Deferred outflow of resources related to OPEB	441	2,000	2,441
Deferred charge on refunding	1,270		1,270
Total deferred outflows of resources	<u>9,303</u>	<u>8,304</u>	<u>17,607</u>
<b>Liabilities:</b>			
Accounts and other payables	13,638	11,542	25,180
Due to fiduciary funds	2,177		2,177
Unearned revenue	17,013	849	17,862
<b>Noncurrent liabilities:</b>			
Due within one year	8,787	4,155	12,942
Due in more than one year	140,256	74,614	214,870
Total liabilities	<u>181,871</u>	<u>91,160</u>	<u>273,031</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflow of resources related to pensions	14,695	5,855	20,550
Deferred inflow of resources related to OPEB	7,352	148	7,500
Total deferred inflows of resources	<u>22,047</u>	<u>6,003</u>	<u>28,050</u>
<b>Net Position:</b>			
Net investment in capital assets	74,279	136,016	210,295
<b>Restricted for:</b>			
Expendable	2,127		2,127
Permanent trust purposes	33		33
Energy conservation		1,368	1,368
Unrestricted	<u>(53,834)</u>	<u>4,948</u>	<u>(48,886)</u>
Total Net Position	<u>\$ 22,605</u>	<u>\$ 142,332</u>	<u>\$ 164,937</u>

The accompanying notes are an integral part of the financial statements

CITY OF NORWICH, CONNECTICUT  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2021  
 (In Thousands)

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 9,389	\$ 2,093	\$ 274	\$ -	\$ (7,022)	\$ -	\$ (7,022)
Public safety	27,306	442	729	485	(25,650)	-	(25,650)
Social services	4,811	500	2,472	-	(1,839)	-	(1,839)
Public works	14,196	510	359	2,194	(11,133)	-	(11,133)
Education	118,197	975	66,855	-	(50,367)	-	(50,367)
Interest on long-term debt	1,282	-	-	-	(1,282)	-	(1,282)
Total governmental activities	175,181	4,520	70,689	2,679	(97,293)	-	(97,293)
Business-type activities:							
Department of Public Utilities:							
Gas	17,921	20,961	-	8	-	3,048	3,048
Electric	45,135	50,704	-	685	-	6,254	6,254
Water	8,719	11,393	-	1,015	-	3,689	3,689
Sewer	8,133	8,513	-	8	-	388	388
Nonmajor Enterprise Funds:							
Golf Course Authority	1,172	1,164	-	50	-	42	42
Stadium Authority	367	-	-	-	-	(367)	(367)
Ice Rink Authority	122	240	-	-	-	118	118
Total business-type activities	81,569	92,975	-	1,766	-	13,172	13,172
Total	\$ 256,750	\$ 97,495	\$ 70,689	\$ 4,445	\$ (97,293)	\$ 13,172	\$ (84,121)
General revenues:							
Property taxes					90,080		90,080
Grants and contributions not restricted to specific programs					4,486		4,486
Unrestricted investment earnings					688	70	758
Miscellaneous					1,628		1,628
Total general revenues					96,882	70	96,952
Transfers					9,193	(9,193)	-
Change in Net Position					8,782	4,049	12,831
Net Position at Beginning of Year, as restated					13,823	138,283	152,106
Net Position at End of Year					\$ 22,605	\$ 142,332	\$ 164,937

The accompanying notes are an integral part of the financial statements

**CITY OF NORWICH, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**  
(In Thousands)

	General	Bond Expenditure	Education Grants	General Government Grants and Programs	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 25,190	\$	\$	\$	\$ 435	\$ 25,625
Investments	31,480				2,094	33,574
Receivables, net	6,621		4,983	131	9,685	21,420
Due from other funds	7,312	17,172	4,153	14,617	7,035	50,289
Other assets					76	76
Total Assets	<u>\$ 70,603</u>	<u>\$ 17,172</u>	<u>\$ 9,136</u>	<u>\$ 14,748</u>	<u>\$ 19,325</u>	<u>\$ 130,984</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts and other payables	\$ 8,958	\$ 400	\$ 3,362	\$ 2	\$ 805	\$ 13,527
Due to other funds	38,679	216	3,969		1,866	44,730
Unearned revenue	511		879	14,808	814	17,012
Total liabilities	<u>48,148</u>	<u>616</u>	<u>8,210</u>	<u>14,810</u>	<u>3,485</u>	<u>75,269</u>
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	4,081				223	4,304
Unavailable revenue - special assessments	1,358				101	1,459
Unavailable revenue - loans receivable					4,283	4,283
Total deferred inflows of resources	<u>5,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,607</u>	<u>10,046</u>
Fund Balances:						
Nonspendable					2,118	2,118
Restricted					689	689
Committed		16,556	926		8,809	26,291
Unassigned	17,016			(62)	(383)	16,571
Total fund balances	<u>17,016</u>	<u>16,556</u>	<u>926</u>	<u>(62)</u>	<u>11,233</u>	<u>45,669</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 70,603</u>	<u>\$ 17,172</u>	<u>\$ 9,136</u>	<u>\$ 14,748</u>	<u>\$ 19,325</u>	<u>\$ 130,984</u>

(Continued on next page)

**CITY OF NORWICH, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2021**  
**(In Thousands)**

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Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:  
 Amounts reported for governmental activities in the statement of net position (Exhibit I) are  
 different because of the following:

Fund balances - total governmental funds	\$	45,669
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Capital assets used in governmental activities are not financial  
 resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	219,936	
Less accumulated depreciation		<u>(98,302)</u>	
Net capital assets			121,634

Other long-term assets are not available to pay for current-period  
 expenditures and, therefore, are not recorded in the funds:

Property tax receivables greater than 60 days	2,965
Interest receivable on property taxes	1,339
Housing rehabilitation loans	4,267
Accounts and other receivables	2,241
Deferred outflows:	
Deferred outflow of resources related to pensions	7,592
Deferred outflow of resources related to OPEB	441

Internal service funds are used by management to charge the costs of  
 risk management to individual funds. The assets and liabilities of  
 the internal service funds are reported with governmental activities  
 in the statement of net position.

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Long-term liabilities, including bonds payable and deferred outflows of resources,  
 are not due and payable in the current period and, therefore,  
 are not reported in the funds:

Bonds and notes payable	(46,395)
Deferred charge on refunding	1,270
Unamortized bond premium	(2,105)
Interest payable on bonds and notes	(93)
Compensated absences	(3,582)
Landfill closure	(134)
Capital lease	(125)
Net pension liability	(66,074)
Net OPEB liability	(24,655)
Deferred inflow of resources related to pensions	(14,695)
Deferred inflow of resources related to OPEB	<u>(7,352)</u>

Net Position of Governmental Activities (Exhibit I)	\$	<u><u>22,605</u></u>
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The accompanying notes are an integral part of the financial statements

**CITY OF NORWICH, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(In Thousands)**

	<u>General</u>	<u>Bond Expenditure</u>	<u>Education Grants</u>	<u>General Government Grants and Programs</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes, interest and liens	\$ 85,977	\$	\$	\$	4,468	\$ 90,445
Intergovernmental revenues	46,942	500	22,691	485	7,009	77,627
Charges for services	2,848		155		1,798	4,801
Licenses, permits and fees	643					643
Investment income	213				474	687
Other	226	1,179		3	716	2,124
Total revenues	<u>136,849</u>	<u>1,679</u>	<u>22,846</u>	<u>488</u>	<u>14,465</u>	<u>176,327</u>
Expenditures:						
Current:						
General government	5,754				659	6,413
Public safety	20,118			426	8,398	28,942
Social services	2,044				2,777	4,821
Public works	10,597				221	10,818
Education	90,696		22,031		4,503	117,230
Other	2,766					2,766
Capital outlay		4,820			3,464	8,284
Debt service	140				5,600	5,740
Total expenditures	<u>132,115</u>	<u>4,820</u>	<u>22,031</u>	<u>426</u>	<u>25,622</u>	<u>185,014</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,734</u>	<u>(3,141)</u>	<u>815</u>	<u>62</u>	<u>(11,157)</u>	<u>(8,687)</u>
Other Financing Sources (Uses):						
Transfers in	6,169				13,171	19,340
Transfers out	(8,420)	(1,298)			(429)	(10,147)
Issuance of general obligation bonds		1,205				1,205
Issuance of refunding bonds	15,920					15,920
Payment to refunded escrow agent	(15,780)					(15,780)
Bond premiums		44				44
Total other financing sources (uses)	<u>(2,111)</u>	<u>(49)</u>	<u>-</u>	<u>-</u>	<u>12,742</u>	<u>10,582</u>
Net Change in Fund Balances	2,623	(3,190)	815	62	1,585	1,895
Fund Balances at Beginning of Year, as Restated	<u>14,393</u>	<u>19,746</u>	<u>111</u>	<u>(124)</u>	<u>9,648</u>	<u>43,774</u>
Fund Balances at End of Year	<u>\$ 17,016</u>	<u>\$ 16,556</u>	<u>\$ 926</u>	<u>\$ (62)</u>	<u>\$ 11,233</u>	<u>\$ 45,669</u>

(Continued on next page)

**CITY OF NORWICH, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(In Thousands)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 1,895
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	7,091
Depreciation expense	(6,834)

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (267)

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

Property tax receivable - accrual basis change	(481)
Property tax interest and lien revenue - accrual basis change	116
Housing loan repayments	(104)
Accounts and other receivables - accrual basis change	(923)
Change in deferred outflows:	
Deferred outflow of resources related to pensions	(877)
Deferred outflow of resources related to OPEB	(6,693)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of

long-term debt and related items are as follows:

Issuance of bonds	(1,205)
Premium on bonds	(44)
Bond principal payments	3,095
Issuance of refunding bonds	(15,920)
Payment to refunded escrow agent	15,780
Amortization of deferred charge on refunding	1,013
Amortization of premiums	214
Capital lease payments	60

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

Compensated absences	(20)
Accrued interest	82
Landfill postclosure care	12
Change in net pension liability	19,478
Change in net OPEB liability	3,833
Change in deferred inflows:	
Deferred inflow of resources related to pensions	(251)
Deferred inflow of resources related to OPEB	(11,523)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities. 1,255

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 8,782</u>
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**CITY OF NORWICH, CONNECTICUT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2021**  
(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
<b>Assets:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 63,907	\$	\$ 63,907	\$
Receivables, net	13,180	94	13,274	6
Due from other funds	207	334	541	6,376
Inventories	1,816		1,816	
Other assets	2,229		2,229	
Total current assets	81,339	428	81,767	6,382
<b>Capital assets:</b>				
Assets not being depreciated	1,728	1,552	3,280	
Assets being depreciated, net	151,184	8,859	160,043	
Total assets	234,251	10,839	245,090	6,382
<b>Deferred Outflows of Resources:</b>				
Deferred outflow of resources related to pensions	6,304		6,304	
Deferred outflow of resources related to OPEB	2,000		2,000	
Total deferred outflows of resources	8,304	-	8,304	-
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	7,235	1,210	8,445	6
Notes payable	1,883		1,883	
Capital leases payable	61	6	67	
Compensated absences	1,970		1,970	
Risk management claims	235		235	2,621
Due to other funds	1,155	854	2,009	
Due to other governments	77	2	79	
Unearned revenue		849	849	6
Total current liabilities	12,616	2,921	15,537	2,633
<b>Noncurrent liabilities:</b>				
Customer deposits	3,018		3,018	
Notes payable	25,155		25,155	
Capital leases payable	194	8	202	
Compensated absences	3,174		3,174	
Risk management claims	663		663	3,352
Cash advances from other funds	11,890		11,890	
Net pension liability	37,357		37,357	
Net OPEB liability	8,063		8,063	
Total noncurrent liabilities	89,514	8	89,522	3,352
Total liabilities	102,130	2,929	105,059	5,985
<b>Deferred Inflows of Resources:</b>				
Deferred inflow of resources related to pensions	5,855		5,855	
Deferred inflow of resources related to OPEB	148		148	
Total deferred outflows of resources	6,003	-	6,003	-
<b>Net Position:</b>				
Net investment in capital assets	125,619	10,397	136,016	
Restricted for energy conservation	1,368		1,368	
Unrestricted	7,435	(2,487)	4,948	397
Total Net Position	\$ 134,422	\$ 7,910	\$ 142,332	\$ 397

The accompanying notes are an integral part of the financial statements

**CITY OF NORWICH, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 88,851	\$ 1,164	\$ 90,015	\$ 20,317
Use of property	1,258		1,258	
Other services	1,462		1,462	
Rent		240	240	
Total operating revenues	<u>91,571</u>	<u>1,404</u>	<u>92,975</u>	<u>20,317</u>
Operating Expenses:				
Purchased gas and electric	28,597		28,597	
Operations and maintenance	14,572	1,222	15,794	
General and administrative	12,352		12,352	
Depreciation	8,380	436	8,816	
Pension expense	6,890		6,890	
Customer accounts	2,903		2,903	
Gross revenue and property taxes	3,025		3,025	
OPEB expense	1,427		1,427	
Claims			-	17,197
Premiums and administrative charges			-	1,865
Total operating expenses	<u>78,146</u>	<u>1,658</u>	<u>79,804</u>	<u>19,062</u>
Operating Income (Loss)	<u>13,425</u>	<u>(254)</u>	<u>13,171</u>	<u>1,255</u>
Nonoperating Income (Expense):				
Interest income	69	1	70	
Interest expense	(1,121)	(3)	(1,124)	
Loss on disposal of capital assets	(641)		(641)	
Total nonoperating expense	<u>(1,693)</u>	<u>(2)</u>	<u>(1,695)</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	11,732	(256)	11,476	1,255
Capital contributions	1,716	50	1,766	
Transfers out	<u>(9,170)</u>	<u>(23)</u>	<u>(9,193)</u>	
Change in Net Position	4,278	(229)	4,049	1,255
Total Net Position at Beginning of Year	<u>130,144</u>	<u>8,139</u>	<u>138,283</u>	<u>(858)</u>
Total Net Position at End of Year	<u>\$ 134,422</u>	<u>\$ 7,910</u>	<u>\$ 142,332</u>	<u>\$ 397</u>

The accompanying notes are an integral part of the financial statements

**CITY OF NORWICH, CONNECTICUT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
(In Thousands)

	Business-Type Activities			Governmental
	Department of Public Utilities	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:				
Cash received from charges for services	\$ 94,096	\$ 1,286	\$ 95,382	\$ 2,478
Cash receipts for interfund services provided			-	16,204
Cash paid to vendors	(44,757)	(793)	(45,550)	(18,682)
Cash paid to employees for services	(25,103)		(25,103)	
Net cash provided by (used in) operating activities	<u>24,236</u>	<u>493</u>	<u>24,729</u>	<u>-</u>
Cash Flows from Noncapital and Related Financing Activities:				
Transfers to other funds	(9,170)		(9,170)	
Customer deposits	(2)		(2)	
Advances from (to) other funds	(144)	(23)	(167)	
Net cash provided by (used in) noncapital and related financing activities	<u>(9,316)</u>	<u>(23)</u>	<u>(9,339)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:				
Capital contributions	1,716		1,716	
Purchases of capital assets	(6,865)	(452)	(7,317)	
Proceeds from sale of capital assets	81		81	
Proceeds from long-term debt	3,453		3,453	
Principal payment on bonds and notes	(1,826)	(16)	(1,842)	
Principal payment on capital leases	(66)		(66)	
Interest payment on debt	(1,121)	(3)	(1,124)	
Capital advances (repayments) from other funds	99		99	
Net cash provided by (used in) capital and related financing activities	<u>(4,529)</u>	<u>(471)</u>	<u>(5,000)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Income on investments	69	1	70	
Net Increase (Decrease) in Cash and Cash Equivalents	10,460	-	10,460	-
Cash and Cash Equivalents at Beginning of Year	53,447	-	53,447	-
Cash and Cash Equivalents at End of Year	<u>\$ 63,907</u>	<u>\$ -</u>	<u>\$ 63,907</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ 13,425	\$ (254)	\$ 13,171	\$ 1,255
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	8,380	436	8,816	
Change in deferred outflow of resources related to pensions	3,967		3,967	
Change in deferred outflow of resources related to OPEB	796		796	
Change in net pension liability	(9,172)		(9,172)	
Change in net OPEB liability	(223)		(223)	
Change in deferred inflow of resources related to pensions	5,811		5,811	
Change in deferred inflow of resources related to OPEB	68		68	
(Increase) decrease in receivables	2,525	86	2,611	(6)
(Increase) decrease in inventories and other assets	(979)		(979)	
(Increase) decrease in due from other funds		(304)	(304)	(1,635)
Increase (decrease) in due to other funds		6	6	
Increase (decrease) in unearned revenues		137	137	6
Increase (decrease) in accounts payable and accrued liabilities	(362)	386	24	380
Total adjustments	<u>10,811</u>	<u>747</u>	<u>11,558</u>	<u>(1,255)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 24,236</u>	<u>\$ 493</u>	<u>\$ 24,729</u>	<u>\$ -</u>
Noncash Capital and Financing Activities:				
Capital asset contributions	\$	\$ 50	\$	\$
Capital asset additions in accounts payable				
Total Noncash Capital and Financing Activities	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**CITY OF NORWICH, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2021**  
**(In Thousands)**

	<b>Pension and Other Employee Benefit Trust Funds</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 12,596
Investments:	
U.S. government securities	27,055
U.S. government agencies	7,666
Corporate bonds	35,238
Mutual funds	95,233
Common stock	80,875
Real estate	1,344
Interfund receivables	2,177
	<hr/>
Total assets	262,184
	<hr/>
<b>Liabilities:</b>	
Accounts and other payables	131
Interfund payables	754
	<hr/>
Total liabilities	885
	<hr/>
<b>Net Position:</b>	
Restricted for OPEB benefits	32,672
Restricted for pensions	228,627
	<hr/>
	\$ 261,299
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements

**CITY OF NORWICH, CONNECTICUT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(In Thousands)**

	<b>Pension and Other Employee Benefit Trust Funds</b>
Additions:	
Contributions:	
Employer	\$ 17,476
Plan members	3,958
Total contributions	<u>21,434</u>
Investment income:	
Net change in fair value of investments	43,050
Interest and dividends	4,870
Total investment income	<u>47,920</u>
Less investment expense	<u>(845)</u>
Net investment income	<u>47,075</u>
Total additions	<u>68,509</u>
Deductions:	
Benefits	22,573
Administration	121
Lump sum distributions and withdrawals	746
Total deductions	<u>23,440</u>
Change in Net Position	45,069
Net Position Held in Trust for Pension and Other Post Employment Benefits at Beginning of Year	<u>216,230</u>
Net Position Held in Trust for Pension and Other Post Employment Benefits at End of Year	<u>\$ 261,299</u>

The accompanying notes are an integral part of the financial statements

**CITY OF NORWICH, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
(In Thousands)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City was incorporated in May 1784. The City and Town consolidated on January 1, 1952. The City covers an area of 27.1 square miles and is located 40 miles southeast of Hartford. The City operates under a Council/Manager form of government. The City Manager is appointed by the Council and serves as the Chief Executive Officer.

**B. 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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF NORWICH, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(In Thousands)**

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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 revenues to be available if they are collected within 60 days 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.

Property taxes, charges for services, 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.

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 City, except those required to be accounted for in another fund.

The Bond Expenditure Fund accounts for the City's capital projects established pursuant to project bond authorizations. Financial resources include intergovernmental grants, bond proceeds and transfers from the City's General Fund.

The Education Grants Fund accounts for all the educational grants administered by the Board of Education.

The City reports the following major proprietary fund:

The Department of Public Utilities accounts for the operation of the City's water, sewer, electric and gas divisions. It is independent in terms of its relationship to other City functions. Its operations are financed from direct charges to the users of the service for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for employee health insurance provided to other departments of the City and the City's self-insured workers' compensation program.

The Pension and Other Employee Benefit Trust Funds account for the activities of the City's two defined benefit pension plans, which accumulate resources for pension benefit payments to qualified retired employees and also the activities of the City's other post employment benefit plan, which accumulate resources for medical and life insurance benefits provided to qualified retired employees.

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

**CITY OF NORWICH, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
**(In Thousands)**

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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 property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

**D. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the City are reported at fair value.

**E. Receivables and Payables**

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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes on all property are assessed as of October 1 prior to the beginning of the fiscal year and become legally due and payable on the following July 1 and January 1. If taxes are unpaid as of June 30 following the payable date, a lien is placed on the real property. Property assessments are made at 70% of the market value. Property taxes receivable are recorded on the due date. Taxes not paid within 30 days of the due date are subject to an interest charge of one and one-half percent per month. The City is not a part of any overlapping government which assesses separate property taxes. An amount of \$956 has been established as an allowance for uncollected taxes. At June 30, 2021, this represents 20.4% of property taxes receivable.

**F. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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**G. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure, assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	40-50
Building improvements	20
Infrastructure, public domain infrastructure and distribution and collection systems	20-50
Machinery and equipment	5-20

**H. 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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred charge on refunding and deferred outflows related to pension and OPEB in the government-wide statement of net position, and deferred outflows related to pension and OPEB in the proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees).

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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources related to pensions and OPEB in the government-wide statement of net position and proprietary funds statement of net position. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic

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and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees). For governmental funds, the City reports unavailable revenues from several sources: property taxes, special assessments and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

**I. Compensated Absences**

Employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Unused sick leave may be accumulated for future absences in accordance with employee contracts and employment policies. Upon retirement, vested sick leave is payable to employees subject to union contract payment provisions. Sick leave and vacation leave expenditures are recognized in the governmental fund financial statements in the current year to the extent they are due (matured). The liability for the remainder of the accrued vacation earned and not due is reported in the government-wide and proprietary fund financial statements.

**J. Net Pension Liability**

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

**K. Net OPEB Liability**

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

**L. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount.

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.

### M. Fund Balance and Net Position

In the government-wide financial statements and in proprietary fund types, net position is classified in the following categories:

#### **Net Investment in Capital Assets**

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

#### **Restricted Net Position**

This category represents the net position of the City, which is restricted by externally imposed constraints placed on net position by grantors, contributors or laws and regulations of other governments.

#### **Unrestricted Net Position**

This category represents the net position of the City, which is not restricted for any project or other purpose.

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

#### **Nonspendable Fund Balance**

This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

#### **Restricted Fund Balance**

This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

#### **Committed Fund Balance**

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (City Council). A fund balance commitment is established, modified and/or rescinded by ordinance.

#### **Assigned Fund Balance**

This balance represents the resources to be used to liquidate encumbered purchase orders and amounts appropriated for subsequent budget years. Encumbrances are authorized by an approval process, which includes the department head, the purchasing agent and the Comptroller. Appropriations for subsequent budget years are approved by ordinance by the City Council.

#### **Unassigned Fund Balance**

This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

The City Council adopted by ordinance a formal General Fund Unassigned Fund Balance (UFB) policy in December 2014. This policy identifies a target fund balance range of 12% to 17% of annual General Fund expenditures and transfers out.

The UFB may be used for absorbing operating deficits at any time. If UFB goes over 17%, the Council may appropriate the excess to:

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- fund capital improvements beyond the level required by the Charter
- transfer funds to the bonded projects fund to finance authorized, but unissued projects
- retire existing debt early
- make extra contributions into the Pension or OPEB funds

The City is assumed to use restricted resources first if both restricted and unrestricted resources are to be used for the same purpose. In addition, when committed, assigned and unassigned resources are available, it is assumed that committed resources are used first, then assigned, and lastly, unassigned.

In June 2021, the City Council voted to add a policy for a nonlapsing account for unexpended education funds. This policy allows the BOE to request that an unexpended General Fund appropriation be deposited into the nonlapsing account which the City is treating as a Special Revenue Fund. The funds may be later used to offset future BOE operating deficits, or pay for improvements to school facilities, equipment, or programs which would not increase ongoing operating costs.

#### **N. Estimates**

The preparation of the financial statements in conformity with GAAP 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 expenditures/expenses during the fiscal year.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

In October, the City Manager, through the Comptroller's Office, distributes budget instructions to department heads. On or before a date set by the City Manager, the head of every department, office or agency must submit a written proposed budget for the following year to the City Manager. The City Manager and Comptroller review these proposals and may revise them as deemed advisable, except in the case of the Department of Education where the City Manager has the authority to revise only the total estimated expenditures. The City Manager and Comptroller compare proposed expenditures to expected revenues and prepare a proposed budget for presentation to the City Council.

As required by City Charter, on or before the first Monday in April, the City Manager submits a balanced annual budget, as well as appropriation and tax levy ordinances to the City Council. Between the presentation of the budget and the first public hearing, department heads are given the opportunity to make presentations in support of their proposed budget. The City Council holds a first public hearing on the budget prior to the third Monday in April, but not sooner than one week after the submission of the budget. This hearing is to listen to citizens' comments on the budget. The Council meets by the second Monday in May to take initial action on the budget. A second public hearing is then held regarding the Council's proposed changes, prior to the third Monday in May.

After the second public hearing, the Council may revise expenditures, except that it may not reduce appropriations for debt service and may revise only the total estimated expenditures for the Department of Education. The Council adopts the budget, appropriation and tax levy ordinances by the second Monday of June; if it fails to do so, the budget as submitted by the City Manager stands.

The General Fund and the Fire Districts nonmajor governmental fund have legally adopted budgets.

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The City Manager may transfer unexpended balances within a department, office or agency; the Council may transfer unexpended balances between departments at the City Manager’s request within the last three months of the fiscal year. The Comptroller oversees revenues and expenditures according to the budget established by the City Council. The Board of Education may transfer unexpended balances between accounts within its total line appropriation. Additional appropriations may be made upon the City Manager’s recommendation, provided the Comptroller certifies the availability of a sufficient General Fund surplus.

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 reflected in budgetary reports as expenditures of the current year. If an appropriation is not encumbered, it lapses at year end and may not be used by the department.

**B. Deficit Fund Balance**

Certain individual funds had fund balance/net position deficits at June 30, 2021 as follows:

Nonmajor Governmental Funds:	
Dog License	\$ 121*
Adult Education	19*
Economic Development	43*
Property Rehabilitation	200*
General Government Grants and Programs	62*
Nonmajor Enterprise Funds:	
Ice Rink Authority	146*
Internal Service Funds:	
Workers’ Compensation	1,979*

\* Deficit will be reduced by future operating surpluses or, if necessary, future contributions from the General Fund adopted as part of the budget process.

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

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The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

**Deposits**

**Deposit Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposit will not be returned. The City has a formal investment policy. Under this policy, the Treasurer shall mitigate concentration of credit risk on deposits by spreading deposits among different financial institutions. Because the benefits of lower fees and higher rates of return often outweigh the attendant risks of carrying large balances with a few financial institutions, the Treasurer will use their judgment rather than target percentages to guide their deposit strategy. For other investments, no more than 10% of the funds covered under this policy may be invested in securities from any one federal, state or local political subdivision or agency. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk-based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$125,141 of the City’s bank balance of \$134,289 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 112,320
Uninsured and collateral held by the pledging bank’s trust department, not in the City’s name	<u>12,821</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 125,141</u>

**Cash Equivalents**

At June 30, 2021, the City’s cash equivalents amounted to \$30,759. The following table provides a summary of the City’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard &amp; Poor’s</u>
State Short-Term Investment Fund (STIF)	AAA/m
Dime Bank	AAA/m

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**4. INVESTMENTS**

As of June 30, 2021, the City had the following investments:

	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
		<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:				
Certificate of Deposit	\$ 31,480	\$ 25,610	5,870	-
U.S. Government Securities	27,360	-	-	27,360
U.S. Government Agencies	7,666	-	-	7,666
Corporate Bonds	35,409	-	-	35,409
Total	101,915	\$ 25,610	\$ 5,870	\$ 70,435
Other investments:				
Mutual Funds	95,482			
Common Stock	82,244			
Real Estate	1,344			
Total Investments	\$ 280,985			

Presented below is the rating of investments for each debt investment type:

<u>Average Rating</u>	<u>Corporate Bonds</u>	<u>U.S. Government Securities</u>	<u>U.S. Government Agencies</u>	<u>Certificate of Deposit</u>
Aaa	\$ 896	\$ 26,887	\$ 154	\$
Aa1	-	17		
Aa2	231			
Aa3	523	-		
A1	3,191			
A2	5,821	29		
A3	2,567			
Baa1	1,656	-		
Baa2	3,586	-		
Baa3	9,435			
Ba1	824			
Ba2	1,922			
Ba3	1,503			
B1	149			
B2	558			
B3	365			
Unrated	2,182	345	7,512	31,480
	\$ 35,409	\$ 27,360	\$ 7,666	\$ 31,480

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted

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prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The City has the following recurring fair value measurements as of June 30, 2021:

	June 30, 2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Debt Securities:				
U.S. Government Securities	\$ 27,360	\$ 27,360	\$	\$
U.S. Government Agencies	7,666	7,666		
Corporate Bonds	35,409	35,409		
Equity Securities:				
Common Stock	82,244	82,244		
Mutual Funds	95,482	95,482		
Real Estate	1,344	1,344		
Total investments by fair value level	249,505	\$ 249,505	\$ -	\$ -
Investments not recorded at fair value:				
Certificate of Deposit*	31,480			
Total Investments	\$ 280,985			

\* Certificates of deposit are valued at amortized cost

**Interest Rate Risk**

The Employees' Pension Plan formal investment policy states that for fixed income investments, no issues may be purchased with a maturity that exceeds the maximum maturity in the applicable benchmark index. Maturity duration is managed to remain within plus or minus 25% of the applicable benchmark index. The City does not further limit its other investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

**Credit Risk - Investments**

As indicated above, State Statutes limit the investment options of cities and towns. The Employees' Pension Plan formal investment policy does not allow for investment in any company that has filed for bankruptcy without prior Personnel and Pension Board approval. For domestic equities, investments must be with companies that meet a specified minimum capitalization threshold at the date of purchase. For fixed income instruments, the average quality of the portfolio must exceed minimum rating levels at all times as defined in the investment policy and must meet or exceed a credit rating of BBB-/Baa3. The City's investment policy governing other investments limits holdings to highly rated fixed income instruments, mutual funds and government investment pools.

**Concentration of Credit Risk**

The Employees' Pension Plan formal investment policy includes provisions for domestic equities stating that the cost of an individual security in a portfolio at the date of purchase may not exceed 5% of the total market value of that portfolio. Fixed income instruments with a single issuer (excluding U.S. government and government agencies) may not exceed 5% of the market value of that portfolio. The City's investment policy governing other investments does not permit direct equity or fixed income investments in private-sector companies.

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**Custodial Credit Risk**

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has a formal investment policy. Under this policy, the Treasurer shall mitigate concentration of credit risk on deposits by spreading deposits among different financial institutions. Because the benefits of lower fees and higher rates of return often outweigh the attendant risks of carrying large balances with a few financial institutions, the Treasurer will use their judgment rather than target percentages to guide their deposit strategy. For other investments, no more than 10% of the funds covered under this policy may be invested in securities from any one federal, state or local political subdivision or agency. The City's individual investments in U.S. government obligations, equities and corporate bonds are uninsured and unregistered securities held by a counterparty, or by its trust department or agent that are not in the City's name. The City's investments are held in open-end mutual funds which, because they are pooled investments rather than separate identifiable securities, are not subject to custodial risk determination. The City will only deposit funds in institutions rated within one of the top three rating categories of any nationally recognized rating service. Financial institutions in which the City deposits funds shall be accepted by City Council resolution. For financial institutions which have not been ranked by a nationally recognized rating service, the Treasurer shall assess the financial capacity and creditworthiness of the institution before recommending it to the City Council for approval.

**5. RECEIVABLES**

Receivables as of year end for the City's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Education Grants</u>	<u>Department of Public Utilities</u>	<u>Nonmajor and Other Funds</u>	<u>Nonmajor and Other Funds</u>
Receivables:					
Taxes	\$ 4,331	\$	\$	\$	\$ 333
Accrued interest on taxes	1,674				
Intergovernmental		4,983		131	4,756
User charges			13,180		94
Assessments	1,358				
Housing and rehabilitation loans					4,429
Accounts and other	513				467
Gross receivables	<u>7,876</u>	<u>4,983</u>	<u>13,180</u>	<u>131</u>	<u>10,079</u>
Less allowance for uncollectibles:					
Taxes	(920)				(36)
Accrued interest on taxes	(335)				
Accounts and other					(258)
Total allowance	<u>(1,255)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(294)</u>
Net Total Receivables	<u>\$ 6,621</u>	<u>\$ 4,983</u>	<u>\$ 13,180</u>	<u>\$ 131</u>	<u>\$ 9,785</u>

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**6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. The City also operates a cash pool in the General Fund, and there are bonded projects in one fund that benefit another fund.

A summary of interfund balances as of June 30, 2021 is presented below.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	7,312	38,679
Bond Expenditure	17,172	216
Education Grants	4,153	3,969
Nonmajor Governmental	7,035	1,866
Department of Public Utilities	207	13,045
Nonmajor Enterprise	334	854
Internal Service Funds	6,376	
Pension & Other Post Employment Benefit Trust	2,177	754
		<u>59,383</u>
Total		<u>\$ 59,383</u>

Included within the balances above are \$11,890 of long-term interfund advances receivable by the Bond Expenditure Fund from the Department of Public Utilities. These advances are primarily for the construction of gas-related infrastructure and are to be repaid over the term of the corresponding debt funding the construction.

A summary of interfund transfers is presented below:

	<u>Transfers In</u>		
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Transfers out:			
General Fund	\$	\$ 8,420	\$ 8,420
Bond Expenditure		1,298	1,298
Department of Public Utilities	5,717	3,453	9,170
Nonmajor Governmental	429		429
Nonmajor Enterprise	23		23
		<u>13,171</u>	<u>19,340</u>
Total	<u>\$ 6,169</u>	<u>\$ 13,171</u>	<u>\$ 19,340</u>

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Capital asset contributions totaling \$30 were made from governmental funds to business-type funds during the year ended June 30, 2021. This activity is included in transfers in the government-wide activity in Exhibit II of the accompanying financial statements.

Transfers from the General Fund to other nonmajor governmental funds are in support of the City's capital improvement program, debt service and other special revenue programs accounted for outside of the General Fund. Transfers from nonmajor governmental funds to the General Fund are derived primarily from net income generated from private duty police services accounted for outside of the General Fund. Transfers from nonmajor governmental funds to the bond expenditure fund are for debt service payments. The Department of Public Utilities annually transfers 10% of gross revenues derived from gas, electric and water sales to the General Fund and the Fire Districts Fund.

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**7. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 26,720	\$	\$ (242)	\$	\$ 26,478
Construction in progress	4,291	2,474		(315)	6,450
Total capital assets not being depreciated	<u>31,011</u>	<u>2,474</u>	<u>(242)</u>	<u>(315)</u>	<u>32,928</u>
Capital assets being depreciated:					
Buildings and improvements	105,591	183	\$ (182)		105,592
Vehicles, machinery and equipment	30,678	3,337	(1,307)		32,708
Technology upgrade and infrastructure	47,296	1,097		315	48,708
Total capital assets being depreciated	<u>183,565</u>	<u>4,617</u>	<u>(1,489)</u>	<u>315</u>	<u>187,008</u>
Less accumulated depreciation for:					
Buildings and improvements	(45,695)	(3,247)	\$ 170		(48,772)
Vehicles, machinery and equipment	(21,257)	(1,856)	1,294		(21,819)
Technology upgrade and infrastructure	(25,980)	(1,731)			(27,711)
Total accumulated depreciation	<u>(92,932)</u>	<u>(6,834)</u>	<u>1,464</u>	<u>-</u>	<u>(98,302)</u>
Total capital assets being depreciated, net	<u>90,633</u>	<u>(2,217)</u>	<u>(25)</u>	<u>315</u>	<u>88,706</u>
Governmental Activities Capital Assets, Net	<u>\$ 121,644</u>	<u>\$ 257</u>	<u>\$ (267)</u>	<u>\$ -</u>	<u>\$ 121,634</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 3,280	\$	\$	\$	\$ 3,280
Construction in progress	26,280	8,039	\$ (52)	(11,586)	22,681
Total capital assets not being depreciated	<u>29,560</u>	<u>8,039</u>	<u>(52)</u>	<u>(11,586)</u>	<u>25,961</u>
Capital assets being depreciated:					
Structures and improvements	65,876		\$ (237)	780	66,419
Machinery, equipment, pumping and distribution systems	250,410	502	(2,820)	10,806	258,898
Total capital assets being depreciated	<u>316,286</u>	<u>502</u>	<u>(3,057)</u>	<u>11,586</u>	<u>325,317</u>
Less accumulated depreciation for:					
Structures and improvements	(32,552)	(1,556)	\$ 237		(33,871)
Machinery, equipment, pumping and distribution systems	(148,974)	(7,260)	2,150		(154,084)
Total accumulated depreciation	<u>(181,526)</u>	<u>(8,816)</u>	<u>2,387</u>	<u>-</u>	<u>(187,955)</u>
Total capital assets being depreciated, net	<u>134,760</u>	<u>(8,314)</u>	<u>(670)</u>	<u>11,586</u>	<u>137,362</u>
Business-Type Activities Capital Assets, Net	<u>\$ 164,320</u>	<u>\$ (275)</u>	<u>\$ (722)</u>	<u>\$ -</u>	<u>\$ 163,323</u>

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

Governmental activities:	
General government	\$ 240
Public safety	1,250
Social services	3,541
Public works	97
Education	<u>1,706</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ <u>6,834</u></b>
Business-type activities:	
Department of Public Utilities	\$ 8,380
Golf Course Authority	134
Stadium Authority	186
Ice Rink Authority	<u>116</u>
<b>Total Depreciation Expense - Business-Type Activities</b>	<b>\$ <u>8,816</u></b>

**Construction Commitments**

The City has active construction projects as of June 30, 2021. At year end, the City's commitments with contractors on active authorizations are as follows:

<u>Project</u>	<u>Cumulative Authorization</u>	<u>Current Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2021</u>
AMI Metering Installations	\$ 1,150	\$ 472	\$ 961	\$ 189
Fiber Network Improvements	575	321	526	49
WWTP Design & Construction	101,400	9	11,315	90,085
Primary Distribution Circuit Upgrades	895	295	665	230
Department of Public Utilities - Various*	<u>21,400</u>	<u>3,620</u>	<u>16,803</u>	<u>4,597</u>
<b>Total</b>	<b>\$ <u>125,420</u></b>	<b>\$ <u>4,717</u></b>	<b>\$ <u>30,270</u></b>	<b>\$ <u>95,150</u></b>

\* Department of Public Utilities projects include the following: Occum Water Tank - Equipment Upgrade, Deep River - Sand Filtration Upgrade, Sprague Interconnect Main Extension, Stony Brook - North and South Sections Transmission Main, and Stony Brook Buoyant Media.

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**8. LONG-TERM DEBT**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 48,145	\$ 17,125	\$ 18,875	\$ 46,395	\$ 4,125
Add unamortized premiums	<u>2,275</u>	<u>44</u>	<u>214</u>	<u>2,105</u>	<u>214</u>
Total bonds payable	50,420	17,169	19,089	48,500	4,339
Compensated absences	3,562	1,816	1,796	3,582	1,745
Landfill closure	146		12	134	17
Capital leases	185		60	125	65
Net pension liability	85,552		19,478	66,074	
Net OPEB liability	28,488		3,833	24,655	
Risk management claims	<u>5,552</u>	<u>17,197</u>	<u>16,776</u>	<u>5,973</u>	<u>2,621</u>
Governmental Activities Long-Term Liabilities	<u>\$ 173,905</u>	<u>\$ 36,182</u>	<u>\$ 61,044</u>	<u>\$ 149,043</u>	<u>\$ 8,787</u>
Business-Type Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 30	\$	\$ 30	\$	\$
Notes payable	1,220		321	899	335
State of Connecticut - serial note	<u>24,191</u>	<u>3,453</u>	<u>1,505</u>	<u>26,139</u>	<u>1,548</u>
Total bonds and notes payable	25,441	3,453	1,856	27,038	1,883
Compensated absences	5,119	2,161	2,136	5,144	1,970
Capital leases		335	66	269	67
Workers' compensation	967	205	274	898	235
Net pension liability	46,529		9,172	37,357	
Net OPEB liability	<u>8,286</u>		<u>223</u>	<u>8,063</u>	
Business-Type Activities Long-Term Liabilities	<u>\$ 86,342</u>	<u>\$ 6,154</u>	<u>\$ 13,727</u>	<u>\$ 78,769</u>	<u>\$ 4,155</u>

The governmental activities net pension liability and the net OPEB liability have primarily been liquidated with General Fund resources.

**General Obligation Refunding Bonds**

On October 14, 2020, the City issued \$15,920, 000 of general obligation refunding bonds with interest rate of 2%. The bonds were issued to refund outstanding principal amounts of the 2011 and 2014 series general obligation bonds. The net proceeds of \$15,780,000 (after payment of \$140,000 issuance costs) were deposited in an irrevocable trust fund under an escrow agreement dated October 14, 2020 between the Escrow Agent and the City. The Escrow Agent will use such proceeds to purchase a portfolio of the United States Treasury State and Local Government Securities. All investment income

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on and the maturing principal of the escrow securities held in the escrow deposit fund will be irrevocably deposited by the City for payment of the refunded bonds. The City refunded the above bonds to reduce total debt service payments over the next 10 years by \$546,102 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$416,298. As of June 30, 2021, there is no defeased debt outstanding from this refunding. This amount is removed from the governmental activities column of the statement of net position.

A schedule of bonds outstanding at June 30, 2021 is presented below:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding June 30, 2021
Governmental Activities:					
General purpose bonds payable:					
Refunding - (04/15/2002) bonds	2/15/2012	4/15/2022	2.0	2,725	240
General purpose - series A	3/3/2015	8/1/2034	3.0-4.0	5,600	3,600
General purpose - series B	3/3/2015	8/1/2024	2.0-3.0	1,140	450
General purpose - series A	3/1/2016	8/1/2035	2.0-2.6	6,300	4,475
General purpose - series B	3/1/2016	8/1/2025	2.0-3.0	2,500	1,250
Refunding - (partial 12/02/2009 series A) bonds - series C	10/12/2016	8/1/2024	1.8-4.0	2,925	2,340
General purpose - series A	3/1/2017	8/1/2036	3.0-4.0	4,450	3,550
Refunding - (partial 12/02/2009 series A) bonds - series A	3/1/2017	8/1/2036	3.0-4.0	2,825	2,825
General purpose - series B	3/1/2017	8/1/2036	1.0-3.9	1,000	800
General purpose - series A	12/6/2018	8/1/2038	3.0-5.0	7,970	7,560
General purpose - series A	12/5/2019	8/1/2039	2.0-5.0	3,575	3,575
General purpose - series A	10/28/2020	8/1/2040	3.0-5.0	1,205	1,205
Refunding - (10/14/2020) bonds	10/28/2020	8/1/2040	2.0-5.0	15,920	14,525
Total					\$ 46,395
Business-Type Activities:					
Notes payable:					
Equipment financing loan	12/28/2017	1/1/2025	4.25	1,896	899
State of Connecticut serial notes payable:					
Clean Water Act 349-C	12/31/2002	12/31/2021	2.00	881	26
Clean Water Act 9714-C	12/31/2002	12/31/2021	2.77	1,899	61
Clean Water Act 200801-C	7/1/2009	7/1/2029	2.27	450	178
Clean Water Act 625-D	12/31/2012	12/31/2031	2.00	1,865	1,061
Clean Water Act 495-C	5/31/2013	6/1/2032	2.00	5,748	3,387
Clean Water Act 625-D1	5/31/2015	12/31/2031	2.00	2,510	1,600
Clean Water Act 707-PD	2/26/2021	1/31/2041	2.00	1,655	1,655
Drinking Water State Revolving Fund 2010-8005	3/31/2010	12/31/2029	2.06	145	62
Drinking Water State Revolving Fund 2010-8006	3/31/2010	6/30/2030	2.06	326	147
Drinking Water State Revolving Fund 2010-7005	4/30/2014	10/31/2032	2.00	160	98
Drinking Water State Revolving Fund 2010-7006	4/30/2014	4/30/2032	2.00	148	89
Drinking Water State Revolving Fund 2014-7027	6/30/2015	12/31/2034	2.27	506	341
Drinking Water State Revolving Fund 2014-7036	5/31/2016	11/30/2036	2.00	4,052	2,921
Drinking Water State Revolving Fund 2015-7037	10/12/2016	9/30/2034	2.00	1,528	1,125
Drinking Water State Revolving Fund 2017-7056	2/28/2019	6/30/2028	2.00	2,695	2,313
Drinking Water State Revolving Fund 2019-7072	8/31/2019	2/28/2039	2.00	1,582	1,398
Drinking Water State Revolving Fund 2019-7069	12/31/2020	6/30/2040	2.00	2,477	2,353
Drinking Water State Revolving Fund 2019-7077	*	*	*	*	5,031
Drinking Water State Revolving Fund 2019-7081	11/30/2020	6/30/2040	2.00	2,414	2,293
Total					\$ 27,038

\* Loan is not permanently financed at this time.

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The annual debt service requirements of the governmental activities bonded indebtedness is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 4,125	\$ 1,197	\$ 5,322
2023	3,835	1,100	4,935
2024	3,795	1,007	4,802
2025	3,740	906	4,646
2026	3,590	804	4,394
2027-2031	15,450	2,742	18,192
2032-2036	9,270	1,043	10,313
2037-2041	<u>2,590</u>	<u>130</u>	<u>2,720</u>
Total	<u>\$ 46,395</u>	<u>\$ 8,929</u>	<u>\$ 55,324</u>

The annual debt service requirements of the City's bond and notes payable of business-type activities are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,883	\$ 454	\$ 2,337
2023	1,787	396	2,183
2024	1,664	353	2,017
2025	1,459	320	1,779
2026	1,470	291	1,761
2027-2031	7,447	1,010	8,457
2032-2036	4,437	381	4,818
2037-2041	<u>1,860</u>	<u>70</u>	<u>1,930</u>
Subtotal	<u>22,007</u>	<u>3,275</u>	<u>25,282</u>
State of Connecticut - serial notes not permanently financed as of June 30, 2021	<u>5,031</u>	<u>-</u>	<u>5,031</u>
	<u>\$ 27,038</u>	<u>\$ 3,275</u>	<u>\$ 30,313</u>

**Capital Leases**

**Governmental Activities**

The City entered into multi-year capital leases for the purchase of a fire truck and other equipment. Principal payments for the 2021 fiscal year were \$60. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$125 at June 30, 2021. The following is a summary of capital lease commitments as of June 30, 2021.

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<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2022	\$ 65
2023	<u>64</u>
Total payments	129
Less interest	<u>(4)</u>
Principal Balance	<u>\$ 125</u>

**Business-Type Activities**

The Department of Public Utilities entered into multi-year capital leases for the purchase of equipment. Principal payments for the 2021 fiscal year were \$66. The net undepreciated value of assets purchased by capital lease approximates the principal balances payable of \$269 at June 30, 2021. The following is a summary of capital lease commitments as of June 30, 2021.

<u>Year Ending June 30,</u>	<u>Enterprise Funds</u>
2022	\$ 77
2023	77
2024	72
2025	69
Less interest	<u>(26)</u>
Principal Balance	<u>\$ 269</u>

**Compensated Absences - Governmental Activity**

Employees can accumulate additional amounts of unused vacation and sick leave (as determined by individual union contracts) payable upon termination of their employment. Compensated absences' liabilities are generally liquidated by the General Fund. The following vested and nonvested estimated liabilities are summarized as follows:

Vested:		
Sick	\$	853
Vacation		876
Other		283
Nonvested:		
Sick		1,548 *
Other		<u>22 *</u>
Total	\$	<u>3,582</u>

*\*Based on estimated percentage of total nonvested obligation that potentially will vest in future years*

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**Compensated Absences - Business-Type Activity**

Department of Public Utilities employees can accumulate additional amounts of unused vacation and sick leave (as determined by individual union contracts) payable upon termination of their employment. Compensated absences' liabilities are generally liquidated by the Department of Public Utilities Fund. The following vested estimated liabilities are summarized as follows:

Sick	\$	3,812
Vacation		<u>1,332</u>
Total	\$	<u><u>5,144</u></u>

**Landfill Closure and Postclosure Care Cost - Governmental Activity**

State and federal laws and regulations require that the City place a final cover on its closed landfill and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. The current estimated total cost of the landfill closure and postclosure care of \$134 is based on the amount estimated to be paid for all equipment, facilities and services required to close, monitor and maintain the complete landfill site as of June 30, 2021. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations. The Landfill Closure fund has been used to liquidate landfill closure and postclosure liabilities, but the General Fund will be used to pay for future monitoring costs.

**Notes Payable - Business-Type Activity**

Effective November 20, 2017, the Department of Public Utilities entered into a master financing agreement for notes payable with GE Government Finance, Inc., to finance the upgrading of streetlights. The notes are payable in monthly installments beginning January 2019 at an interest rate of 4.25% and collateralized by the equipment purchased. The notes do not contain any financial covenants. Events of default include payment default or default of other terms within the agreement including default of other loans or bonds, failure to maintain the appropriate liability and property insurance, and any other false statements made within the agreement. Such a default could result in the acceleration of the total outstanding principal and accrued interest or action being taken against the collateralized assets.

**Bonds Authorized/Unissued**

Bonds authorized/unissued with outstanding debt at June 30, 2021 are as follows:

<u>Description</u>	<u>Authorized</u>	<u>Bonded</u>	<u>Grants</u>	<u>Authorized Unissued</u>
Wawecus St. Bridge	\$ 800	\$ 500	\$	\$ 300
Code Correction Assistance	1,840	1,723		117
Infrastructure Improvement Program (2017)	5,000	3,895		1,105
Dodd Stadium Capital Improvements (2018)	800	450		350
Infrastructure Improvement Program (2019)	<u>5,000</u>	<u></u>	<u></u>	<u>5,000</u>
Total	<u>\$ 13,440</u>	<u>\$ 6,568</u>	<u>\$ -</u>	<u>\$ 6,872</u>

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**Debt Limitations**

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 195,464	\$ 29,986	\$ 165,478
Schools	390,929	4,557	386,372
Sewers	325,774	2,255	323,519
Urban renewal	282,337	2,162	280,175
Pension deficit	260,619		260,619

The total of the City's net statutory indebtedness of \$39 million does not exceed the legal debt limitation of \$608.1 million (seven times the base for debt limitation computation).

**9. FUND BALANCE**

**A. Fund Balance**

The components of fund balance at June 30, 2021 are as follows:

	<u>General Fund</u>	<u>Bond Expenditure Fund</u>	<u>Education Grants</u>	<u>Government Grants and Programs</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:						
Nonspendable:						
Trust:						
Cemetery Trust	\$	\$	\$	\$	2,113	2,113
Other					5	5
Restricted for:						
Trust					42	42
Grants:						
Kelly Middle School Project					647	647
Committed to:						
Public safety:						
Capital Projects		16,556				16,556
Fire Grants & Programs					4	4
Police Grants & Programs					446	446
Public works:						
Public Parking					136	136
Other					3,843	3,843
Social services:						
Recreation					522	522
Human Services					96	96
Senior Center					73	73
Youth & Family Services					35	35
General government:						
Downtown Revitalization Revolving Loan					197	197
Other					629	629
Education:						
School Lunch					888	888
Other			926		1,940	2,866
Unassigned	17,016			(62)	(383)	16,571
Total Fund Balances	\$ 17,016	\$ 16,556	\$ 926	\$ (62)	\$ 11,233	\$ 45,669

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**B. Department of Public Utilities - Restricted Net Position**

Connecticut Municipal Electric Energy Cooperative (CMEEC) administers a Municipal Energy and Load Conservation Fund (the Fund) on behalf of its cooperative members, including the Norwich Department of Public Utilities (the Department). The Fund was established to comply with provisions of House Bill 7501, Public Act No. 05-1 requiring CMEEC to establish and administer the Fund. CMEEC includes a charge of 2.5 mills per kilowatt hour in the monthly purchase power costs of wholesale electricity sold to the Department for deposit into the Fund. Disbursements from the Fund are required to be made pursuant to a comprehensive electric conservation and load management plan. Funds held by CMEEC as of June 30, 2021 on behalf of the Department were \$1,368. Investment income that is earned on the Department's deposits along with the Fund's authorized expenses is recorded in the Department's statement of activities. The funds held by CMEEC on behalf of the Department are recorded as an asset on the Department's statement of net position and have been restricted.

**C. Encumbrances**

As discussed in Note 2.A., budgetary information, under the budgetary basis of accounting, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$	1,241
Bond Expenditure Fund		1,386
Nonmajor Governmental Funds		1,288
Nonmajor Enterprise Funds		15
Internal Service Funds		<u>1</u>
Total	\$	<u><u>3,931</u></u>

**10. TAX ABATEMENTS**

As of June 30, 2021, the City provides tax abatements through multiple programs:

- Connecticut Enterprise Zone Program
- Uniform Tax Deferral Process
- Wauregan Hotel Development Tax Abatement Agreement
- Housing Development Zone Program

The Connecticut Enterprise Zone (EZ) Program provides real property tax abatements to encourage economic development in designated areas within a Targeted Investment Community of which the City has been designated, under Connecticut General Statutes Section 32-71 and City of Norwich Ordinance 7-91 and 7-94. Eligible businesses include manufacturers, warehouse distributors and certain designated service-related business. An EZ business applicant must complete a preliminary application to determine if all eligibility criteria will be met. After the request of the preliminary application has been met, the business applicant is required to submit a formal application to the Department of Economic and Community Development. A seven-year abatement ranging from 100% to 0% (phased in over the abatement) of local property taxes on qualifying real and personal property,

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is subject to the property being new to the grand list of the municipality as a direct result of a business expansion or renovation project or, in the case of an existing building, having met the vacancy requirement. The property tax abatement is for a full seven-year period and takes effect with the start of the first full assessment year following the issuance of a "Certificate of Eligibility." For the fiscal year ended June 30, 2021, taxes abated through this program total \$60. There are no provisions to recapture abated taxes under this program. No other commitments have been made by the City to the abatement recipients under this program.

The Uniform Tax Deferral Process provides real property tax abatements on certain commercial property development in the City under Connecticut General Statutes Section 12-65c through 12-65e and the City of Norwich Ordinance 7-22. Abatements are obtained pursuant to a contract between the City and the owner of any such property. The contract shall provide the terms of such abatement, the moneys equal to the amount of such abatement and the criteria by which the property is required to be used for to receive the abatement. For the fiscal year ended June 30, 2021, taxes abated through this program total \$209. The contract includes provisions for cease and potential recapture of abatements if property is used for a purpose other than the one specified in the agreement. No other commitments have been made by the City to the abatement recipients under this program.

The Wauregan Hotel Development (WHD) tax abatement agreement was created to provide real property tax abatements for the rehabilitation of certain deteriorated property within the City pursuant of Connecticut General Statutes Section 8-215 and City of Norwich Ordinance 7-21. Under the terms of the agreement the rehabilitated property is to be used for low-income housing and abatement obtained pursuant to a contract between the City and the owner of the property. The property owner will receive an abatement of all taxes but is responsible for paying the City a payment in lieu of taxes equal to 20% of net operating income on the property. Continuation of the agreement is conditioned upon continued compliance with the provisions of the agreement and is terminated upon sale or transfer of the property for any other purpose unless the City has consented thereto. For the fiscal year ended June 30, 2021, taxes abated through this program total \$128. There are no provisions to recapture abated taxes under this program. No other commitments have been made by the City to the abatement recipients under this program.

The Housing Development Zone tax abatement agreements provide real property tax abatements for improvements to commercial and residential real estate in Housing Development Zones pursuant of Connecticut General Statutes Section 8-380. Under the terms of the agreements, qualifying developments in Housing Development zones provide an abatement over an eleven-year period where the assessment is increased incrementally from 0% to 100%. For the fiscal year ended June 30, 2021, taxes abated through this program total \$356. There are no provisions to recapture abated taxes under this program. No other commitments have been made by the City to the abatement recipients under this program.

## **11. RISK MANAGEMENT**

The City is exposed to various risks of loss related to public official liability, police professional liability, theft or impairment of assets, errors and omissions, injury to employees, natural disasters and owners and contractors protective liability.

It is the policy of the City to self-insure for employee health insurance programs. To this end, the City created an internal service fund to which the various City funds "pay premiums" and from which employee medical claims are paid. Claims are accrued as incurred. The City also purchased "stop loss" insurance to limit its losses to \$175 per person in 2021 for hospitalization and prescriptions with a maximum aggregate for all claims of approximately \$21,631.

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The City self-insures for workers' compensation benefits. The City purchases commercial insurance for claims in excess of coverage provided by the workers' compensation account with an individual claim maximum of \$600 and a \$10,000 aggregate maximum per year.

The workers' compensation costs are funded by the General Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Changes in the balances of claim liabilities during the past two years are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
Medical:				
2020-2021	\$ 1,073	\$ 14,884	\$ 14,534	\$ 1,423
2019-2020	1,096	12,895	12,918	1,073
Workers' Compensation:				
2020-2021	4,479	2,313	2,242	4,550
2019-2020	4,599	1,402	1,522	4,479

The City purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Settled claims have not exceeded coverage in any of the past three years.

The Department of Public Utilities accounts for the self-insured component of workers' compensation benefits for the Department's employees within the Department of Public Utilities Enterprise Fund. The Department has accrued \$898 for estimated unpaid accrued losses on reported claims as of June 30, 2021.

**12. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**A. City of Norwich Retirement System**

**Plan Description and Benefits Provided**

The City is the administrator of the City's Consolidated Pension Plan, a single-employer contributory defined benefit public employee retirement system (PERS) established and administered by the City to provide pension benefits to all full-time noncertified employees. The Plan is considered to be part of the City's financial reporting entity and is included in the City's financial reports as a pension trust fund. The plan does not issue a stand-alone report.

Management of the plans rest with the Personnel and Pension Board, which consists of five members (two members elected by plan members and three appointed by City Council). The City Treasurer shall have the care and custody of all pension funds and, with the approval of the Personnel and Pension Board, shall have the power to invest and reinvest the same in securities legal for investment of trust funds under the general statutes. The City Treasurer, with the approval of the Personnel and Pension Board, may designate and appoint a corporate trustee or trustees to manage the pension funds.

The City provides all retirement, death and disability benefits through a single employer, contributory defined benefit plan. Under the plan, all full-time salaried City employees, noncertified employees of

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the Board of Education and all full-time uniformed and investigatory employees classified as Police Officers and Firefighters are eligible after a probationary period.

**Union Coalition**

***2018 Agreement***

The members of the City Hall Employees, City Hall Supervisors, Public Works Employees, Public Works Supervisors, 911 Dispatchers, City nonunion and elected employees, Public Utilities Supervisory and Professional Employees, Public Utilities Technical and Clerical Employees, Public Utilities Water Distribution Employees, Public Schools Para-educators, Public Schools Custodians/ Maintainers, Public Schools Administrative Assistants, and Public Schools Nurses joined the 2018 coalition agreement for pension benefits.

Under this agreement, employees are 100% vested in a pension to begin at age 60 if they terminate employment after 10 years of continuous service or after 25 years of service and attainment of age 55 or after 34 years of service regardless of age. Also, any employee terminating employment after age 50 with 25 years of service is eligible for a pension at a reduced percentage. Employees hired prior to January 1, 2018 receive a retirement benefit of 2.2% of average final earnings during the highest three years out of the last 10 consecutive year period with a maximum of 74.8% of average earnings. Employees hired on or after January 1, 2018 receive a retirement benefit of 1.95% of average final earnings during the highest three years out of the last 10 consecutive year period with a maximum of 66.3% of average earnings.

Employees contribute 8.5% of their wages to the plan.

**Police**

Employees hired on or before July 1, 2014 may retire after 20 years of service, regardless of age. Employees shall be paid 50% of the average compensation received of the highest three years of their last 10 years of service. Employees shall receive an additional 2.20% for each year after 20 years for a maximum of 30 years or 72% of their average compensation received of the highest three years of their last 10 years of service, which additional years of service over 20 years shall be at the employee's option.

Employees hired after July 1, 2014 may retire after 25 years of service, regardless of age. Employees shall be paid 50% of the average compensation received of the highest three years of their last 10 years of service. Employees shall receive an additional 2.50% for each year after 25 years for a maximum of 30 years or 62.5%.

Employees contribute 8.5% of their wages to the plan.

**Firefighters**

Employees hired prior to July 1, 2013 may retire after 20 years of service, regardless of age. Employees shall be paid 48% of their average pay received of the highest three years of their last 10 years of service. Employees shall receive an additional 2.20% for each year after 20 years for a maximum of 30 years or 70%.

Employees hired on or after July 1, 2013 may retire after 25 years of service, regardless of age. Employees shall be paid 59% of their average pay received of the highest three years of their last 10

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years of service. Employees shall receive an additional 2.20% for each year after 25 years for a maximum of 30 years or 70%.

Employees generally contribute 9.5% of their wages to the plan.

**Plan Membership**

At July 1, 2019, the date of the most recent actuarial valuation, the plan members consisted of (table not in thousands):

Retirees and beneficiaries currently receiving benefits	625
Terminated employees not yet receiving benefits	41
Active plan members	<u>599</u>
 Total	 <u><u>1,265</u></u>

**Summary of Significant Accounting Policies, Plan Changes and Plan Asset Matters**

**Basis of Accounting**

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

**Method Used to Value Investments**

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

**Funding Policy**

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Benefits and contributions are established by the City and may be amended only by the City Charter and union negotiation. The City’s funding policy provides for periodic employer contributions at actuarially determined rates. The City’s current contribution percentage is 29.24% of covered payroll.

Administrative costs of the plan are financed through investment earnings.

**Investments**

**Investment Policy**

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Personnel and Pension Board by a majority vote of its members. It is the policy of the Personnel and Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of June 30, 2021.

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
U.S. Core Fixed Income	30.00%	1.28%
U.S. Large Caps	35.00%	3.33%
U.S. Small Caps	6.00%	4.11%
U.S. Mid Caps	8.00%	3.47%
Foreign Developed Equity	17.00%	4.75%
Private Real Estate Property	4.00%	3.13%
Total	<u>100.00%</u>	

\* Long-Term Returns are geometric means.

**Rate of Return**

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 21.27%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the City**

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

Total pension liability	\$ 325,019
Plan fiduciary net position	<u>(224,695)</u>
Net Pension Liability	<u>\$ 100,324</u>
Plan fiduciary net position as a percentage of the total pension liability	69.13%

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	Ranges from 0.0% to 7.0%, based on age
Investment rate of return	7.25%, net of investment-related expenses

Mortality rates were based on the Pub-2010 table with generational projection per MP ultimate scale.

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 are developed. Best estimates of the real rates of return for each major asset class are included along with the pension plan's long-term target asset allocation. Since the term rates shown above are geometric averages, the impact of asset allocation and rebalancing is not reflected in the expected return. An expected rate of return of 7.25% was used.

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. 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 fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of July 1, 2020	\$ 315,758	\$ 187,440	\$ 128,318
Changes for the year:			
Service cost	6,691		6,691
Interest on total pension liability	22,662		22,662
Employer contributions		12,774	(12,774)
Member contributions		3,937	(3,937)
Net investment income		40,742	(40,742)
Benefit payments, including refund to employee contributions	(20,092)	(20,092)	-
Administrative expenses		(106)	106
Net changes	9,261	37,255	(27,994)
Balances as of June 30, 2021	\$ 325,019	\$ 224,695	\$ 100,324

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

The following presents the net pension liability of the City, calculated using the current 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 in Discount Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Net Pension Liability	\$ 138,772	\$ 100,324	\$ 68,171

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

For the year ended June 30, 2021, the City recognized pension expense of \$12,076. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Governmental Activities</b>	<b>Business-Type Activities Department of Public Utilities</b>	<b>Total</b>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$	\$ 2,748	\$ 2,748
Changes of assumptions	7,307	3,556	10,863
	<u>\$ 7,307</u>	<u>\$ 6,304</u>	<u>\$ 13,611</u>
Deferred Inflows of Resources:			
Differences Between Expected and Actual Experience	\$ 2,304	\$ 25	\$ 2,329
Net difference between projected and actual earnings on pension plan investments	11,857	5,830	17,687
	<u>\$ 14,161</u>	<u>\$ 5,855</u>	<u>\$ 20,016</u>

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

<b><u>Year Ended June 30</u></b>	<b>Governmental Activities</b>	<b>Business-Type Activities Department of Public Utilities</b>	<b>Total</b>
2022	\$ (878)	\$ 728	\$ (150)
2023	(1,237)	549	(688)
2024	(1,477)	430	(1,047)
2025	(3,262)	(1,258)	(4,520)
Total	<u>\$ (6,854)</u>	<u>\$ 449</u>	<u>\$ (6,405)</u>

**B. City of Norwich Volunteer Firefighters' Relief Plan**

**Plan Description and Benefits Provided**

The City is the administrator of a Volunteer Firefighters Relief Plan (Plan), a single-employer benefit plan established and administered by the City to provide pension benefits to volunteers. The Plan is considered to be a part of the City's financial reporting entity and is included in the financial reports as a Pension Trust Fund. Stand-alone reports are not available for this plan.

Management of the plans rest with the Volunteer Firefighters' Relief Fund Committee (VFFRF Committee), which consists of twelve members. Five members are appointed by the City Council, one

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is appointed by the Personnel and Pension Board, and one is the immediate past President of the VFFRF Committee. The City Treasurer shall have the care and custody of all pension funds and with the approval of the Committee, shall have the power to invest and reinvest the same in securities legal for investment of trust funds under the general statutes. The City Treasurer, with the approval of the Committee, may designate and appoint a corporate trustee or trustees to manage the pension funds.

Volunteers who joined the Plan prior to January 1, 2015 will begin receiving benefits when they are at least 55 years old and have at least 20 years of credited service. A plan member may purchase a year of credited service if he/she has responded to at least the lesser of 20% of all emergency calls or 150 calls as well as attending the lesser of 20% of his/her department's training sessions and drills or 20 hours of training or drills during the plan year. "Retirees" from the plan receive a monthly benefit of \$22 (not in thousands) multiplied by the years of credited service to a maximum of 40 years and a maximum monthly benefit of \$880 (not in thousands).

Volunteers who joined the Plan on or after January 1, 2015 will begin receiving benefits when they are at least 55 years old and have at least 25 years of credited service. A plan member may purchase a year of credited service if he/she has responded to at least the lesser of 20% of all emergency calls or 150 calls as well as attending the lesser of 20% of his/her department's training sessions and drills or 20 hours of training or drills during the plan year. "Retirees" from the plan receive a monthly benefit of \$22 (not in thousands) multiplied by the years of credited service to a maximum of 30 years and a maximum monthly benefit of \$660 (not in thousands).

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Members are required to contribute \$264 (not in thousands) for each calendar year of credited service.

At January 1, 2020, the plan members consisted of (table not in thousands):

Inactive plan members or beneficiaries currently receiving benefits	53
Inactive plan members entitled to but not yet received benefits	78
Active plan members	52
	183
Total	183

**Summary of Significant Accounting Policies, Plan Changes and Plan Asset Matters**

**Basis of Accounting**

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

**Method Used to Value Investments**

The plan reports investments at fair value. Investment income is recognized as earned.

**Plan Expenses**

Expenses of administering the plan are paid for by the City's annual contribution to the plan.

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**Funding Policy**

The contribution requirements of plan members and the City are established and may be amended by the City legislature. Members are required to contribute \$264 (not in thousands) for each calendar year of credited service.

**Investments**

**Investment Policy**

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the VFFRF Committee by a majority vote of its members. It is the policy of the VFFRF Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the VFFRF Committee's adopted asset allocation policy as of June 30, 2021.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
U.S. Government Bonds	12.00%	0.91%
U.S. Credit Bonds	15.00%	1.89%
U.S. High Yield Bonds	3.00%	3.57%
U.S. Large Caps	35.00%	3.33%
U.S. Small Caps	6.00%	4.11%
U.S. Mid Caps	8.00%	3.47%
Foreign Developed Equity	13.60%	4.75%
Emerging Markets Equity	3.40%	5.53%
Private Real Estate Property	4.00%	3.13%
Total Portfolio	100.00%	

\* Long-Term Returns are geometric means.

**Rate of Return**

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 25.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the City**

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

Total pension liability	\$ 7,039
Plan fiduciary net position	<u>(3,932)</u>
Net Pension Liability	<u>\$ 3,107</u>
Plan fiduciary net position as a percentage of the total pension liability	55.86%

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**Actuarial Assumptions**

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

Inflation	2.75%
Salary increases	N/A - members are volunteers
Investment rate of return	6.75%, net of investment-related expenses

Mortality rates were based on PubS-2010 Mortality Table with generational projection per the MP ultimate scale.

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 are developed. Best estimates of the real rates of return for each major asset class are included along with the pension plan's long-term target asset allocation. Since the term rates shown above are geometric averages, the impact of asset allocation and rebalancing is not reflected in the expected return. An expected rate of return of 6.75% was used.

**Discount Rate**

The discount rate used to measure the total pension liability was 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 fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances as of July 1, 2020	\$ 6,872	\$ 3,109	\$ 3,763
Changes for the year:			
Service cost	58		58
Interest on total pension liability	456		456
Differences between expected and actual experience	8		8
Employer contributions		335	(335)
Member contributions		10	(10)
Net investment income		839	(839)
Benefit payments, including refund to employee contributions	(355)	(355)	-
Administrative expenses		(6)	6
Net changes	<u>167</u>	<u>823</u>	<u>(656)</u>
Balances as of June 30, 2021	<u>\$ 7,039</u>	<u>\$ 3,932</u>	<u>\$ 3,107</u>

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

The following presents the net pension liability of the City, calculated using the current 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:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
Net Pension Liability	\$ 3,932	\$ 3,107	\$ 2,384

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

For the year ended June 30, 2021, the City recognized pension expense of \$207. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Governmental Activities</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 59	\$ 71
Changes of assumptions	226	42
Net difference between projected and actual earning on pension plan investments		421
Total	<u>\$ 285</u>	<u>\$ 534</u>

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

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2022	\$ (72)
2023	(70)
2024	(70)
2025	(90)
2026	35
Thereafter	18
Total	<u>\$ (249)</u>

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**Schedule of Plan Net Position - June 30, 2021**

	<b>City Employee Pension Trust Fund</b>	<b>Volunteer Fire Pension Trust Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 10,886	\$ 38	\$ 10,924
<b>Investments:</b>			
U.S. government securities	23,725		23,725
U.S. government agencies	6,757		6,757
Corporate bonds	31,084		31,084
Mutual funds	79,723	3,903	83,626
Common stock	72,170		72,170
Real estate	1,164		1,164
	<u>225,509</u>	<u>3,941</u>	<u>229,450</u>
<b>Total assets</b>	<b>225,509</b>	<b>3,941</b>	<b>229,450</b>
<b>Liabilities:</b>			
Accounts and other payables	69		69
Due to other funds	745	9	754
	<u>814</u>	<u>9</u>	<u>823</u>
<b>Total liabilities</b>	<b>814</b>	<b>9</b>	<b>823</b>
<b>Net Position:</b>			
Restricted for Pensions	\$ <u>224,695</u>	\$ <u>3,932</u>	\$ <u>228,627</u>

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**Schedule of Changes in Plan Net Position for the Year Ended June 30, 2021**

	<b>City Employee Pension Trust Fund</b>	<b>Volunteer Fire Pension Trust Fund</b>	<b>Total</b>
Additions:			
Contributions:			
Employer	\$ 12,774	\$ 335	\$ 13,109
Plan members	3,937	10	3,947
Total contributions	<u>16,711</u>	<u>345</u>	<u>17,056</u>
Investment income:			
Net appreciation in fair value of investments	37,314	748	38,062
Interest and dividends	4,189	110	4,299
Total investment income	<u>41,503</u>	<u>858</u>	<u>42,361</u>
Less investment expense	<u>(761)</u>	<u>(19)</u>	<u>(780)</u>
Net investment income	<u>40,742</u>	<u>839</u>	<u>41,581</u>
Total additions	<u>57,453</u>	<u>1,184</u>	<u>58,637</u>
Deductions:			
Benefits	19,346	355	19,701
Administration	106	6	112
Lump sum distributions and withdrawals	746		746
Total deductions	<u>20,198</u>	<u>361</u>	<u>20,559</u>
Net Increase	37,255	823	38,078
Net Position Restricted for Pensions at Beginning of Year	<u>187,440</u>	<u>3,109</u>	<u>190,549</u>
Net Position Restricted for Pensions at End of Year	<u>\$ 224,695</u>	<u>\$ 3,932</u>	<u>\$ 228,627</u>

**C. Connecticut Teachers Retirement System - Pension**

**Plan Description**

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

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**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 with reduced benefit amounts.

**Disability Retirement**

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% 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.

**Contributions**

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

*Employer (School Districts)*

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

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

For the year ended June 30, 2021, the amount of "on-behalf" contributions made by the State was \$6,892 and is recognized in the General Fund as intergovernmental revenues and education expenditures.

*Employees*

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

Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

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**Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, 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 amount 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's proportionate share of the net pension liability associated with the City	<u>107,461</u>
Total	<u>\$ 107,461</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2021, the City has no proportionate share of the net pension liability.

For the year ended June 30, 2021, the City recognized pension expense and revenue of \$15,393 in Exhibit II.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

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%.

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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:

<u>Asset Class</u>	<u>Expected Return</u>		<u>Target Allocation</u>		<u>Standard Deviation</u>	
Public Equity - US Equity	8.10	%	20.00	%	17.00	%
Public Equity - International Developed Equity	8.50		11.00		19.00	
Public Equity - Emerging Markets Equity	10.40		9.00		24.00	
Fixed Income - Core Fixed Income	4.60		16.00		7.00	
Fixed Income - Inflation Linked Bonds	3.60		5.00		7.00	
Fixed Income - High Yield	6.50		6.00		11.00	
Fixed Income - Emerging Market Debt	5.20		5.00		11.00	
Private Equity	9.80		10.00		23.00	
Real Estate	7.00		10.00		15.00	
Alternative Investments - Real Assets	8.20		4.00		17.00	
Alternative Investments - Hedge Funds	5.40		3.00		7.00	
Liquidity Fund	2.90		1.00		1.00	
Total			<u>100.00</u>	%		

**Discount Rate**

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

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

The 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.

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**Other Information**

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

**D. Aggregated Pension Information**

The City recognized the following amounts related to pension plans as of and for the year ended June 30, 2021:

	<u>Deferred Outflow of Resources Related to Pensions</u>	<u>Net Pension Liability</u>	<u>Deferred Inflow of Resources Related to Pensions</u>	<u>Pension Expense</u>
City of Norwich Retirement System:				
Governmental Activities	\$ 7,307	\$ 62,967	\$ 14,161	\$ 7,215
Business-Type Activities	6,304	37,357	5,855	4,862
Total City of Norwich Retirement System	13,611	100,324	20,016	12,077
Volunteer Firefighters' Relief Plan:				
Governmental Activities	285	3,107	534	207
Connecticut Teachers Retirement System:				
Governmental Activities				15,393
	<u>\$ 13,896</u>	<u>\$ 103,431</u>	<u>\$ 20,550</u>	<u>\$ 27,677</u>
Governmental Activities	\$ 7,592	\$ 66,074	\$ 14,695	\$ 22,815
Business-Type Activities	<u>6,304</u>	<u>37,357</u>	<u>5,855</u>	<u>4,862</u>
	<u>\$ 13,896</u>	<u>\$ 103,431</u>	<u>\$ 20,550</u>	<u>\$ 27,677</u>

**13. OTHER POST EMPLOYMENT BENEFITS**

**A. City of Norwich, Retiree Health Plan**

**Plan Description and Benefits Provided**

The City, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. The Retiree Health Plan (RHP) is considered to be part of the City's financial reporting entity and is included in the City's financial report as the Other Post Employment Benefits Trust Fund. The plan does not issue a stand-alone financial report. The RHP is a single-employer defined benefit healthcare plan administered by the City. Management of the RHP is vested with the Human Resources Director and Comptroller with policy oversight provided by the Personnel and Pension Board. The RHP provides medical, dental and life insurance benefits to eligible retirees and their spouses. All employees of the City are eligible to participate in the plan. Benefit provisions are established through negotiations between the City and the various unions representing the employees. The General Fund, the Fire Districts Fund and Department of Public Utilities are used to liquidate net other post employment benefit obligations.

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At July 1, 2019, plan membership consisted of the following:

Active plan members	1,012
Retired plan members	<u>425</u>
Total Participants	<u><u>1,437</u></u>

**Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Retiree Health Plan (RHP) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are paid by the City.

Investments are reported at fair value. Investment income is recognized as earned.

**Plan Expenses**

Expenses of administering the plan are paid for by the plan from contributions.

**Funding Policy**

The City adopted the same funding policy for OPEB as it had for the Retirement System in 2014. In June 2018, the Norwich City Council temporarily suspended the funding requirement described above for the OPEB fund until 2022.

The City pays the full cost of life insurance premiums. The percentage contribution of plan members and the City for medical benefits are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified percentages towards the cost of receiving benefits under the City’s self-insured medical benefits program as follows:

**City Retirees**

City Retirees are comprised of five separate bargaining units (City Hall Employees, City Hall Supervisors, Dispatchers, Public Works Employees and Public Works Supervisors) and nonunion employees, and OPEB benefits for these groups have been bargained for individually.

For most current City Retirees, the City funds the full cost of insurance for the retiree. The retiree must pay 50% of the cost for a participating spouse. Participation in the plan ends at age 65 for both the retiree and the retiree’s spouse.

Generally, City employees hired after 2013 are not eligible for postretirement medical benefits through the City.

**Police Retirees**

For most current retirees, the City funds full cost of insurance for the retiree. The retiree must pay 50% of the cost for a participating spouse. Participation in the plan ends at age 65 for both the retiree and the retiree’s spouse.

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Police hired after June 2014 may elect to either waive postretirement medical coverage or contribute 1% of their earnings to the OPEB fund.

Police who are hired on or after January 1, 2018 are not eligible for postretirement medical benefits through the City.

**Fire Retirees**

For firefighters who retire on or after October 2013, the City funds full cost of insurance for the retiree. The retiree must pay 50% of the cost for a participating spouse. Participation in the plan ends at age 65 for both the retiree and the retiree's spouse.

Firefighters hired after June 2013 contribute 1% of their earnings to the OPEB fund for the first five years of employment.

**Retired Board of Education Teachers and Administrators**

For most current retirees, the City funds full cost of insurance for the retiree and spouse up to age 70. The level of retiree and spouse benefits was scaled back incrementally through negotiations from 1995 through 2004. Teachers and Administrators hired after June 2004 are not eligible for postretirement medical benefits through the City.

**Retired Board of Education Custodians and Maintainers**

The City funds full cost of insurance for the retiree and spouse hired before July 1997 and 50% of the cost if retiree was hired between 1997 and 2007. Coverage ends at age 65.

Custodians and Maintainers hired after June 2007 are not eligible for postretirement medical benefits through the City.

**Retired Board of Education Nurses**

The City funds full cost of insurance for the retiree and spouse hired before July 1994 until age 70 and 50% of the cost of retiree insurance for those hired between 1994 and 2009 until age 65.

Nurses hired after June 2009 are not eligible for postretirement medical benefits through the City.

**Retired Board of Education Secretaries and Paraeducators**

For most current retirees, the City funds full cost of insurance for the retiree and spouse up to age 70.

The level of retiree and spouse benefits was scaled back incrementally through negotiations from 1995 through 2004. Secretaries and Paraeducators hired after June 2004 are not eligible for postretirement medical benefits through the City.

**Norwich Public Utilities' (NPU) Retirees**

NPU retirees are comprised of three separate bargaining units (Water Distribution, Supervisory & Professional, and Technical & Clerical) and nonunion employees, and OPEB benefits for these groups have been bargained for individually.

For most current NPU retirees, the City funds the full cost of insurance for the retiree. The retiree must pay 100% of the cost for a participating spouse. Participation in the plan ends at age 65 for both the retiree and the retiree's spouse.

The level of the City's contribution was scaled back from 100% to 95% through negotiations with the three bargaining units from 1995 through 1997.

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For the year ended June 30, 2021, plan members and the Teacher Retirement Board contributed \$142. The City is required to contribute the balance of the current premium cost and may contribute an additional amount as determined by the City in order to prefund benefits.

Employer contributions to the plan for the year ended June 30, 2021 totaled \$4,367.

**Investments**

**Investment Policy**

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

**Rate of Return**

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 18.78%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability of the City**

The City's net OPEB liability was measured as of June 30, 2021. The components of the net OPEB liability of the City at June 30, 2021 were as follows:

Total OPEB liability	\$	65,390
Plan fiduciary net position		<u>32,672</u>
Net OPEB Liability	\$	<u><u>32,718</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability		49.96%

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**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Varies by age, service and employee group
Investment rate of return	7.25%
Healthcare cost trend rates	Pre-Medicare: 6.2% - 4.1% over 54 years; Post-Medicare: 4.2% - 4.1% over 54 years

Mortality rates for BOE certified employees were based on the RP-2000 Combined Healthy Mortality Table with separate tables for males and females projected forward 19 years using Scale AA, with a two-year age setback. This assumption includes a margin for mortality improvement beyond the valuation date.

Mortality rates for all other employees were based on Pub-2010 Mortality Table for Employees and Healthy Annuitants with generational projection of future improvements in longevity per the MP Ultimate Scale. For Police and Fire Employees, the PubS-2010 Mortality Table was used instead of the Pub-2010 Mortality Table. This assumption includes a margin for future improvements in longevity.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These 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 allocation and best estimates of real rates of return for each major asset as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
U.S. Core Fixed Income	30.00%	1.28%
U.S. Large Caps	37.00%	3.33%
U.S. Small Caps	6.50%	4.11%
U.S. Mid Caps	8.50%	3.47%
Foreign Developed Equity	18.00%	4.75%
Total	<u>100.00%</u>	

\* Long-Term Returns are geometric means.

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**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. 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.

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of July 1, 2020	\$ 62,455	\$ 25,681	\$ 36,774
Changes for the year:			
Service cost	1,288		1,288
Interest	4,519		4,519
Contributions - employer		4,367	(4,367)
Contributions - member		11	(11)
Net investment income		5,494	(5,494)
Benefit payments	(2,872)	(2,872)	-
Administrative expenses		(9)	9
Net changes	2,935	6,991	(4,056)
Balances as of June 30, 2021	\$ 65,390	\$ 32,672	\$ 32,718

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

The following presents the net OPEB liability of the City at the current discount rate, as well as what the City's net 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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	Net OPEB Liability	\$ 38,493	\$ 32,718

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**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the City at the current healthcare cost trend rate, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<b>1% Decrease (Pre-Medicare: 5.20% - 3.10% Post-Medicare 3.20% - 3.10%)</b>	<b>Current Trend Rate (Pre-Medicare: 6.20% - 4.10% Post-Medicare 4.20% - 4.10%)</b>	<b>1% Increase (Pre-Medicare: 7.20% - 5.10% Post-Medicare 5.20% - 5.10%)</b>
Net OPEB Liability	\$ 26,388	\$ 32,718	\$ 40,211

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

For the year ended June 30, 2021, the City recognized OPEB expense of \$2,304. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Governmental Activities</b>	<b>Business-Type Activities Department of Public Utilities</b>	<b>Total</b>
Deferred Outflows of Resources:			
Differences between expected and actual experience	\$ 441	\$ 1,689	\$ 1,689
Changes of assumptions	441	311	752
	<u>\$ 441</u>	<u>\$ 2,000</u>	<u>\$ 2,441</u>
Deferred Inflows of Resources:			
Differences between expected and actual experience	\$ 4,587	\$ 49	\$ 4,587
Changes of assumptions	559	49	608
Net difference between projected and actual earnings on pension plan investments	2,206	99	2,305
	<u>\$ 7,352</u>	<u>\$ 148</u>	<u>\$ 7,500</u>

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

<u>Year Ended June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		<u>Total</u>
			<u>Department of Public Utilities</u>	
2022	\$ (2,305)	\$ 719	\$ (1,586)	
2023	(2,001)	583	(1,418)	
2024	(1,450)	378	(1,072)	
2025	(1,155)	172	(983)	
Total	\$ <u>(6,911)</u>	\$ <u>1,852</u>	\$ <u>(5,059)</u>	

**Schedule of Plan Net Position - June 30, 2021**

	<u>Other Post Employment Benefit Trust Fund</u>
Assets:	
Cash and cash equivalents	\$ 1,672
Investments:	
U.S. government securities	3,330
U.S. government agencies	909
Corporate bonds	4,154
Mutual funds	11,607
Common stock	8,705
Real estate	180
Due from other funds	<u>2,177</u>
Total assets	32,734
Liabilities:	
Accounts and other payables	<u>62</u>
Net Position:	
Restricted for OPEB Benefits	\$ <u><u>32,672</u></u>

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**Schedule of Changes in Plan Net Position for the Year Ended June 30, 2021**

	<b>Other Post Employment Benefit Trust Fund</b>
	<u>                    </u>
Additions:	
Contributions:	
Employer	\$ 4,367
Plan members	11
Total contributions	<u>4,378</u>
Investment income:	
Net appreciation in fair value of investments	4,988
Interest and dividends	571
Total investment income	<u>5,559</u>
Less investment expense	(65)
Net investment income	<u>5,494</u>
Total additions	<u>9,872</u>
Deductions:	
Benefits	2,872
Administration	9
Total deductions	<u>2,881</u>
Net Increase	6,991
Net Position Restricted for OPEB Benefits at Beginning of Year	<u>25,681</u>
Net Position Restricted for OPEB Benefits at End of Year	<u>\$ 32,672</u>

**B. Other Post Employment Benefit - Connecticut State Teachers Retirement Plan**

**Plan Description**

Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education 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), if they choose to be covered.

Chapter 167a 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](http://www.ct.gov/trb).

**Benefit Provisions (Amounts Not Rounded)**

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 Supplement Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

Any member who 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, and any remaining portion is used to offset the district's cost. The subsidy amount is set by statute and has not increased since July 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 who 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 Supplement Plans. Effective July 1, 2018, the System added a Medicare Advantage Plan option. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits) under the Medicare Advantage Plan. Retired members who choose to enroll in the Medicare Supplement Plan are responsible for the full difference in the premium cost between the two plans. Additionally, effective July 1, 2018, retired members who cancel their health care coverage or elect to not enroll in a CTRB sponsored health care coverage option must wait two years to re-enroll.

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**Survivor Health Care Coverage (Amounts Not Rounded)**

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 Supplement Plans, as long as they do not remarry.

**Eligibility**

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the plan.

**Credited Service**

One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, State employment, or wartime military service may be purchased prior to retirement if the member pays one-half the cost.

**Normal Retirement**

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**

Age 55 with 20 years of Credited Service including 15 years of Connecticut service, or 25 years of Credited Service including 20 years of Connecticut service.

**Proratable Retirement**

Age 60 with 10 years of Credited Service.

**Disability Retirement**

No service requirement if incurred in the performance of duty, and 5 years of Credited Service in Connecticut if not incurred in the performance of duty.

**Termination of Employment**

Ten or more years of Credited Service.

**Contributions (Amounts Not Rounded)**

*State of Connecticut*

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. 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.

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*Employer (School Districts)*

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

For the year ended June 30, 2021, the amount of “on-behalf” contributions made by the State was \$166 and is recognized in the General Fund as intergovernmental revenues and education expenditures.

*Employees/Retirees*

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers pay for one-third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one-third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2021, 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 amount 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 was as follows:

City’s proportionate share of the net OPEB liability	\$	-
State’s proportionate share of the net OPEB liability associated with the City		<u>16,028</u>
Total	\$	<u><u>16,028</u></u>

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2019. At June 30, 2021, the City has no proportionate share of the net OPEB liability.

For the year ended June 30, 2021, the City recognized OPEB expense and revenue of \$740 in Exhibit II.

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Health care costs trend rate	
Pre-Medicare	5.95% decreasing to 4.75% by 2025
Medicare	5.00% decreasing to 4.75% by 2028
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2019

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

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

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.41%).

#### **Discount Rate**

The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination.

#### **Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and the Discount Rate**

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

#### **Other Information**

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the City has no obligation to contribute to the plan. Detailed information about the Connecticut State Teachers OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Annual Comprehensive Financial Report at [www.ct.gov](http://www.ct.gov).

**CITY OF NORWICH, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**  
(In Thousands)

**C. Aggregated OPEB Information**

The City recognized the following amounts related to OPEB plans as of and for the year ended June 30, 2021:

	Deferred Outflow of Resources Related to OPEB	Net OPEB Liability	Deferred Inflow of Resources Related to OPEB	OPEB Expense
City of Norwich Retiree Health Plan:				
Governmental Activities	\$ 441	\$ 24,655	\$ 7,352	\$ 764
Business-Type Activities	2,000	8,063	148	1,540
Connecticut Teachers Retirement System:				
Governmental Activities				740
	<u>\$ 2,441</u>	<u>\$ 32,718</u>	<u>\$ 7,500</u>	<u>\$ 3,044</u>
Governmental Activities	\$ 441	\$ 24,655	\$ 7,352	\$ 1,504
Business-Type Activities	<u>2,000</u>	<u>8,063</u>	<u>148</u>	<u>1,540</u>
	<u>\$ 2,441</u>	<u>\$ 32,718</u>	<u>\$ 7,500</u>	<u>\$ 3,044</u>

**14. JOINTLY GOVERNED AND RELATED ORGANIZATIONS**

**Connecticut Municipal Electric Energy Cooperative**

CMEEC is a public corporation organized in 1976 under Connecticut Public Act 75-634, subsequently enacted as Title 7-233, Chapter 101a of the General Statutes of Connecticut, as amended. It is empowered to undertake the planning, financing, acquisition, construction and operation of facilities for the generation and transmission of electric power and energy for its member utilities, including the City of Norwich, Department of Public Utilities (the Department), and others. CMEEC may issue bonds in its own name. Under the bylaws of CMEEC, a Board of Directors comprised of representatives from the participating members was established. CMEEC's Board is comprised of twenty representatives and officers. The governing board consists of representatives appointed by each of the participating members and assumes all the management decisions. Two representatives from the City of Norwich, Department of Public Utilities serve on the Board. The CMEEC Board acts as a regulatory body in that it reviews and approves recovery of costs in rates on an annual basis.

CMEEC has entered into power sales contracts with each of the members including the City of Norwich Department of Public Utilities. Under the contracts, each of the member utilities have agreed to purchase essentially all of its electric power required for resale from CMEEC, with CMEEC's electric revenues to consist of billings for resale of power. The contracts obligate each member utility to pay for their share of CMEEC's fixed costs, which consist primarily of debt service and CMEEC administrative and general costs on a take or pay basis. The member utilities maintain this fixed cost obligation whether or not they take any power from CMEEC. The amount of power purchased from CMEEC for the fiscal year ended June 30, 2021 was \$22,940.

On July 1, 2006, the City of Norwich, Department of Public Utilities entered into a contract for the sale of Pierce Project Electric Power & Energy (the Pierce Contract). Under the terms of the Pierce Contract, the City of Norwich, Department of Public Utilities receives its allocable share of all electric products and benefits and pays its share of all costs associated with the project.

**CITY OF NORWICH, CONNECTICUT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021  
 (In Thousands)**

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During the 2012 fiscal year, CMEEC and its members became participants in the Regional Greenhouse Gas Initiative Fund (RGGI), which is an initiative that implements the carbon dioxide cap and trading program as proposed by the RGGI in Connecticut. During the 2021 fiscal year, the share of contributions to the fund received by the Department totaled \$210, with drawdowns of \$466, and interest on the fund of \$2. The balance of the Department funds held by CMEEC for the RGGI was \$60 for the year ended June 30, 2021.

**15. COMMITMENTS AND CONTINGENCIES**

**Purchased Gas Contracts**

The Department of Public Utilities participates in forward contracts for the purchase of gas capacity for storage and transmission. Under the terms of the contracts, the Department is obligated to make payments for set capacities that will be charged at variable and fixed rates until the end of the respective terms. As of June 30, 2021, the Department has obligations in place through 2031. Expense under the contracts totaled \$5,844 during the year ended June 30, 2021.

**Power Sales Contract - Norwich Department of Public Utilities (Department)**

CMEEC supplies power to the Department under a Power Sales Contract that became effective April 25, 2013. The contract obligates the Department to pay a percentage of CMEEC's fixed costs obligations, including debt service and administrative and general costs. Under the power sales agreement, the Department is required to pay its percentage of CMEEC's fixed cost obligations whether or not they purchase power from CMEEC. The contract will remain in effect until the date when all of the indebtedness and fixed cost obligations of CMEEC have been paid in full and thereafter until terminated by either party following not less than three years prior written notice to the other party of its intention to terminate, provided, however, CMEEC shall not incur or issue any indebtedness with a maturity date later than December 31, 2052.

The Department has rate stabilization funds held by CMEEC that were previously collected in conjunction with the purchase of energy to stabilize the price of energy. The Department's current rate structure to purchase power from CMEEC includes a rate stabilization component. Under the rate stabilization premise, the principal repayment of debt service is deferred and amortized over the life of the related debt and recoverable from future billings. Under this premise, the shortfall between the current rate stabilization funds held by CMEEC and the percentage of unfunded CMEEC debt allocated to the Department represents an unfunded debt obligation recoverable by future billings.

The Department's net deferred debt fixed cost obligation to CMEEC as of June 30, 2021 is summarized as follows:

CMEEC - debt service fixed cost obligation	\$ 23,643
Department - rate stabilization funds on deposit with CMEEC	<u>(10,315)</u>
Net Deferred Fixed Cost Obligation	<u>\$ 13,328</u>

The rate stabilization funds held by CMEEC and the allocated percentage of CMEEC's debt obligation are not reported on the Department's statement of net position. The fixed cost obligation paid by the Department to CMEEC included in the cost to purchase power for the current year was \$2,272.

**CITY OF NORWICH, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
(In Thousands)**

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All payments due to CMEEC under the Power Sales Contract may not be subordinated to any other obligation of the City.

**Combined Sewer Overflows**

Under various consent decrees issued by the State of Connecticut Department of Environmental Protection (consent decrees), the Department is required to eliminate certain combined storm and sanitary sewers. The estimated cost of these improvements is \$53,000. As of June 30, 2021, \$4,319 relating to these projects, including capitalized interest, has been incurred and included in property, plant and equipment. Based on current engineering estimates, completion of these projects will be within the next 15 years. Funding for these improvements is being provided by the State of Connecticut's Clean Water Fund in the form of loans and grants. As of June 30, 2021, the State is committed to providing the Department funding in the form of loans and grants of \$1,655 and \$345, respectively.

**Municipal Solid Waste Management Services Contract**

The City has entered into the municipal solid waste management services contract, as amended (the service contract) with the Southeastern Connecticut Regional Resources Recovery Authority (the Authority) pursuant to which it participates with ten other Connecticut Municipalities (the eleven constituting the Contracting Municipalities), in the Southeastern Connecticut System (the System). The System consists of a mass-burn solid waste disposal and electric generation facility located in the Town of Preston (the Facility) and various improvements and facilities related thereto, including landfills. The Facility is complete and presently receiving waste from Contracting Municipalities.

Under the service contract, the City is required to deliver, or cause to be delivered, to the System solid waste generated within its boundaries up to its minimum commitment of 23 thousand tons per year and to pay a uniform per ton disposal service payment (the service payment). The aggregate minimum commitment of the eleven Contracting Municipalities is approximately 154 thousand tons per year.

The service payment applicable in any contract year is calculated by estimating the net cost of operation, which is the cost of operation less revenues other than service payments, as such terms are defined in the service contract. The sum of all service payments and other payments from the Contracting Municipalities are required to be sufficient to pay or provide for the net cost of operations.

Service payments shall be payable so long as the system is accepting solid waste delivered by or on behalf of the City, whether or not such solid waste is processed at the facility. The City has pledged its full faith and credit to the payment of service payments and has also agreed to enforce or levy and collect all taxes, cost sharing or other assessments or charges and take all such other action as may be necessary to provide for the payment of the service payments.

**16. LITIGATION**

There are several lawsuits pending against the City. The outcome and eventual liability of the City, if any, in these cases is not known at this time. Based upon consultation with legal counsel, the City's management estimates that potential claims against the City, not covered by insurance, resulting from such litigation would not have a material adverse effect on the financial position of the City.

**CITY OF NORWICH, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
(In Thousands)**

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**17. NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES**

As of June 30, 2021, the Department of Public Utilities has purchased \$853 in capital assets on account, which are included in accounts payable and accrued liabilities in the accompanying statement of net position.

**18. PRIOR PERIOD RESTATEMENT**

The City applied Government Accounting Standards Statement No. 84 “Fiduciary Activities” effective for years beginning after June 30, 2020. The standard was retroactively applied and, as a result, beginning fund balance for the school unrestricted fund permanent fund, and beginning net position for the Private Purpose Trust Funds were restated. Beginning net position on the Statement of Activities was also restated. Specific impacts include:

	<b>Governmental Activities Net Position</b>	<b>Nonmajor Governmental Funds Fund Balance</b>
<b>Governmental Funds:</b>	<u>                    </u>	<u>                    </u>
Balance as previously reported June 30, 2020	\$ 13,272	\$ 8,973
Adjustments:		
Student Activities Fund now recorded as a Special Revenue Fund (Education Programs)	72	72
Rehabilitation Deposits Fund now recorded as a Special Revenue Fund (Deposits and Performance Bonds)	7	7
Bid Deposit Fund now recorded as a Special Revenue Fund (Deposits and Performance Bonds)	56	56
Performance Bonds Fund now recorded as a Special Revenue Fund (Deposits and Performance Bonds)	416	416
Balance as Restated July 1, 2020	<u>\$ 13,823</u>	<u>\$ 9,524</u>

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# **Required Supplementary Information**

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**CITY OF NORWICH, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
General property taxes:				
Current tax levy	\$ 74,501	\$ 74,501	\$ 74,424	\$ (77)
Motor vehicle supplement	8,562	8,562	8,682	120
Prior years levy	1,750	1,750	1,750	-
Interest and liens	1,045	1,045	1,121	76
Total	<u>85,858</u>	<u>85,858</u>	<u>85,977</u>	<u>119</u>
Intergovernmental revenues:				
Payment in lieu of taxes	1,450	1,450	1,451	1
Building maintenance	374	374	357	(17)
City housing	164	164	168	4
Mashantucket-Pequot Mohegan	2,360	2,360	2,360	-
Youth service bureau	72	72	72	-
Telecommunications tax	100	100	104	4
Town aid road	493	493	491	(2)
Municipal revenue sharing	411	411	403	(8)
EMPG				-
Education cost sharing	32,317	32,317	32,431	114
Total	<u>37,741</u>	<u>37,741</u>	<u>37,837</u>	<u>96</u>
Charges for services:				
Senior Citizens Center	9	9	6	(3)
Financial services	78	78	71	(7)
Human resources services	44	44	46	2
Publics works services	38	38	38	-
Landfill	65	65	93	28
Direct hauler fees	654	654	651	(3)
Backyard rollout fee	7	7	8	1
Recording fees	136	136	205	69
Planning and zoning fees	25	25	21	(4)
Printing and duplication fees	45	45	54	9
Notary public fees	3	3		(3)
Vital statistics	138	138	112	(26)
Fingerprinting				-
Conveyance tax	460	460	910	450
Land recording capital improvement fee	12	12	13	1
Tuition	46	46	46	-
Health services	90	90	117	27
Total	<u>1,850</u>	<u>1,850</u>	<u>2,391</u>	<u>541</u>
Licenses and permits:				
Public safety permits	15	15	21	6
Building permits	347	347	614	267
Road opening permits	2	2	3	1
Hunting and fishing licenses	1	1		(1)
Marriage licenses	3	3	4	1
Animal licenses	1	1	1	-
Total	<u>369</u>	<u>369</u>	<u>643</u>	<u>274</u>

(Continued on next page)

**CITY OF NORWICH, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021  
(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Fines and assessments:				
Traffic violations	\$ 3	\$ 3	\$ 8	\$ 5
Blight citations	17	17	23	6
Sewer assessments	190	190	242	52
Total	<u>210</u>	<u>210</u>	<u>273</u>	<u>63</u>
Rents and royalties:				
Property rent	99	99	90	(9)
Cell tower rent	74	74	83	9
Facilities rent	13	13	10	(3)
Total	<u>186</u>	<u>186</u>	<u>183</u>	<u>(3)</u>
Investment income:				
Interest on investments	<u>450</u>	<u>450</u>	<u>213</u>	<u>(237)</u>
Other revenues:				
Sale of City assets	12	12	176	164
Miscellaneous revenue	41	41	50	9
Total	<u>53</u>	<u>53</u>	<u>226</u>	<u>173</u>
Total revenues	<u>126,717</u>	<u>126,717</u>	<u>127,743</u>	<u>1,026</u>
Other financing sources:				
Transfers in:				
Cemetery Trust	64	64	76	12
Department of Public Utilities	5,870	5,870	5,870	-
Police	197	197	200	3
Golf Course Authority	10	10	23	13
Total	<u>6,141</u>	<u>6,141</u>	<u>6,169</u>	<u>28</u>
Total	<u>\$ 132,858</u>	<u>\$ 132,858</u>	133,912	<u>\$ 1,054</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut State Teachers' Retirement System on-behalf pension contributions for City teachers is not budgeted.

6,893

State of Connecticut State Teachers' Retirement System on-behalf OPEB contributions for City teachers is not budgeted.

166

The Board of Education does not budget for intergovernmental grants, which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.

2,047

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 143,018

**CITY OF NORWICH, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
General government:				
City Council	\$ 437	\$ 437	\$ 395	\$ 42
City Manager	397	397	391	6
Finance	1,692	1,692	1,687	5
City Treasurer	278	278	273	5
Assessor	474	474	442	32
Human Resources	549	549	550	(1)
Law	454	454	365	89
City Clerk	518	518	515	3
Election	164	164	147	17
Planning and Neighborhood Services	1,043	1,043	1,002	41
Total general government	<u>6,006</u>	<u>6,006</u>	<u>5,767</u>	<u>239</u>
Public safety:				
Police	17,294	17,329	17,293	36
Fire:				
East Great Plain	149	149	143	6
Laurel Hill	78	83	82	1
Occum	88	93	85	8
Taftville	165	165	140	25
Yantic	163	163	146	17
Fire Central	2,190	2,206	2,115	91
Emergency management	76	76	67	9
Total public safety	<u>20,203</u>	<u>20,264</u>	<u>20,071</u>	<u>193</u>
Social Services:				
Recreation	745	745	742	3
Human services	397	417	415	2
Senior Citizens Center	643	641	635	6
Youth and Family Services	259	241	241	-
Total social services	<u>2,044</u>	<u>2,044</u>	<u>2,033</u>	<u>11</u>
Public works:				
Engineering and administration	842	848	810	38
Fleet maintenance	1,409	1,478	1,464	14
Solid waste	2,693	2,725	2,722	3
Maintenance and cleaning	4,126	3,973	3,761	212
Building maintenance	1,321	1,323	1,328	(5)
Street lighting	301	301	274	27
Parking maintenance	165	155	153	2
Total public works	<u>10,857</u>	<u>10,803</u>	<u>10,512</u>	<u>291</u>
Board of Education	<u>84,240</u>	<u>84,240</u>	<u>84,240</u> *	<u>-</u>

(Continued on next page)

**CITY OF NORWICH, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(In Thousands)**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
Other	\$ 2,767	\$ 2,760	\$ 3,214	\$ (454)
Transfers out	6,741	6,741	6,735 *	6
Total	\$ 132,858	\$ 132,858	132,572	\$ 286

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut State Teachers' Retirement System on-behalf pension contributions for City teachers is not budgeted.	6,893
State of Connecticut State Teachers' Retirement System on-behalf OPEB contributions for City teachers is not budgeted.	166
The Board of Education does not budget for intergovernmental grants, which are credited against education expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for GAAP financial reporting purposes.	2,047
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes.	(1,240)
Encumbrances for purchases and commitments ordered in the previous year that were received and liquidated in the current year are reported for financial statement reporting purposes.	97

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 140,535

\*Includes a one-time transfer of \$1,685 from the General Fund to the BOE Nonlapsing Fund.

**CITY OF NORWICH, CONNECTICUT  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
LAST EIGHT FISCAL YEARS - CITY EMPLOYEES\*(In Thousands)**

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ 6,691	\$ 5,973	\$ 5,881	\$ 5,769	\$ 5,656	\$ 5,890	\$ 5,498	\$ 2,679
Interest	22,662	21,529	20,905	20,965	20,281	18,659	17,981	17,334
Differences between expected and actual experience		795		(295)		3,337		
Changes of benefit terms		212		(4,568)		634		
Changes of assumptions		15,732		4,117		8,811		
Benefit payments, including refunds of member contributions	(20,092)	(18,792)	(18,326)	(17,496)	(16,927)	(15,426)	(14,836)	(14,146)
Net change in total pension liability	9,261	25,449	8,460	8,492	9,010	21,905	8,643	5,867
Total pension liability - beginning	315,758	290,309	281,849	273,357	264,347	242,442	233,799	227,932
Total pension liability - ending	325,019	315,758	290,309	281,849	273,357	264,347	242,442	233,799
Plan fiduciary net position:								
Contributions - employer	12,774	12,107	11,432	10,103	8,711	7,581	6,718	5,849
Contributions - member	3,937	3,917	3,896	3,664	3,386	3,358	3,247	3,057
Net investment income (loss)	40,742	7,176	12,528	12,097	18,213	(2,851)	4,681	20,194
Benefit payments, including refunds of member contributions	(20,092)	(18,792)	(18,326)	(17,496)	(16,927)	(15,426)	(14,836)	(14,146)
Administrative expense	(106)	(74)	(7)	(44)	(5)	(42)	(4)	(32)
Net change in plan fiduciary net position	37,255	4,334	9,523	8,324	13,378	(7,380)	(194)	14,922
Plan fiduciary net position - beginning	187,440	183,106	173,583	165,259	151,881	159,261	159,455	144,533
Plan fiduciary net position - ending	224,695	187,440	183,106	173,583	165,259	151,881	159,261	159,455
Net Pension Liability - Ending	\$ 100,324	\$ 128,318	\$ 107,203	\$ 108,266	\$ 108,098	\$ 112,466	\$ 83,181	\$ 74,344
Plan fiduciary net position as a percentage of the total pension liability	69.13%	59.36%	63.07%	61.59%	60.46%	57.46%	65.69%	68.20%
Covered payroll	\$ 43,693	\$ 43,693	\$ 43,095	\$ 41,638	\$ 42,011	\$ 40,590	\$ 39,262	\$ 37,752
Net pension liability as a percentage of covered payroll	229.61%	293.68%	248.76%	260.02%	257.31%	277.08%	211.86%	196.93%

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

**CITY OF NORWICH, CONNECTICUT  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST TEN FISCAL YEARS - CITY EMPLOYEES  
(In Thousands)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 12,759	\$ 12,073	\$ 12,010	\$ 10,820	\$ 10,732	\$ 9,740	\$ 9,651	\$ 5,790	\$ 5,728	\$ 4,713
Contributions in relation to the actuarially determined contribution	12,774	12,107	11,432	10,103	8,711	7,581	6,718	5,849	5,730	4,407
Contribution Deficiency (Excess)	<u>\$ (15)</u>	<u>\$ (34)</u>	<u>\$ 578</u>	<u>\$ 717</u>	<u>\$ 2,021</u>	<u>\$ 2,159</u>	<u>\$ 2,933</u>	<u>\$ (59)</u>	<u>\$ (2)</u>	<u>\$ 306</u>
Covered payroll	\$ 43,693	\$ 43,693	\$ 43,095	\$ 41,638	\$ 42,011	\$ 40,590	\$ 39,262	\$ 37,752	\$ 36,302	\$ N/A
Contributions as a percentage of covered payroll	29.24%	27.71%	26.53%	24.26%	20.74%	18.68%	17.11%	15.49%	N/A	N/A

**Notes to Schedule**

Valuation date: July 1, 2019  
 Measurement date: June 30, 2021

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry age normal
- Amortization method: Level percent
- Remaining amortization period: Closed 21 years for 2013 base; open 20 years for subsequent years' changes in the Unfunded Accrued Liability
- Asset valuation method: 5-year smoothed market
- Inflation: 2.75%
- Salary increases: Aged based
- Investment rate of return: 7.25%
- Retirement age - City and Public Utility Employees: Earlier of either (1) Age 55 with 25 years of service, (2) Age 60 with 5 years of service, or (3) 34 years of service
- Retirement age - Board of Education Employees: Earlier of either (1) Age 55 with 25 years of service, or (2) Age 60 with 5 years of service
- Retirement age - Police Officers and Firefighters: Either (1) 20 years of service if hired prior to 7/1/2013 or (2) 25 years of service if hired on or after 7/1/2013
- Mortality: Pub-2010 Mortality Table with generational projection per MP Ultimate Scale

Changes in assumptions  
 In 2020, change in assumptions from the adoption of the PUB-2010 mortality table with generational projection of future improvements in longevity per the MP Ultimate table. In addition, the interest rate assumption was lowered from 7.50% to 7.25% and the crediting rate on employee contributions was changed from 2.22% to 4.75%.

**CITY OF NORWICH, CONNECTICUT  
 SCHEDULE OF INVESTMENT RETURNS  
 LAST EIGHT FISCAL YEARS - CITY EMPLOYEES\***

	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	21.27%	3.95%	7.29%	7.40%	12.17%	-1.81%	2.98%	14.19%

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

**CITY OF NORWICH, CONNECTICUT  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
LAST EIGHT FISCAL YEARS - VOLUNTEER FIRE\*\*  
(In Thousands)**

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ 58	\$ 82	\$ 65	\$ 63	\$ 63	\$ 59	\$ 59	\$ 49
Interest	456	445	434	421	411	361	351	367
Differences between expected and actual experience	8	(2)		97		(230)		
Changes of benefit terms						706		
Changes of assumptions		249		(78)		144		
Benefit payments, including refunds of member contributions	(355)	(347)	(339)	(333)	(322)	(301)	(277)	(268)
Net change in total pension liability	167	427	160	170	152	739	133	148
Total pension liability - beginning	6,872	6,445	6,285	6,115	5,963	5,224	5,091	4,943
Total pension liability - ending	7,039	6,872	6,445	6,285	6,115	5,963	5,224	5,091
Plan fiduciary net position:								
Contributions - employer	335	365	365	373	373	351	333	309
Contributions - member	10	10	11	14	14	16	16	12
Net investment income (loss)	839	84	175	192	265	(9)	16	253
Benefit payments, including refunds of member contributions	(355)	(347)	(339)	(333)	(322)	(301)	(277)	(268)
Administrative expense	(6)	(9)	(1)	(9)	(2)	(9)	(4)	(11)
Net change in plan fiduciary net position	823	103	211	237	328	48	84	295
Plan fiduciary net position - beginning	3,109	3,006	2,795	2,558	2,230	2,182	2,098	1,803
Plan fiduciary net position - ending	3,932	3,109	3,006	2,795	2,558	2,230	2,182	2,098
Net Pension Liability - Ending	\$ 3,107	\$ 3,763	\$ 3,439	\$ 3,490	\$ 3,557	\$ 3,733	\$ 3,042	\$ 2,993
Plan fiduciary net position as a percentage of the total pension liability	55.86%	45.24%	46.64%	44.47%	41.83%	37.40%	41.77%	41.21%
Covered payroll*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered payroll	N/A							

\* Covered payroll is not included in the above schedule as the persons covered are volunteers.

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

**CITY OF NORWICH, CONNECTICUT  
SCHEDULE OF EMPLOYER CONTRIBUTIONS - VOLUNTEER FIRE  
LAST TEN FISCAL YEARS**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 335	\$ 365	\$ 365	\$ 373	\$ 373	\$ 304	\$ 304	\$ 309	\$ 309	\$ 255
Contributions in relation to the actuarially determined contribution	335	365	365	369	187	373	366	345	310	281
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ 4	\$ 186	\$ (69)	\$ (62)	\$ (36)	\$ (1)	\$ (26)
Covered-employee payroll*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* Covered payroll is not included in the above schedule as the persons covered are volunteers.

**Notes to Schedule**

Valuation date: January 1, 2020  
 Measurement date: June 30, 2021

Actuarially determined contribution rates are calculated as of January 1, one and a half years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry age normal
- Amortization method: Level percent
- Remaining amortization period: 20 years
- Asset valuation method: Market value of assets
- Inflation: 2.75%
- Investment rate of return: 6.75%
- Retirement age: Varies by age, service and date of hire
- Mortality: PubS-2010 Mortality Table with generational projection per the MP Ultimate Scale

**CITY OF NORWICH, CONNECTICUT  
 SCHEDULE OF INVESTMENT RETURNS  
 LAST EIGHT FISCAL YEARS - VOLUNTEER FIRE\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	25.73%	2.73%	6.06%	7.25%	10.91%	-0.37%	0.70%	15.89%

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

**CITY OF NORWICH, CONNECTICUT**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LAST SEVEN FISCAL YEARS - TEACHERS RETIREMENT PLAN\***  
**(In Thousands)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
City's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the City	<u>107,461</u>	<u>82,027</u>	<u>63,248</u>	<u>76,431</u>	<u>80,635</u>	<u>57,271</u>	<u>52,936</u>
Total	<u>\$ 107,461</u>	<u>\$ 82,027</u>	<u>\$ 63,248</u>	<u>\$ 76,431</u>	<u>\$ 80,635</u>	<u>\$ 57,271</u>	<u>\$ 52,936</u>
City's covered payroll	\$ 26,335	\$ 20,294	\$ 24,148	\$ 22,652	\$ 24,204	\$ 24,594	\$ 28,303
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	0.00%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

**Notes to Schedule**

Changes in benefit terms

HB 7424 made the following provision changes:

- Beginning July 1, 2019, annual interest credited on mandatory contributions set at 4.0%.
- For members retiring on or after July 1, 2019 with a partial refund option election (Plan N), if 50% of the benefits paid prior to death do not exceed the Member's mandatory contributions plus interest frozen at the date of benefit commencement, the difference is paid to the Member's beneficiary.

Changes of assumptions

HB 7424 made the following assumption changes:

- Reduce the inflation assumption from 2.75% to 2.50%.
- Reduce the real rate of return assumption from 5.25% to 4.40% which, when combined with the inflation assumption change, results in a decrease in the investment rate of return assumption from 8.00% to 6.90%.
- Increase the annual rate of wage increase assumption from 0.50% to 0.75%.
- Phase in to a level dollar amortization method for the June 30, 2024 valuation.

Actuarial cost method

Entry age

Amortization method

Level percent of pay, closed

Single equivalent amortization period

17.6 years

Asset valuation method

4-year smoothed market

Inflation

2.75%

Salary increase

3.25%-6.50%, including inflation

Investment rate of return

8.00%, net of investment related expense

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

- The plan measurement date is one year prior to the date of the City's fiscal year end.

**CITY OF NORWICH, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**LAST SIX FISCAL YEARS - OPEB\***  
(In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB liability:						
Service cost	\$ 1,288	\$ 1,200	\$ 1,644	\$ 1,699	\$ 1,658	\$ 1,610
Interest	4,519	4,650	4,437	4,687	4,552	4,416
Change of benefit terms				(645)		
Differences between expected and actual experience		(4,127)		(951)	138	1,010
Changes of assumptions		1,182		(2,129)		
Benefit payments	(2,872)	(2,450)	(3,175)	(4,572)	(4,624)	(5,164)
Net change in total OPEB liability	2,935	455	2,906	(1,911)	1,724	1,872
Total OPEB liability - beginning	62,455	62,000	59,094	61,005	59,281	57,409
Total OPEB liability - ending	65,390	62,455	62,000	59,094	61,005	59,281
Plan fiduciary net position:						
Contributions - employer	4,367	5,340	5,240	5,548	5,492	5,566
Contributions - member	11	10	15	200	177	291
Net investment income (loss)	5,494	856	1,534	1,035	1,420	(562)
Benefit payments, including refunds of member contributions	(2,872)	(2,450)	(3,175)	(4,572)	(4,624)	(5,164)
Administrative expense	(9)	(28)	(10)	(22)	(2)	(20)
Net change in plan fiduciary net position	6,991	3,728	3,604	2,189	2,463	111
Plan fiduciary net position - beginning	25,681	21,953	18,349	16,160	13,697	13,586
Plan fiduciary net position - ending	32,672	25,681	21,953	18,349	16,160	13,697
Net OPEB Liability - Ending	\$ <u>32,718</u>	\$ <u>36,774</u>	\$ <u>40,047</u>	\$ <u>40,745</u>	\$ <u>44,845</u>	\$ <u>45,584</u>
Plan fiduciary net position as a percentage of the total OPEB liability	49.96%	41.12%	35.41%	31.05%	26.49%	23.11%
Covered-employee payroll	\$ 68,379	\$ 68,379	\$ 68,379	\$ 65,850	\$ 63,623	\$ 59,548
Net OPEB liability as a percentage of covered-employee payroll	47.85%	53.78%	58.57%	61.88%	70.49%	76.55%

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

**CITY OF NORWICH, CONNECTICUT  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST TEN FISCAL YEARS - OPEB  
(In Thousands)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution (1)	\$ 4,367	\$ 5,522	\$ 5,485	\$ 5,542	\$ 5,492	\$ 5,566	\$ 5,431	\$ 6,030	\$ 5,907	\$ 6,184
Contributions in relation to the actuarially determined contribution	4,367	5,340	5,240	5,548	5,492	5,566	5,446	6,040	5,592	6,114
Contribution Deficiency (Excess)	\$ -	\$ 182	\$ 245	\$ (6)	\$ -	\$ -	\$ (15)	\$ (10)	\$ 315	\$ 70
Covered-employee payroll	\$ 68,379	\$ 68,379	\$ 65,850	\$ 63,623	\$ 59,548	\$ 57,814	\$ 56,130	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	6.39%	7.81%	7.96%	8.72%	9.22%	9.63%	N/A	N/A	N/A	N/A

(1) Actuarial Determined Contributions prior to fiscal year ended June 30, 2017 is based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45.

**Notes to Schedule**

- Valuation date: July 1, 2019
- Measurement date: June 30, 2021
- Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
- Methods and assumptions used to determine contribution rates:
  - Actuarial cost method: Entry age normal
  - Amortization method: Level percent of level dollar
  - Amortization period: Closed 25 years for initial 2013 base; open 20 years for subsequent years' changes in the Unfunded Accrued Liability
  - Asset valuation method: Market value
  - Inflation: 2.75%
  - Healthcare cost trend rates: Pre-Medicare: 6.2% - 4.1% over 54 years; Post-Medicare: 4.2% - 4.1% over 54 years
  - Salary increases: Varies by age, service and employee group
  - Investment rate of return: 7.25%
  - Retirement age - City and Public Utilities Employees: Age 55 with 25 years of service or age 60 with 5 years of service
  - Retirement age - Board of Education Employees: Hired prior to 7/1/2004 and age 55 with 25 years of service or age 60 with 5 years of service. 20 years of service required for medical coverage subsidy.
  - Retirement age - Police Officers and Firefighters: Hired prior to 7/1/2013 and 20 years of service and eligible for unreduced pension or hired on or after 7/1/2013 and 25 years of service and eligible for unreduced pension
- Healthy Mortality: BOE Certified: RP-2000 Combined Healthy Mortality Table with separate tables for males and females projected forward 19 years using Scale AA, with a two-year age setback.  
All Others: Pub-2010 Mortality Table for Employees and Healthy Annuitants with generational projection of future improvements in longevity per the MP Ultimate Scale. For Police and Fire Employees, the PubS-2010 Mortality Table was used instead of the Pub-2010 Mortality Table. This assumption includes a margin for future improvements in longevity. (Prior: RP-2014 with generational projection per MP-2017)
- Disabled Mortality: BOE Certified: RP-2000 Combined Healthy Mortality Table with separate tables for males and females projected forward 19 years using Scale AA, with an eight-year age set forward. This assumption includes a margin for mortality improvements beyond the valuation date.  
All Others: Pub-2010 Mortality Table for Disabled Annuitants with generational projection of future improvements in longevity per the MP Ultimate Scale. For Police and Fire Employees, the PubS-2010 Mortality Table was used instead of the Pub-2010 Mortality Table. This assumption includes a margin for future improvements in longevity. (Prior: RP-2014 with generational projection per MP-2017)

**CITY OF NORWICH, CONNECTICUT  
SCHEDULE OF INVESTMENT RETURNS  
LAST FIVE FISCAL YEARS - OPEB\***

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	18.78%	3.67%	7.82%	6.19%	9.18%

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

**CITY OF NORWICH, CONNECTICUT**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**LAST FOUR FISCAL YEARS - TEACHERS RETIREMENT PLAN\***  
(In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB liability (asset)	0.00%	0.00%	0.00%	0.00%
City's proportionate share of the net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the City	<u>16,028</u>	<u>12,793</u>	<u>12,644</u>	<u>19,672</u>
Total	<u>\$ 16,028</u>	<u>\$ 12,793</u>	<u>\$ 12,644</u>	<u>\$ 19,672</u>
City's covered payroll	\$ 26,335	\$ 20,294	\$ 24,148	\$ 22,652
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	0.00%	2.08%	1.49%	1.79%

**Notes to Schedule**

Changes in benefit terms	The Plan was amended by the Board, effective January 1, 2019, during the September 12, 2018 meeting. The Board elected a new prescription drug plan, which is expected to reduce overall costs and allow for the Board to receive a government subsidy for members whose claims reach a catastrophic level. These changes were communicated to retired members during the months leading up to the open enrollment period that preceded the January 1, 2019 implementation date.
Changes of assumptions	Based on the procedure described in GASB 74, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2019 was updated to equal the Municipal Bond Index Rate of 3.50% as of June 30, 2019.  Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on July 1, 2019.  The expected rate of inflation was decreased, and the real wage growth assumption was increased.
Actuarial cost method	Entry age
Amortization method	Level percent of payroll over an open period
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Investment rate of return	3.00%, net of investment related expense including price inflation
Price inflation	2.75%

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

- The plan measurement date is one year prior to the date of the City's fiscal year end.

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***Appendix B***

***Form of Opinion of Bond Counsel***

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February 25, 2022

City of Norwich  
100 Broadway  
Norwich, CT 06360

Re: City of Norwich, Connecticut  
\$145,000,000 General Obligation Bonds, Issue of 2022 (Federally Taxable),  
Dated February 25, 2022

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Norwich, Connecticut (the “City”) in connection with the issuance by the City of its \$145,000,000 General Obligation Bonds, Issue of 2022 (Federally Taxable), dated February 25, 2022 (the “Bonds”). The Bonds are being issued to finance unfunded past benefit obligations of the City and to pay costs of issuance. In such capacity, we have examined a record of proceedings of the City authorizing the Bonds, and such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

The Bonds are authorized and issued pursuant to Section 7-374c of the Connecticut General Statutes, as amended (the “Pension Statute”), and ordinances adopted by the City Council on August 2, 2021 and September 7, 2021 and approved by the voters at referendum on November 2, 2021.

In connection herewith, we have examined the applicable law and such other materials as we have deemed necessary in order to render this opinion and have relied upon originals or copies, certified or otherwise, identified to our satisfaction, of such public records, certificates and correspondence of public officials, certificates of officials of the City, and such other documents as were provided to us including, but not limited to, that certain letter from Melissa McCaw, Secretary of the State of Connecticut Office of Policy and Management, and Shawn T. Wooden, Treasurer of the State of Connecticut, dated January 27, 2022, verifying the City’s compliance with section (c)(1) of the Pension Statute.

We are of the opinion that when the Bonds are duly certified by U.S. Bank Trust Company, National Association, they will be valid and legally binding general obligations of the City payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

We are of the opinion that, under existing law, interest on the Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement dated February 10, 2022 and other offering material relating to the Bonds.

We express no opinion regarding any tax consequence caused by ownership or disposition of, or receipt of interest income on, the Bonds not specifically described herein. We assume no obligation to update, revise or supplement our opinion after the date hereof to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise.

Respectfully,

PULLMAN & COMLEY, LLC

## ***Appendix C***

### ***Form of Continuing Disclosure Agreement***

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**CONTINUING DISCLOSURE AGREEMENT FOR BONDS  
BY THE CITY OF NORWICH, CONNECTICUT**

**In Connection With The Issuance and Sale of  
City of Norwich, Connecticut  
\$145,000,000 General Obligation Bonds, Issue of 2022 (Federally Taxable)**

**Dated February 25, 2022**

**WHEREAS**, the City of Norwich, Connecticut (the “Issuer”) has heretofore authorized the issuance of \$145,000,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2022 (Federally Taxable) (the “Bonds”) to be dated February 25, 2022 and to mature in the principal amounts and on the dates set forth in the Issuer’s Official Statement describing the Bonds (the “Official Statement”); and

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

**WHEREAS**, the Issuer is authorized pursuant to Connecticut General Statutes §3-20e enacted by the Connecticut General Assembly to make representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

**WHEREAS**, in order to assist the underwriter of the Bonds in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Bonds, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

**NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:**

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

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

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

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

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

**Section 2. Annual Reports.**

(a) The Issuer shall provide or cause to be provided to the MSRB, in accordance with the provisions of the Rule and of this Continuing Disclosure Agreement, the following annual financial information and operating data regarding the Issuer:

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

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

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

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

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

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

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

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

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

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

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

(b) The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's audited financial statements. The information may be provided in whole or in part by cross-reference to other documents provided to the MSRB, including official statements of the Issuer which will be available from the MSRB or filed with the SEC. The information will be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

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

**Section 3. Timing.** The Issuer shall provide the information and data referenced in Section 2(a) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the Bonds, provided, however, that if such financial information and data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Final Official Statement for the Bonds or has not otherwise been previously provided, the Issuer shall provide such information and data no later than eight months after the close of such preceding Fiscal Year End. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information when available.

**Section 4. Event Notices.**

(a) The Issuer agrees to provide or cause to be provided to the MSRB, within ten (10) business days of the occurrence of any of the following events with respect to the Bonds, notice of the occurrence of such event:

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

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

*Note to clauses (a)(xv) and (a)(xvi): For purposes of the events identified in clauses (a)(xv) and (xvi), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.*

**Section 5. Notice of Failure.** The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of any failure by the Issuer to provide the annual financial information described in Section 2(a) of this Continuing Disclosure Agreement on or before the date set forth in Section 3 hereof.

**Section 6. Termination of Reporting Obligation.** The Issuer’s obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

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

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

**Section 9. Additional Information.** Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communications, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Indemnification.** The Issuer agrees to indemnify and save its officials, officers and employees harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability hereunder, but excluding any such liabilities due to any such person's malicious, wanton, or willful act. The obligations of the Issuer under this Section shall survive, notwithstanding that such person may no longer be serving in such capacity.

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

**Section 12. Governing Law.** This Continuing Disclosure Agreement shall be governed by the laws of the State of Connecticut.

**Section 13. Method of Filing.** To the extent filings are required to be made to the MSRB under this Continuing Disclosure Agreement, the Issuer shall transmit such filings or notices in an electronic format to the continuing disclosure service portal provided through MSRB's EMMA as provided at <http://emma.msrb.org/> or any similar system that is acceptable to the SEC.

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

**CITY OF NORWICH, CONNECTICUT**

By: \_\_\_\_\_  
John L. Salomone, City Manager

By: \_\_\_\_\_  
Joshua A. Pothier, Comptroller

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